

Golden Resorts
黃金集團

Golden Resorts Group Limited
黃金集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 1031)



INTERIM REPORT 2009

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman and Non-executive Director

Mr. CHU Nicholas Yuk-yui

Executive Directors

Dr. CHU Yuet Wah (Chief Executive Officer)

Mr. WONG Hin Shek

Independent Non-executive Directors

Dr. WONG Yun Kuen

Mr. LAU Man Tak

Mr. YU Peter Pak Yan

COMPANY SECRETARY

Mr. LAI Yick Fung

AUDITORS

Graham H Y Chan & Co
Unit 1, 15th Floor, The Center
99 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

Chong Hing Bank Limited
Bank of China (Hong Kong) Limited

HONG KONG LEGAL ADVISERS

K&L Gates
35/F., Two International Finance Centre
8 Finance Street
Central
Hong Kong

BERMUDA LEGAL ADVISERS

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REGISTERED OFFICE

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

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Rosebank Centre
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Pembroke HM08
Bermuda

BRANCH SHARE REGISTRARS AND TRANSFER OFFICE IN HONG KONG

Tricor Abacus Limited
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Wanchai
Hong Kong

STOCK CODE

1031

WARRANT CODE

741

WEBSITE

<http://www.goldenresortsgroup.com>

The Board of Directors (“the Board”) of Golden Resorts Group Limited (“the Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, “the Group”) for the six months ended 30 June 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group’s unaudited turnover was approximately HK\$171 million for the six months ended 30 June 2009, representing a decrease of approximately 25% as compared with approximately HK\$227 million in the corresponding period of year 2008. For the current period under review, the effect of economic downturn had little sign of being relieved, resulting in retardation in the revenue from the hotel and gaming business.

For the six months ended 30 June 2009, the Group recorded an EBITDA of approximately HK\$128 million (2008: HK\$87 million). The unaudited net profit attributable to the Company’s shareholders amounted to approximately HK\$75 million (2008: HK\$30 million). The basic earnings per share for the six months ended 30 June 2009 was HK1.01 cents (2008: HK0.40 cents).

Hotel & Gaming Business

The Group operates in one of ever competitive gaming markets in the world and its hotel and gaming business continued to face severe challenge for the six months ended 30 June 2009. Regarding the revenue mix, revenue from the mass market gaming business accounted for 62% (2008: 66%) of the Group’s turnover while revenue from VIP gaming business accounted for 10% (2008: 8%).

Revenue from the hotel business contributed 28% (2008: 26%). The revenue from hotel business experienced further impact by the human swine flu, thus lowering the desire of visitors to travel abroad.

Investment in listed securities

After an extremely disappointed year of 2008, the equity market rebounded significantly. As a result, the market value of the trading securities enjoyed a fabulous unrealised revaluation gain of approximately HK\$76 million during the period under review.

Given the high volatility of the equity market, the Group will review its portfolio from time to time with a view to enhance the shareholders’ return.

Future Business Prospects and Plans

The Group is continuously pursuing various marketing and promotion activities through the comprehensive membership programmes. Our guests can enjoy quality services within the Group’s properties with the use of our casino package. The Group recorded expansion in membership base of the programmes.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Future Business Prospects and Plans *(Continued)*

Following the opening of slot machines area with full electronic operations in both casinos, it is expected to open up additional sources of revenue.

The Group will also further strengthen with travel agencies and offer packages and joint promotions with business partners to direct a wider scope of customers to the two hotels and gaming facilities. In particular with the tightened visa policy of the PRC, the Group will devote more resources to customers from other territories such as South East Asia countries.

Capital Structure

On 8 June 2009, the Company entered into an agreement to issue and allot a total of 1,477,000,000 Shares under the current general mandate to independent placees pursuant to a top-up placing. The aggregate net proceeds from the placing amounted to approximately HK\$266 million, which will be used as general working capital for the Group. The placing was completed on 23 June 2009.

Liquidity, Financial Resources and Funding

As at 30 June 2009, the shareholders' fund and net current assets of the Group amounted to approximately HK\$3.1 billion and HK\$813 million respectively. On the same date, the Group had cash and bank balance of approximately HK\$661 million and the current ratio was 28 (31 December 2008: 14).

