



Dore.

DORE HOLDINGS LIMITED

多金控股有限公司*

Incorporated in Bermuda with limited liability
Stock Code : 628

Interim Report 2010



* For identification purpose only

Content

Corporate Information	2
Condensed Consolidated Statement of Comprehensive Income	3
Condensed Consolidated Statement of Financial Position	5
Condensed Consolidated Statement of Changes in Equity	7
Condensed Consolidated Statement of Cash Flows	9
Notes to Condensed Consolidated Financial Statements	10
Management Discussion and Analysis	31
Additional Information Required by the Listing Rules	35

Corporate Information

Board of Directors

Executive directors:

Mr. Yeung Heung Yeung

(Appointed on 28 October 2010)

Mr. Yao Wai Kwok, Daniel

(Resigned on 1 November 2010)

Independent non-executive directors:

Ms. Lee Siow Yue

Mr. Poon Wai Hoi, Percy

(Appointed on 1 June 2010)

Mr. Tang Chi Ho, Francis

(Appointed on 1 June 2010)

Mr. Leung Chi Hung

(Resigned on 1 June 2010)

Mr. Cheung Yim Kong, Johnny

(Resigned on 1 June 2010)

Company Secretary

Mr. Lee Chan Wah

Auditors

HLB Hodgson Impey Cheng

Chartered Accountants

Certified Public Accountants

Principal Bankers

BEA

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

HMO8 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

The board of directors (the "Board") of Dore Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2010 together with the comparative figures. The condensed consolidated interim financial statements are unaudited, but have been reviewed by the Company's audit committee.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2010

		Six months ended	
		30 September	
		2010	2009
		HK\$'000	HK\$'000
	<i>Notes</i>	(Unaudited)	(Unaudited)
Turnover	3	34,891	263,221
Cost of sales		<u>-</u>	<u>-</u>
Gross profit		34,891	263,221
Other revenue	4	5	4
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost		-	192,825
Administrative expenses		(3,917)	(4,431)
Equity-settled share-based payments		-	(2,553)
Fair value changes on financial assets at fair value through profit or loss		1,785	27,465
Fair value changes on derivative financial instruments	13	(2,211)	6,681
Loss on disposal of subsidiaries	18	(60,322)	(16,257)
Loss on early repayment of promissory note	14	(38,447)	(337)
Loss on cancellation of promissory notes		-	(67,714)
Loss on cancellation of convertible bond	15	(81,931)	(122,698)
Impairment loss recognised in respect of intangible assets	10	(243,870)	(777,803)
Impairment loss recognised in respect of goodwill		<u>-</u>	<u>(46,270)</u>
Loss from operations	5	(394,017)	(547,867)
Finance costs	6	(22,162)	(86,701)

		Six months ended	
		30 September	
		2010	2009
		HK\$'000	HK\$'000
	<i>Notes</i>	(Unaudited)	(Unaudited)
Loss before taxation		(416,179)	(634,568)
Taxation	7	875	2,745
Loss for the period		(415,304)	(631,823)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive expense for the period		(415,304)	(631,823)
Loss for the period attributable to owners of the Company		(415,304)	(631,823)
Total comprehensive expense attributable to owners of the Company		(415,304)	(631,823)
Loss per share			
- Basic and diluted	9	(HK28.89) cents	(HK2.04) cents

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

Condensed Consolidated Statement of Financial Position

At 30 September 2010

	<i>Notes</i>	As at 30 September 2010 HK\$'000 (Unaudited)	As at 31 March 2010 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		23	24
Intangible assets	<i>10</i>	113,539	357,409
		113,562	357,433
Current assets			
Accounts receivable	<i>11</i>	1,587	4,532
Deposits and other receivables		76	176
Financial assets at fair value through profit or loss	<i>12</i>	48,646	46,862
Derivative financial instruments	<i>13</i>	592	6,675
Cash and bank balances		32,966	98,390
		83,867	156,635
Assets classified as held for sale		-	463,570
		83,867	620,205
Less: Current liabilities			
Other payables and accruals		5,433	15,119
		5,433	15,119
Liabilities directly associated with assets classified as held for sale		-	16
		5,433	15,135
Net current assets		78,434	605,070
Total assets less current liabilities		191,996	962,503

		As at 30 September 2010 HK\$'000 (Unaudited)	As at 31 March 2010 HK\$'000 (Audited)
	<i>Notes</i>		
Less: Non-current liabilities			
Promissory notes – due after one year	14	–	95,145
Convertible bonds – due after one year	15	217,026	507,807
Deferred tax liabilities	16	16,436	51,057
		<u>233,462</u>	<u>654,009</u>
Net (liabilities)/assets		<u>(41,466)</u>	<u>308,494</u>
Capital and reserves			
Share capital	17	17,459	13,930
Reserves		<u>(58,925)</u>	<u>294,564</u>
Equity attributable to owners of the Company		<u>(41,466)</u>	<u>308,494</u>

