# DORE HOLDINGS LIMITED
# 多金控股有限公司*

Incorporated in Bermuda with limited liability
Stock Code : 628


INTERIM REPORT **2009**

*For identification purpose only

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# CORPORATE INFORMATION

**BOARD OF DIRECTORS**

**Executive Directors**

Yao Wai Kwok Daniel
Leung Wai Man
Pun Yuen Sang
(Resigned on 14 July 2009)

**Independent Non-executive Directors**

Leung Chi Hung
Cheung Yim Kong, Johnny
Lee Chan Wah
Tsui Robert Che Kwong
(Resigned on 14 July 2009)

**COMPANY SECRETARY**

Leung Wai Man

**AUDITORS**

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

**PRINCIPAL BANKERS**

BEA
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 HM 08
Bermuda

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

Union Registrars Limited
18/F, Fook Lee Commercial Centre
Town Place
33 Lockhart Road
Wanchai
Hong Kong

**INVESTOR RELATIONS**

www.dore-holdings.com.hk

The board of directors (the "Board") of Dore Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2009 together with the comparative figures. The condensed consolidated interim financial statements are unaudited, but have been reviewed by the Company's audit committee.

## CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended 30 September 2009*

| | | Six months ended 30 September | |
|---|---|---|---|
| | | **2009** | 2008 |
| | Notes | **HK$'000** | HK$'000 |
| | | **(Unaudited)** | (Unaudited) |
| Turnover | 3 | **263,221** | 195,620 |
| Cost of sales | | **–** | – |
| Gross profit | | **263,221** | 195,620 |
| Other revenue | 4 | **4** | 14 |
| Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost | 6 | **192,825** | – |
| Administrative expenses | | **(4,431)** | (8,552) |
| Equity-settled share-based payments | | **(2,553)** | – |
| Fair value changes on investment property | | **–** | (540) |
| Fair value changes on financial assets at fair value through profit or loss | | **27,465** | (28,726) |
| Fair value changes on derivative financial instruments | 15 | **6,681** | (24,695) |
| Loss on disposal of subsidiaries, net | 20 | **(16,257)** | – |
| Loss on early repayment of promissory note | | **(337)** | – |
| Loss on cancellation of promissory notes | | **(67,714)** | – |
| Loss on cancellation of convertible bonds | | **(122,698)** | (5,933) |
| Loss on early redemption of convertible bonds | | **–** | (21,524) |
| Impairment loss recognised in respect of intangible assets | 11 | **(777,803)** | (882,041) |
| Impairment loss recognised in respect of goodwill | 12 | **(46,270)** | (153,216) |
| Loss from operations | 5 | **(547,867)** | (929,593) |
| Finance costs | 7 | **(86,701)** | (37,573) |
| Loss before taxation | | **(634,568)** | (967,166) |
| Taxation | 8 | **2,745** | 8,830 |
| Loss for the period | | **(631,823)** | (958,336) |
| Attributable to: | | | |
| Equity holders of the Company | | **(631,823)** | (958,336) |
| **Loss per share** | | | |
| – Basic and diluted | 10 | **(HK2.04) cents** | (HK5.74) cents |

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 September 2009*

| | Six months ended 30 September 2009 HK$'000 (Unaudited) | 2008 HK$'000 (Unaudited) |
|---|---|---|
| Loss for the period | **(631,823)** | (958,336) |
| Total comprehensive income for the period, net of tax | **(631,823)** | (958,336) |
| Attributable to: | | |
| Equity holders of the Company | **(631,823)** | (958,336) |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 September 2009*

| | Notes | **As at 30 September 2009 HK$'000 (Unaudited)** | As at 31 March 2009 HK$'000 (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **660** | 1,424 |
| Intangible assets | 11 | **811,605** | 2,098,869 |
| Goodwill | 12 | **–** | 428,883 |
| | | **812,265** | 2,529,176 |
| **Current assets** | | | |
| Accounts receivable | 13 | **29,206** | 51,036 |
| Deposits and other receivables | | **4,171** | 386 |
| Financial assets at fair value through profit or loss | 14 | **44,988** | 53,589 |
| Derivative financial instruments | 15 | **27,440** | 34,421 |
| Cash and bank balances | | **247,040** | 51,014 |
| | | **352,845** | 190,446 |
| **Less: Current liabilities** | | | |
| Other payables and accruals | | **20,068** | 79,053 |
| Tax payable | | **–** | 180 |
| | | **20,068** | 79,233 |
| **Net current assets** | | **332,777** | 111,213 |
| **Total assets less current liabilities** | | **1,145,042** | 2,640,389 |
| **Less: Non-current liabilities** | | | |
| Loan from a shareholder | | **–** | 130,000 |
| Promissory notes – due after one year | 16 | **91,550** | 502,567 |
| Convertible bonds – due after one year | 17 | **672,396** | 1,053,053 |
| Deferred tax liabilities | 18 | **73,398** | 113,507 |
| | | **837,344** | 1,799,127 |
| **Net assets** | | **307,698** | 841,262 |
| **Capital and reserves** | | | |
| Share capital | 19 | **9,286** | 328,658 |
| Reserves | | **298,412** | 512,604 |
| **Equity attributable to the equity holders of the Company** | | **307,698** | 841,262 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | | Reserves | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Contributed surplus HK$'000 | Convertible bonds reserve HK$'000 | Capital reserve HK$'000 | Share option reserve HK$'000 | Revaluation reserve HK$'000 | Accumulated losses HK$'000 | Total reserves HK$'000 | Total equity HK$'000 |
| At 1 April 2008 (Audited) | 141,286 | 1,387,403 | 2,696 | 404,347 | 85,889 | 15,465 | 63,089 | (915,108 ) | 1,043,781 | 1,185,067 |
| Net loss for the period | – | – | – | – | – | – | – | (958,336 ) | (958,336 ) | (958,336 ) |
| Consideration shares | 22,400 | 120,960 | – | – | – | – | – | – | 120,960 | 143,360 |
| Share premium cancellation | – | (1,387,403 ) | 472,295 | – | – | – | – | 915,108 | – | – |
| Conversion of convertible bonds into shares | 10,240 | 167,185 | – | (102,274 ) | – | – | – | – | 64,911 | 75,151 |
| Early redemption of convertible bonds | – | – | – | (40,359 ) | – | – | – | 40,359 | – | – |
| Dividend paid | – | – | – | – | – | – | – | (26,089 ) | (26,089 ) | (26,089 ) |
| At 30 September 2008 (Unaudited) | 173,926 | 288,145 | 474,991 | 261,714 | 85,889 | 15,465 | 63,089 | (944,066 ) | 245,227 | 419,153 |
| At 1 April 2009 (Audited) | 328,658 | 348,854 | 474,991 | 125,952 | 85,889 | – | 63,089 | (586,171 ) | 512,604 | 841,262 |
| Net loss for the period | – | – | – | – | – | – | – | (631,823 ) | (631,823 ) | (631,823 ) |
| Capital reduction (note i) | (325,372 ) | – | 325,372 | – | – | – | – | – | 325,372 | – |
| Capital reorganisation (note ii) | – | (348,854 ) | (231,319 ) | – | – | – | – | 580,173 | – | – |
| Cancellation of convertible bonds (note iv) | – | – | – | (79,141 ) | – | – | – | 15,522 | (63,619 ) | (63,619 ) |
| Issue of ordinary shares (note iii) | 6,000 | 174,000 | – | – | – | – | – | – | 174,000 | 180,000 |
| Share issued expenses | – | (2,102 ) | – | – | – | – | – | – | (2,102 ) | (2,102 ) |
| Recognition of equity-settled share-based payment | – | – | – | – | – | 2,553 | – | – | 2,553 | 2,553 |
| Release upon disposal of subsidiaries | – | – | – | – | – | – | (62,452 ) | 62,452 | – | – |
| Dividend paid | – | – | – | – | – | – | – | (18,573 ) | (18,573 ) | (18,573 ) |
| **At 30 September 2009 (Unaudited)** | **9,286** | **171,898** | **569,044** | **46,811** | **85,889** | **2,553** | **637** | **(578,420 )** | **298,412** | **307,698** |

