DORE HOLDINGS LIMITED
多金控股有限公司*

Incorporated in Bermuda with limited liability
Stock Code : 628

Annual Report 2010

*For identification purpose only

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Corporate Information

BOARD OF DIRECTORS

Executive directors:

Mr. Pun Yuen Sang
(Retired on 14 July 2009)
Mr. Yao Wai Kwok, Daniel
Mr. Leung Wai Man
(Resigned on 1 March 2010)

Independent non-executive directors:

Mr. Leung Chi Hung
(Resigned on 1 June 2010)
Mr. Tsui Robert Che Kwong
(Retired on 14 July 2009)
Mr. Cheung Yim Kong, Johnny
(Resigned on 1 June 2010)
Mr. Lee Chan Wah
(Resigned on 1 March 2010)
Ms. Lee Shiow Yue
(Appointed on 1 March 2010)
Mr. Poon Wai Hoi, Percy
(Appointed on 1 June 2010)
Mr. Tang Chi Ho, Francis
(Appointed on 1 June 2010)

COMPANY SECRETARY

Mr. Lee Chan Wah

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

19th Floor, BLINK
111 Bonham Strand
Sheung Wan
Hong Kong

SHARE REGISTRARS

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

INVESTOR RELATIONS

www.dore-holdings.com.hk

Management Discussion and Analysis

The financial tsunami in 2008 brought to a severe downturn in the world wide economy which had affected our performance in gaming and entertainment related business. During the year under review, in line with the other players in Macau gaming sector, the performance is disappointing comparing with the 2009. With a rapid increase in VIP gaming rooms in recent years, VIP junkets offer higher rebates and extend unsecured credits to VIP customers aggressively in order to maintain their rolling turnover. As a result, most of the junkets in Macau have encountered liquidity problem due to the difficulties in debt collection. Our junkets partners even manage their credit risk prudential but, due to the keen competition, the rolling turnover has dropped. The main factors which lead the drop include

(I) VISA RESTRICTION

In September 2009, the PRC Government further announced that Mainland Chinese citizens with only a Hong Kong visa and not a Macau visa could no longer enter Macau from Hong Kong.

(II) GLOBAL FINANCIAL CRISIS

The beginning of the global financial crisis in September 2008 has caused massive wealth destruction to businessmen and high-earning executives, which led to a severe downturn in Macau VIP gaming. Although an economic turnaround now appears underway, most of the VIP customers have reduced their frequency of visits to Macau and/or betting on each visit.

(III) DECREASED LIQUIDITY

VIP customers generally bet on credit granted by junkets and such credit is typically unsecured. After the global financial crisis, junkets have encountered decreased liquidity due to the difficulties in debts collection, which limits their ability to grant credit or the amount of credit to their VIP customers. As such, the operating results of junkets are adversely affected.

(IV) SQUEEZE IN JUNKETS' PROFIT MARGIN

The Macau VIP gaming industry is highly competitive. With the rapid increase in the number of VIP gaming rooms in recent years, junkets have to offer a higher rebate to attract and/or retain VIP customers, which squeezes their profit margin. In addition, the Macau Government published certain guidelines with respect to cap on the commission rates payable to junkets in August 2009. Although the Macau Government has not implemented caps on the commission rates payable to junkets, most of the junkets are not able to obtain favorable terms in renewing their gaming promotion agreements.

(V) LOSS OF QUALITY VIP CUSTOMERS

As a significant portion of Macau casinos' gaming revenue is derived from VIP customers introduced by junkets, Macau casino operators have undertaken initiatives to establish direct relationships with quality VIP customers in order to reduce their reliance on junkets. They generally offer very competitive package to selected quality VIP customers that junkets could not match. As a result, junkets have lost a significant number of their quality VIP customers to casino operators.

Due to the dropping on the rolling turnover of the junket partners, our junkets partners cannot meet their obligations under their respective profit guarantee and a further provision in impairments of the Group is required.

Following the opening of Encore in Wynn Macau on April 2010, additional competitors have entered into the market and wrested the turnover of Joli. The future performance of Joli should be deteriorated and we finally, have disposed on 12 May 2010.

Some listed issuers, who engage in similar kind of business as that of the Group does, have not received profit streams on time and their receivables on profit streams were relatively high when compared to the Group. Finally, they even recorded the impairment loss on their receivables on profit streams. Unlike other listed issuers in similar businesses, the Group has never experienced any delay in receiving profit streams from our junket partners under the relevant profit agreements despite they may having a tight cash flow in their junket operations caused by the competition in VIP gaming activities. It is largely reliant upon the business relationship and trust that has built up between the Company and our junket partners.

Although the Group's principal business activity in gaming and entertainment related business will be streamlined following the disposal of Joli, the Group continues to have a sufficient level of operations because its interest in the VIP gaming at The Venetian via Triple Gain and the revenue generated is stable. Mr. Chen Yi-Ming is the sole owner of Nove and is a general manager of the Company who is responsible for the operations of Nove at the Venetian gaming room for the purpose of the Nove Profit Agreement. The Group can maintain strict control over the outstanding receivables to minimise our credit risk.

FINANCIAL REVIEW

For the year ended 31 March 2010, the Group was only engaged in core business stream: gaming and entertainment sector. With the strong foundation established during the years over the Macau gaming and entertainment sector, the Group would continue focusing on the gaming and entertainment business in the years to come while keeping an eye in identifying profitable and safe trading business.

Turnover of the Group was approximately HK$352,806,000 representing a 19.77% decrease over the corresponding figure of approximately HK$439,720,000 in 2009. The Group's revenue was lower than that of last year and this was in line with the difficulties facing the Macau gaming sector during the year. The main reason for the decrease was attributed to the disposal of Sat Ieng Profit Agreement and the Dore Profit Agreement on 15 July 2009. If an apple is compared with an apple, the rolling turnover of the junket partners, is satisfied but at the deteriorating trend. Especially the turnover of Joli has decreased since September 2009 and Joli is experiencing difficulties in collecting debts from its credit VIP customers. The decrease in turnover is due to Joli's inability to extend more credit to its credit VIP customers. Following the opening of Encore in Wynn Macau on April 2010, additional competitors have wrested Joli's turnover in Wynn Macau. In the future, only the turnover of Nove can provide stabilizing profit stream of the Group relativity.

Similar to 2009, 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% (2009: 100%). The Group's operating cost is restricted to administrative expenses.

Administrative expenses was approximately HK$9,368,000 for the year ended 31 March 2010, a 40.56% decrease from approximately HK$15,760,000 for 2009. The decrease was mainly attributed to the salaries and the expenses relating to the promotion, traveling and publicity role.

For the year ended 31 March 2010, finance cost was approximately HK$128,904,000, marginally increased as compared to approximately HK$127,249,000 for the year 2009. The increase was attributed to the interest arisen as a result of the convertible bonds and the promissory notes issued for the acquisitions of several subsidiaries.

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$632,224,000, as compared to the net loss of approximately HK$577,144,000 for 2009. 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$347,710,000 is a better reflection of the Group's actual operation result.

	Year ended 31 March 2010 HK$'000
Net loss per annual report	(632,224)
Adjusted for non-cash items	
Excess of acquirer's interest in fair value of acquiree's identifiable 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	(34,869)
Fair value changes on derivative financial instruments	7,912
Loss on disposals of subsidiaries	15,955
Loss on early repayment of promissory note	337
Loss on early redemption of convertible bonds	21,206
Loss on cancellation of promissory notes	67,714
Loss on cancellation of convertible bonds	122,698
Impairment loss recognised in respect of intangible assets	794,079
Impairment loss recognised in respect of goodwill	46,270
Notional interest cost of convertible bonds and promissory notes	128,904
Profit after striping out non-cash items	347,710

Apart from these, the Group had no other debt. If these are excluded, the Group would have a net cash position and a bank interest income of approximately HK$14,000 has been recorded.

The ultimate loss is a result of the impairment loss due to the inability to achieve the sales forecast and the downturn in Macau gaming sector.

As there is a general drop in rolling turnover generated by VIPs during the year and the inability to achieve the sales forecast by our business partners, the Group recognized impairment loss in respect of the Nove Profit Agreement and Joli Profit Agreement of approximately HK$48,575,000 and HK$745,504,000 respectively.

Basic and diluted loss per share for the year under review were both HK$85.91 cents (2009: HK$41.83 cents). Due to the change of number of shares by capital reduction on 14 July 2009, the basic and diluted loss per share increase 105% even the loss for the year attributable to owners of the Company is approximately HK$632,224,000, a 9.54% increase as compared to the loss of approximately HK$577,144,000 for 2009.

LIQUIDITY AND FINANCIAL RESOURCES

During the year, 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 year. As at 31 March 2010, total assets of the Group were approximately HK$977,638,000 (2009: HK$2,719,622,000) which were financed by capital and reserves of approximately HK$308,494,000 (2009: HK$841,262,000), current liabilities of approximately HK$15,135,000 (2009: HK$79,233,000) and non-current liabilities of approximately HK$654,009,000 (2009: HK$1,779,127,000).

Equity attributable to owners of the Company at 31 March 2010 was approximately HK$308,494,000 (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 31 March 2010, the cash and cash equivalents of the Group amounted to approximately HK$98,390,000 and the Group's current ratio was 40.98 (2009: 2.40). The increase is mainly attributed to the assets and liabilities classified as held for sale that includes Team Jade and its subsidiaries. Without the assets classified as held for sale, the total current assets amounted to approximately HK$156,635,000 and the current ratio was 10.36.

At 31 March 2010, the total liabilities of the Group amounted to approximately HK$669,144,000, mainly representing the convertible bonds and promissory notes issued for acquiring several subsidiaries (2009: HK$1,878,360,000). The decrease was attributed to the early redemption on convertible bonds and promissory notes during the year under review. The Group's gearing ratio as at 31 March 2010, expressed as a percentage of total borrowings over total equity was 2.17 (2009: 2.23).

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 on 27 July 2009 at HK$0.30 per share and 300,000,000 new shares on 12 August 2009 at HK$0.30 per share, being the placing during the year.

On 22 March 2010, the Company issued 464,329,107 new shares at HK$0.20 per share by way of open offer to the qualifying shareholders.

BORROWINGS

At 31 March 2010, the Group's borrowings in promissory notes amounted to approximately HK$95,145,000 (2009: HK$502,567,000) and in convertible bonds amounted to approximately HK$507,807,000 (2009: HK$1,053,053,000) of which all repayable after one year. The decrease was attributed to the early redemption and cancellation on convertible bonds and promissory notes during the year under review.

Finance costs for the year amounted to approximately HK$128,904,000 (2009: HK$127,249,000) and increase of approximately HK$1,655,000 as compared with corresponding period in 2009.

CHARGES ON GROUP ASSETS

At 31 March 2010, none of the Group's assets was pledged to any financial institution for facilities (2009: Nil).

CONTINGENT LIABILITIES

At 31 March 2010, the Group had no contingent liabilities (2009: Nil).

FOREIGN EXCHANGE EXPOSURE

The Group continues to adopt a conservative treasury policy with all bank deposits in Hong Kong dollars, keeping a minimum exposure to foreign exchange risks. As a majority of the inflow and outflow is denominated in Hong Kong dollars, the Group has not adopted any hedging policy or entered into any derivative products which are considered not necessary for the Group's treasury management activities.

MATERIAL DISPOSAL OF SUBSIDIARIES

On 9 November 2009, the Company entered into a sale and purchase agreement with Mr. Sin to sell the entire issued share capital of Team Jade and the sale debts at a total consideration of HK$500,000,000. The consideration is satisfied by offsetting against the outstanding principal amount of convertible bonds. For further details, please refer to the Company's circular dated 26 April 2010.