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

Condensed Consolidated Statement of Changes in Equity

	Reserves									
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Convertible bonds reserve HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total reserves HK\$'000	Total equity HK\$'000
At 1 April 2009	328,658	348,854	474,991	125,952	85,889	-	63,089	(586,171)	512,604	841,262
Total comprehensive expense for the period	-	-	-	-	-	-	-	(631,823)	(631,823)	(631,823)
Capital reduction (note i)	(325,372)	-	325,372	-	-	-	-	325,372	-	-
Capital reorganisation (note iii)	-	(348,854)	(231,319)	-	-	-	-	580,173	-	-
Cancellation of convertible bonds	-	-	-	(79,141)	-	-	-	15,522	(63,619)	(63,619)
Issue of ordinary shares	6,000	174,000	-	-	-	-	-	-	174,000	180,000
Share issued expenses	-	(2,102)	-	-	-	-	-	-	(2,102)	(2,102)
Recognition of equity-settled share-based payment (note iv)	-	-	-	-	-	2,553	-	-	2,553	2,553
Release upon disposal of subsidiaries	-	-	-	-	-	-	(62,452)	62,452	-	-
Dividend paid	-	-	-	-	-	-	-	(18,573)	(18,573)	(18,573)
At 30 September 2009 (Unaudited)	9,286	171,898	569,044	46,811	85,889	2,553	637	(578,420)	298,412	307,698
At 1 April 2010	13,930	259,120	569,044	41,960	85,889	2,553	638	(664,640)	294,564	308,494
Total comprehensive expense for the period	-	-	-	-	-	-	-	(415,304)	(415,304)	(415,304)
Issue of ordinary shares (note iii)	3,529	33,403	-	-	-	-	-	-	33,403	36,932
Cancellation of convertible bond	-	-	-	(8,086)	-	-	-	36,498	28,412	28,412
Share option lapsed during the period (note iv)	-	-	-	-	-	(2,553)	-	2,553	-	-
Release upon disposal of subsidiaries	-	-	-	-	-	-	(638)	638	-	-
At 30 September 2010 (Unaudited)	17,459	292,523	569,044	33,874	85,889	-	-	(1,040,255)	(58,925)	(41,466)

Notes:

- (i) 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.
- (ii) 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.
- (iii) On 8 September 2010, the Company had passed a special general resolution in relation to the capitalisation and early repayment of the Second Promissory Note involving issue of new shares of the Company. The Company had entered into a subscription agreement on 7 June 2010 with the Second Promissory Note holder (the "PN Holder") pursuant to which the PN Holder has conditionally agreed to subscribe for 352,941,176 new shares at the subscription price of HK\$0.17 per new shares. The aggregate subscription price was satisfied by capitalising part of the principal amount of Second Promissory Note. The carrying amount of the corresponding principal amount of the Second Promissory Note was approximately HK\$36,932,000 (*Note 14*).
- (iv) 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 were lapsed during the period ended 30 September 2010 and released directly to accumulated losses.

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2010

	Six months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	33,238	278,558
Net cash generated from investing activities	2	53,122
Net cash used in financing activities	(122,077)	(135,654)
Net (decrease)/increase in cash and cash equivalents	(88,837)	196,026
Cash and cash equivalents at the beginning of the period	121,803	51,014
Cash and cash equivalents at the end of the period	32,966	247,040
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	32,966	247,040

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

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

1. Basis of Preparation

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). These condensed consolidated interim financial statements was approved for issue on 30 November 2010.

These condensed consolidated interim financial statements have not been audited.

2. Summary of Significant Accounting Policies

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

The accounting policies used in the preparation of the unaudited condensed consolidated financial statements are consistent with those applied in the Group’s annual financial statements for the year ended 31 March 2010, except for the impact of the adoption of the new and revised Hong Kong Accounting Standards, Hong Kong Financial Reporting Standards and interpretations described below.

In the current interim period, the Group has applied for the first time, the following new and revised standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s accounting period beginning on 1 April 2010.

HKFRSs (Amendment)	Improvements to HKFRSs – amendments to HKFRS 5
HKFRSs (Amendment)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Right Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 (Amendment)	Additional Exemptions for First-Time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Shared-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners

HKFRS 3 (Revised) “Business Combinations” continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured 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 either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition-related costs are expensed.

As the Group has adopted HKFRS 3 (Revised), it is required to adopt HKAS 27 (Revised) "Consolidated and Separated Financial Statements" at the same time. HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions with 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 re-measured to fair value, and a gain or loss is recognised in profit or loss.

Save as described above, the new HKFRSs which are effective in this accounting period are not relevant to the Group's operation.

Impact of new and revised HKFRSs not yet effective

HKFRSs (Amendment)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ²
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ²
HKFRS 7 (Amendment)	Disclosures – Transfer of Financial Assets ⁴
HKFRS 9	Financial Instruments ⁵
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ *Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate*

² *Effective for annual periods beginning on or after 1 July 2010*

³ *Effective for annual periods beginning on or after 1 January 2011*

⁴ *Effective for annual periods beginning on or after 1 July 2011*

⁵ *Effective for annual periods beginning on or after 1 January 2013*

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. Specially, 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 fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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

3. Turnover and Segment Information

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 segments.

(a) Revenue from major services

All of the Group's revenue for the six months ended 30 September 2010 and 2009 are derived from profit streams from gaming and entertainment related business.