As at 30 June 2009, the Group had total borrowings amounted to approximately HK\$4 million. The net gearing ratio is measured on the basis of total borrowings less bank and cash balances over net assets. As the Group was in net cash position, no net gearing ratio is presented.

Contingent Liabilities

No material contingent liabilities of the Group were noted as at 30 June 2009.

Foreign Currency Exposure

As the Group's hotel revenues are mostly based on Macau Patacas ("MOP"), having considered that the exchange rate of MOP is fairly stable, its exposure to exchange rate risk is considered limited.

Employees

As at 30 June 2009, the Group employed a total of approximately 660 staff. The employees' remuneration, promotion and salary adjustment are assessed based on their work performance, working and professional experiences and the prevailing market practice.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	<i>Note</i>	(Unaudited)	
		Six months ended 30 June	
		2009	2008
		HK\$'000	HK\$'000
			(restated)
Revenue		171,227	226,826
Cost of sales		(5,968)	(6,708)
Operating cost		(80,486)	(73,178)
Gross profit		84,773	146,940
Other income		3,046	8,131
Loss from sales of trading securities		–	(11,589)
Fair value gain/(loss) on trading securities		76,342	(25,470)
Gain on disposal of available-for-sale investments		–	1,194
Administrative expenses		(74,093)	(77,849)
Staff costs	4	(14,694)	(10,585)
Finance costs	5	–	(186)
Profit before taxation	6	75,374	30,586
Taxation	7	–	–
Profit for the period		75,374	30,586
Other comprehensive income for the period, net of tax:			
Reclassification adjustment on investment gains included in the profit or loss on disposal		–	(3,961)
Total comprehensive income for the period		75,374	26,625

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 June 2009

	(Unaudited)	
	Six months ended 30 June	
	2009	2008
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (restated)
Profit attributable to:		
Owners of the Company	75,361	29,791
Non-controlling interests	<u>13</u>	<u>795</u>
	<u>75,374</u>	<u>30,586</u>
Total comprehensive income attributable to:		
Owners of the Company	75,361	25,830
Non-controlling interests	<u>13</u>	<u>795</u>
	<u>75,374</u>	<u>26,625</u>
Earnings per share for profit attributable to owners of the Company	9	
– Basic	<u>1.01 cents</u>	<u>0.40 cents</u>
– Diluted	<u>1.01 cents</u>	<u>0.40 cents</u>

Details of dividends payable to owners of the Company are set out in note 8.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