Notes:

(i) During the period, the Company passed a special general resolution for capital reduction, the issued share capital of the Company was reduced from approximately HK$328,658,000 to HK$3,286,000. The capital reduction, resulted in reducing the issued share capital of the Company by approximately HK$325,372,000. Such amount was credited to the contributed surplus account of the Company.

(ii) The Company passed a special general resolution, the amount of approximately HK$348,854,000 standing to the credit of the share premium account of the Company as at 31 March 2009 and the amount of approximately HK$231,319,000 standing to the credit of the contributed surplus account of the Company were set off against the accumulated losses of the Company of approximately HK$580,173,000.

(iii) During the period ended 30 September 2009, the Company placed 600,000,000 ordinary shares of HK$0.01 each at a placing price of HK$0.3 per share. 300,000,000 ordinary shares were issued on 27 July 2009 and 300,000,000 ordinary shares were issued on 12 August 2009.

(iv) During the period ended 30 September 2009, First Convertible Bond with principal amount of HK$9,200,000 and Second Convertible Bond with principal amount of HK$39,107,000 were cancelled as part of the consideration for disposal of the entire share capital of Richsense and entire share capital of Youngrich. Fourth Convertible Bond with principal amount of HK$105,256,000 and Fifth Convertible Bond with principal amount of HK$471,182,000 were cancelled due to shortfall of Nove Profit Agreement and Joli Profit Agreement. Hence the convertible bond reserve has been corresponding reduced. Please refer to Note 17 for details.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 September 2009*

| | Six months ended 30 September 2009 HK$'000 (Unaudited) | 2008 HK$'000 (Unaudited) |
|---|---|---|
| Net cash generated from operating activities | **278,558** | 128,082 |
| Net cash generated from/(used in) investing activities | **53,122** | (72,529) |
| Net cash used in financing activities | **(135,654)** | (108,750) |
| Net increase/(decrease) in cash and cash equivalents | **196,026** | (53,197) |
| **Cash and cash equivalents at the beginning of the period** | **51,014** | 55,007 |
| **Cash and cash equivalents at the end of the period** | **247,040** | 1,810 |
| **Analysis of the balances of cash and cash equivalents** | | |
| Cash and bank balances | **247,040** | 1,810 |

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2009*

## 1. Basis of Preparation

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

## 2. Summary of Significant Accounting Policies

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

The accounting policies used in the preparation of the unaudited condensed consolidated financial statements are consistent with those applied in the Group's annual financial statements for the year ended 31 March 2009, except for the impact of the adoption of the new and revised Hong Kong Accounting Standards, Hong Kong Financial Reporting Standards and interpretations described below.

In the current interim period, the Group has applied for the first time, the following new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's accounting period beginning on 1 April 2009.

| | |
|---|---|
| HKFRSs (Amendments) | Improvement to HKFRSs |
| HKAS 1 (Revised) | Presentation of Financial Statements |
| HKAS 23 (Revised) | Borrowing Costs |
| HKAS 32 & 1 (Amendments) | Puttable Financial Instruments and Obligation Arising on Liquidation |
| HKFRS 1 & 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) | Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments |
| HKFRS 8 | Operating Segments |
| HK(IFRIC) – Int 9 & HKAS 39 (Amendments) | Embedded Derivatives |
| HK(IFRIC) – Int 13 | Customer Loyalty Programmes |
| HK(IFRIC) – Int 15 | Agreements for the Construction of Real Estate |
| HK(IFRIC) – Int 16 | Hedges of a Net Investment in a Foreign Operation |
| HK(IFRIC) – Int 18 | Transfer of Assets from Customers |

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

*Impact of new and revised HKFRSs not yet effective*

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs issued in October 2008[1] |
| HKFRSs (Amendments) | Improvements to HKFRSs issued in May 2009[2] |
| HKAS 24 (Revised) | Related Party Disclosures[6] |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements[3] |
| HKAS 32 (Amendment) | Classification of Rights Issues[5] |
| HKAS 39 (Amendment) | Eligible Hedged Items[3] |
| HKFRS 1 (Amendment) | Additional Exemptions for First-time Adoptions[6] |
| HKFRS 2 (Amendment) | Group Cash-settled Share-based Payments Transactions[4] |
| HKFRS 3 (Revised) | Business Combinations[3] |
| HKFRS 9 | Financial instruments[7] |
| HK(IFRIC) – Int 17 | Distribution of Non-cash Assets to Owners[3] |

1 Amendment 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 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

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

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

5 Effective for annual periods beginning on or after 1 February 2010

6 Effective for annual periods beginning on or after 1 January 2011

7 Effective for annual periods beginning on or after 1 January 2013

The management is in the process of making an assessment of the impact of these new standards, amendments and interpretations to existing standards. The directors of the Company so far has concluded that the application of these new standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

**3. Turnover and Segment Information**

(a) *Business segments*

The Group currently operates in one business segment in the gaming and entertainment segment receives profit streams from gaming and entertainment related business. A single management team reports to chief operating decision makers who comprehensively manages the entire business. Accordingly, the Group does not have separately reportable segments.

(b) *Geographical segments*

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 is disclosed.