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

(b) Geographical segments

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

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

	Non-current assets	
	As at	As at
	30 September	31 March
	2010	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Macau	113,539	357,409
Hong Kong	23	24
	113,562	357,433

4. Other Revenue

	For the six months	
	ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income	5	4

5. Loss from Operations

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

	For the six months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation	29	243
Minimum lease payments under operating leases in respect of land and buildings	104	549
Loss on disposal of property, plant and equipment	-	22
Loss on disposal of subsidiaries (<i>Note 18</i>)	60,322	16,257
Impairment loss recognised in respect of goodwill	-	46,270
Impairment loss recognised in respect of intangible assets (<i>Note 10</i>)	243,870	777,803
Staff costs (excluding director's remuneration)		
Salaries and wages	1,115	729
Pension scheme contribution	20	12
Equity-settled share-based payments		
- employees	-	980
- consultants	-	1,573
	-	2,553

6. Finance Costs

	For the six months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Effective interest on promissory notes not wholly repayable within five years	3,340	12,061
Effective interest on promissory notes wholly repayable within five years	-	701
Effective interest on convertible bonds not wholly repayable within five years	18,822	73,939
	22,162	86,701

7. 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 period. The Group has no assessable profit under Hong Kong profits tax for the six months ended 30 September 2010 and 2009. The Group is not subject to any tax in Macau.

	For the six months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current taxation		
- Hong Kong	-	-
Deferred tax liabilities		
Convertible bonds	875	2,745
Total tax credited for the period	875	2,745

8. Dividends

The directors have not proposed any interim dividend for the six months ended 30 September 2010.

On 14 July 2009, the directors declared the payment of a final dividend of HK2 cents per share for the year ended 2009. The directors have not proposed any interim dividend for the six months ended 30 September 2009.

9. Loss per share

Basic loss per share

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

	For the six months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to owners of the Company for the purpose of basic loss per share	(415,304)	(631,823)
	'000	'000
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	1,437,346	30,922,401

Diluted loss per share

Diluted loss per share for the six months ended 30 September 2010 were the same as the basic loss per share. The Company's outstanding convertible bonds were not included in the calculation of diluted loss per share because the effect of the Company's outstanding convertible bonds were anti-dilutive.

Diluted loss per share for the six months ended 30 September 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.

10. Intangible Assets

**Rights in
sharing of
profit streams**
HK\$'000

Cost

At 1 April 2010 and 30 September 2010 1,495,278

Accumulated impairment

At 1 April 2010 1,137,869

Impairment loss recognised for the period 243,870

At 30 September 2010 1,381,739

Carrying amount

At 30 September 2010 (Unaudited) 113,539

At 31 March 2010 (Audited) 357,409

Details of intangible assets are as follows:

**Nove Profit
Agreement**
HK\$'000

At 1 April 2010 357,409

Impairment loss recognised for the period (243,870)

At 30 September 2010 113,539

Note:

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

- (ii) Impairment loss in respect of intangible assets of approximately HK\$243,870,000 was recognised during the six months ended 30 September 2010 (at 31 March 2010: HK\$794,079,000) by reference to the valuation report issued by Messrs. Grant Sherman Appraisal Limited, independent qualified professional valuers, which valued the intangible assets on discounted cash flow method. The discount rate applied was approximately 19.55% (at 31 March 2010: 20.09%). The main factor contributing to the impairment was the profit generated from the Nove Profit Agreement did not turnout as expected.

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

11. Accounts Receivable

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:

	As at 30 September 2010 HK\$'000 (Unaudited)	As at 31 March 2010 HK\$'000 (Audited)
Within 15 days	1,587	4,532

Included in the Group's accounts receivable balance, no debtors are past due at the date of approval of these condensed consolidated interim financial statements (at 31 March 2010: Nil). The Group does not hold any collateral over these balances.

12. Financial Assets at Fair Value through Profit or Loss

	As at 30 September 2010 HK\$'000 (Unaudited)	As at 31 March 2010 HK\$'000 (Audited)
--	---	--

Financial assets at fair value through profit or loss comprise:

Held for trading:

– Equity securities listed in Hong Kong	48,646	46,862
---	---------------	--------

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.

13. Derivative Financial Instruments

	As at 30 September 2010 HK\$'000 (Unaudited)	As at 31 March 2010 HK\$'000 (Audited)
--	---	--

Assets

Redemption options derivatives embedded in convertible bonds

At the beginning of the period/year	6,675	34,421
Derecognition due to cancellation of convertible bond (<i>Note 15</i>)	(3,872)	(13,662)
Derecognition due to early redemption of convertible bonds	–	(6,172)
Fair values changes	(2,211)	(7,912)
At the end of the period/year	592	6,675

Pursuant to the agreements in relation to the issuance of convertible bonds (*Note 15*), 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.

The redemption option derivatives are carried at fair values at the reporting date. The fair value of the redemption options derivatives embedded in the convertible bonds is approximately HK\$592,000 (at 31 March 2010: HK\$6,675,000) and are calculated using the Binomial Option Pricing Model. Details of the variables and assumptions of the model are as follows:

	Fourth Convertible Bond	Fifth Convertible Bonds
Date of issue:	18 December 2007	6 November 2008
Share price at date of issue:	HK\$17.8	HK\$0.57
Remaining life at 30 September 2010:	7.2 years	8.1 years
Risk free interest rate:	1.615%	1.756%
Expected volatility:	77.32%	77.32%

14. Promissory Notes – Due After One Year

On 4 January 2007, the Company issued Second Promissory Note in a principal amount of HK\$160,000,000 due on 3 January 2017. 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 Limited ("Youngrich") and is interest-free. The effective interest rate is 8%. During the six month ended 30 September 2010, the Second Promissory Note with principal amount of approximately HK\$160,000,000 was fully settled. Part of the principal amount of HK\$100,000,000 was settled by cash and the remaining principal amount of HK\$60,000,000 was settled by share subscription.