		30 June 2009 (Unaudited) <i>HK\$'000</i>	31 December 2008 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	10	1,662,896	1,702,472
Prepaid land lease payments		617,693	625,712
Available-for-sale investments	11	–	12,702
Conversion options embedded in convertible notes	12	–	7,711
Deferred tax assets		5,575	5,575
		<u>2,286,164</u>	<u>2,354,172</u>
Current assets			
Inventories	13	1,888	2,060
Prepaid land lease payments		15,980	15,775
Available-for-sale investments	11	15,009	2,307
Conversion options embedded in convertible notes	12	7,711	–
Trading securities		114,397	38,055
Trade and other receivables	14	27,385	43,616
Cash and bank balances		660,599	403,891
		<u>842,969</u>	<u>505,704</u>
Current liabilities			
Trade and other payables	15	26,530	33,622
Borrowings	16	3,675	1,246
Tax payable		47	47
		<u>30,252</u>	<u>34,915</u>
Net current assets		<u>812,717</u>	<u>470,789</u>
Net assets		<u>3,098,881</u>	<u>2,824,961</u>
Capital and reserves			
Share capital	17	88,633	73,863
Reserves		3,007,667	2,748,530
Total equity attributable to owners of the Company		<u>3,096,300</u>	2,822,393
Non-controlling interests		2,581	2,568
Total equity		<u>3,098,881</u>	<u>2,824,961</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	Attributable to owners of the Company											
	Share capital HK\$'000	Capital redemption reserve HK\$'000	Share premium account HK\$'000	Employee share-based payment reserve HK\$'000	Contributed surplus HK\$'000	Leasehold building revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2008 (audited)	74,137	-	1,657,532	57,411	814	906,880	3,191	235	555,099	3,255,299	5,662	3,260,961
Total comprehensive income for the period	-	-	-	-	-	-	(3,961)	-	29,791	25,830	795	26,625
Realised upon depreciation based on revalued amount of land and building	-	-	-	-	-	(10,770)	-	-	10,770	-	-	-
Share repurchased	(136)	136	(4,235)	-	-	-	-	-	(136)	(4,371)	-	(4,371)
Employee share-based payments	-	-	-	98	-	-	-	-	-	98	-	98
Forfeiture of share options	-	-	-	(45)	-	-	-	-	45	-	-	-
Expiration of the warrants	-	-	-	(48,800)	-	-	-	-	48,800	-	-	-
Payment of dividends	-	-	-	-	-	-	-	-	(73,987)	(73,987)	-	(73,987)
At 30 June 2008 (unaudited)	74,001	136	1,653,297	8,664	814	896,110	(770)	235	570,382	3,202,869	6,457	3,209,326
At 1 January 2009 (audited)	73,863	274	1,650,305	8,512	814	716,344	1,372	235	370,674	2,822,393	2,568	2,824,961
Total comprehensive income for the period	-	-	-	-	-	-	-	-	75,361	75,361	13	75,374
Realised upon depreciation based on revalued amount of land and building	-	-	-	-	-	(8,668)	-	-	8,668	-	-	-
Issue of share	14,770	-	250,662	-	-	-	-	-	-	265,432	-	265,432
Employee share-based payments	-	-	-	6,977	-	-	-	-	-	6,977	-	6,977
Forfeiture of share options	-	-	-	(40)	-	-	-	-	40	-	-	-
Payment of dividends	-	-	-	-	-	-	-	-	(73,863)	(73,863)	-	(73,863)
At 30 June 2009 (unaudited)	88,633	274	1,900,967	15,449	814	707,676	1,372	235	380,880	3,096,300	2,581	3,098,881

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009

	(Unaudited)	
	Six months ended 30 June	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from operating activities	64,924	107,973
Net cash used in investing activities	(2,214)	(173,349)
Net cash from/(used in) financing activities	191,569	(218,544)
Net increase/(decrease) in cash and cash equivalents	254,279	(283,920)
Cash and cash equivalents at 1 January	402,645	604,908
Cash and cash equivalents at 30 June	656,924	320,988
Analysis of balances of cash and cash equivalents		
Time deposits	567,557	267,269
Cash held in securities accounts maintained in securities company	46,547	126
Cash at bank and in hand	46,495	59,019
Cash and bank balances	660,599	326,414
Bank overdrafts	(3,675)	(5,426)
Cash and cash equivalents in the condensed consolidated statement of cash flow	656,924	320,988

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Corporate information

The Company was incorporated as an exempted company with limited liability in Bermuda on 10 April 1996 under the Companies Act 1981 of Bermuda. The address of the Company's registered office and its principal place of business are disclosed in the "Corporate Information" section of the interim report.

The principal activities of the Group are described in note 3.

2 Basis of presentation and accounting policies

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA"). These condensed interim financial statements have been reviewed by the Audit Committee of the Company and were approved by the Board of Directors on 14 September 2009.

The condensed interim financial statements have been prepared under the historical cost convention except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2008. The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008, except for the adoption of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning on or after 1 January 2009, noted below:

HKFRSs (Amendments)	Improvements to HKFRSs, except for amendment to HKFRS 5
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 and HKAS 39 (Amendment)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2 Basis of presentation and accounting policies *(Continued)*

The adoption 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 is required.

The Group has applied the disclosures requirements under HKAS 1 (Revised) “Presentation of Financial Statements” and HKFRS 8 “Operating Segments”, respectively.

Under HKAS 1(Revised), the “Balance Sheet” is renamed as the “Statement of Financial Position” and the “Cash Flow Statement” is renamed as the “Statement of Cash Flows”. All income and expenses arising from transactions with non-owner (i.e., the non-owner changes in equity) are presented under the “Statement of Comprehensive Income”, while the owner changes in equity are presented in the “Statement of Changes in Equity”.