## 4. Other Revenue

| | For the six months ended 30 September | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Interest income | **4** | 14 |

## 5. Loss From Operations

The Group's loss from operations is arrived at after charging:

| | For the six months ended 30 September | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Depreciation | **243** | 243 |
| Minimum lease payments under operating leases in respect of land and buildings | **549** | 475 |
| Loss on disposal of property, plant and equipment | **22** | – |
| Loss on disposal of subsidiaries, net (Note 20) | **16,257** | – |
| Impairment loss recognised in respect of goodwill (Note 12) | **46,270** | 153,216 |
| Impairment loss recognised in respect of intangible assets (Note 11) | **777,803** | 882,041 |
| Staff costs (excluding directors' remuneration) | | |
| Salaries and wages | **729** | 2,203 |
| Pension scheme contribution | **12** | 28 |
| Equity-settled share-based payments | | |
| – employees | **980** | – |
| – consultants | **1,573** | – |
| | **2,553** | – |

6. **Excess of Acquirer's Interest in Fair Value of Acquiree's Identifiable Net Assets Over Cost**

Pursuant to the Nove Profit Agreement and the Joli Profit Agreement, Mr. Chen Yi Ming ("Mr. Chen") and Mr. Sin Chun Shing ("Mr. Sin") have provided certain profit guarantee over the profits sharing with Triple Gain Group Limited ("Triple Gain") and East & West International Inc. ("East & West") and Pacific Force Inc. ("Pacific Force"). During the period ended 30 September 2009, the profits sharing to the Group were shortfall of approximately HK$105,256,000 and HK$100,681,000 respectively. In accordance with the terms and conditions of the relevant profit agreements, Mr. Chen and Mr. Sin had agreed to compensate such shortfalls by setting off the outstanding principal amount of the Fourth Convertible Bond of HK$105,256,000 and Fifth Convertible Bonds on HK$470,182,000 respectively.

In relation to such compensation, an adjustment was made to the consideration for the acquisitions of Triple Gain, East & West and Pacific Force. As at 30 September 2009, the carrying amounts of goodwill arisen from these acquisitions have been adjusted by HK$382,613,000. The amount of approximately HK$192,825,000 represents the residual amount which was charged to the income statement during the period ended 30 September 2009.

7. **Finance Costs**

| | For the six months ended 30 September | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Effective interest on promissory notes not wholly repayable within five years | **12,061** | 17,828 |
| Effective interest on promissory notes wholly repayable within five years | **701** | 912 |
| Effective interest on convertible bonds not wholly repayable within five years | **73,939** | 18,833 |
| | **86,701** | 37,573 |

## 8. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising from Hong Kong during the period. The Group has no assessable profit under Hong Kong profits tax for the six months ended 30 September 2009 and 2008. The Group is not subject to any tax in Macau.

| | For the six months ended 30 September | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| **Deferred tax** | | |
| Convertible bonds | **2,745** | 8,741 |
| Revaluation of properties | **–** | 89 |
| Total tax credited for the period | **2,745** | 8,830 |

## 9. Dividends

On 14 July 2009, the directors declared the payment of a final dividend of HK2 cents per share for the year ended 31 March 2009. The directors have not proposed any interim dividend for the six months ended 30 September 2009 (at 30 September 2008: Nil).

## 10. Loss Per Share

*Basic loss per share*

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

| | For the six months ended 30 September | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| **Loss** | | |
| Loss attributable to the equity holders of the Company for the purpose of basic loss per share | **(631,823)** | (958,336) |
| | **'000** | '000 |
| | | (restated) |
| **Number of ordinary shares** | | |
| Weighted average number of ordinary shares for the purpose of basic loss per share | **30,922,401** | 16,683,260 |

*Diluted loss per share*

Diluted loss per share for the six months ended 30 September 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 because the effect of the Company's outstanding convertible bonds and share options were anti-dilutive.

11. **Intangible Assets**

| | Rights in sharing of profit streams HK$'000 |
|---|---|
| **Cost** | |
| At 1 April 2009 | 3,883,731 |
| Disposal of subsidiaries | (1,205,030) |
| At 30 September 2009 | 2,678,701 |
| **Accumulated impairment** | |
| At 1 April 2009 | 1,784,862 |
| Eliminated on disposal | (695,569) |
| Impairment loss recognised for the period | 777,803 |
| At 30 September 2009 | 1,867,096 |
| **Carrying amount** | |
| **At 30 September 2009 (Unaudited)** | **811,605** |
| At 31 March 2009 (Audited) | 2,098,869 |

Details of intangible assets are as follows:

| | **Sat Ieng Profit Agreement** HK$'000 | **Dore Profit Agreement** HK$'000 | **Nove Profit Agreement** HK$'000 | **Joli Profit Agreement** HK$'000 | **Total** HK$'000 |
|---|---|---|---|---|---|
| At 1 April 2009 (Audited) | 249,636 | 259,825 | 405,984 | 1,183,424 | 2,098,869 |
| Disposal of subsidiaries | (249,636) | (259,825) | – | – | (509,461) |
| Impairment loss recognised for the period | – | – | (48,575) | (729,228) | (777,803) |
| At 30 September 2009 (Unaudited) | **–** | **–** | **357,409** | **454,196** | **811,605** |

Note:

(i) 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.

(ii) Amount of approximately HK$509,461,000 represents the adjustments in relation to the disposal of Worth Perfect on 15 July 2009. Please refer to Note 20(a) for details.

Impairment loss in respect of intangible assets of approximately HK$777,803,000 was recognised during the six months ended 30 September 2009 (at 31 March 2009: HK$1,006,584,000) by reference to the valuation reports issued by Grant Sherman Appraisal Limited ("Grant Sherman"), independent qualified professional valuers, at 30 September 2009 which valued the intangible assets on discounted cash flow method. The main factor contributing to the impairment was due to the decline in the future expectation over the profit sharing on the Nove Profit Agreement and Joli Profit Agreement.

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.

## 12. Goodwill

| | HK$'000 |
|---|---|
| **Cost** | |
| At 1 April 2009 | 721,345 |
| Adjustments to measurement for acquisitions (Note) | (382,613) |
| At 30 September 2009 | 338,732 |
| **Accumulated impairment** | |
| At 1 April 2009 | 292,462 |
| Impairment loss recognised for the period | 46,270 |
| At 30 September 2009 | 338,732 |
| **Carrying amount** | |
| **At 30 September 2009 (Unaudited)** | **–** |
| At 31 March 2009 (Audited) | 428,883 |

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 30 September 2009 and 31 March 2009 allocated to this unit is as follows:

| | **As at 30 September 2009 HK$'000 (Unaudited)** | As at 31 March 2009 HK$'000 (Audited) |
|---|---|---|
| Gaming and entertainment | **–** | 428,883 |

During the six months ended 30 September 2009, the management assessed the recoverable amount of goodwill, and determined the goodwill associated with the acquisition of Leading Century International Limited ("Leading Century") was impaired by approximately HK$46,270,000. The main factor contributing to the impairment of goodwill was due to the decline in the future expectation over the profit sharing on the Joli Profit Agreement.