	Second Promissory Note HK\$'000
At 1 April 2009	88,091
Interest expenses charged	<u>7,054</u>
At 31 March 2010 and 1 April 2010 (Audited)	95,145
Interest expenses charged	3,340
Early repayment of promissory note	<u>(98,485)</u>
At 30 September 2010 (Unaudited)	<u>-</u>

The loss on early repayment of promissory note is derived from the difference between the carrying amounts of liability components of approximately HK\$98,485,000 and the value of consideration of approximately HK\$136,932,000.

15. Convertible Bonds – Due After One Year

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 Group Limited. 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 HK\$40,881,000 was cancelled due to shortfall in profit guaranter 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. The outstanding principal amount of Fourth Convertible Bond was approximately HK\$105,863,000 as at 30 September 2010.

On 6 November 2008, the Company issued Fifth Convertible Bond I in a principal amount of HK\$906,192,000, Fifth Convertible Bond II in a principal amount of HK\$388,368,000, and Fifth Convertible Bond III in a principal amount of HK\$186,990,275 (the "Fifth Convertible Bonds") which are interest-bearing at 7% per annum, payable quarterly in arrears. The Fifth Convertible Bonds due on 5 November 2018 is convertible into fully paid ordinary shares with a par value of HK\$1 each of the Company at an initial conversion price of HK\$4.6 per share, subject to adjustment. The Fifth Convertible Bonds were issued as part of the consideration for the acquisition of the entire issued share capital of East & West International Limited ("East & West") and Pacific Force Inc. ("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. During the six months ended 30 September 2010, part of the Fifth Convertible Bond I with a principal amount of HK\$500,000,000 was cancelled due to the disposal of Team Jade Enterprises Limited ("Team Jade").

The convertible bonds contain liability and equity components and redemption option. The equity component is presented in equity heading "convertible bonds reserve" and the redemption option is presented in current assets heading "derivative financial instruments" (*Note 13*).

The convertible bonds contain an option which allows 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 30 September 2010 and 31 March 2010 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 reporting date.

	Fourth Convertible Bond	Fifth Convertible Bonds	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 April 2009	175,192	840,161	1,015,353
Cancellation of convertible bonds due to profit guarantee (<i>note a</i>)	(88,070)	(271,266)	(359,336)
Early redemption of convertible bonds (<i>note b</i>)	–	(173,757)	(173,757)
Interest expenses charged	10,098	101,491	111,589
Interest expenses payable	(7,851)	(78,191)	(86,042)
	<u>89,369</u>	<u>418,438</u>	<u>507,807</u>
At 31 March 2010 and 1 April 2010 (Audited)	89,369	418,438	507,807
Cancellation of convertible bonds due to disposal of subsidiaries (<i>note c</i>)	–	(295,475)	(295,475)
Interest expenses charged	3,457	15,365	18,822
Interest expenses payable	(2,646)	(11,482)	(14,128)
	<u>(2,646)</u>	<u>(11,482)</u>	<u>(14,128)</u>
At 30 September 2010 (Unaudited)	<u>90,180</u>	<u>126,846</u>	<u>217,026</u>

Notes:

- (a) 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.

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.

- (b) On 15 October 2009, part of Fifth Convertible Bonds 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 Bonds 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 bonds 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 Bonds 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 Bonds 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 bonds 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.

- (c) On 12 May 2010, Fifth Convertible Bond I was partly cancelled in relation to the considerations regarding to the disposal of the Team Jade and its subsidiaries. The cancellation of this convertible bond led to a loss of approximately HK\$81,931,000. Such loss comprised of the loss on cancellation of liability component of convertible bond of approximately HK\$78,059,000 and the loss on derecognition of derivative financial instrument of approximately HK\$3,872,000 (*Note 13*).

The loss on cancellation of liability component of convertible bond is derived from the difference between the carrying amount of liability component of approximately HK\$295,475,000 and fair value of liability component of convertible bond of approximately HK\$373,534,000.

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.