HKFRS 8 supersedes HKAS 14 “Segment Reporting”, and requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-makers in order to allocate resources to the segment and to assess its performance. This has resulted in an increase in the number of reportable segments presented, as the previously holding and operating of hotels segment has been split into hotel ownership and management, food and beverage and casino segments. Comparatives for 2008 have been restated.

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments and interpretations will have no material impact on the financial statements of the Group.

HKFRSs (Amendments)	Improvements to HKFRS 5 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards ¹
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions ⁴
HKFRS 3 (Revised)	Business Combinations ¹
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) – Int 18	Transfer of Assets from Customers ³

¹ Effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 January 2010, unless otherwise specified

³ Effective for transfers on or after 1 July 2009

⁴ Effective for annual periods beginning on or after 1 January 2010

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3 Segmental information

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

- (a) Hotel ownership and management segment is the operation of hotels and provision of hotel management services.
- (b) Food and beverage segment is the operation of restaurants in hotels.
- (c) Casino segment is the operation of casino in hotels.
- (d) Securities investment segment is the trading of listed securities.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on a measure of adjusted earnings before interest, income tax, depreciation and amortisation (EBITDA). Interest income and expenditure are not included in the result of each operating segment that is reviewed by the management. Other information provided, except as noted below, to the management is measured in a manner consistent with that in the financial statements.

Revenue between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external customers reported to the management is measured in a manner consistent with that in the condensed consolidated interim statement of comprehensive income.

Operating segments

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2009 and 2008 respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Segmental information (Continued) Operating segments (Continued) For the six months ended 30 June 2009 (unaudited)

	Hotel ownership and management HK\$'000	Food and beverage HK\$'000	Casino HK\$'000	Securities Investment HK\$'000	Eliminations HK\$'000	Total HK\$'000
Revenue						
External customers	32,338	15,555	123,334	-	-	171,227
Inter-segment	12,000	-	-	-	(12,000)	-
Total revenue	44,338	15,555	123,334	-	(12,000)	171,227
Adjusted EBITDA	20,869	(3,152)	53,438	76,996	-	148,151
Other operating income						2,461
Corporate overhead						(16,008)
Depreciation						(44,439)
Amortisation						(7,814)
Expenses in relation to the grant of share option						(6,977)
Finance costs						-
Profit before taxation						75,374
Taxation						-
Profit for the period						75,374

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Segmental information (Continued)

Operating segments (Continued)

For the six months ended 30 June 2008 (unaudited)

	Hotel ownership and management <i>HK\$'000</i>	Food and beverage <i>HK\$'000</i>	Casino <i>HK\$'000</i>	Securities Investment <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i> (restated)
Revenue						
External customers	40,730	17,580	168,516	-	-	226,826
Inter-segment	12,000	-	-	-	(12,000)	-
Total revenue	<u>52,730</u>	<u>17,580</u>	<u>168,516</u>	<u>-</u>	<u>(12,000)</u>	<u>226,826</u>
Adjusted EBITDA	<u>27,865</u>	<u>(2,090)</u>	<u>102,301</u>	<u>(35,865)</u>	<u>-</u>	<u>92,211</u>
Other operating income						8,131
Corporate overhead						(13,647)
Depreciation						(46,318)
Amortisation						(9,507)
Expenses in relation to the grant of share option						(98)
Finance costs						(186)
Profit before taxation						<u>30,586</u>
Taxation						-
Profit for the period						<u><u>30,586</u></u>

Proceeds from sale of trading securities had been included in Revenue in prior periods. For the six months ended 30 June 2009, sales proceeds arising from the sale of trading securities are not presented as Revenue. The comparative figure for the period ended 30 June 2008 has been reclassified to confirm with current year presentation.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Segmental information (Continued)

Operating segments (Continued)

The following table presents segment assets of the Group's operating segments as at 30 June 2009 and 31 December 2008:

As at 30 June 2009 (unaudited)

	Hotel ownership and management HK\$'000	Food and beverage HK\$'000	Casino HK\$'000	Securities Investment HK\$'000	Total HK\$'000
Segment assets	1,161,297	536,856	1,180,770	160,944	3,039,867
Unallocated corporate assets					60,971
Deferred tax assets					5,575
Conversion options embedded in convertible notes					7,711
Available-for-sales investments					15,009
Total assets					3,129,133