The recoverable amount of the above CGU has been determined on the basis of value in use calculations. The recoverable amount is 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 18.46% (at 31 March 2009: 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 East & West and Pacific Force due to the shortfall in respect of the profit guarantee under the Joli Profit Agreement 2 and Joli Profit Agreement 3 of approximately HK$377,322,000 and HK$5,291,000 respectively. Please refer to Note 6 for details.

## 13. 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:

| | As at 30 September 2009 HK$'000 (Unaudited) | As at 31 March 2009 HK$'000 (Audited) |
|---|---|---|
| Within 30 days | **29,206** | 51,036 |

Included in the Group's accounts receivable balance, no debtors are past due at the date of approval of these financial statements (at 31 March 2009: Nil). The Group does not hold any collateral over these balances.

## 14. Financial Assets at Fair Value through Profit or Loss

| | As at 30 September 2009 HK$'000 (Unaudited) | As at 31 March 2009 HK$'000 (Audited) |
|---|---|---|
| Financial assets at fair value through profit or loss comprise: | | |
| Held for trading: | | |
| – Equity securities listed in Hong Kong | **44,988** | 53,589 |

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.

## 15. Derivative Financial Instruments

| | As at 30 September 2009 HK$'000 (Unaudited) | As at 31 March 2009 HK$'000 (Audited) |
|---|---|---|
| **Assets** | | |
| Redemption option derivatives embedded in convertible bonds | | |
| At the beginning of the period/year | 34,421 | 38,651 |
| Arising on issuance of convertible bonds | – | 68,924 |
| Derecognition due to cancellation of convertible bonds | (13,662) | (442) |
| Derecognition due to early redemption of convertible bond | – | (5,933) |
| Fair value changes | 6,681 | (66,779) |
| At the end of the period/year | 27,440 | 34,421 |

Pursuant to the agreements in relation to the issuance of convertible bonds, 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.

The redemption option derivatives are carried at fair values at the balance sheet date. The fair values of the redemption options derivatives embedded in the convertible bonds were approximately HK$27,440,000 (at 31 March 2009: HK$34,421,000) and are calculated using the Binomial Option Pricing Model. Details of the variables and assumptions of the model are as follows:

| | **Fourth Convertible Bond** | **Fifth Convertible Bonds** |
|---|---|---|
| Date of issue: | 18 December 2007 | 6 November 2008 |
| Share price at date of issue: | HK$1.78 | HK$0.57 |
| Remaining life at 30 September 2009: | 8.2 years | 9.1 years |
| Risk free interest rate: | 2.197% | 2.295% |
| Expected volatility: | 111.87% | 111.87% |

## 16. Promissory Notes – Due After One Year

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%. During the period ended 30 September 2009, First Promissory Notes with principal amount of HK$244,600,000 was cancelled as part of the consideration for disposal of Youngrich.

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 Limited ("Richsense") and bear interest at 5% per annum, payable annually in arrears. The effective interest rate is 8.0%. During the period ended 30 September 2009, Third Promissory Notes with principal amount of HK$200,000,000 was cancelled as part of the consideration for the disposal of Richsense.

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. 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. During the period ended 30 September 2009, the remaining Fourth Promissory Note with a principal amount of approximately HK$40,134,000 was fully repaid.

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.

| | First Promissory Notes HK$'000 | Second Promissory Note HK$'000 | Third Promissory Notes HK$'000 | Fourth Promissory Note HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| At 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 and 1 April 2009 (Audited) | 203,376 | 88,091 | 171,330 | 39,770 | 502,567 |
| Interest expenses charged | 4,678 | 3,459 | 3,924 | 701 | 12,762 |
| Interest expenses payable | (3,533) | – | (2,889) | (674) | (7,096) |
| Early repayment of promissory note | – | – | – | (39,797) | (39,797) |
| Cancellation of promissory notes due to disposal of subsidiaries (note i) | (204,521) | – | (172,365) | – | (376,886) |
| **At 30 September 2009 (Unaudited)** | **–** | **91,550** | **–** | **–** | **91,550** |

Notes:

(i) During the six months ended 30 September 2009, First Promissory Notes and Third Promissory Notes were cancelled as part of the consideration for the disposal of Youngrich and Richsense. Please refer to Note 20(a) for details.

## 17. Convertible Bonds – Due After One Year

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. During the period ended 30 September 2009, the remaining First Convertible Bond with a principal amount of HK$9,200,000 was cancelled as part of the consideration of the disposal of Youngrich.

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 HK$79,694,000 was cancelled due to shortfall in profit guarantee of the Dore Profit Agreement and the Sat Ieng Profit Agreement. During the period ended 30 September 2009, the remaining Second Convertible Bond with a principal amount of approximately HK$39,106,000 was cancelled as part of the consideration of the disposal of Richsense.

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. During the period ended 30 September 2009, part of Fourth Convertible Bond with a principal amount of approximately HK$105,256,000 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 and Pacific Force. The effective interest rate is 8%. During the period ended 30 September 2009, part of Fifth Convertible Bonds with a principal amount of approximately HK$470,182,000 was cancelled due to shortfall in profit guarantee of the Joli Profit Agreement.

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". The effective interest rate of the liability component is 8%.

| | **First Convertible Bond** | **Second Convertible Bond** | **Third Convertible Bond** | **Fourth Convertible Bond** | **Fifth Convertible Bonds** | **Total** |
|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| At 1 April 2008 | 98,492 | 91,376 | 216,561 | 205,694 | – | 612,123 |
| Liability component | – | – | – | – | 828,407 | 828,407 |
| Cancellation of convertible bonds | – | (62,613) | (131,688) | (33,924) | – | (228,225) |
| Conversion of convertible bonds into shares | (92,110) | – | – | – | – | (92,110) |
| Early redemption of convertible bond | – | – | (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 and 1 April 2009 (Audited) | 6,942 | 30,758 | – | 175,192 | 840,161 | 1,053,053 |
| Cancellation of convertible bonds due to shortfall in profit guarantee (note a) | – | – | – | (88,070) | (271,266) | (359,336) |
| Interest expenses charged | 181 | 777 | – | 6,684 | 66,297 | 73,939 |
| Interest expenses payable | (132) | (565) | – | (5,205) | (51,397) | (57,299) |
| Cancellation of convertible bonds due to disposal of subsidiaries (note a) | (6,991) | (30,970) | – | – | – | (37,961) |
| **At 30 September 2009 (Unaudited)** | **–** | **–** | **–** | **88,601** | **583,795** | **672,396** |

Notes:

(a) During the period ended 30 September 2009, Fourth Convertible Bond and Fifth Convertible Bond were partially cancelled in relation to the compensation regarding to the shortfall of profit guarantee of the Nove Profit Agreement and the Joli Profit Agreement respectively. The cancellation of these convertible bonds led to a loss of approximately HK$128,606,000. Such loss comprised of the loss on cancellation of liability components of convertible bonds of approximately HK$115,119,000 and the loss on derecognition of derivative financial instruments of approximately HK$13,487,000.