EMPLOYEES

At 31 March 2010, the Group has a total of 5 employees (2009: 8 employees). The decrease in the number of employees was due to optimisation of our operation. Total staff costs (including directors' emoluments) during the year amounted to approximately HK$2,907,000 (2009: HK$5,861,000).

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 year, certain eligible employees of the Group were granted options under the share option scheme of the Company. The equity-settled share-based payments amounted to approximately HK$980,000 (2009: Nil).

PROSPECTS

Following the global financial crisis, our customers have to place to more emphasis on their existing business. The directors consider that the Macau VIP gaming business is highly sensitive to economic cycles and highly volatile. We currently are exposed to three board types of risks.

(I) Policy changes, both in mainland China and Macau

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.

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 Sai On 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.

The worse-than-expected tightening of policies on credit expansion and property sectors in mainland China also restricts our customers' liquidity conditions.

(II) VIP gaming segment

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.

(III) Competition from Singapore casino openings

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.

Hence, has adopted the painful move in disposing the profit streams from Joli. Also, 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.

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Yao Wai Kwok Daniel, aged 41, joined the Company as executive director in November 2008. He has been working in the gaming sector for more than five years, principally in Australia. After graduation from the high school and taking of computer application courses in Australia, Mr. Yao worked as a gaming supervisor in a casino in Australia where he has built up substantial knowledge in both operation and supervision.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Lee Shiow Yue, aged 47, joined the Company as an independent non-executive director in March 2010. She has over 19 years of working experience in accounting and management field.

Mr. Poon Wai Hoi, Percy, aged 45, joined the Company as an independent non-executive director in June 2010. Mr. Poon was graduated from Lingnan University (previously known as Lingnan College) with an Honours Diploma in Accountancy and obtained his Master of Science degree in E-Commerce from the Hong Kong Polytechnic University. Mr. Poon is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. He is currently a proprietor of a certified public accountant firm. Mr. Poon had worked for various international accounting firms, corporation and consultant company in Hong Kong. In his 20 years' career, Mr. Poon's experience covered audit and assurance, internal controls, accounting and information technology.

Mr. Tang Chi Ho, Francis, aged 43, joined the Company as an independent non-executive director in June 2010. He has over 16 years experience in public administration. He was an urban councilor from the year of 1995 to the year of 2000. Mr. Tang is currently a council member of Kwun Tong district since the year of 1994.

Report of the Directors

The directors present their report and the audited consolidated financial statements of the Company and the Group for the year ended 31 March 2010.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2010 are set out in the consolidated statement of comprehensive income on page 24 of this annual report.

The directors do not recommend the payment of a final dividend for the year ended 31 March 2010 (2009: HK2.0 cents).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 104. This summary does not form part of the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Details of movements in the property, plant and equipment and investment property of the Company and the Group during the year are set out in notes 15 and 17 to the consolidated financial statements, respectively.

SHARE CAPITAL

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

SHARE OPTION SCHEME

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

RESERVES

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

DISTRIBUTABLE RESERVES

At 31 March 2010, the Company's reserves available for distribution to shareholders, calculated in accordance with the provision of the Companies Act 1981 of Bermuda (as amended) is nil (2009: HK$243,672,000).

MAJOR CUSTOMERS AND SUPPLIERS

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

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

DIRECTORS

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

Executive directors:

Mr. Pun Yuen Sang (Retired on 14 July 2009)
Mr. Yao Wai Kwok, Daniel
Mr. Leung Wai Man (Resigned on 1 March 2010)

Independent non-executive directors:

Mr. Leung Chi Hung (Resigned on 1 June 2010)
Mr. Tsui Robert Che Kwong (Retired on 14 July 2009)
Mr. Cheung Yim Kong, Johnny (Resigned on 1 June 2010)
Mr. Lee Chan Wah (Resigned on 1 March 2010)
Ms. Lee Shiow Yue (Appointed on 1 March 2010)
Mr. Poon Wai Hoi, Percy (Appointed on 1 June 2010)
Mr. Tang Chi Ho, Francis (Appointed on 1 June 2010)

In accordance with the Company's bye-laws, Ms. Lee Shiow Yue, Mr. Poon Wai Hoi, Percy and Mr. Tang Chi Ho, Francis will retire and, being eligible, will offer themselves for re-election at the forthcoming general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company are set out on page 10 of this annual report.

CONFIRMATION OF INDEPENDENCE

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND SHARE OPTIONS

At 31 March 2010, 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 (resigned on 1 March 2010)	Beneficial owner	Nil	9,280,000	9,280,000	0.67%
Yao Wai Kwok Daniel	Beneficial owner	Nil	9,280,000	9,280,000	0.67%

(b) Share options

Name	Capacity	Number of options held	Number of underlying shares
Leung Wai Man (resigned on 1 March 2010)	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 31 March 2010.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

At 31 March 2010, 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	Capacity	Interest in shares	Interest in underlying shares	Total interest	Percentage of the issued share capital of the Company
Mr. Sin Chun Shing	Interest of corporation	33,600,000	163,844,163	197,444,163	14.17%
Multi Fit Investments Limited	Beneficial owner	33,600,000	196,998,260	188,164,163	13.51%

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

Save as disclosed above, at 31 March 2010, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

MAJOR DISPOSAL

On 9 November 2009, the Company entered into a sale and purchase agreement with Mr. Sin Chun Shing to sell the entire issued share capital of Team Jade and the sale debts at a total consideration of HK$500,000,000. The consideration is satisfied by offsetting against the outstanding principal amount of Fifth Convertible Bonds.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

SUBSEQUENT EVENTS

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

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the remuneration committee of the Company, on the basis of their performance, experience and prevailing industry practices.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and/or comparable market statistics. 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. The details of the scheme is set out in note 30(b) to the consolidated financial statements.

CORPORATE GOVERNANCE

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

Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 16 to 21.

AUDITORS

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

ON BEHALF OF THE BOARD

Yao Wai Kwok, Daniel
Executive Director

Hong Kong
22 July 2010

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance standards and practices. The primary corporate governance rules applicable to the Company is the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules. Throughout the year ended 31 March 2010, the Company had complied with all code provisions set out in the CG Code, except for the deviation from Code A.2.1 and Code A.4.1 as described below in the sections of "Chairman and Chief Executive Officer" and "Appointments, Re-election and Removal of Directors".

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors of the Company confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 March 2010.

BOARD OF DIRECTORS

At the annual general meeting held on 14 July 2009, Mr. Pun Yuen Sang and Mr. Tsui Robert Che Kwong had retired from office but not wish to offer themselves for re-election. On 1 March 2010, Mr. Leung Wai Man and Mr. Lee Chan Wah had resigned as the directors. At the same day, Ms. Lee Shiow Yue had been appointed as an independent non-executive Director.

As at 31 March 2010, the Board comprises one executive director, namely Yao Wai Kwok, Daniel and three independent non-executive directors, namely Mr. Leung Chi Hung, Mr. Cheung Yim Kong, Johnny and Ms. Lee Shiow Yue. Mr. Leung Chi Hung is a Certified Public Accountant (Practising) in Hong Kong. He has commenced his accountancy professional training since 1976 and is now members of international accountancy bodies.

On 1 June 2010, Mr. Leung Chi Hung and Mr. Cheung Yim Kong, Johnny had resigned as independent non-executive directors and Mr. Poon Wai Hoi, Percy and Mr. Tang Chi Ho, Francis had been appointed as independent non-executive directors. One of the independent non-executive directors possesses appropriate professional accounting qualifications and financial management expertise.

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

The Board considers that all of the independent non-executive directors are independent. All of the independent non-executive directors have signed their respective confirmation letters to the Company confirming their independence as set out in Rule 3.13 of the Listing Rules. Biographical details of the directors are set out in the section of "Biographical Details of Directors" on page 10. To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among the directors.

BOARD OF DIRECTORS (Continued)

The Board possesses a balanced mix of skills and expertise which supports the continuing development of the Company. Each executive director has accumulated sufficient and valuable experience to hold his/her position in order to ensure that his/her fiduciary duties have been carried out in an efficient and effective manner. The Board is responsible for setting the Group's strategic direction and overseeing the business performance of the Group while business operations are delegated to qualified management under the supervision of respective executive directors. The Board also monitors the financial performance and the internal controls of the Group's business operations. The senior management is responsible for the day-to-day operations of the Group.

The independent non-executive directors take an active role in board meetings, contribute to the development of strategies and policies and make sound judgment in various aspects. They will take lead when potential conflicts of interest arise. They are also the members of various Board committees and devote sufficient amount of time and attention to the affairs of the Company, including various site visits to the venues of the Company's partners in Macau. Thus, the Board considers the current board size is adequate for its present operations.

Induction and Continuing Development for Directors

During the year and up to the date of this report, Ms. Lee Shiow Yue, Mr. Poon Wai Hoi, Percy and Mr. Tang Chi Ho, Francis were appointed as directors. He/she has received induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development to directors will be arranged whenever necessary.

Chairman and Chief Executive Officer

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

The Company does not officially have a position of Chief Executive Officer and the Company still looks for appropriate person to fill the vacancy as Chairman. During the year, 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.

In this regard, the Company has deviated from Code A.2.1 of CG Code. The Board believes that it would provide the Group with strong and consistent leadership and allow the Group's business operations, planning and decision making as well as execution of long-term business strategies to be carried out more effectively and efficiently during the year. Once the Company looks for appropriate Chairman, the role of chairman and chief executive officer will be separated.

APPOINTMENTS RE-ELECTION AND REMOVAL OF DIRECTORS

According to Bye-law 86(2) of the bye-laws of the Company (the "Bye-Laws"), a director appointed by the Board to fill a casual vacancy shall hold office until the next general meeting. Thence, Ms. Lee Shiow Yue, Mr. Poon Wai Hoi, Percy and Mr. Tang Chi Ho, Francis were re-elected as directors of the Company at the forthcoming general meeting.

Mr. Leung Chi Hung, Mr. Tsui Che Kwong, Robert, Mr. Cheung Yim Kong, Johnny, Mr. Lee Chan Wah, Ms. Lee Shiow Yue, Mr. Poon Wai Hoi, Percy and Mr. Tang Chi Ho, Francis being the independent non-executive directors of the Company, were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the bye-Laws.

BOARD COMMITTEES

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

REMUNERATION COMMITTEE

As at 31 March 2010, the Remuneration Committee of the Company comprises two independent non-executive directors, Ms. Lee Shiow Yue (Chairman) and Mr. Leung Chi Hung and an executive director, Mr. Yao Wai Kwok, Daniel. Ms. Lee Shiow Yue was appointed on 1 March 2010 due to the resign of Mr. Lee Chan Wah. It is responsible for reviewing and recommending all elements of the executive directors and senior management remuneration. The fees of the non-executive directors are determined by the Board. The Remuneration Committee met twice during the year under review. The Committee discussed and reviewed the remuneration packages of all directors and the granting of share options to the directors, senior management and consultants. The directors' remuneration for the year ended 31 March 2010 is set out in note 11 to the financial statements.

Currently, the Remuneration Committee of the Company comprises two independent non-executive directors, Ms. Lee Shiow Yue (Chairman) and Mr. Tang Chi Ho, Francis and an executive director, Mr. Yao Wai Kwok, Daniel due to the resign of Mr. Leung Chi Hung.