As at 31 December 2008 (audited)

	Hotel ownership and management HK\$'000	Food and beverage HK\$'000	Casino HK\$'000	Securities Investment HK\$'000	Total HK\$'000
Segment assets	1,282,218	380,504	1,034,030	80,256	2,777,008
Unallocated corporate assets					54,573
Deferred tax assets					5,575
Conversion options embedded in convertible notes					7,711
Available-for-sales investments					15,009
Total assets					2,859,876

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4 Staff costs

	(Unaudited)	
	Six months ended 30 June	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff costs (including directors' remuneration)		
– salaries, bonus, allowances and benefits in kind	42,390	46,397
– expenses in relation to the grant of share option (note)	480	98
	<u>42,870</u>	<u>46,495</u>
Amount shown as staff costs in the condensed consolidated statement of comprehensive income	14,694	10,585
Staff costs included in operating costs in the condensed consolidated statement of comprehensive income	<u>28,176</u>	<u>35,910</u>
	<u>42,870</u>	<u>46,495</u>

Note: The Company granted 165,975,545 options on 3 June 2009. Details refer to note 20.

5 Finance costs

	(Unaudited)	
	Six months ended 30 June	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expense on bank loans and overdrafts	–	186

6 Profit before taxation

The profit before taxation has been arrived at after charging the following:

	(Unaudited)	
	Six months ended 30 June	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amortisation of land lease premium	7,814	9,507
Depreciation	<u>44,439</u>	<u>46,318</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

7 Taxation

No provision for Hong Kong profits tax has been made for six-months period ended 30 June 2009 as the Group has no assessable profit for the period (six months ended 30 June 2008: nil).

No provision for Macau Complementary Tax has been made as the subsidiaries operating in Macau has no assessable profit for the period (six months ended 30 June 2008: nil).

8 Dividends

	(Unaudited)	
	Six months ended 30 June	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend of HK 1 cent for the year ended 31 December 2008 paid during the interim period (year ended 31 December 2007: HK 1 cent) per share	73,863	73,987

The board has resolved not to declare any interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: nil).

9 Earnings per share

(a) The calculation of basic earnings per share is based on the net profit attributable to shareholders for the six months ended 30 June 2009 of HK\$75,361,000 (six months ended 30 June 2008: HK\$29,791,000), and the weighted average number of 7,451,605,591 ordinary shares (2008: 7,401,547,490) in issue during the period.

(b) For the six months ended 30 June 2008 and 2009, share options and warrants have no dilutive effect as the average market price of ordinary shares during the period did not exceed the exercise price of the share options and warrants.

10 Property, plant and equipment

During the period, the Group's acquisition of property, plant and equipment amounted to HK\$4,863,000 (six months ended 30 June 2008: HK\$18,350,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11 Available-for-sale investments

	30 June 2009 (unaudited) HK\$'000	31 December 2008 (audited) HK\$'000
Investment funds, at fair value	2,307	2,307
Convertible notes, at fair value (<i>note</i>)	<u>12,702</u>	<u>12,702</u>
	<u>15,009</u>	<u>15,009</u>
Analysed for reporting purposes as:		
Current asset	15,009	2,307
Non-current asset	<u>-</u>	<u>12,702</u>
	<u>15,009</u>	<u>15,009</u>

The available-for-sale investments are denominated in United States dollars and there is no public market for the investments. Changes in fair value of available-for-sale investments are recognised in investment revaluation reserve.

Note:

The amount represented the fair value of debt elements of the convertible notes issued by a China based company. Such convertible notes have been redeemed subsequently. The amount is classified as current asset in the condensed consolidated statement of financial position as at the reporting date. Details are set out in note 22.

12 Conversion options embedded in convertible notes

Conversion options embedded in convertible notes represented the conversion option element of the convertible notes subscribed by the Group and are measured at fair value using the Trinomial Option Pricing Model, at initial recognition and at the reporting date. The debt element of those convertible notes is classified under available-for-sale investment.