16. Deferred Tax Liabilities

	Convertible bonds
	HK\$'000
1 April 2009	113,507
Credited to consolidated 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)
	<hr/>
At 31 March 2010 and 1 April 2010 (Audited)	51,057
Credited to consolidated statement of comprehensive income for the period <i>(Note 7)</i>	(875)
Reversal of deferred tax liabilities due to cancellation of convertible bond	(33,746)
	<hr/>
As at 30 September 2010 (Unaudited)	<u>16,436</u>

17. Share Capital

	Number of ordinary shares		Share capital	
	30 September 2010	31 March 2010	30 September 2010	31 March 2010
	'000	'000	HK\$'000	HK\$'000
			(Unaudited)	(Audited)
Authorised				
At the beginning of the period/year,				
ordinary shares of HK\$0.01/HK\$1 each	60,000,000	600,000	600,000	600,000
Share subdivision (note i)	-	59,400,000	-	-
	<u>60,000,000</u>	<u>60,000,000</u>	<u>600,000</u>	<u>600,000</u>
At the end of the period/year, ordinary shares of HK\$0.01 each	60,000,000	60,000,000	600,000	600,000
	<u>60,000,000</u>	<u>60,000,000</u>	<u>600,000</u>	<u>600,000</u>
Issued and fully paid				
At the beginning of the period/year, ordinary shares of HK\$0.01/HK\$1 each	1,392,987	328,658	13,930	328,658
Issue of ordinary shares (note ii)	352,941	600,000	3,529	6,000
Open offer (note iii)	-	464,329	-	4,644
Share subdivision (note i)	-	32,537,163	-	-
Share reduction (note iv)	-	(32,537,163)	-	(325,372)
	<u>1,745,928</u>	<u>1,392,987</u>	<u>17,459</u>	<u>13,930</u>
At the end of the period/year, ordinary shares of HK\$0.01 each	1,745,928	1,392,987	17,459	13,930
	<u>1,745,928</u>	<u>1,392,987</u>	<u>17,459</u>	<u>13,930</u>

Notes:

- (i) Pursuant to a resolution passed in the special general meeting held 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 will remain at HK\$600,000,000 but divided 60,000,000,000 new shares.
- (ii) 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.

During the six months ended 30 September 2010, the Company issued 352,941,176 ordinary shares of HK\$0.01 each at a subscription price of HK\$0.17 per share. The ordinary shares were issued on 8 September 2010 and the subscription price was satisfied by capitalising part of the principal amount of Second Promissory Note with a carrying amount of approximately HK\$36,932,000 (*Note 14*).

- (iii) 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.
- (iv) 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 of the Company by approximately HK\$325,372,000. Such amount was credited to the contributed surplus account of the Company.

18. Disposal of Subsidiaries

For the six months ended 30 September 2010

On 9 November 2009, the Company entered into a conditional sale and purchase agreement with Mr. Sin Chun Shing. ("Mr. Sin") to sell the entire issued share capital of Team Jade and its subsidiaries at an initial consideration of HK\$500 million. The completion date was on 12 May 2010. The main asset of Team Jade is its 100% equity interest in Top Jade Limited, Leading Century International Limited ("Leading Century), East & West and Pacific Force. The main assets of Leading Century, East & West and Pacific Force are the Joli Profit Agreement. The consideration is satisfied by offsetting against the outstanding principal amount of Fifth Convertible Bond I.

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

	HK\$'000
Net assets disposed of:	
Cash and bank balances	821
Deposit and other receivables	8
Property, plant and equipment	456
Rights in sharing of profit streams	437,920
Other payables and accruals	(14)
	<hr/>
	439,191
Loss on cancellation of convertible bond	(78,059)
Derecognition of convertible bonds reserve	(5,335)
Loss on disposal of subsidiaries	(60,322)
	<hr/>
Total consideration	295,475
	<hr style="border-top: 3px double #000;"/>
Satisfied by:	
Carrying amount convertible bond <i>(Note 15)</i>	295,475
	<hr style="border-top: 3px double #000;"/>
Net cash outflow arising on disposal:	
Cash and bank balances disposed	(821)
	<hr style="border-top: 3px double #000;"/>

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 Limited ("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 International Limited ("Worth Perfect") respectively. The main asset of Worth Perfect is the Sat leng 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:

	HK\$'000
Net assets disposed of:	
Cash and bank balances	2
Deposit and other receivables	7
Rights in sharing of profit streams	<u>509,461</u>
	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	<u>(16,135)</u>
	431,402
Total consideration	<u>431,402</u>
Satisfied by:	
Cash	16,555
Carrying amount promissory notes	376,886
Carrying amount convertible bonds	<u>37,961</u>
	431,402
Net cash inflow arising on disposal:	
Cash consideration	16,555
Cash and bank balances disposed	<u>(2)</u>
	<u>16,553</u>

- (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.

19. Share-based Payment Transactions

During the six months ended 30 September 2009, the Company had granted 32,800,000 share options to employees and consultants under the Scheme of the Company. During the six months ended 30 September 2010, the Company did not grant any options under the scheme of the Company.

At 30 September 2009, the number of shares in respect of which share options had been granted and remained outstanding under the Scheme was 32,800,000, representing 3.53% of the shares of the Company in issue at that date. At 30 September 2010, no share options remained outstanding as all share options granted in prior year were expired.