NOMINATION COMMITTEE

As at 31 March 2010, the Nomination Committee is chaired by Ms. Lee Shiow Yue with Mr. Leung Chi Hung and Mr. Yao Wai Kwok, Daniel as members. Ms. Lee Shiow Yue was appointed on 1 March 2010 due to the resign of Mr. Lee Chan Wah. The majority of the members of the Nomination Committee are independent non-executive directors. It is responsible for reviewing the Board composition and identifying and nominating candidates for appointment to the Board such that it has the required blend of skills, knowledge and experience. The Nomination Committee met twice during the year under review and considered the appointment of independent non-executive directors during the year.

Currently, the Nomination Committee is comprises two independent non-executive directors, Ms. Lee Shiow Yue (Chairman) and Mr. Tang Chi Ho, Francis and an executive director, Mr. Yao Wai Kwok, Daniel due to the resign of Mr. Leung Chi Hung.

AUDIT COMMITTEE

As at 31 March 2010, the Audit Committee comprises three independent non-executive directors, Mr. Leung Chi Hung as the Chairman, Ms. Lee Shiow Yue and Mr. Cheung Yim Kong Johnny. None of the members of the Audit Committee is a member of the former or existing auditors of the Company. The Audit Committee has adopted the principles set out in the CG Code.

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

Auditors' Remuneration

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

	2010	2009
	HK$'000	HK$'000
Audit service	**650**	750
Other advisory service	**632**	708

Currently, the Audit Committee comprises three independent non-executive directors, Mr. Poon Wai Hoi, Percy as the Chairman, Ms. Lee Shiow Yue and Mr. Tang Chi Ho, Francis due to the resigns of Mr. Leung Chi Hung and Mr. Cheung Yim Kong Johnny.

BOARD AND BOARD COMMITTEE MEETINGS

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

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meeting
Number of meetings	19	2	2	2
Executive directors:				
Mr. Pun Yuen Sang (Retired on 14 July 2009)	3/19	N/A	N/A	N/A
Mr. Yao Wai Kwok, Daniel	19/19	N/A	2/2	2/2
Mr. Leung Wai Man (Resigned on 1 March 2010)	16/19	N/A	N/A	N/A
Independent non-executive directors:				
Mr. Leung Chi Hung	19/19	2/2	2/2	2/2
Mr. Tsui Robert Che Kwong (Retired on 14 July 2009)	1/19	1/2	N/A	N/A
Mr. Cheung Yim Kong, Johnny	17/19	2/2	N/A	N/A
Mr. Lee Chan Wah (Resigned on 1 March 2010)	16/19	2/2	2/2	2/2
Ms. Lee Shiow Yue (Appointed on 1 March 2010)	3/19	0/2	0/2	0/2

RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

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

The directors acknowledge their responsibility to prepare the consolidated financial statements as set out on page 22. The statement of the external auditors about their reporting responsibilities on the financial statements is set out on page 22.

INTERNAL CONTROL

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets and reviewing the effectiveness of such system on an annual basis.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The internal auditor shall review and evaluate the control process and monitor any risk factors on a regular basis and report to the Audit Committee on any findings and measures to address the variances and identified risks.

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

SHAREHOLDER RIGHT

The rights of Shareholders and the procedures for them to demand a poll on resolutions at Shareholders' meetings are contained in the Company's Bye-laws. Details of such rights to demand a poll and the poll procedures are included in all circulars to Shareholders and will be explained during the proceedings of meetings. Poll results, if any, will be posted on both the websites of the Stock Exchange and the Company no later than 30 minutes before the earlier of the morning session or any pre-opening session on the next business day of the Shareholders' meeting.

COMMUNICATIONS WITH SHAREHOLDERS

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

(i) By mail to the Company's head office at 19th Floor, BLINK, 111 Bonham Strand, Sheung Wan, Hong Kong;

(ii) By telephone at telephone number (852) 2546-1223;

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

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

The general meetings of the Company provide a platform for communication between the Shareholders and the Board. Our Directors are available at the Shareholders' meetings of the Company to answer questions and provide information which Shareholders may enquire. The Company continues to enhance communications and relationships with its investors. Enquiries from investors are dealt with in an informative and timely manner.

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

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

Independent Auditors' Report

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DORE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Dore Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 103 which comprise the consolidated and company statements of financial position as at 31 March 2010 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2010 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 22 July 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Turnover	6	**352,806**	439,720
Other revenue	6	**14**	15
Administrative expenses		**(9,368)**	(15,760)
Equity-settled share-based payments		**(2,553)**	–
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost	8	**192,825**	202,131
Fair value changes on financial assets at fair value through profit or loss		**34,869**	(32,742)
Fair value changes on derivative financial instruments	23	**(7,912)**	(66,779)
Impairment loss recognised in respect of intangible assets	16	**(794,079)**	(1,006,584)
Impairment loss recognised in respect of goodwill	18	**(46,270)**	(73,522)
Loss on disposals of subsidiaries	33	**(15,955)**	(668)
Loss on early redemption of convertible bonds	28	**(21,206)**	(15,240)
(Loss)/gain on cancellation of convertible bonds	28	**(122,698)**	116,292
Loss on early repayment of promissory note	27	**(337)**	–
Loss on cancellation of promissory notes	27	**(67,714)**	(72)
Finance costs	9	**(128,904)**	(127,249)
Loss before taxation		**(636,482)**	(580,458)
Taxation	10	**4,258**	3,314
Loss for the year	7	**(632,224)**	(577,144)
Other comprehensive income for the year, net of tax		**–**	–
Total comprehensive expense for the year		**(632,224)**	(577,144)
Loss for the year attributable to owners of the Company		**(632,224)**	(577,144)
Total comprehensive expense attributable to owners of the Company		**(632,224)**	(577,144)
Loss per share	14		
– Basic and diluted (HK cents)		**(85.91)**	(41.83)

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

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

Consolidated Statement of Financial Position

At 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	*15*	**24**	1,424
Intangible assets	*16*	**357,409**	2,098,869
Goodwill	*18*	**–**	428,883
		357,433	2,529,176
Current assets			
Accounts receivable	*20*	**4,532**	51,036
Deposits and other receivables	*21*	**176**	386
Financial assets at fair value through profit or loss	*22*	**46,862**	53,589
Derivative financial instruments	*23*	**6,675**	34,421
Cash and bank balances		**98,390**	51,014
		156,635	190,446
Assets classified as held for sale	*24*	**463,570**	–
		620,205	190,446
Current liabilities			
Other payables and accruals	*25*	**15,119**	79,053
Tax payable		**–**	180
		15,119	79,233
Liabilities directly associated with assets classified as held for sale	*24*	**16**	–
		15,135	79,233
Net current assets		**605,070**	111,213
Total assets less current liabilities		**962,503**	2,640,389

Consolidated Statement of Financial Position (Continued)

At 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current liabilities			
Loan from a shareholder	*26*	**–**	130,000
Promissory notes – due after one year	*27*	**95,145**	502,567
Convertible bonds – due after one year	*28*	**507,807**	1,053,053
Deferred tax liabilities	*29*	**51,057**	113,507
		654,009	1,799,127
Net assets		**308,494**	841,262
Capital and reserves			
Share capital	*30(a)*	**13,930**	328,658
Reserves	*31(a)*	**294,564**	512,604
Equity attributable to owners of the Company		**308,494**	841,262

Approved by the board of directors on 22 July 2010 and signed on its behalf by:

Yao Wai Kwok, Daniel
Director

Tang Chi Ho, Francis
Director

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

Statement of Financial Position

At 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	15	**24**	18
Interests in subsidiaries	19	**552,834**	2,701,905
		552,858	2,701,923
Current assets			
Deposits and other receivables	21	**176**	50
Financial assets at fair value through profit or loss	22	**46,862**	53,589
Derivative financial instruments	23	**6,675**	34,421
Cash and bank balances		**98,389**	47,124
		152,102	135,184
Less: Current liabilities			
Other payables and accruals	25	**15,115**	79,014
Amounts due to subsidiaries	19	**–**	174,795
		15,115	253,809
Net current assets/(liabilities)		**136,987**	(118,625)
Total assets less current liabilities		**689,845**	2,583,298
Less: Non-current liabilities			
Loan from a shareholder	26	**–**	130,000
Promissory notes – due after one year	27	**95,145**	502,567
Convertible bonds – due after one year	28	**507,807**	1,053,053
Deferred tax liabilities	29	**51,057**	113,507
		654,009	1,799,127
Net assets		**35,836**	784,171
Capital and reserves			
Share capital	30(a)	**13,930**	328,658
Reserves	31(b)	**21,906**	455,513
Total equity		**35,836**	784,171

Approved by the board of directors on 22 July 2010 and signed on its behalf by:

Yao Wai Kwok, Daniel
Director

Tang Chi Ho, Francis
Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

		Reserves								
	Share capital HK$'000	Share premium HK$'000 *(note i)*	Contributed surplus HK$'000 *(note ii)*	Convertible bonds reserve HK$'000 *(note iii)*	Capital reserve HK$'000 *(note iv)*	Share option reserve HK$'000 *(note v)*	Revaluation reserve HK$'000 *(note vi)*	Accumulated losses HK$'000	Total reserves HK$'000	Total equity HK$'000
At 1 April 2008	141,286	1,387,403	2,696	404,347	85,889	15,465	63,089	(915,108)	1,043,781	1,185,067
Net loss for the year	–	–	–	–	–	–	–	(577,144)	(577,144)	(577,144)
Total comprehensive expense for the year	–	–	–	–	–	–	–	(577,144)	(577,144)	(577,144)
Consideration shares	30,515	117,471	–	–	–	–	–	–	117,471	147,986
Share premium cancellation *(note i)*	–	(1,387,403)	472,295	–	–	–	–	915,108	–	–
Equity component of convertible bonds	–	–	–	131,729	–	–	–	–	131,729	131,729
Deferred tax arising on issue of convertible bonds	–	–	–	(107,768)	–	–	–	–	(107,768)	(107,768)
Conversion of convertible bonds into shares	12,520	210,094	–	(125,045)	–	–	–	–	85,049	97,569
Early redemption of convertible bond	–	–	–	(40,359)	–	–	–	31,694	(8,665)	(8,665)
Cancellation of convertible bonds	–	–	–	(136,952)	–	–	–	(24,538)	(161,490)	(161,490)
Expiration of share options	–	–	–	–	–	(15,465)	–	15,465	–	–
Issue of ordinary shares	34,784	24,349	–	–	–	–	–	–	24,349	59,133
Share issue expenses	–	(648)	–	–	–	–	–	–	(648)	(648)
Open offer	109,553	–	–	–	–	–	–	–	–	109,553
Open offer expenses	–	(2,412)	–	–	–	–	–	–	(2,412)	(2,412)
Dividend paid	–	–	–	–	–	–	–	(31,648)	(31,648)	(31,648)
At 31 March 2009 and 1 April 2009	328,658	348,854	474,991	125,952	85,889	–	63,089	(586,171)	512,604	841,262
Net loss for the year	–	–	–	–	–	–	–	(632,224)	(632,224)	(632,224)
Total comprehensive expense for the year	–	–	–	–	–	–	–	(632,224)	(632,224)	(632,224)
Capital reduction *(note ii)*	(325,372)	–	325,372	–	–	–	–	–	325,372	–
Capital reorganisation *(note i)*	–	(348,854)	(231,319)	–	–	–	–	580,173	–	–
Early redemption of convertible bonds	–	–	–	(4,851)	–	–	–	(85,516)	(90,367)	(90,367)
Cancellation of convertible bonds	–	–	–	(79,141)	–	–	–	15,220	(63,921)	(63,921)
Recognition of equity-settled share-based payments	–	–	–	–	–	2,553	–	–	2,553	2,553
Issue of ordinary shares	6,000	174,000	–	–	–	–	–	–	174,000	180,000
Share issue expenses	–	(2,102)	–	–	–	–	–	–	(2,102)	(2,102)
Open offer	4,644	88,221	–	–	–	–	–	–	88,221	92,865
Open offer expenses	–	(999)	–	–	–	–	–	–	(999)	(999)
Release upon disposal of subsidiaries	–	–	–	–	–	–	(62,451)	62,451	–	–
Dividend paid	–	–	–	–	–	–	–	(18,573)	(18,573)	(18,573)
At 31 March 2010	**13,930**	**259,120**	**569,044**	**41,960**	**85,889**	**2,553**	**638**	**(664,640)**	**294,564**	**308,494**

Notes:

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

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

During the year ended 31 March 2010, 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.