As explained in note 11, the convertible notes have been redeemed subsequently. The amount is classified as current asset in the condensed consolidated statement of financial position as at the reporting date. Details are set out in note 22.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13 Inventories

	30 June 2009 (unaudited) HK\$'000	31 December 2008 (audited) HK\$'000
Holding and operating of hotels		
Food and beverage	1,888	2,060

14 Trade and other receivables

	30 June 2009 (unaudited) HK\$'000	31 December 2008 (audited) HK\$'000
Trade receivables	17,084	35,117
Other receivables, deposits and prepayments	10,301	8,499
	27,385	43,616

The Group generally allows an average credit period of 30 days to its customers. The following is an aging analysis of trade receivables at the reporting date:

	30 June 2009 (unaudited) HK\$'000	31 December 2008 (audited) HK\$'000
0 – 30 days	9,876	28,627
31 – 60 days	3,444	5,158
61 – 90 days	1,408	1,237
Over 90 days	14,866	12,605
	29,594	47,627
Allowance for doubtful debt	(12,510)	(12,510)
	17,084	35,117

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15 Trade and other payables

	30 June 2009 (unaudited) HK\$'000	31 December 2008 (audited) HK\$'000
Trade payables	8,749	10,197
Other payable and accruals	17,781	23,425
	<u>26,530</u>	<u>33,622</u>

The following is an aging analysis of trade payables at the reporting date:

	30 June 2009 (unaudited) HK\$'000	31 December 2008 (audited) HK\$'000
0 – 30 days	8,601	6,982
31 – 60 days	106	3,058
61 – 90 days	23	94
Over 90 days	19	63
	<u>8,749</u>	<u>10,197</u>

16 Borrowings

	30 June 2009 (unaudited) HK\$'000	31 December 2008 (audited) HK\$'000
Bank overdrafts	3,675	1,246

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 Share capital

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At 1 January 2009 and 30 June 2009	30,000,000,000	300,000
<i>Issued and fully paid:</i>		
At 1 January 2009	7,386,323,823	73,863
Issue of share	1,477,000,000	14,770
At 30 June 2009	8,863,323,823	88,633

18 Capital commitments

	30 June 2009 (unaudited) HK\$'000	31 December 2008 (audited) HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment:		
– Contracted but not provided for	8,893	–
– Authorised but not contracted for	–	–

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

19 Operating lease commitment

- (a) The Group leases certain of its land and buildings to tenants under operating lease arrangements, and the terms of the leases range from one to two years and the lease payments are payable in fixed monthly instalments. The lease agreements are renewable at the end of the respective lease terms. There is no arrangement for contingent rent payments.

At 30 June 2009, the Group had total future minimum lease receivable under non-cancellable operating leases which fall due as follows:

	30 June 2009 (unaudited) HK\$'000	31 December 2008 (audited) HK\$'000
Within one year	855	15,859
After one year but within five years	436	60,994
Over five years	–	93,896
	1,291	170,749

Owing to the termination of several tenancy agreements of VIP gaming rooms on 1 July 2009, the total future minimum lease receivables as at 30 June 2009 substantially decrease.

- (b) The Group entered into non-cancellable operating lease arrangements with landlords and the terms of the leases range from one to five years.

At 30 June 2009, the Group had total future minimum lease rent payments under non-cancellable operating leases falling due as follows:

	30 June 2009 (unaudited) HK\$'000	31 December 2008 (audited) HK\$'000
Within one year	9,013	8,386
After one year but within five years	5,255	9,024
	14,268	17,410

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20 Share-based payment transactions

The Company has share options scheme for eligible employees, consultants and the directors of the Company. Details of specific categories of options are as follows:

Category of participants	Date of grant	Exercise period	Exercise price	Balance at 30 June 2009
Directors	28 April 2006	28 April 2006 to 31 December 2009	HK\$0.400	85,600,000
	3 June 2009	3 June 2009 to 2 June 2012	HK\$0.156	10,000,000
Consultants	28 April 2006	28 April 2006 to 31 December 2009	HK\$0.400	60,600,000
	3 June 2009	3 June 2009 to 2 June 2012	HK\$0.156	148,475,545
Staff	28 April 2006	1 January 2007 to 31 December 2009	HK\$0.400	7,963,000
	3 June 2009	3 December 2009 to 2 June 2012	HK\$0.156	7,500,000