Details of specific categories of options are as follows:

Number of share options											Closing price of the Company's share immediately before the grant date	
Participants	Share Option type	Outstanding at 1 April 2010	Granted during the period	Exercised during the period	Forfeited during the period	Expired during the period	Outstanding at 30 September 2010	Date at grant of share option	Exercise period of share option	Exercise price of share option		Fair value at grant date
		'000 (Audited)	'000	'000	'000	'000	'000 (Unaudited)			HK\$ per share	HK\$ per share	HK\$ per share
Consultants	2009A	18,560	-	-	-	(18,560)	-	13 August 09	13 August 09 to 12 August 10	0.3364	0.0528	0.33
Employees	2009B	14,240	-	-	-	(14,240)	-	13 August 09	13 August 09 to 12 August 10	0.3364	0.1105	0.33
		32,800	-	-	-	(32,800)	-					

Number of share options											Closing price of the Company's share immediately before the grant date	
Participants	Share Option type	Outstanding at 1 April 2009	Granted during the period	Exercised during the period	Forfeited during the period	Expired during the period	Outstanding at 30 September 2009	Date at grant of share option	Exercise period of share option	Exercise price of share option		Fair value at grant date
		'000 (Audited)	'000	'000	'000	'000	'000 (Unaudited)			HK\$ per share	HK\$ per share	HK\$ per share
Consultants	2009A	-	18,560	-	-	-	18,560	13 August 09	13 August 09 to 12 August 10	0.3364	0.0528	0.33
Employees	2009B	-	14,240	-	-	-	14,240	13 August 09	13 August 09 to 12 August 10	0.3364	0.1105	0.33
		-	32,800	-	-	-	32,800					

The fair value of the share options granted during the six months ended 30 September 2009 were priced using a 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%

20. Operating Lease Arrangements

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

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

	As at 30 September 2010 HK\$'000 (Unaudited)	As at 31 March 2010 HK\$'000 (Audited)
Within one year	178	1,267
In the second to fifth years inclusive	74	1,366
	252	2,633

21. Commitments

The Group and the Company did not have any significant capital commitments as at 30 September 2010 (at 31 March 2010: Nil).

22. Contingent liabilities

The Group and the Company had no material contingent liabilities as at 30 September 2010 (at 31 March 2010: Nil).

23. Subsequent Events

On 12 October 2010, the Company entered into the subscription agreement with the Sur Limited whereby the Company has conditionally agreed to allot and issue and the Sur Limited has conditionally agreed to subscribe for 349,000,000 new shares of the Company at the subscription price of HK\$0.112 per subscription share. The gross proceeds and the net proceeds from the issue of new shares was approximately HK\$39.09 million and HK\$38.00 million, respectively which is intended to be used for to explore the diversification of investments and/or general working capital of the Group.

On 19 October 2010, the Company allotted and issued 349,000,000 new shares of the Company to Sur Limited which is an investment holding company and is beneficially owned by Mr. Yeung Heung Yeung. Sur Limited became a strategic investor and a substantial shareholder of the Company.

On 21 October 2010, the Company allotted and issued 60,010,074 new shares of the Company to Power Rush Holdings Limited, Multi Fit Investments Limited and Pacific Rainbow Holdings Limited for conversion of the outstanding convertible bonds. At 30 November 2010, the Group's borrowings in convertible bonds is nil after the conversion of convertible bonds.

24. Related Parties Transactions

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

	For the six months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries and allowance	237	1,633
Pension scheme contributions	3	5
	240	1,638

Management Discussion and Analysis

Business Review

With a rapid increase in VIP gaming rooms in the first half of 2010, 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 visa restriction, global financial crisis, decreased liquidity, squeeze in junkets' profit margin and loss of quality VIP customers. Regarding the sustained deterioration on rolling turnover of Joli, the Group had disposed Top Jade Limited, Leading Century International Limited, East & West International Inc. and Pacific Force Inc. which include the Joli Profit Agreement on 12 May 2010. 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.

However, our partner recently maintains strict control over the outstanding receivables and withdraws unsecured credits to VIP customers which finally lead the drop on rolling turnover at The Venetian. As such, our junkets partner cannot meet its profit forecast and a provision in impairment of the Group is required.

The Group still maintains strict control over the outstanding receivables to minimize our credit risk.

Financial Review

During the six months ended 30 September 2010, the Group was engaged in business stream in relation to gaming and entertainment sector while still keeps an eye on chasing after profitable business.

The turnover of the Group for the first half amounted to approximately HK\$34,891,000, representing a 86.74% decrease over the corresponding figure of approximately HK\$263,221,000 in 2009. The Group's turnover was significantly lower than that of last year due to the disposal of junkets in May 2010 and Nove's inability to extend more credit to its credit VIP customers.

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 amounted to approximately HK\$3,917,000 for the six months ended 30 September 2010, a 11.60% decrease from approximately HK\$4,431,000 for the same period last year. The decrease was mainly attributable to the expenses relating to the promotion, traveling and publicity role.

For the six months ended 30 September 2010, finance costs amounted to approximately HK\$22,162,000, a 74.44% decrease as compared to approximately HK\$86,701,000 for the same period last year. The main reason was attributable to the decrease of interest arisen on financial instruments due to the cancellation of convertible bond and the promissory note for the disposal of several subsidiaries, capitalization and early repayment.

The Group's net figure still resulted in a net loss position of approximately HK\$416,179,000, as compared to the net loss of approximately HK\$634,568,000 for 2009. Similar to the interim result of 2009, the net loss was a result of non-cash impairment – a net profit before non-cash items of approximately HK\$30,979,000 is a better reflection of the Group's actual operation result. The ultimate loss is a result of the impairment losses due to the inability to achieve the sales forecast.

As there is a general drop in rolling turnover generated by VIPs during the period and the inability to achieve the sales forecast by our business partners, the Group recognized impairment losses in respect of the Nove Profit Agreement approximately HK\$243,870,000.