The loss on cancellation of convertible bonds is derived from the difference between the carrying amounts of liability components of approximately HK$359,336,000 and the fair values of liability components of approximately HK$474,455,000.

On 15 July 2009, First Convertible Bond and Second Convertible Bond were fully cancelled in relation to the considerations regarding to the disposal of Youngrich and Richsense respectively. The cancellation of these convertible bonds led to a gain of approximately HK$5,908,000. Such gain comprised of the gain on cancellation of liability components of convertible bonds of approximately HK$6,083,000 and the loss on derecognition of derivative financial instruments of approximately HK$175,000.

The gain on cancellation of convertible bonds is derived from the difference between the carrying amounts of liability components of approximately HK$37,961,000 and the fair values of liability components of approximately HK$31,878,000.

Upon 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.

(b) 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 gain 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.

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.

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.

(c) The convertible bonds contain options 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 30 September 2009 and 31 March 2009 was determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent nonconvertible loan at the balance sheet date.

## 18. Deferred Tax Liabilities

| | Convertible bonds HK$'000 | Revaluation of properties HK$'000 | Total HK$'000 |
|---|---|---|---|
| At 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 bonds | (3,551) | – | (3,551) |
| Reversal of deferred tax liabilities due to early 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 | – | (92) | (92) |
| At 31 March 2009 and 1 April 2009 (Audited) | 113,507 | – | 113,507 |
| Credited to consolidated income statement for the period (Note 8) | (2,745) | – | (2,745) |
| Reversal of deferred tax liabilities due to cancellation of convertible bonds | (37,364) | – | (37,364) |
| **At 30 September 2009 (Unaudited)** | **73,398** | **–** | **73,398** |

## 19. Share Capital

| | Number of ordinary shares | | Share capital | |
|---|---|---|---|---|
| | **30 September 2009** | 31 March 2009 | **30 September 2009** | 31 March 2009 |
| | **'000** | '000 | **HK$'000** | HK$'000 |
| | | | **(Unaudited)** | (Audited) |
| **Authorised** | | | | |
| At the beginning of the period/year, ordinary shares of HK$1/HK$0.1 each | **600,000** | 2,000,000 | **600,000** | 200,000 |
| Share subdivision (note i) | **59,400,000** | – | **–** | – |
| Increase in authorised share capital (note ii) | **–** | 4,000,000 | **–** | 400,000 |
| Share consolidation (note iii) | **–** | (5,400,000) | **–** | – |
| At the end of the period/year, ordinary shares of HK$0.01/HK$1 each | **60,000,000** | 600,000 | **600,000** | 600,000 |
| **Issued and fully paid** | | | | |
| At the beginning of the period/year, ordinary shares of HK$1/HK$0.1 each | **328,658** | 1,412,855 | **328,658** | 141,286 |
| Share subdivision (note i) | **32,537,163** | – | **–** | – |
| Share reduction (note viii) | **(32,537,163)** | – | **(325,372)** | – |
| Issue of ordinary shares (note iv) | **600,000** | 347,848 | **6,000** | 34,784 |
| Conversion of convertible bonds (note v) | **–** | 125,200 | **–** | 12,520 |
| Consideration shares (note vi) | **–** | 305,152 | **–** | 30,515 |
| Share consolidation (note iii) | **–** | (1,971,950) | **–** | – |
| Open offer (note vii) | **–** | 109,553 | **–** | 109,553 |
| At the end of the period/year, ordinary shares of HK$0.01/HK$1 each | **928,658** | 328,658 | **9,286** | 328,658 |

Notes:

(i) Pursuant to a resolution passed in the special general meeting hold on 14 July 2009, the share subdivision implemented whereby each of the authorized but unissued shares of HK$1.00 was subdivided into 100 new shares of HK$0.01 each. The authorized share capital of the Company remained at HK$600,000,000, but divided into 60,000,000,000 new shares.

(ii) Pursuant to a resolution passed in the 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.

(iii) 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.

(iv) The Company placed 600,000,000 ordinary shares of HK$0.01 each at a placing price of HK$0.3 per share. 300,000,000 ordinary shares were issued on 27 July 2009 and 300,000,000 ordinary shares were issued on 12 August 2009 for the purpose of increasing general working capital of 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.

(v) 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 and capital reduction on 15 July 2009).

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 and capital reduction on 15 July 2009).

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 and capital reduction on 15 July 2009).

(vi) On 5 May 2008, Team Jade Enterprises Limited ("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.

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.

(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.

(viii) On 14 July 2009, the Company passed a special general resolution for capital reduction, the issued share capital of the Company was reduced from approximately HK$328,658,000 to HK$3,286,000. The capital reduction, resulted in reducing the issued share capital of the Company by approximately HK$325,372,000. Such amount was credited to the contributed surplus account of the Company.

**20. Disposal of Subsidiaries**

*For the six months ended 30 September 2009*

(a) On 23 March 2009, Team Jade entered into a conditional sale and purchase agreement with Rich Game Capital Inc. ("Rich Game") to sell (i) the entire issued share capital of Richsense; (ii) the entire issued share capital of Youngrich. The completion date was on 15 July 2009. The main assets of Youngrich and Richsense are their 49% and 51% equity interest in Worth Perfect respectively. The main asset of Worth Perfect is the Sat Ieng Profit Agreement and the Dore Profit Agreement. The consideration is satisfied by cash and offsetting against the outstanding principal amount of First Promissory Notes, Third Promissory Notes, First Convertible Bond and Second Convertible Bond.

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

| | HK$'000 |
|---|---|
| **Net assets disposed of:** | |
| Cash and bank balances | 2 |
| Deposit and other receivable | 7 |
| Right in sharing of profit streams (Note 11) | 509,461 |
| | 509,470 |
| Gain on cancellation of convertible bonds | 6,083 |
| Loss on cancellation of promissory notes | (67,714) |
| Loss on disposal of subsidiaries | (16,437) |
| Total consideration | 431,402 |
| **Satisfied by:** | |
| Cash | 16,555 |
| Carrying amount of promissory notes (Note 16) | 376,886 |
| Carrying amount of convertible bonds (Note 17) | 37,961 |
| | 431,402 |
| **Net cash inflow arising on disposal:** | |
| Cash consideration | 16,555 |
| Cash and bank balances disposed | (2) |
| | 16,553 |

(b) On 30 September 2009, the Group entered into sale and purchases agreement to dispose of its 100% equity interest in Giant Gold Investments Limited ("Giant Gold") and 100% equity interest in MFT Epping Trading Limited ("MFT Epping) to an independent third party for cash consideration of HK$100. MFT Epping is the wholly-owned subsidiary of Giant Gold (collectively "Giant Gold Group"). The principal activity of Giant Gold is investment holding and MFT Epping is trading of timber logs.