The following table discloses movements of the Company's share options held by directors and staff during the period:

Category of participants	Outstanding at 1 January 2009	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2009
Directors	85,600,000	10,000,000	–	–	95,600,000
Consultants	60,600,000	148,475,545	–	–	209,075,545
Staff	8,713,000	7,500,000	–	750,000	15,463,000

The share options granted on 28 April 2006 to staff are subject to the following vesting schedule:

Vesting schedule	Maximum number of share options exercisable
From 1 January 2007 to 30 June 2007	20%
From 1 July 2007 to 31 December 2007	35%
From 1 January 2008 to 30 June 2008	50%
From 1 July 2008 to 31 December 2008	65%
From 1 January 2009 to 30 June 2009	80%
From 1 July 2009 to 31 December 2009	100%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

20 Share-based payment transactions *(Continued)*

The share options granted on 3 June 2009 to staff are subject to the following vesting schedule:

Vesting schedule	Maximum number of share options exercisable
From 3 December 2009 to 2 June 2010	20%
From 3 June 2010 to 2 December 2010	35%
From 3 December 2010 to 2 June 2011	50%
From 3 June 2011 to 2 December 2011	65%
From 3 December 2011 to 2 March 2012	80%
From 3 March 2012 to 2 June 2012	100%

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share-based payment reserve within equity over the relevant vesting periods. The fair value of share options was measured at the grant date using the Trinomial model after taking into accounts the terms and conditions upon which the share options were granted.

The inputs into the model of the share options granted during the period were as follows:

	2009
Weighted average share price	HK\$0.153
Exercise price	HK\$0.156
Expected volatility	66.83%
Expected life	1.5 years
Risk-free rate	0.91%
Expected dividend yield	4.33%

The fair value of the share options granted during the period is HK\$0.0438. Expected volatility was determined by using the historical volatility of the Company's share price over the previous year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Group recognised the total expense of HK\$6,977,000 for the period ended 30 June 2009 (six months ended 30 June 2008: HK\$98,000) in relation to share options granted by the Company, of which HK\$480,000 and HK\$6,497,000 (six months ended 30 June 2008: HK\$98,000 and nil) have been included in staff costs and administrative expenses respectively in the condensed consolidated statement of comprehensive income.

The Trinomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21 Related party transactions

(a) *Key management personnel remuneration*

Remuneration for key management personnel, including amounts paid to the Company's directors is as follows:

	(Unaudited)	
	Six months ended 30 June	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short-term employee benefits	4,200	8,513
Post-employment benefits	12	12
Share-based payment expenses	438	–
	4,650	8,525

(b) During the period, the Group entered into the following material related party and connected transactions.

Name of related party	Nature of transaction	(Unaudited)	
		Six months ended 30 June	
		2009	2008
		<i>HK\$'000</i>	<i>HK\$'000</i>
Kingston Corporate Finance Limited (note 1)	Financial advisory fee (note 2)	–	300
Kingston Securities Limited (note 1)	Placing commission and related expenses (note 3)	6,831	–
	Brokerage fee in respect of dealing in securities (note 3)	30	125
	Interest income (note 4)	178	27
Dr. Chu Yuet Wah	Staff quarter rental expenses	447	371

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

21 Related party transactions *(Continued)*

(b) (Continued)

Notes:

1. The director, Dr. Chu Yuet Wah has controlling interest in the above companies.
2. This transaction was transacted at a price agreed between the parties and in accordance with the agreement.
3. Placing commission was charged at 2.5% and brokerage fee was charged at 0.25%.
4. Interest income was charged at 0.70% to 1.90% per annum.

22 Events after the reporting period

On 30 June 2009, the issuer of the convertible notes as set out in notes 11 and 12 entered into a sale and purchase agreement with a company listed in Hong Kong (the “Acquirer”) to sell the equity interest in a subsidiary of the issuer. This event meets the early redemption condition of the convertible notes. The transaction was completed on 31 July 2009. Upon completion, the Group has received cash of approximately HK\$15,652,000 and 3,272,727 ordinary shares in the Acquirer.