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

During the year ended 31 March 2010, 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.

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

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

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

The share options which are expired would be released directly to accumulated losses.

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

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Cash flows from operating activities			
Loss before taxation		**(636,482)**	(580,458)
Adjustments for:			
Finance costs	9	**128,904**	127,249
Interest income	6	**(14)**	(15)
Loss/(gain) on cancellation of convertible bonds	28	**122,698**	(116,292)
Equity-settled share-based payments expenses		**2,553**	–
Fair value changes on financial assets at fair value through profit or loss		**(34,869)**	32,742
Fair value changes on derivative financial instruments	23	**7,912**	66,779
Impairment loss recognised in respect of intangible assets	16	**794,079**	1,006,584
Impairment loss recognised in respect of goodwill	18	**46,270**	73,522
Depreciation	15	**397**	487
Loss on disposal of property, plant and equipment	7	**546**	–
Loss on early redemption of convertible bonds	28	**21,206**	15,240
Loss on disposals of subsidiaries	33	**15,955**	668
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost	8	**(192,825)**	(202,131)
Loss on early repayment of promissory note	27	**337**	–
Loss on cancellation of promissory notes	27	**67,714**	72
Operating profit before working capital changes		**344,381**	424,447
Decrease/(increase) in accounts receivable		**44,756**	(2,010)
Decrease in deposits and other receivables		**195**	25,870
Decrease/(increase) in financial assets at fair value through profit or loss		**41,596**	(48,111)
(Decrease)/increase in other payables and accruals		**(1,130)**	1,511
Cash generated from operations		**429,798**	401,707
Interest paid		**(156,623)**	(37,455)
Net cash generated from operating activities		**273,175**	364,252

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Cash flows from investing activities			
Interest received		**14**	15
Purchase of property, plant and equipment	*15*	**(24)**	(12)
Acquisitions of subsidiaries	*32*	**–**	(533,476)
Proceeds on disposal of subsidiaries	*33*	**16,553**	10,000
Net cash generated from/(used in) investing activities		**16,543**	(523,473)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**180,000**	59,133
Share issue expenses		**(2,102)**	(648)
Proceeds from open offer		**92,865**	109,553
Open offer expenses		**(999)**	(2,412)
Payment for early redemption of convertible bonds		**(299,986)**	(108,750)
Payment for early redemption of promissory note		**(40,134)**	–
Loan from a shareholder		**–**	130,000
Repayment of loan from a shareholder		**(130,000)**	–
Dividends paid		**(18,573)**	(31,648)
Net cash (used in)/generated from financing activities		**(218,929)**	155,228
Net increase/(decrease) in cash and cash equivalents		**70,789**	(3,993)
Cash and cash equivalents at the beginning of the year		**51,014**	55,007
Cash and cash equivalents at the end of the year		**121,803**	51,014
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		**98,390**	51,014
Cash and bank balances included in a disposal group classified as held for sale	*24*	**23,413**	–
		121,803	51,014

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

1. GENERAL INFORMATION

Dore Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business in Hong Kong is 19th Floor, BLINK, 111 Bonham Strand, Sheung Wan, Hong Kong.

The principal activity of the Company is investment holding. The Group is principally engaged in operations which receive the profit streams from gaming and entertainment related business.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations 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
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	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendments to paragraph 80 of HKAS 39

HKAS 1 (Revised) *Presentation of Financial Statements* has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 *Operating Segments* is a disclosure standard that has not resulted in a change in presentation of the segment information *(Note 5)*.

The amendments to HKFRS 7 *Financial Instruments: Disclosures* expand and amend the disclosures required in relation to fair value measurements and liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impact of new and revised HKFRSs not yet effective

HKFRSs (Amendments)	Improvements to HKFRSs – amendments to HKFRS 5[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[6]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Right Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-Time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Shared-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

1 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 amendments 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 January 2010

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

5 Effective for annual periods beginning on or after 1 July 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

HKAS 27 (Revised) *Consolidated and Separate Financial Statements* requires the effects of all transactions with minority interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (Revised) prospectively to transactions with minority interest from 1 April 2010.

HKFRS 3 (Revised) *Business Combinations* continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the consolidated statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1 April 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impact of new and revised HKFRSs not yet effective (Continued)

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 will affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

Basis of preparation

The measurement basis used in the preparation of the consolidated financial statements is historical cost convention except for financial assets at fair value through profit or loss and derivative financial instruments which have been carried at fair values as explained below.

Basis of consolidation

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

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

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

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

Business combinations

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on acquisitions prior to 1 January 2005

Goodwill arising on an acquisition of net assets and operations of another entity for which the arrangement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition.

For previously capitalised goodwill arising on acquisitions of net assets and operations of another entity after 1 January 2001, the Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on acquisitions on or after 1 January 2005

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

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated statement of financial position.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (other than goodwill)

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

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

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

Property, plant and equipment

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Intangible assets

Intangible assets acquired in a business combination

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

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

Investment properties

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets

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

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

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

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

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

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

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

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

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

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

Loans and receivables

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

Fair value

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

Derivative financial instruments and hedging activities

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Embedded derivatives

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

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

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

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

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

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

Assets carried at cost

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Financial liabilities and equity

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

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

Effective interest method

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

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

Other financial liabilities

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Convertible bonds

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

Convertible bonds that contain an equity component

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

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

Convertible bonds that do not contain an equity component

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

Derecognition of financial liabilities

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

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

Cash and cash equivalents

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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

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

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

Leasing

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

The Group as lessee

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

Foreign currencies

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

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

Borrowing costs

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

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

Retirement benefits costs

Paid leave carried forward

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

Retirement benefits scheme

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefits costs (Continued)

Share option scheme

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

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

Taxation

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

Provisions

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

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Contingent liabilities and assets

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related party transactions

Parties are considered to be related to the Group if:

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

(b) the party is an associate;

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

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

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

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

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

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

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Income tax

The Group is subject to income taxes in Hong Kong. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Impairment of property, plant and equipment

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

Fair value of derivatives and other financial instruments

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

For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. The carrying amounts of these derivatives financial instruments are approximately HK$6,675,000 (2009: HK$34,421,000).

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates *(Note 18)*.

The carrying amount of goodwill at the end of the reporting period was nil (2009: HK$428,883,000) after an impairment of approximately HK$46,270,000 (2009: HK$73,522,000) was recognised during the year.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Impairment of intangible assets

The Group tests annually whether intangible assets have suffered any impairment in accordance with the accounting policy stated above. The recoverable amounts of intangible assets have been determined based on discounted cash flow method *(Note 16)*.

The carrying amount of intangible assets at the end of the reporting period was approximately HK$357,409,000 (2009: HK$2,098,869,000) after an impairment of approximately HK$794,079,000 (2009: HK$1,006,584,000) was recognised during the year.

Measurement of convertible bonds

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

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

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

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

	2010	2009
	HK$'000	HK$'000
Financial assets		
Classified as fair value through profit or loss		
– Held for trading	**46,862**	53,589
– Derivative financial instruments	**6,675**	34,421
Loans and receivables		
(including cash and cash equivalents)	**103,098**	102,436
Financial liabilities		
Amortised cost	**618,071**	1,764,673

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

(b) Financial risk management objectives and policies

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

Market risk

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

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

Interest rate risk management

The Group's interest rate risk arises from interest-bearing borrowings. The Group considers that there is no significant cash flow interest rate risk and fair value interest rate risk as the Group does not have variable rate borrowings and fixed rate borrowings. The Group did not enter into interest rate swap to hedge against its exposures to changes in fair values of the borrowings.

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

Foreign exchange risk management

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

Other price risk management

The Group is exposed to equity price risk through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities operating in limousine rental services and mining in the PRC and sales of healthcare products in Hong Kong quoted in The Stock Exchange of Hong Kong Limited.

Sensitivity analysis on other price risk

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

If equity prices had been 5% higher/lower, net profit for the year ended 31 March 2010 would increase/decrease by approximately HK$2,343,000 (2009: HK$2,679,000). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

The Group's sensitivity to equity price decreased due to the reduction in financial assets at fair value through profit or loss during the current year.

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

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

Credit risk

As at 31 March 2010 and 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

Liquidity risk

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

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

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Liquidity risk (Continued)

	Weighted average effective interest rate	Within 1 year	2 to 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2010						
Non-derivative financial liabilities						
Other payables and accruals	**–**	**(15,119)**	**–**	**–**	**(15,119)**	**(15,119)**
Promissory notes	**8**	**–**	**–**	**(160,000)**	**(160,000)**	**(95,145)**
Convertible bonds	**16**	**–**	**–**	**(817,245)**	**(817,245)**	**(507,807)**
		(15,119)	**–**	**(977,245)**	**(992,364)**	**(618,071)**
At 31 March 2009						
Non-derivative financial liabilities						
Loan from a shareholder	–	–	(130,000)	–	(130,000)	(130,000)
Other payables and accruals	–	(79,053)	–	–	(79,053)	(79,053)
Promissory notes	8	–	(48,000)	(596,734)	(644,734)	(502,567)
Convertible bonds	16	–	–	(1,740,976)	(1,740,976)	(1,053,053)
		(79,053)	(178,000)	(2,337,710)	(2,594,763)	(1,764,673)

Fair value of financial instruments

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

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

(ii) the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models (e.g. discounted cash flow analysis using observable and/or unobservable inputs); and

(iii) the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Liquidity risk (Continued)

Fair value of financial instruments (Continued)

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

	2010		2009	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Financial liabilities				
Convertible bonds	**507,807**	**613,400**	1,053,053	886,221

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices;) and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market date (unobservable inputs).

	31 March 2010			
	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
Financial assets				
Financial assets at fair value through profit or loss	46,862	–	–	46,862
Derivative financial instruments	–	–	6,675	6,675
	46,862	**-**	**6,675**	**53,537**

There were no transfers between Levels 1 and 2 in the current year.

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

The movement for the year ended 31 March 2010 in the balances of Level 3 fair value measurement was as follows:

Derivate financial instruments

	HK$'000
At 1 April 2009	34,421
Derecognition due to early redemption of convertible bonds	(6,172)
Derecognition due to cancellation of convertible bonds	(13,662)
Fair values changes	(7,912)
At 31 March 2010	**6,675**

The loss for the outstanding derivate financial instruments for the year ended 31 March 2010 was approximately HK$9,810,000 and was included in the consolidated statement of comprehensive income.

(c) Capital risk management

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

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

Gearing ratio

The directors review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The ratio is calculated based on total debt and owners' equity. The decrease in gearing ratio was due to the cancellation and early redemption of promissory notes and convertible bonds and repayment of the loan from a shareholder during the year.

The gearing ratio at the end of the reporting period was as follows:

	2010	2009
	HK$'000	HK$'000
Total debt#	**602,952**	1,685,620
Owners' equity	**308,494**	841,262
Gearing ratio	**195.45%**	200.37%

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

5. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 April 2009. HKFRS 8 is a disclosure standard that 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 for the purposes of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting segment was business segment.