The main liability of Giant Gold Group is the tax payable of HK$180,260. Therefore, there is a gain on disposal of HK$180,360.

*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 an 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:

| | HK$'000 |
|---|---|
| **Net assets disposed of:** | |
| Investment property | 10,760 |
| Deferred tax liabilities | (92) |
| | 10,668 |
| Loss on disposal of subsidiaries | (668) |
| Total consideration, satisfied by cash | 10,000 |
| Net cash inflow arising on disposal | 10,000 |

## 21. Share-based Payment Transactions

During the period ended 30 September 2009, the Company had granted 32,800,000 share options to employees and consultants under the Scheme of the Company. During the period ended 30 September 2008, the Company did not grant any options under the Scheme of the Company.

At 30 September 2009, the number of shares in respect of which share options had been granted and remained outstanding under the Scheme was 32,800,000, representing 3.53% of the shares of the Company in issue at that date.

Details of specific categories of options are as follows:

| | | Number of share options | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Participants | Share Option type | Outstanding at 1 April 2009 '000 (Audited) | Granted during the period '000 | Exercised during the period '000 | Forfeited during the period '000 | Expired during the period '000 | Outstanding at 30 September 2009 '000 (Unaudited) | Date grant of share option | Exercise period of share option | Exercise price of share option HK$ | Fair value at grant date HK$ | Closing price of the Company's share immediately before the grant date HK$ |
| Employees | 2009A | – | 18,560 | – | – | – | 18,560 | 13 Aug 09 | 13 Aug 09 to 12 Aug 10 | 0.337 | 0.0528 | 0.33 |
| Consultants | 2009B | – | 14,240 | – | – | – | 14,240 | 13 Aug 09 | 13 Aug 09 to 12 Aug 10 | 0.337 | 0.1105 | 0.33 |
| | | – | 32,800 | – | – | – | 32,800 | | | | | |

The fair value of the share options granted during the period ended 30 September 2009 were priced using Black-Scholes 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 variable of certain subjective assumptions.

Expected volatility was determined by using the historical volatility of the Company's share price volatility.

Inputs into the model:

| | **Share option type** | |
|---|---|---|
| | **2009A** | **2009B** |
| Grant date share price | 0.335 | 0.335 |
| Exercise price | 0.337 | 0.337 |
| Expected volatility | 65.11% | 99.76% |
| Option life | 1 year | 1 year |
| Dividend yield | 5.97% | 5.97% |
| Risk-free interest rate | 0.18% | 0.23% |

**22. 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:

| | **As at 30 September 2009 HK$'000 (Unaudited)** | As at 31 March 2009 HK$'000 (Audited) |
|---|---|---|
| Within one year | **1,097** | 1,097 |
| In the second to fifth years inclusive | **1,737** | 2,286 |
| | **2,834** | 3,383 |

**23. Commitments**

The Group and the Company did not have any significant capital commitments as at 30 September 2009 (at 31 March 2009: Nil).

**24. Contingent Liabilities**

The Group and the Company had no material contingent liabilities as at 30 September 2009 (at 31 March 2009: Nil).

**25. Subsequent Events**

On 9 November 2009, the Company entered into two conditional sale and purchase agreements relating to a proposed acquisition and a proposed disposal. The proposed acquisition and the proposed disposal constitute a very substantial acquisition and a very substantial disposal for the Company under the Listing Rules, respectively.

As at the date of this interim report, the Company was in the process of preparing an announcement in relation to the proposed acquisition and the proposed disposal and the directors consider that additional time is required for such purposes. The announcement setting out, among others, details of the proposed acquisition and the proposed disposal will be published as and when appropriate.

**26. Related Parties Transactions**

Save as disclosed elsewhere in the condensed consolidated financial statements, during the six months ended 30 September 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 employee are as follows:

| | For the six months ended 30 September | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Salaries and allowance | **1,633** | 2,340 |
| Pension scheme contributions | **5** | 30 |
| | **1,638** | 2,370 |

# MANAGEMENT DISCUSSION AND ANALYSIS

**Business Review**

The first half of the fiscal 2009/10, in line with the other players in Macau gaming sector is disappointing comparing with the first half of 2008/09 due to a number of factors, which include (1) financial crisis, resulting in a substantial slowing in global economy. This being said, the Las Vegas Sands Group has even had to suspend its construction of Phases 5 and 6, (2) the reduction in credit availability as well as (3) further visa restrictions imposed by the People's Republic of China (the "PRC") government. Beginning 1 August 2008, (a) Chinese passport holder who enters Macau with an "in-transit" arrangement will be allowed a maximum of seven days of stay, down from 14; and if the "intended trip" has not been made pursuant to the in-transit arrangement, a maximum of two days of stay will be granted upon the second entry to Macau, and the third entry will be declined; and (b) mainland visitors with a Hong Kong but not a Macau visa were no longer granted entry to Macau via boarding a ferry from Hong Kong.

In fact, the VIP rolling turnover of Macau casinos as a whole has dropped on a year to year comparison basis to the year of 2008/09 with the exception of September 2009.

The apparently better result of the Group for the first half of 2009/10 vis-à-vis 2008/09 is just a result of the additional acquisition of junket, i.e. Joli, during the second half of 2008/09 fiscal year. If an apple is compared with an apple, the rolling turnover of the junket partners dropped. As a result, the junkets cannot meet their obligations under their respective profit guarantee and a further provision in impairments is required.

**Financial Review**

During the period ended 30 September 2009, the Group was engaged in two business streams: (i) gaming and entertainment sector; and (ii) trading sector. In view of the poor market conditions of the trading sector, the Group focuses on the gaming and entertainment business in the years to come while still keeps an eye on chasing after profitable business.

The turnover of the Group for the first half amounted to HK$263,221,000, representing a 34.56% increase over the corresponding figure of HK$195,620,000 in 2008. The Group's turnover was significantly higher than that of last year due to the acquisition of an additional junket.

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.

Administrative expenses amounted to HK$4,431,000 for the six months ended 30 September 2009, a 48.19% decrease from HK$8,552,000 for the same period last year. The decrease was mainly attributable to the salaries and the expenses relating to the promotion, traveling and publicity role.

For the six months ended 30 September 2009, finance costs amounted to HK$86,701,000, an 130.75% increase as compared to HK$37,573,000 for the same period last year. 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 HK$4,000 has been recorded.

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$631,823,000, as compared to the net loss of approximately HK$958,336,000 for 2008. Similar to the annual result of 2008/09, the net loss was a result of non-cash impairment – a net profit before non-cash items of approximately HK$261,539,000 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 period and the inability to achieve the sales forecast by our business partners, the Group recognized impairment losses in respect of the Nove Profit Agreement and Joli Profit Agreement of approximately HK$48.58 million and HK$729.23 million respectively.