Six-months period ended 30 September 2010:

	HK\$'000
Net loss per interim report	(416,179)
Adjusted for non-cash items	
Fair value changes on financial assets at fair value through profit or loss	(1,785)
Fair value changes on derivative financial instruments	2,211
Loss on disposal of subsidiaries	60,322
Loss on early repayment of promissory note	38,447
Loss on cancellation of convertible bond	81,931
Impairment loss recognised in respect of intangible assets	243,870
Notional interest cost convertible bonds and promissory note	22,162
	<hr/>

Profit after striping out non-cash item

30,979

Basic and diluted loss per share for the six months period were HK28.89 cents (2009: basic and diluted loss per share of HK2.04 cents).

Liquidity and Financial Resources

During the six months ended 30 September 2010, the Group funded its operation mainly through the contribution from its investee company. Financial position of the Group has worsen during the period. During the six months ended 30 September 2010, total assets of the Group were approximately HK\$197,429,000 (at 31 March 2010: approximately HK\$977,638,000) with net liabilities of approximately HK\$41,466,000 (at 31 March 2010: net assets of approximately HK\$308,494,000), current liabilities of approximately HK\$5,433,000 (at 31 March 2010: approximately HK\$15,135,000) and non-current liabilities of approximately HK\$233,462,000 (at 31 March 2010: approximately HK\$654,009,000).

The Group had net liabilities amounted to approximately HK\$41,466,000 at the reporting date (at 31 March 2010: net assets amounted to approximately HK\$308,494,000). The decrease was mainly attributable to the impairments of intangible assets to our business markets' recession.

At 30 September 2010, the cash and cash equivalents of the Group amounted to approximately HK\$32,966,000 (at 31 March 2010: approximately HK\$98,390,000). The decrease was mainly attributable to the early repayment of the promissory note. The Group's current ratio was 15.44 (at 31 March 2010: 40.98).

At 30 September 2010, the non-current liabilities of the Group amounted to approximately HK\$233,462,000 (at 31 March 2010: approximately HK\$654,009,000), representing the convertible bonds issued for acquiring several subsidiaries and deferred tax liabilities.

Capital Structure

During the six months ended 30 September 2010, the Company issued 352,941,176 ordinary shares of HK\$0.01 each at a subscription price of HK\$0.17 per share on 8 September 2010 to a subscriber, Mr. Ng Cheuk Fai, in order to settle part of the borrowings in the promissory note.

Borrowings

At 30 September 2010, the Group's borrowings in convertible bonds amounted to approximately HK\$217,026,000 (at 31 March 2010: approximately HK\$507,807,000) of which all repayable after one year. The decrease was attributed to the cancellation on convertible bond due to the disposal of Joli during the period. On 8 September 2010, the Company settled the borrowings in the promissory note by capitalization and early repayment. At 30 September 2010, the Group's borrowings in the promissory notes were nil (at 31 March 2010: approximately HK\$95,145,000).

Charges on Group Assets

At 30 September 2010, none of the Group's assets was pledged to any financial institution for facilities (at 30 September 2009: Nil).

Contingent Liabilities

At 30 September 2010, the Group had no contingent liabilities (at 30 September 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.

Employees

At 30 September 2010, the Group has a total of 4 employees (2009: 5 employees). Total staff costs (including directors' emoluments) during the period amounted to approximately HK\$1,351,000 (at 30 September 2009: approximately HK\$2,360,000). 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 period, all share options which had been granted on last year has been lapsed.

Prospects

The directors consider that the Macau VIP gaming business is highly sensitive to economic cycles and highly volatile. As such, outlook for the future of Macau gaming sector is not that positive.

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

Whilst the Company has continuously placed priority on restructuring the existing gaming businesses of the Group, it has also been actively seeking possible investment opportunities to diversify its businesses as well as to broaden its revenue base.

Introduction of a new substantial shareholder, Sur Limited by way of the issue of new shares of the Company on 19 October 2010 is not only represent an excellent opportunity for the Company to strengthen the Group's financial position and enhance the Group's flexibility for exploring new investment opportunities in different industries other than the Group's existing businesses, but also introduce the Sur Limited as a strategic investor to the Group.

Sur Limited's beneficial owner Mr. Yeung Heung Yeung, is currently the Chairman of the Shenzhen Resources Investment & Development Co., Ltd.. A Masters Graduate of Tsinghua University, he brings a wealth of management and technical expertise in the petrochemical, real estate, high-tech and biomedical (Gene Therapy, Cell Therapy and Stem Cell Therapy) industries. Additionally, he has over 10 years of investment management experience and is currently a Partner of SAIF (Beijing) Advisors Ltd.. With Mr. Yeung's impressive background and experience in different business areas, he will bring new opportunities, contacts as well as new investment and operational ideas to the Company.

Additional Information Required by the Listing Rules

Interim dividend

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2010 (2009: Nil).

Directors' Interests in Shares, Underlying Shares and Share Options

During the period, 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
Yao Wai Kwok Daniel	Beneficial owner	Nil	9,280,000	9,280,000	0.99%

(b) Share options

Name	Capacity	Interest in underlying shares	Number of underlying shares
Yao Wai Kwok Daniel	Beneficial owner	9,280,000	9,280,000

On 12 August 2010, the share options were expired and the number of underlying shares became nil.