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

Revenue from major services

All of the Group's revenue for the years ended 31 March 2010 and 2009 are derived from profit streams from gaming and entertainment related business.

Geographical information

The Group operates in two principal areas – Gaming and entertainment business operates in Macau and administrative activities operate in Hong Kong.

The Group's revenue is solely generated from external customers in Macau.

The Group's information about its non-current assets by geographical location are detailed below:

	Non-current assets	
	2010	2009
	HK$'000	HK$'000
Macau	**357,409**	2,527,752
Hong Kong	**24**	1,424
	357,433	2,529,176

Information about major customer

Included in revenue arising from profit streams of gaming and entertainment related business of approximately HK$352,806,000 (2009: HK$439,720,000) are revenue of approximately HK$244,287,000 (2009: HK$155,739,000) whose arose from the Group's largest customer.

Revenue of approximately HK$305,197,000 (2009: HK$439,720,000) is derived from two customers (2009: four customers) which individually account for 10% or more of the Group's total revenue.

6. TURNOVER AND OTHER REVENUE

An analysis of turnover and other revenue is as follows:

	2010 HK$'000	2009 HK$'000
Turnover		
Profit streams from gaming and entertainment related business	**352,806**	439,720
Other revenue		
Interest income	**14**	15

Other revenue analysed by categories of assets is as follows:

Financial instruments		
Loans and receivables (including cash and bank balances)	**14**	15

7. LOSS FOR THE YEAR

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

	2010 HK$'000	2009 HK$'000
Depreciation	**397**	487
Auditors' remuneration	**650**	750
Minimum lease payments under operating leases in respect of land and buildings	**1,035**	1,006
Loss on disposal of property, plant and equipment	**546**	–
Staff costs (excluding directors' remuneration – *Note 11*)		
Salaries and wages	**1,548**	4,254
Pension scheme contributions	**25**	56
	1,573	4,310
Equity-settled share-based payments		
– employees	**980**	–
– consultants	**1,573**	–
	2,553	–
	4,126	4,310

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

For the year ended 31 March 2010

Pursuant to the Nove Profit Agreement, the Joli Profit Agreement 2 and the Joli Profit Agreement 3, 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, East & West International Inc. ("East & West") and Pacific Force Inc. ("Pacific Force"). During the year ended 31 March 2010, the profits sharing to the Group of the Nove Profit Agreement, the Joli Profit Agreement 2 and the Joli Profit Agreement 3 were shortfall of approximately HK$105,256,000, HK$89,494,000 and HK$11,187,000 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 Fourth Convertible Bond of approximately HK$105,256,000 and Fifth Convertible Bond of approximately 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 31 March 2010, the carrying amounts of goodwill arisen from these acquisitions have been adjusted by approximately HK$382,613,000. The amount of approximately HK$192,825,000 represents the residual amount which was charged to the consolidated statement of comprehensive income during the year ended 31 March 2010.

For the year ended 31 March 2009

Pursuant to the Nove Profit Agreement, Mr. Chen has provided certain profit guarantee over the profits sharing with Triple Gain. During the year ended 31 March 2009, the profits sharing to the Group were shortfall of approximately HK$202,131,000. In accordance with the terms and conditions of the profit agreement, Mr. Chen had agreed to compensate such shortfalls by setting off the outstanding principal amount of the Fourth Convertible Bond of approximately HK$202,131,000.

In relation to such compensation, an adjustment was made to the consideration for the acquisition of Triple Gain. The amount of approximately HK$202,131,000 was charged to the consolidated statement of comprehensive income during the year ended 31 March 2009.

9. FINANCE COSTS

	2010	2009
	HK$'000	HK$'000
Effective interest on promissory notes not wholly repayable within five years *(Note 27)*	**15,656**	36,024
Effective interest on promissory notes wholly repayable within five years *(Note 27)*	**701**	2,157
Effective interest on convertible bonds wholly repayable within five years *(Note 28)*	**112,547**	89,068
	128,904	127,249

10. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising from Hong Kong during the year. The Group has no assessable profit under Hong Kong profits tax for the years ended 31 March 2010 and 2009. The Group is not subject to any tax in Macau.

	2010	2009
	HK$'000	HK$'000
Tax credited for the year is as follows:		
Deferred tax liabilities *(Note 29)*		
Convertible bonds	**4,258**	3,314

The tax credit for the year can be reconciled to loss before taxation per the consolidated statement of comprehensive income as follows:

	2010		2009	
	HK$'000	**%**	HK$'000	%
Loss before taxation	**(636,482)**		(580,458)	
Tax at the applicable profits tax rate	**(105,019)**	**(16.5)**	(95,776)	(16.5)
Tax effect of income not taxable for tax purpose	**(188,312)**	**(29.6)**	(125,096)	(21.5)
Tax effect of expenses not deductible for tax purpose	**293,265**	**46.0**	220,814	38.0
Tax effect of unrecognised temporary differences	**(4,192)**	**(0.6)**	(3,256)	(0.6)
Tax credit at the effective tax rate for the year	**(4,258)**	**(0.7)**	(3,314)	(0.6)

11. DIRECTORS' REMUNERATION

The board of directors of the Company is currently composed of one executive director and three independent non-executive directors. Directors' remuneration for the year disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

Name of directors	Fee		Salaries and bonus		Pension scheme contributions		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Executive directors								
Mr. Lum Chor Wah, Richard (resigned on 14 November 2008)	**-**	–	**-**	373	**-**	8	**-**	381
Mr. Pun Yuen Sang (retired on 14 July 2009)	**-**	–	**35**	405	**2**	10	**37**	415
Mr. Tang Hin Keung, Alfred (resigned on 1 November 2008)	**-**	–	**-**	292	**-**	7	**-**	299
Mr. Yao Wai Kwok, Daniel (appointed on 1 November 2008)	**-**	–	**120**	113	**6**	3	**126**	116
Mr. Leung Wai Man (resigned on 1 March 2010)	**110**	–	**692**	10	**-**	–	**802**	10
Independent non-executive directors								
Mr. Leung Chi Hung	**100**	100	**-**	–	**-**	–	**100**	100
Mr. Tsui Robert Che Kwong (retired on 14 July 2009)	**29**	100	**-**	–	**-**	–	**29**	100
Mr. Cheung Yim Kong, Johnny	**120**	120	**-**	–	**-**	–	**120**	120
Mr. Lee Chan Wah (resigned on 1 March 2010)	**110**	10	**-**	–	**-**	–	**110**	10
Mr. Lee Shiow Yue (appointed on 1 March 2010)	**10**	–	**-**	–	**-**	–	**10**	–
	479	330	**847**	1,193	**8**	28	**1,334**	1,551

During the years ended 31 March 2010 and 2009, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office. None of the directors has waived any emoluments during the years ended 31 March 2010 and 2009.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2009: one) directors, details of whose remuneration are set out in Note 11 above. Mr. Leung Wai Man was one of the employees in the Group before his appointment as a director on 10 March 2009 and was neither a director nor employee after his resignation on 1 March 2010. Therefore, his details of remuneration are set out in both Note 11 and Note 12. Details of the remuneration of the remaining three (2009: four) non-director, highest paid employees for the year are as follows:

The Group

	2010	2009
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,248**	4,497
Pension scheme contributions	**6**	59
	2,254	4,556

Their emoluments were within the following bands:

	Number of employees	
	2010	2009
Nil – HK$1,000,000	**2**	1
HK$1,000,000 – HK$1,500,000	**1**	3

During the years ended 31 March 2010 and 2009, no emoluments were paid by the Group to the non-director, highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office.

13. DIVIDENDS

No final dividend was proposed by the directors for the year ended 31 March 2010.

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

14. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic loss per share

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

	2010	2009
	HK$'000	HK$'000
Loss		
Loss attributable to owners of the Company for the purpose of basic loss per share	(632,224)	(577,144)

	2010	2009
	'000	'000
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	735,900	1,379,728

Diluted loss per share

Diluted loss per share for the years ended 31 March 2010 and 2009 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.

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost				
At 1 April 2008	4,498	758	870	6,126
Additions	–	12	–	12
At 31 March 2009 and 1 April 2009	4,498	770	870	6,138
Additions	–	24	–	24
Disposals	–	(42)	(870)	(912)
Reclassified as held for sale *(Note 24)*	(1,235)	(240)	–	(1,475)
At 31 March 2010	3,263	512	–	3,775
Accumulated depreciation and impairment				
At 1 April 2008	3,619	521	87	4,227
Charged for the year	247	66	174	487
At 31 March 2009 and 1 April 2009	3,866	587	261	4,714
Charged for the year	247	63	87	397
Written back on disposals	–	(18)	(348)	(366)
Eliminated on reclassification as held for sale *(Note 24)*	(850)	(144)	–	(994)
At 31 March 2010	3,263	488	–	3,751
Net book value				
At 31 March 2010	**–**	**24**	**–**	**24**
At 31 March 2009	632	183	609	1,424

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Total HK$'000
Cost			
At 1 April 2008, 31 March 2009 and 1 April 2009	3,263	498	3,761
Additions	–	14	14
At 31 March 2010	3,263	512	3,775
Accumulated depreciation and impairment			
At 1 April 2008	3,263	467	3,730
Charged for the year	–	13	13
At 31 March 2009 and 1 April 2009	3,263	480	3,743
Charged for the year	–	8	8
At 31 March 2010	3,263	488	3,751
Net book value			
At 31 March 2010	**–**	**24**	**24**
At 31 March 2009	–	18	18

16. INTANGIBLE ASSETS

The Group

	Rights in sharing of profit streams HK$'000
Cost	
At 1 April 2008	2,700,307
Additions on acquisition of subsidiaries	1,183,424
At 31 March 2009 and 1 April 2009	3,883,731
Disposal of subsidiaries	(1,205,029)
Reclassified as held for sale	(1,183,424)
At 31 March 2010	1,495,278
Accumulated impairment	
At 1 April 2008	778,278
Impairment loss recognised for the year	1,006,584
At 31 March 2009 and 1 April 2009	1,784,862
Elimination on disposal	(695,568)
Impairment loss recognised for the year	794,079
Eliminated on reclassification as held for sale	(745,504)
At 31 March 2010	1,137,869
Carrying amount	
At 31 March 2010	**357,409**
At 31 March 2009	2,098,869

16. INTANGIBLE ASSETS (Continued)

Details of intangible assets are as follows:

	Sat Ieng Profit Agreement	Dore Profit Agreement	Nove Profit Agreement	Joli Profit Agreement	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2008	590,464	614,565	717,000	–	1,922,029
Addition on acquisitions of subsidiaries	–	–	–	1,183,424	1,183,424
Impairment loss recognised for the year	(340,828)	(354,740)	(311,016)	–	(1,006,584)
At 31 March 2009 and 1 April 2009	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 year	–	–	(48,575)	(745,504)	(794,079)
Reclassified as held for sale	–	–	–	(437,920)	(437,920)
At 31 March 2010	**–**	**–**	**357,409**	**–**	**357,409**

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

Impairment loss in respect of intangible assets of approximately HK$794,079,000 (2009: HK$1,006,584,000) was recognised during the year ended 31 March 2010 by reference to the valuation report issued by Messrs. Grant Sherman Appraisal Limited ("Grant Sherman"), independent qualified professional valuers, at 31 March 2010 which valued the intangible assets on discounted cash flow method. The discount rate applied was approximately 20.09% (2009: 18.10%). The main factor contributing to the impairment was the profit guarantee from the Nove Profit Agreement and the Joli Profit Agreement did not turnout as expected.