Six-months period ended 30 September 2009:

| | | HK$'000 |
|---|---|---|
| Net loss per interim report | | (631,823) |
| Adjusted for | non-cash items | |
| | Change in fair value of net assets over cost | (192,825) |
| | Equity-settled share-based payments | 2,553 |
| | Fair value changes on financial assets at fair value through profit or loss | (27,465) |
| | Fair value changes on derivative financial instruments | (6,681) |
| | Loss on disposal of subsidiaries | 16,257 |
| | Loss on early repayment of promissory note | 337 |
| | Loss on cancellation of promissory notes | 67,714 |
| | Loss on cancellation of convertible bonds | 122,698 |
| | Impairment loss recognised in respect of intangible assets | 777,803 |
| | Impairment loss recognised in respect of goodwill | 46,270 |
| | Notional interest cost of convertible bonds and promissory notes | 86,701 |
| **Profit after striping out non-cash item** | | **261,539** |

Basic and diluted loss per share for the six-month period were HK2.04 cents (2008: basic and diluted loss per share of HK5.74 cents).

**Liquidity and Financial Resources**

During the period ended 30 September 2009, the Group funded its operation mainly through an equity financing, including issuance of new shares and contribution from its investee company. Financial position of the Group has remained reasonable during the period. During the period ended 30 September 2009, total assets of the Group were approximately HK$1,165.1 million (at 31 March 2009: HK$2,719.6 million) which were financed by shareholders' funds of approximately HK$307.7 million (at 31 March 2009: HK$841.3 million), current liabilities of approximately HK$20.1 million (at 31 March 2009: HK$79.2 million) and non-current liabilities of approximately HK$837.3 million (at 31 March 2009: HK$1,799.1 million).

Equity attributable to owners of the Company at 30 September 2009 amounted to HK$ 307,698,000 (at 31 March 2009: HK$841,262,000.) The decrease was mainly attributable to the impairments of intangible assets and goodwill due to our business markets' recession.

At 30 September 2009, the cash and cash equivalents of the Group amounted to approximately HK$247,040,000 (at 31 March 2009: HK$51,014,000) and the Group's current ratio was 17.58 (at 31 March 2009: 2.40, at 30 September 2008: 2.60).

At 30 September 2009, the non-current liabilities of the Group amounted to HK$837,344,000, representing the convertible bonds and promissory notes issued for acquiring several subsidiaries and deferred tax liabilities.

**Capital Structure**

As a result of the Company's capital re-organisation effective on 15 July 2009, each of the authorised but unissued shares of HK$1.00 each was subdivided into 100 new shares of HK$0.01 each, and the nominal value of each of the issued shares of HK$1.00 each was reduced to HK$0.01 by cancelling the paid-up capital to the extent of HK$0.99 on each issued share.

After capital re-organisation, the Company issued 300,000,000 new shares in July 2009 at HK$0.30 per share and 300,000,000 new shares in August 2009 at HK$0.30 per share, being the placing during the period from 1 April 2009 to 30 September 2009.

**Borrowings**

At 30 September 2009, the Group's borrowings amounted to HK$784.01 million which includes promissory notes and convertible bonds. The Group's gearing ratio as at 30 September 2009, expressed as a percentage of total borrowings over total equity was 2.55 (at 31 March 2009: 2.10, at 30 September 2008: 2.46).

**Charges on Group Assets**

At 30 September 2009, none of the Group's assets was pledged to any financial institution for facilities (at 30 September 2008: Nil).

**Contingent Liabilities**

At 30 September 2009, the Group had no contingent liabilities (at 30 September 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.

**Employees**

At 30 September 2009, the Group has a total of 5 employees (2008: 8 employees). The decrease in the number of employees was due to optimisation of our operation. Total staff costs (including directors' emoluments) during the period amounted to HK$1.3 million (2008: HK$2.4 million).

Employees were remunerated on the basis of their performance, experience and prevailing industry practices. The Group's remuneration policies and packages were reviewed by the remuneration committee and the Board of the Company on a regular basis. As an incentive for the employees, bonuses and cash awards may also be given to employees based on individual performance evaluation. The Group has also implemented a share option scheme to reward eligible employees (including executive Directors) according to their individual performance. During the period, certain eligible employees of the Group were granted options under the share option scheme of the Company.

**Prospects**

Looking ahead, with the overall worldwide economic recession,

(a) our customers have to place more emphasis on their existing business, and

(b) there is a delay in the construction of additional resort facilities.

We currently are exposed to three board types of risks.

Firstly, policy changes, both in mainland China and Macau and this may have negative consequences, specifically relating to travel policy, infrastructure development, tax rates, and other regulated aspects of the gaming industry, such as commission cap. The publishing on 10 August 2009 by the Macau government in its official gazette an amendment to an executive regulation that would enable the Financial Secretary to set a cap for junket commission in Macau has resulting in an uncertainty. This is because the complexity of establishing rules that cover all manner of payment to junkets, as well as the difficulty of monitoring more than a hundred individual arrangements in the market place could make implementation difficult. However, no one can predicts the exact mean until the new chief executive of Macau, Dr. Fernando Chui in place. Moreover, though in late August 2009, Macau media reports suggested that the minimum interval between two successive visas has been shortened, and a person can apply for a visa once a month, this has been clarified by an official from the Division of Exit and Entry Administration Department of Public Security of Guangdong Province in mid-October that visa restriction of "one visit every two months" has never been officially relaxed, although selectively some people were able to visit Macau more than once every two months. Nonetheless, Dr. Chui has made it clear that Macau needs to diversify away from gambling and should push forward to develop its MICE (meeting, incentive, convention and exhibition) industry or less "incentives" would be granted to gambling related activities.

Secondly, the VIP gaming is a credit-based business and exposed to volatility of the economic cycle in Greater China and changes in liquidity conditions. Moreover, one of the key characteristics of the VIP gaming segment is that the majority of the business volume is easily shifted from one property to another as junkets and sub-junkets move business around the different properties depending on commercial terms offered by the casino operators.

Thirdly, the opening of the two integrated resorts in the first half of year 2010 in Singapore which has a lower tax rate, or potentially, allow junkets to pay a higher commission rate in luring customers means an increase in regional competition.

As such, outlook for the future of Macau gaming sector is not that positive.

The Group has, hence, prepared for this through

(1) adopting the prudent policy;

(2) remain focusing on improving operational efficiencies; and

(3) identifying suitable projects and/or investments that would be reasonably expected to generate profits and/or have potential for capital appreciation.

As such, material capital expenditure may be incurred in meeting its short, medium and long term growth strategy in the coming years. Though the Group expect the respective projects to secure required funding themselves using different financing options available, it would be difficult in the current market sentiment. Hence, the Board presumes that the short term financing of these potential acquisitions, if any, would basically be from internal cash on hand. The Board would not preclude possibility of justified investment that would ensure the continuous success of the Group in particular when the price is reasonable.

## ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES

### Interim Dividend

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2009 (2008: Nil).

## Directors' Interests in Shares, Underlying Shares and Share Options

At 30 September 2009, the interests of the directors and chief executive of the Company in the shares and share options of the Company, as recorded in the register (the "Register of Interests") maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

**Long position:**

*(a) Ordinary shares of HK$0.01 each of the Company*

| Name | Capacity | Interest in shares | Interest in underlying shares | Total interest | Percentage of the issued share capital of the Company |
|---|---|---|---|---|---|
| Leung Wai Man | Beneficial owner | Nil | 9,280,000 | 9,280,000 | 0.99% |
| Yao Wai Kwok Daniel | Beneficial owner | Nil | 9,280,000 | 9,280,000 | 0.99% |

*(b) Share options*

| Name | Capacity | Number of options held | Number of underlying shares |
|---|---|---|---|
| Leung Wai Man | Beneficial owner | 9,280,000 | 9,280,000 |
| Yao Wai Kwok Daniel | Beneficial owner | 9,280,000 | 9,280,000 |

Other than as disclosed above, neither the directors nor the chief executive, nor any of their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 September 2009.

## Share Option Scheme

The Company adopted its share option scheme on 6 July 2002. The principal terms of the share option scheme were disclosed in the Company's 2009 annual report. Details of movements in the Company's share options during the six months ended 30 September 2009 are set out as follows:

| | | Number of share options | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Participants** | **Share Option type** | **Outstanding at 1 April 2009** '000 | **Granted during the period** '000 | **Exercised during the period** '000 | **Forfeited during the period** '000 | **Expired during the period** '000 | **Outstanding at 30 September 2009** '000 | **Date of grant of share option** | **Exercise period of share option** | **Exercise price of share option** 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 | 2009A | – | 18,560 | – | – | – | 18,560 | 13 August 2009 | 13 August 2009 to 12 August 2010 | 0.337 | 0.0528 | 0.33 |
| Consultants | 2009B | – | 14,240 | – | – | – | 14,240 | 13 August 2009 | 13 August 2009 to 12 August 2010 | 0.337 | 0.1105 | 0.33 |
| | | – | 32,800 | – | – | – | 32,800 | | | | | |

The fair value of the options granted in the current period, measured at the date of grant on 13 August 2009, was approximately HK$2,553,488. The following significant assumptions were used to derive the fair value, using the Black-Scholes option pricing model:

(1) an expected volatility of 65.11% for 2009A and 99.76% for 2009B;

(2) annual dividends of 5.97% earnings; and

(3) the estimated expected life of the options granted is 52 weeks. The interest rate of the corresponding one-year Hong Kong Exchange Fund Notes at the date of grant was 0.18% for 2009A and 0.23% for 2009B.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in estimating the fair value of the share options are based on the directors' best estimate. Changes in subjective input assumptions can materially affect the fair value estimate.

The fair value of services received under an equity-settled share-based payment arrangement is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve). Details of the accounting policy for equity-settled shared-based payment transactions are set out in the Group's financial statements for the year ended 31 March 2009.

## Substantial Shareholders

At 30 September 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** |
|---|---|---|---|---|---|---|
| Multi Fit Investments Limited | 1 | Beneficial owner | 33,600,000 | 162,509,079 | 196,109,079 | 21.12% |
| Mr. Sin Chun Shing | 1 | Beneficial owner/ Interest of corporation | 33,600,000 | 171,789,079 | 205,389,079 | 22.12% |
| Mr. Chen Yi-Ming | 2 | Beneficial owner/ Interest of corporation | 17,875,564 | 114,321,727 | 132,197,291 | 14.24% |
| Power Rush Holdings Limited | 2 | Beneficial owner/ Interest of corporation | 17,875,564 | 109,361,727 | 127,237,291 | 13.70% |
| Pacific Rainbow Holdings Limited | 2 | Beneficial owner | 12,172,735 | 105,332,083 | 117,504,818 | 12.65% |
| Mr. So Chi Ming | | Beneficial owner | 62,000,000 | Nil | 62,000,000 | 6.67% |

Notes:

1. Multi Fit Investments Limited is wholly owned by Mr. Sin Chun Shing.

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

Save as disclosed above, at 30 September 2009, no person, other than a director of the Company, whose interest is set out in the section "Directors' Interests in Shares, Underlying Shares and Share Options" above, 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.

## Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 September 2009.

## Compliance with the Code on Corporate Governance practices

In the opinion of the Board, the Company had complied with all code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 4 of the Listing Rules during the six months ended 30 September 2009, except for the following deviations:

Code A.2. of CG Code provides, inter alia, that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing. However, the Company does not officially has a position of Chief Executive Officer and the Company still looks for appropriate person to fill the vacancy as Chairman. During the period, Mr. Yao Wai Kwok, Daniel has been assuming the roles of Chief Executive Officer of the Company and the members of the board will share the responsibilities of the role of chairman jointly.

For the time being, the Board intends to maintain this structure as it believes that it would take time to segregate the duties of the two positions and in order to cause minimum disruption to the smooth running of the businesses of the Company. Nonetheless, the Board would review and monitor the situation on a regular basis and would take the necessary actions in due course to comply with this Code requirement.

Code A.4. of CG Code provides that non-executive directors should be appointed for a specific term, subject to re-election. Mr. Leung Chi Hung, Mr. Cheung Johnny Yim Kong and Mr. Lee Chan Wah, being the Company's independent non-executive directors, were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

## Model Code for Securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 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 for the six months ended 30 September 2009.

## Audit Committee

The Company has an audit committee which was established in accordance with the requirements of the Code as set out in Appendix 4 of the Listing Rules. The primary duties of the Audit Committee is for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. These interim financial statements have been reviewed by the audit committee. The Audit Committee comprises three independent non-executive directors of the Company, namely Mr. Leung Chi Hung as the Chairman and Mr. Cheung Yim Kong Johnny and Mr. Lee Chan Wah.

The Audit Committee has reviewed the interim report and the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2009 and agreed to the accounting principles and practices adopted by the Company.

## Board of Directors

As at the date of this report, the directors of the Company are Mr. Yao Wai Kwok, Daniel and Mr. Leung Wai Man who are executive directors and Mr. Leung Chi Hung, Mr. Cheung Johnny Yim Kong and Mr. Lee Chan Wah who are independent non-executive directors.

## Appreciation

On behalf of the Board, I would like to express our gratitude to our shareholders for their continuing support, and extend our sincere appreciation to all management and staff for their ongoing dedication, commitments and contributions.

By order of the Board
**Yao Wai Kwok, Daniel**
*Executive Director*

Hong Kong, 10 December 2009