At 30 September 2010, none of the directors nor their associates had any long or short positions in any shares, underlying shares or debentures of the Company and its associated corporation, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

Share Option Scheme

The Company adopted its share option scheme on 6 July 2002. The principal terms of the share option scheme were disclosed in the Company's 2010 annual report. Details of movements in the Company's share options during the six months ended 30 September 2010 are set out as follows:

Participants	Share Option type	Number of share options					Outstanding at 30 September 2010	Date 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
		Outstanding at 1 April 2010	Granted during the period	Exercised during the period	Forfeited during the period	Expired during the period						
		'000	'000	'000	'000	'000						
Consultants	2009A	18,560	-	-	-	(18,560)	- 13 August 09	13 August 09 to 12 August 10	0.3364	0.0528	0.33	
Employees	2009B	14,240	-	-	-	(14,240)	- 13 August 09	13 August 09 to 12 August 10	0.3364	0.1105	0.33	
		<u>32,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,800)</u>	<u>-</u>					

The fair value of the options granted in the current period, measured at the date of grant on 13 August 2009, was approximately HK\$2,553,000. The following significant assumptions were used to derive the fair value, using the Black-Scholes option pricing model:

- (1) an expected volatility of 65.11% for 2009A and 99.76% for 2009B;
- (2) annual dividends of 5.97% earnings; and
- (3) the estimated expected life of the options granted is 52 weeks. The interest rate of the corresponding one-year Hong Kong Exchange Fund Notes at the date of grant was 0.18% for 2009A and 0.23% for 2009B.

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

The fair value of services received under an equity-settled share-based payment arrangement is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve). Details of the accounting policy for equity-settled share-based payment transactions are set out in the Group's financial statements for the year ended 31 March 2010.

Substantial Shareholders

At 30 September 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
Ng Cheuk Fai	Beneficial owner	352,941,176	Nil	352,941,176	16.38%

Save as disclosed above, at 30 September 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.

Subsequent Events

On 12 October 2010, the Company entered into the subscription agreement with the Sur Limited whereby the Company has conditionally agreed to allot and issue and the Sur Limited has conditionally agreed to subscribe for 349,000,000 new shares of the Company at the subscription price of HK\$0.112 per subscription share. The gross proceeds and the net proceeds from the issue of new shares was approximately HK\$39.09 million and HK\$38.00 million, respectively which is intended to be used for to explore the diversification of investments and/or general working capital of the Group.

On 19 October 2010, the Company allotted and issued 349,000,000 new shares of the Company to Sur Limited which is an investment holding company and is beneficially owned by Mr. Yeung Heung Yeung. Sur Limited became a strategic investor and a substantial shareholder of the Company.

On 21 October 2010, the Company allotted and issued 60,010,074 new shares of the Company to Power Rush Holdings Limited, Multi Fit Investments Limited and Pacific Rainbow Holdings Limited for conversion of our outstanding convertible bonds. At 30 November 2010, the Group's borrowings in convertible bonds is nil after the conversion of convertible bonds.

On 28 October 2010, Mr. Yeung Heung Yeung has been appointed as the chairman and an executive director of the Company.

On 1 November 2010, Mr. Yao Wai Kwok Daniel has resigned as an executive director of the Company.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 September 2010.

Compliance with the Code on Corporate Governance Practices

In the opinion of the Board, the Company had complied with all code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 4 of the Listing Rules during the six months ended 30 September 2010, except for the following deviations:

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

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

On 28 October 2010, Mr. Yeung Heung Yeung has been appointed as executive director and Chairman of the Company. On 1 November 2010, Mr. Yao Wai Kwok has resigned as executive director.

Code A.4. of CG Code provides that non-executive directors should be appointed for a specific term, subject to re-election. Mr. Leung Chi Hung, Mr. Cheung Yim Kong Johnny, Ms. Lee Shioh Yue, Mr. Poon Wai Hoi, Percy and Mr. Tang Chi Ho, Francis being the Company's independent non-executive directors, were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Byelaws.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding directors' securities transactions on terms no less exacting than the required standard under the Model Code. Having made specific enquiry of all directors, the directors of the Company confirmed that they had complied with the required standard set out in the Model Code for the six months ended 30 September 2010.

Audit Committee

The Company has an audit committee which was established in accordance with the requirements of the Code as set out in Appendix 4 of the Listing Rules. The primary duties of the Audit Committee is for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. These interim financial statements have been reviewed by the audit committee. The Audit Committee comprises three independent non-executive directors of the Company, namely Mr. Poon Wai Hoi, Percy as the Chairman and Ms. Lee Shioh Yue and Mr. Tang Chi Ho, Francis.

The Audit Committee has reviewed the interim report and the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2010 and agreed to the accounting principles and practices adopted by the Company.

Board of Directors

As at the date of this report, the executive Director is Mr. Yeung Heung Yeung (Chairman); the independent non-executive Directors are Mr. Poon Wai Hoi, Percy, Mr. Tang Chi Ho, Francis and Ms. Lee Shioh Yue.

Appreciation

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

By order of the Board
Yeung Heung Yeung
Chairman

Hong Kong, 30 November 2010