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

17. INVESTMENT PROPERTY

The Group

	2010 HK$'000	2009 HK$'000
Fair value		
At the beginning of the year	–	10,760
Disposal of subsidiaries *(Note 33)*	–	(10,760)
At the end of the year	–	–

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

18. GOODWILL

The Group

	HK$'000
Cost	
At 1 April 2008	372,156
Additions on acquisitions of subsidiaries *(Note 32)*	436,749
Adjustments to measurement for acquisitions *(note i)*	(87,560)
At 31 March 2009 and 1 April 2009	721,345
Adjustments to measurement for acquisitions *(note ii)*	(382,613)
As at 31 March 2010	338,732
Accumulated impairment	
At 1 April 2008	218,940
Impairment loss recognised for the year	73,522
At 31 March 2009 and 1 April 2009	292,462
Impairment loss recognised for the year	46,270
At 31 March 2010	338,732
Carrying amount	
At 31 March 2010	**–**
At 31 March 2009	428,883

18. GOODWILL (Continued)

The Group (Continued)

For the purpose of impairment testing, goodwill with indefinite useful lives have been allocated to cash-generating unit (CGU) determined based on the related segment. The carrying amount of goodwill (net of impairment losses) at 31 March 2010 and 2009 allocated to this unit is as follows:

	2010	2009
	HK$'000	HK$'000
Gaming and entertainment unit	**–**	428,883

During the year ended 31 March 2010, 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 1.

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

The recoverable amount of the gaming and entertainment CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 20.09%.

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 20.09% (2009: 18.10%). 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.

Note:

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

(ii) 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 the Joli Profit Agreement 3 of approximately HK$377,322,000 and HK$5,291,000 respectively.

19. INTERESTS IN SUBSIDIARIES

The Company

	2010 HK$'000	2009 HK$'000
Investment cost	**36,801**	36,801
Less: Accumulated impairment loss recognised	**(36,801)**	(36,801)
	–	–
Amounts due from subsidiaries	**2,352,834**	3,835,444
Less: Accumulated impairment loss recognised	**(1,800,000)**	(1,133,539)
	552,834	2,701,905
	552,834	2,701,905
Amounts due to subsidiaries	**–**	174,795

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

The directors had estimated the investment costs and the advances by discounting their future cash flow at the prevailing market borrowing rate and considered a provision for impairment loss of approximately HK$1,800,000,000 (2009: HK$347,239,000) should be made in respect of amounts due from subsidiaries.

Particulars of the Company's subsidiaries at 31 March 2010 are set out in Note 40 to the consolidated financial statements.

20. ACCOUNTS RECEIVABLE

The Group

The Group's trading terms with its customers are mainly on credit. The Group receives the profit streams 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 end of the reporting period, based on invoice date, is as follows:

	2010	2009
	HK$'000	HK$'000
Within 15 days	**4,532**	51,036

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

21. DEPOSITS AND OTHER RECEIVABLES

	The Group		**The Company**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits	**71**	336	**71**	–
Other receivables	**105**	50	**105**	50
	176	386	**176**	50

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group and the Company

	2010 HK$'000	2009 HK$'000
Financial assets at fair value through profit or loss comprise:		
Held for trading:		
– Equity securities listed in Hong Kong	**46,862**	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.

23. DERIVATIVE FINANCIAL INSTRUMENTS

The Group and the Company

	2010 HK$'000	2009 HK$'000
Assets		
Redemption options derivatives embedded in convertible bonds		
At the beginning of the year	**34,421**	38,651
Arising on issuance of convertible bonds *(Note 28)*	**–**	68,924
Derecognition due to cancellation of convertible bonds	**(13,662)**	(442)
Derecognition due to early redemption of convertible bonds	**(6,172)**	(5,933)
Fair values changes	**(7,912)**	(66,779)
At the end of the year	**6,675**	34,421

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

23. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The redemption option derivatives are carried at fair values at the end of the reporting period. The fair value of the redemption options derivatives embedded in the convertible bonds is approximately HK$6,675,000 (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:

As at 31 March 2010

	Fourth Convertible Bond	Fifth Convertible Bonds
Date of issue:	18 December 2007	6 November 2008
Share price at date of issue:	HK$17.8	HK$0.57
Remaining life at 31 March 2010:	7.7 years	8.6 years
Risk free interest rate:	2.481%	2.615%
Expected volatility:	94.96%	94.96%

As at 31 March 2009

	Second Convertible Bond	Third Convertible Bond	Fourth Convertible Bond	Fifth Convertible Bonds
Date of issue:	11 June 2007	10 December 2007	18 December 2007	6 November 2008
Share price at date of issue:	HK$24.51	HK$21.5	HK$17.8	HK$0.57
Remaining life at 31 March 2009:	8.2 years	8.7 years	8.7 years	9.6 years
Risk free interest rate:	1.857%	1.879%	1.879%	1.928%
Expected volatility:	105.79%	105.79%	105.79%	105.79%

24. ASSETS CLASSIFIED AS HELD FOR SALE

On 9 November 2009, the Company entered into a sale and purchase agreement to sell the entire issued share capital of Team Jade Enterprises Limited ("Team Jade") and its subsidiaries at a consideration of HK$500,000,000. The disposal of Team Jade was completed on 12 May 2010. The major classes of assets and liabilities comprising the assets classified as held for sale at the end of the reporting period are as follows:

	2010 HK$'000
Property, plant and equipment	481
Intangible assets	437,920
Accounts receivable	1,748
Deposits and other receivables	8
Cash and bank balances	23,413
Assets of the disposal group classified as held for sale	463,570
Other payables and accruals	16
Liabilities of disposal group associated with assets classified as held for sale	16
Net assets of the disposal group classified as held for sale	463,554

25. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables *(note)*	**12,151**	74,969	**12,151**	74,937
Accruals	**2,968**	4,084	**2,964**	4,077
	15,119	79,053	**15,115**	79,014

Note:

The other payables mainly represent the interest payable of promissory notes and convertible bonds.

26. LOAN FROM A SHAREHOLDER

The loan from a shareholder was unsecured, interest-free and has no fixed repayment terms. The loan was fully repaid during the current year.

27. PROMISSORY NOTES – DUE AFTER ONE YEAR

The Group and the Company

On 4 January 2007, the Company issued First Promissory Note I in a principal amount of HK$61,600,000, First Promissory Note II in a principal amount of HK$183,000,000 and Second Promissory Note in a principal amount of HK$160,000,000 due on 3 January 2017. First Promissory Note I and First Promissory Note II (the "First Promissory Notes") were issued for acquiring the entire issued share capital of Youngrich Limited ("Youngrich") and bear interest at 5% per annum, payable annually in arrears. Second Promissory Note was issued to a then substantial shareholder of the Company to finance the acquisition of the entire issued share capital of Youngrich and is interest-free. The effective interest rate is 8%. During the year ended 31 March 2010, 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 and bear interest at 5% per annum, payable annually in arrears. The effective interest rate is 8.0%. During the year ended 31 March 2010, Third Promissory Notes with principal amount of HK$200,000,000 was cancelled as part of the consideration for 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 *(Note 32(a))*. The effective interest rate is 5.25%. During the year ended 31 March 2009, part of Fourth Promissory Note with a principal amount of approximately $7,866,000 was cancelled due to shortfall in profit guarantee of Joli Profit Agreement 1 *(Note 32(a)(v))*. During the year ended 31 March 2010, the remaining Fourth Promissory Note with a principal amount of HK$40,134,000 was fully repaid.

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

The Group and the Company (Continued)

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	Second Promissory Note	Third Promissory Notes	Fourth Promissory Note	Total
	HK$'000	HK$'000	HK$'000	HK$'000	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	203,376	88,091	171,330	39,770	502,567
Interest expenses charged	4,678	7,054	3,924	701	16,357
Interest expenses payable	(3,533)	–	(2,889)	(674)	(7,096)
Cancellation of promissory notes due to disposal of subsidiaries	(204,521)	–	(172,365)	–	(376,886)
Early repayment of promissory note	–	–	–	(39,797)	(39,797)
At 31 March 2010	**–**	**95,145**	**–**	**–**	**95,145**

28. CONVERTIBLE BONDS – DUE AFTER ONE YEAR

The Group and the Company

On 4 January 2007, the Company issued First Convertible Bond due on 3 January 2017 with a principal amount of HK$134,400,000, which is interest-bearing at 5% per annum, payable annually in arrears. The First Convertible Bond due on 3 January 2017 is convertible into fully paid ordinary shares with a par value of HK$1 each of the Company at an initial conversion price of HK$10 per share, subject to adjustment. The First Convertible Bond was issued as part of the consideration for the acquisition of entire issued share capital of Youngrich. The effective interest rate is 8.75%. 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 year ended 31 March 2010, 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.

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

The Group and the Company (Continued)

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 8.75%. During the year ended 31 March 2009, part of Second Convertible Bond with a principal amount of approximately $79,694,000 was cancelled due to shortfall in profit guarantee of the Dore Profit Agreement and the Sat Ieng Profit Agreement. During the year ended 31 March 2010, the remaining Second Convertible Bond with a principal amount of 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 7.75%. 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 year ended 31 March 2010, 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 16.85%. During the year ended 31 March 2010, part of the 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 2 and the Joli Profit Agreement 3, and part of Fifth Convertible Bonds of approximately HK$299,986,000 was early redeemed.

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

The Group and the Company (Continued)

The convertible bonds contain liability and equity components and redemption option. The equity component is presented in equity heading "convertible bonds reserve" and the redemptions option is presented in current assets heading "derivative financial instruments" *(Note 23)*.

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

The fair value of the liability component of the convertible bonds at 31 March 2010 and 2009 was determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan at the end of the reporting period. Fore details of fair value of the liability component, please refer to Note 4(b) to the consolidated financial statements.

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

	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
Fair value of convertible bonds issued	236,146	136,800	275,411	249,945	891,212	1,789,514
Derivative financial instruments	–	55,257	49,343	35,225	68,924	208,749
Liability component	(95,418)	(89,868)	(215,572)	(204,901)	(828,407)	(1,434,166)
Equity component	**140,728**	**102,189**	**109,182**	**80,269**	**131,729**	**564,097**
At 1 April 2008	98,492	91,376	216,561	205,694	–	612,123
Liability component	–	–	–	–	828,407	828,407
Cancellation of convertible bonds due to shortfall in profit guarantee *(note a)*	–	(62,613)	(131,688)	(33,924)	–	(228,225)
Conversion of convertible bonds into shares	(92,110)	–	–	–	–	(92,110)
Early redemption of convertible bonds *(note a)*	–	–	(87,226)	–	–	(87,226)
Interest expenses charged	1,924	7,758	10,415	16,022	52,949	89,068
Interest expenses payable	(1,364)	(5,763)	(8,062)	(12,600)	(41,195)	(68,984)

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

The Group and the Company (Continued)

	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 31 March 2009 and 1 April 2009	6,942	30,758	–	175,192	840,161	1,053,053
Cancellation of convertible bonds due to shortfall in profit guarantee *(note b)*	–	–	–	(88,070)	(271,266)	(359,336)
Early redemption of convertible bonds *(note b)*	–	–	–	–	(173,757)	(173,757)
Cancellation of convertible bonds due to disposal of subsidiaries *(note b)*	(6,991)	(30,970)	–	–	–	(37,961)
Interest expenses charged	181	777	–	10,098	101,491	112,547
Interest expenses payable	(132)	(565)	–	(7,851)	(78,191)	(86,739)
At 31 March 2010	**-**	**-**	**-**	**89,369**	**418,438**	**507,807**

Note:

(a) During the year ended 31 March 2009, Second Convertible Bond, Third Convertible Bond and Fourth Convertible Bond were partially cancelled in relation to the compensation regarding to the shortfall of 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 *(Note 23)*

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

On 2 April 2008, part of Third Convertible Bond was early redeemed by the Company. A loss of approximately HK$15,240,000 was derived from the loss on early redemption of liability component of Third Convertible Bond of approximately HK$9,307,000 and the loss on derecognition of derivative financial instruments of approximately HK$5,933,000 *(Note 23)*

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 the fair value of liability component 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.