INTERIM DIVIDEND

The Board of Directors has resolved not to declare any interim dividend for the six months ended 30 June 2009 (2008: nil).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES

At 30 June 2009 the following Directors had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which would be required (a) to be notified to the Company or the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the requirements of the Model Code for Securities Transactions by Directors of Listed Companies:

Long positions in the Shares:

Name of Directors	Number of shares of the Company		Number of underlying shares of the Company	Total	Approximate percentage of shareholding
	Personal Interests	Corporate Interests			
Dr. CHU Yuet Wah	–	3,164,915,680 <i>(Note 1)</i>	654,629,136 <i>(Note 2)</i>	3,819,544,816	43.09%
Mr. CHU, Nicholas Yuk-yui	–	3,164,915,680 <i>(Note 1)</i>	654,629,136 <i>(Note 2)</i>	3,819,544,816	43.09%
Mr. WONG Hin Shek	–	–	70,600,000 <i>(Note 3)</i>	70,600,000	0.80%

Notes:

- (1) As at 30 June 2009, of the 3,164,915,680 shares, 3,138,343,990 shares are held by Sure Expert Limited which is wholly and beneficially owned by Dr. CHU Yuet Wah ("Dr. CHU"), 26,566,665 shares are held by Kingston Capital Limited and 5,025 Shares are held by Kingston Securities Limited. Both Kingston Capital Limited and Kingston Securities Limited are controlled by Dr. CHU. Mr. CHU Nicholas Yui-yui ("Mr. CHU"), the husband of Dr. CHU, is deemed to be interested in these 3,164,915,680 shares.
- (2) As at 30 June 2009, Dr. CHU, through Sure Expert Limited held 624,128,798 warrants, Kingston Capital Limited held 5,313,333 warrants and Kingston Securities Limited held 187,005 warrants conferring rights to subscribe for up to approximately HK\$220,370,197 in aggregate in cash for 629,629,136 new shares at an adjusted subscription price of HK\$0.35 per share (the "Warrants"). Each of Mr. CHU, and Dr. CHU personally held 12,500,000 share options conferring rights to subscribe for 12,500,000 shares each. Mr. CHU is deemed to be interested in the 642,129,136 underlying shares held by Dr. CHU. Dr. CHU is deemed to be interested in the 12,500,000 underlying shares held by Mr. CHU.
- (3) As at 30 June 2009, 70,600,000 share options conferring rights to subscribe for 70,600,000 shares.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES *(Continued)*

Long positions in the Shares: *(Continued)*

Save for those disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Director of the Chief Executive of the Company or their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein.

DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in the section "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES", at no time during the period was the Company or any of its associated corporations a party to any arrangement to enable the directors or chief executive of the Company to acquire benefits by means of the acquisition of shares in, or underlying shares in, or debentures of, the Company or any other body corporate, and none of the directors or chief executives, nor any of their spouses or children under the age of 18, had any rights to subscribe the securities of the Company, or had exercised any such rights during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Name of Shareholders	Number of shares of the Company		Number of underlying shares of the Company	Total	Approximate percentage of shareholding
	Personal Interests	Corporate Interests			
Sure Expert Limited <i>(Note 1)</i>	–	3,138,343,990 <i>(Note 1)</i>	624,128,798	3,762,472,788	42.45%
Choose Right Limited	–	676,250,000	135,250,000	811,500,000	9.16%

Note:

- (1) Sure Expert Limited is wholly owned by Dr. CHU. The interests of Dr. CHU and Sure Expert Limited in the Company are stated under the section headed "Directors' and Chief Executive's interests and short positions in the securities" above.

Save for those disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2009.

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

During the six months ended 30 June 2009, neither the Company nor subsidiaries, has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2009, the Company has complied with all code provisions in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2009.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the appropriateness and consistent application of significant accounting principles and policies adopted by the Group, and discussed judgmental issues, accounting estimates, adequacy of disclosures and internal consistency of the interim financial report for the six months ended 30 June 2009.

By Order of the Board
Golden Resorts Group Limited
CHU, Nicholas Yuk-yui
Chairman

Hong Kong, 14 September 2009