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

The Group and the Company (Continued)

Note: (Continued)

(b) 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 *(Note 23)*.

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

During the year ended 31 March 2010, Fourth Convertible Bond and Fifth Convertible Bonds 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 *(Note 23)*.

The loss on cancellation of liability components 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 October 2009, part of Fifth Convertible Bond was early redeemed by the Company. A loss of HK$4,704,000 was derived from the loss on early redemption of liability component of Fifth Convertible Bond of approximately HK$3,530,000 and the loss on derecognition of derivative financial instruments of approximately HK$1,174,000.

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$28,906,000 and the fair value of liability component of approximately HK$32,437,000.

On 6 November 2009, part of Fifth Convertible Bond was early redeemed by the Company. A loss of HK$16,502,000 was derived from the loss on early redemption of liability component of Fifth Convertible Bond of approximately HK$11,503,000 and the loss on derecognition of derivative financial instruments of approximately HK$4,999,000.

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$144,850,000 and the fair value of liability component of approximately HK$156,353,000.

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.

29. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities recognised and movements thereon during the years ended 31 March 2010 and 2009:

The Group

	Convertible bonds HK$'000	Revaluation of properties HK$'000	Total HK$'000
At 1 April 2008	26,908	92	27,000
Credited to consolidated statement of comprehensive income for the year *(Note 10)*	(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 cancellation of convertible bonds	(8,844)	–	(8,844)
Reversal of deferred tax liabilities due to conversion of convertible bonds	(5,460)	–	(5,460)
Reversal of deferred tax liabilities due to disposal of subsidiaries *(Note 33)*	–	(92)	(92)
At 31 March 2009 and 1 April 2009	113,507	–	113,507
Credited to consolidated statement of comprehensive income for the year *(Note 10)*	(4,258)	–	(4,258)
Reversal of deferred tax liabilities due to early redemption of convertible bonds	(20,828)	–	(20,828)
Reversal of deferred tax liabilities due to cancellation of convertible bonds	(37,364)	–	(37,364)
At 31 March 2010	**51,057**	**–**	**51,057**

29. DEFERRED TAX LIABILITIES (Continued)

The Company

	Convertible bonds HK$'000
At 1 April 2008	26,908
Credited to statement of comprehensive income for the year	(3,314)
Charged to equity for the year	107,768
Reversal of deferred tax liabilities due to early redemption of convertible bonds	(3,551)
Reversal of deferred tax liabilities due to cancellation of convertible bonds	(8,844)
Reversal of deferred tax liabilities due to conversion of convertible bonds	(5,460)
At 31 March 2009 and 1 April 2009	113,507
Credited to statement of comprehensive income for the year	(4,258)
Reversal of deferred tax liabilities due to early redemption of convertible bonds	(20,828)
Reversal of deferred tax liabilities due to cancellation of convertible bonds	(37,364)
At 31 March 2010	**51,057**

At the end of the reporting period, the Group has the following major unrecognised deferred tax assets due to the unpredictability of future profit streams.

	2010 HK$'000	2009 HK$'000
Tax losses	**3,950**	3,950

The unrecognised tax losses may be carried forward indefinitely.

30. SHARE CAPITAL

(a) Shares

	Number of ordinary shares		Share capital	
	2010	2009	**2010**	2009
	'000	'000	**HK$'000**	HK$'000
Authorised				
At the beginning of the 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 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 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)*	**464,329**	109,553	**4,644**	109,553
At the end of the year, ordinary shares of HK$0.01/ HK$1 each	**1,392,987**	328,658	**13,930**	328,658

Note:

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

30. SHARE CAPITAL (Continued)

(a) Shares (Continued)

Note: (Continued)

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

(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) During the year ended 31 March 2010, 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 raising additional capital for the Company in order to strengthen the capital base of the Company for any possible diversified investment in the future.

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 subdivision 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 subdivision 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 subdivision on 15 July 2009).

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

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

30. SHARE CAPITAL (Continued)

(a) Shares (Continued)

Note: (Continued)

(vii) The Company issued approximately 464,329,107 ordinary shares of HK$0.01 each at a price of HK$0.2 per share by way of open offer to the qualifying shareholders. The ordinary shares were issued on 22 March 2010 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.

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.

(b) Share option scheme

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

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

30. SHARE CAPITAL (Continued)

(b) Share option scheme (Continued)

The maximum number of shares to be issued upon exercise of all outstanding options under the Scheme and any other share option schemes of the Company will not exceed 30% (or where applicable, such higher percentage as may from time to time to be permitted under the Listing Rules or by the Stock Exchange) of the total number of the issued shares from time to time. During the year ended 31 March 2010, the total number of shares available for issue under options which may be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 32,865,821 shares, representing 10% of the issued share capital of the Company. The Company may seek approval of its shareholders at a general meeting to renew the 10% limit. However, the total number of shares available for issue under options which may be granted under the Scheme and any other share option schemes of the Company in these circumstances, must not exceed 10% of the issued share capital of the Company at the date of approval of renewing such a limit. No option may be granted to any one person which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of all options granted and to be granted to him/her in the 12-month period up to and including the date of such a grant, to exceed 1% of the issued share capital of the Company as at the date of the grant. Any further grant of options in excess of the foregoing limit must be subject to the approval of the shareholders of the Company in a general meeting.

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

30. SHARE CAPITAL (Continued)

(b) Share option scheme (Continued)

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

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

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

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

31. RESERVES

(a) The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 28 of the consolidated financial statements.

31. RESERVES (Continued)

(b) The Company

	Share premium HK$'000 *(note i)*	Contributed surplus HK$'000 *(note ii)*	Convertible bonds reserve HK$'000 *(note iii)*	Capital reserve HK$'000 *(note iv)*	Share option reserve HK$'000 *(note v)*	Accumulated losses HK$'000	Total HK$'000
At 1 April 2008	1,387,403	2,696	404,347	85,889	15,465	(976,634)	919,166
Net loss for the year	–	–	–	–	–	(509,620)	(509,620)
Total comprehensive expense for the year	–	–	–	–	–	(509,620)	(509,620)
Share premium cancellation *(note i)*	(1,387,403)	472,295	–	–	–	915,108	–
Consideration shares	117,471	–	–	–	–	–	117,471
Equity component of convertible bonds	–	–	131,729	–	–	–	131,729
Deferred tax arising on issue of convertible bonds	–	–	(107,768)	–	–	–	(107,768)
Conversion of convertible bonds into shares	210,094	–	(125,045)	–	–	–	85,049
Early redemption of convertible bond	–	–	(40,359)	–	–	31,694	(8,665)
Cancellation of convertible bonds	–	–	(136,952)	–	–	(24,538)	(161,490)
Expiration of share options	–	–	–	–	(15,465)	15,465	–
Issue of ordinary shares	24,349	–	–	–	–	–	24,349
Share issue expenses	(648)	–	–	–	–	–	(648)
Open offer expenses	(2,412)	–	–	–	–	–	(2,412)
Dividend paid	–	–	–	–	–	(31,648)	(31,648)
At 31 March 2009 and 1 April 2009	348,854	474,991	125,952	85,889	–	(580,173)	455,513
Net loss for the year	–	–	–	–	–	(847,791)	(847,791)
Total comprehensive expense for the year	–	–	–	–	–	(847,791)	(847,791)
Capital reduction	–	325,372	–	–	–	–	325,372
Capital reorganisation	(348,854)	(231,319)	–	–	–	580,173	–
Early redemption of convertible bonds	–	–	(4,851)	–	–	(85,516)	(90,367)
Cancellation of convertible bonds	–	–	(79,141)	–	–	15,220	(63,921)
Recognition of equity-settled share-based payments	–	–	–	–	2,553	–	2,553
Issue of ordinary shares	174,000	–	–	–	–	–	174,000
Share issued expenses	(2,102)	–	–	–	–	–	(2,102)
Open offer	88,221	–	–	–	–	–	88,221
Open offer expenses	(999)	–	–	–	–	–	(999)
Dividend paid	–	–	–	–	–	(18,573)	(18,573)
At 31 March 2010	**259,120**	**569,044**	**41,960**	**85,889**	**2,553**	**(936,660)**	**21,906**

31. RESERVES (Continued)

(b) The Company (Continued)

Notes:

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

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

During the year ended 31 March 2010, 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.

(ii) The contributed surplus of approximately HK$2,696,000 represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation, over the nominal value of the Company's shares issued in exchange therefor.

During the year ended 31 March 2010, 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.

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

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

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

(vi) The accumulated loss attributable to owners of the Company includes a loss of approximately HK$847,791,000 (2009: HK$509,620,000) which has been dealt with in the financial statements of the Company.

32. ACQUISITION OF SUBSIDIARIES

For the year ended 31 March 2009

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

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

	Acquiree's carrying amounts	**Fair value adjustment**	**Fair values**
	HK$'000	HK$'000	HK$'000
Net assets acquired:			
Right in sharing of profit streams	–	168,236	168,236
Other payables	(5)	–	(5)
	(5)	168,236	168,231
Goodwill *(Note 18)*			54,135
			222,366

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

32. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 March 2009 (Continued)

(a) (Continued)

Notes:

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

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

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

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

If the acquisition had been completed on 1 April 2008, total Group revenue for the year would have been approximately HK$444,140,000, and loss for the year attributable to equity holders of the Company would have been approximately HK$572,742,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2008, nor is it intended to be a projection of future results.

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

At the end of Joli 1 Guarantee Period I, Joli 1 Guarantee Period II, Joli 1 Guarantee Period III and Joli 1 Guarantee Period IV, the actual profit received and/or receivable by Leading Century at 31 March 2009 was approximately HK$40,134,000 and therefore, amount of shortfall approximately HK$7,866,000 is recognised and such amount was deducted from the goodwill arising in Leading Century.

32. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 March 2009 (Continued)

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

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

	Acquiree's carrying amounts	Fair value adjustment	Fair values
	HK$'000	HK$'000	HK$'000
Net assets acquired:			
Right in sharing of profit streams	–	902,389	902,389
Other payables	(5)	–	(5)
	(5)	902,389	902,384
Goodwill *(Note 18)*			377,323
			1,279,707

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

32. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 March 2009 (Continued)

(b) (Continued)

Notes:

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

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

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

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

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

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

At the end of Joli 2 Guarantee Period, the actual profit received and/or receivable by East & West was approximately HK$294,505,000 and therefore, amount of shortfall approximately HK$89,495,000 is recognised. The compensation of shortfall of HK$417,940,000 is recognised. HK$ 377,322,000 was deducted from the goodwill arising in East & West and HK$40,618,000 was recorded as excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost in the consolidated statement of comprehensive income.

32. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 March 2009 (Continued)

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

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

	Acquiree's carrying amounts	**Fair value adjustment**	**Fair values**
	HK$'000	HK$'000	HK$'000
Net assets acquired:			
Right in sharing of profit streams	–	112,799	112,799
Other payables	(5)	–	(5)
	(5)	112,799	112,794
Goodwill *(Note 18)*			5,291
			118,085

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

32. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 March 2009 (Continued)

(c) (Continued)

Notes:

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

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

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

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

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

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

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

At the end of Joli 3 Guarantee Period, the actual profit received and/or receivable by Pacific Force was approximately HK$36,813,000 and therefore, amount of approximately HK$11,187,000 is recognised. The compensation of shortfall of HK$52,242,000 is recognised. HK$5,291,000 was deducted from the goodwill arising in Pacific Force and HK$46,951,000 was recorded as excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost in the consolidated statement of comprehensive income.

33. DISPOSAL OF SUBSIDIARIES

For the year ended 31 March 2010

(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 above transaction constitutes connected transaction under the Listing Rules.

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

	2010 HK$'000
Net assets disposed of:	
Cash and bank balances	2
Deposit and other receivables	7
Rights in sharing of profit streams *(Note 16)*	509,461
	509,470
Gain on cancellation of convertible bonds	6,083
Derecognition of convertible bonds reserve	(302)
Loss on cancellation of promissory notes	(67,714)
Loss on disposal of subsidiaries	(16,135)
Total consideration	431,402
Satisfied by:	
Cash	16,555
Carrying amount promissory notes *(Note 27)*	376,886
Carrying amount convertible bonds *(Note 28)*	37,961
	431,402
Net cash inflow arising on disposal:	
Cash consideration	16,555
Cash and bank balances disposed	(2)
	16,553

33. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 March 2010 (Continued)

(b) On 30 September 2009, the Group entered into sale and purchase 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 and MFT Epping is investment holding and trading of timber logs respectively.

The main liability of Giant Gold Group is the tax payable of approximately HK$180,000. Therefore, there is a gain on disposal of approximately HK$180,000.

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:

Net assets disposed of:

	2009 HK$000
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

34. NON-CASH TRANSACTIONS

For the year ended 31 March 2010

The considerations for the disposal of the entire issued share capital of Richsense and Youngrich during the year ended 31 March 2010 comprised of cancellation of First Promissory Notes, Third Promissory Notes, First Convertible Bond and Second Convertible Bond as disclosed in Notes 27 and 28 respectively.

The settlement of shortfall in respect of profit guarantee under the Nove Profit Agreement, the Joli Profit Agreement 1, the Joli Profit Agreement 2 and the Joli Profit Agreement 3 during the year ended 31 March 2010 is offset against early cancellation of part of Fourth Convertible Bond and part of Fifth Convertible Bonds as disclosed in Note 28.

For the year ended 31 March 2009

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

The settlement of shortfall in respect of profit guarantees under the Nove Profit Agreement, the Dore Profit Agreement, the Sat Ieng Profit Agreement and the Joli Profit Agreement 1 during the year ended 31 March 2009 is offset against early cancellation of part of Fourth Promissory Note, part of Second Convertible Bond, part of third Convertible Bond and part of Fourth Convertible Bond as disclosed in Notes 27 and 28 respectively.

35. SHARE-BASED PAYMENT TRANSACTIONS

During the year ended 31 March 2010, the Company had granted 32,800,000 share options to employees and consultants under the Scheme of the Company. During the year ended 31 March 2009, the Company did not grant any options under the Scheme of the Company.

At 31 March 2010, the number of shares in respect of which share options had been granted and remained outstanding under the Scheme was 32,800,000, representing 2.35% of the shares of the Company in issue at that date. At 31 March 2009, no share option remained outstanding as all share options granted in prior years were expired during the year ended 2009.

35. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Details of specific categories of options are as follows:

Participants	Share option type	Number of share options: Outstanding at 1 April 2009 '000	Granted during the year '000	Exercised during the year '000	Forfeited during the year '000	Expired during the year '000	Outstanding at 31 March 2010 '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 share immediately before the grant date HK$ per share
Employees	2009A	–	18,560	–	–	–	18,560	13 August 2009	13 August 2009 to 12 August 2010	0.3364	0.0528	0.33
Consultants	2009B	–	14,240	–	–	–	14,240	13 August 2009	13 August 2009 to 12 August 2010	0.3364	0.1105	0.33
		–	32,800	–	–	–	32,800					

Participants	Share option type	Number of share options: Outstanding at 1 April 2009 '000	Granted during the year '000	Exercised during the year '000	Forfeited during the year '000	Expired during the year '000	Outstanding at 31 March 2010 '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 share immediately before the grant date HK$ per share
Consultants	2008C	29,200	–	–	–	(29,200)	–	20 November 2007	20 November 2007 to 19 November 2008	23.62	5.172	24.5
Employees and Consultants	2008E	1,216	–	–	–	(1,216)	–	22 February 2008	22 February 2008 to 21 February 2009	11.5	2.991	11.6
		30,416	–	–	–	(30,416)	–					

The fair value of the share options granted during the year ended 31 March 2010 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	0.3364	0.3364
Expected volatility	65.11%	99.76%
Expected Option life	0.5 year	1 year
Dividend yield	5.97%	5.97%
Risk-free interest rate	0.18%	0.23%

36. OPERATING LEASE ARRANGEMENTS

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

At the end of the reporting period, the Group had total future minimum lease payables under non-cancellable operating leases falling due as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**1,267**	1,097
In the second to fifth years inclusive	**1,366**	2,286
	2,633	3,383

37. COMMITMENTS

The Group and the Company did not have any significant capital commitments as at 31 March 2010 (2009: Nil).

38. CONTINGENT LIABILITIES

The Group and the Company had no material contingent liabilities as at 31 March 2010 (2009: Nil).

39. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, during the years ended 31 March 2010 and 2009, the Group had entered into the following transactions with related parties which, in the opinion of the directors, were carried out in the ordinary course of the Group's business.

Remuneration for key personnel management, including amount paid to the Company's directors and certain of the highest paid employees, as disclosed in Notes 11 and 12 to the consolidated financial statements, is as follows:

	2010	2009
	HK$'000	HK$'000
Salaries and allowance	**155**	1,193
Pension scheme contributions	**8**	28
	163	1,221

40. PARTICULARS OF THE SUBSIDIARIES

Particulars of the subsidiaries are as follows:

Company name	Place of incorporation and operations	Nominal value of issued and paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct %	Indirect %	
Giant Gold Investments Limited *(note 1)*	British Virgin Islands	US$1 Ordinary	–	–	Investment holding
Maxgold Far East Limited *(note 1)*	British Virgin Islands/ Hong Kong	US$1 Ordinary	–	–	Investment holding
Profitown Venture Corporation *(note 1)*	British Virgin Islands	US$200 Ordinary	–	–	Investment holding
Team Jade Enterprises Limited	British Virgin Islands	US$1 Ordinary	100	–	Investment holding
East & West International Inc. *(note 2)*	British Virgin Islands	US$10 Ordinary	–	100	Receive profit streams from gaming and entertainment related business
Leading Century International Limited *(note 3)*	British Virgin Islands	US$1 Ordinary	–	100	Receive profit streams from gaming and entertainment related business
MFT Epping Trading Limited *(note 1)*	British Virgin Islands/ The Republic of Congo	US$1 Ordinary	–	–	Trading of timber logs
Pacific Force Inc. *(note 2)*	British Virgin Islands	US$1 Ordinary	–	100	Receive profit streams from gaming and entertainment related business

40. PARTICULARS OF THE SUBSIDIARIES (Continued)

Particulars of the subsidiaries are as follows: (Continued)

Company name	Place of incorporation and operations	Nominal value of issued and paid-up capital	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Richsense Limited *(note 4)*	British Virgin Islands	US$100 Ordinary	–	–	Investment holding
Triple Gain Group Limited	British Virgin Islands	US$100 Ordinary	–	100	Receive profit streams from gaming and entertainment related business
Top Jade Limited	Hong Kong	HK$2 Ordinary	–	100	Investment holding
Worth Perfect International Limited *(note 4)*	British Virgin Islands	US$100 Ordinary	–	100	Receive profit streams from gaming and entertainment related business
Youngrich Limited (note 4)	British Virgin Islands	US$100 Ordinary	–	100	Investment holding
Triumph Bright International Ltd. *(note 5)*	Hong Kong	HK$2 Ordinary	–	–	Investment holding
Triple Triumphe (International) Co., Ltd. *(note 6)*	Hong Kong	HK$1 Ordinary	–	–	Investment holding
Peppy Score Group Limited *(note 6)*	Hong Kong	HK$1 Ordinary	–	–	Investment holding
Rise Market Company Limited *(note 7)*	British Virgin Islands	US$1 Ordinary	100	–	Investment holding

40. PARTICULARS OF THE SUBSIDIARIES (Continued)

Notes:

1. Disposed on 30 September 2009
2. Acquired on 6 November 2008.
3. Acquired on 20 May 2008.
4. Disposed on 15 July 2009
5. Restructured to be an indirect subsidiary of the Company on 22 January 2009 and disposed of on 10 March 2009.
6. Incorporated on 5 January 2009 and disposed of on 10 March 2009.
7. Incorporated on 30 September 2009.

41. EVENTS AFTER THE REPORTING PERIOD

(i) On 9 November 2009, the Company entered into a sale and purchase agreement with Mr. Sin to sell the entire issued share capital of Team Jade and the sale debts at a total consideration of HK$500,000,000. The consideration is satisfied by offsetting against the outstanding principal amount of convertible bonds. On 12 May 2010, the transaction has been completed. For further details, please refer to the Company's announcement dated 19 January 2010.

(ii) On 18 May 2010, Rise Market Company Limited, a wholly-owned subsidiary of the Company and an independent third party ("Vendor") entered into a termination agreement whereby the parties have mutually agreed to terminate the memorandum of understanding in relation to the possible acquisition of the entire issued share capital of a company incorporated in British Virgin Islands with limited liability and beneficially owned by the Vendor at the consideration of not less than HK$200,000,000 with immediate effect. For further details, please refer to the Company's announcements dated 3 February 2010 and 18 May 2010.

(iii) On 7 June 2010, the Company entered into the subscription agreement with Mr. Ng Cheuk Fai ("Mr. Ng") pursuant to which Mr. Ng has conditionally agreed to subscribe for 352,941,176 new shares of the Company at the subscription price of HK$0.17 per new share. The aggregate subscription price shall be satisfied by capitalising the capitalisation amount of HK$60,000,000. The balance amount of promissory note in the sum of HK$100,000,000 shall be repaid in full by the Company to Mr. Ng. The special general meeting will be convened and held for the purpose of considering and approving the subscription agreement and the transactions contemplated thereunder. For further details, please refer to the Company's announcement dated 7 June 2010.

42. COMPARATIVE

As a result of the application of HKAS 1 (Revised), *Presentation of Financial Statements*, certain comparative figures have been adjusted to conform to the current year's presentation and to provide comparative amounts in respect of items disclosed for the first year in 2010. Further details of these developments are disclosed in Note 2 to the consolidated financial statement.

43. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 22 July 2010.

Summary Financial Information

	Year ended 31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Turnover (including discontinued operation)	**352,806**	439,720	418,910	6,353	10,645
(Loss)/profit for the year attributable to:					
– Owners of the Company	**(632,224)**	(577,144)	(775,976)	21,088	(15,307)
– Minority interests	**–**	–	1,951	–	–
	(632,224)	(577,144)	(774,025)	21,088	(15,307)
Dividends	**–**	31,648	117,527	17,911	–

	As at 31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**977,638**	2,719,622	2,295,064	976,796	47,322
Total liabilities	**(669,144)**	(1,878,360)	(1,109,997)	(381,850)	(2,208)
Total equity	**308,494**	841,262	1,185,067	594,946	45,114