C Y FOUNDATION GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1182)

FINAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2009

The audited consolidated results of C Y Foundation Group Limited ("Company") and its subsidiaries ("Group") for the year ended 31 March 2009 together with the comparative figures for the last corresponding year are as follows:

CONSOLIDATED INCOME STATEMENT

		2009	2008
	NOTES	***HK$'000***	*HK$'000*
CONTINUING OPERATIONS			
Turnover	3	**57,046**	664
Cost of sales		**(32,992)**	(217)
Gross profit		**24,054**	447
Other operating income	4	**22,303**	32,768
Selling and distribution costs		**(12,610)**	–
Administrative expenses		**(137,531)**	(70,354)
Loss from operations		**(103,784)**	(37,139)
Share of results of associates		**2**	–
Exchange (loss) gain		**(60,762)**	6,923
Impairment loss of other receivables		**(25,329)**	–
Changes in fair value of investment properties		**(258)**	2,432
Loss on dissolution of a subsidiary		**(2,635)**	–
Discount on acquisition		**–**	1,389
Finance costs	6	**(2,864)**	(2,147)

CONSOLIDATED INCOME STATEMENT (Continued)

	NOTES	**2009** **HK$'000**	2008 *HK$'000*
Loss before tax	5	**(195,630)**	(28,542)
Income tax expense	7	**(358)**	(608)
Loss for the year from continuing operations		**(195,988)**	(29,150)
DISCONTINUED OPERATION	8		
Loss for the year from discontinued operation		**(2,695)**	(11,733)
Loss for the year		**(198,683)**	(40,883)
Attributable to:			
Equity holders of the Company		**(195,662)**	(41,363)
Minority interests		**(3,021)**	480
		(198,683)	(40,883)
Loss per share	9		
Basic			
– Continuing operations		**HK(4.16) cents**	HK(0.80) cents
– Discontinued operation		**HK(0.06) cents**	HK(0.32) cents
		HK(4.22) cents	HK(1.12) cents
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

	NOTES	**2009** **HK$'000**	2008 HK$'000
Non-current assets			
Investment properties		**49,494**	35,601
Property, plant and equipment		**65,580**	53,225
Prepaid lease payments		**71,775**	69,527
Intangible assets		**31,685**	29,321
Goodwill		**107,130**	8,370
Interest in an associate		**4,002**	–
Convertible note receivables at fair value through profit and loss		**20,471**	–
Deposits paid for acquisition of property, plant and equipment		**23,431**	–
Deposits paid for acquisition of intangible assets		**2,196**	–
		375,764	196,044
Current assets			
Inventories		**21,952**	469
Trade and other receivables	10	**41,608**	70,469
Prepaid lease payments		**1,150**	1,081
Loan to minority shareholders of a subsidiary		**3,955**	5,779
Convertible note receivables at fair value through profit and loss		**4,020**	–
Derivative financial instrument		**850**	–
Held-to-maturity investments		**–**	213,444
Bank fiduciary deposit		**12,102**	169,976
Cash and cash equivalents		**251,109**	216,026
		336,746	677,244
Current liabilities			
Trade and other payables	11	**32,006**	47,634
Amounts due to directors		**6**	1,290
Amounts due to related companies		**24**	186
Obligation under finance lease, due within one year		**356**	356
Bank and other borrowings, due within one year		**24,751**	9,929
Tax payable		**583**	–
		57,726	59,395

CONSOLIDATED BALANCE SHEET (Continued)

	2009	2008
	HK$'000	*HK$'000*
Net current assets	**279,020**	617,849
Total assets less current liabilities	**654,784**	813,893
Non-current liabilities		
Obligation under finance lease, due after one year	**414**	770
Bank and other borrowings, due after one year	**34,556**	29,484
Convertible notes	**13,597**	18,138
Deferred tax liability	**1,284**	755
	49,851	49,147
NET ASSETS	**604,933**	764,746
Capital and reserves		
Share capital	**4,853**	3,893
Reserves	**596,125**	754,852
Equity attributable to equity holders of the Company	**600,978**	758,745
Minority interests	**3,955**	6,001
TOTAL EQUITY	**604,933**	764,746

NOTES:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments and investment properties, which are measured at fair values.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS(s)") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("INTs") (herein collectively referred to as "New HKFRSs") issued by the HKICPA, which are or have become effective.

Hong Kong Accounting Standard ("HKAS") 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-INT 12	Service Concession Arrangements
HK(IFRIC)-INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 & 32 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 1(Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 39 (Amendment)	Eligible hedged items[4]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standard[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations[3]
HKFRS 3 (Revised)	Business Combinations[4]

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 7 (Amendment)	Financial Instruments Disclosures – Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[7]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[5]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC)-Int 17	Distributions of non-cash Assets to Owners[4]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[8]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5 which are effective for annual periods beginning on or after 1 July 2009

2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate

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

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

5 Effective for annual periods beginning on or after 1 July 2008

6 Effective for annual periods beginning on or after 1 October 2008

7 Effective for annual periods ending or after 30 June 2009

8 Effective for transfer of assets from customers received on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

The Group comprises the following main business segments:

(a) Digital entertainment business
(b) Manufacture and sale of packaging products
(c) Watch trading

In previous year, the Group was also engaged in apparel trading business. This segment was discontinued during the year ended 31 March 2009.

There were no significant inter-segment sales and transfers during the current and prior years.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

An analysis of the Group's turnover for the years ended 31 March 2009 and 2008 and certain assets, liabilities and expenditure information regarding business segments are as follows:

For the year ended 31 March 2009

	Continuing operations				Discontinued operation	
	Digital entertainment business *HK$'000*	Manufacture and sale of packaging products *HK$'000*	Watch trading *HK$'000*	Sub-total *HK$'000*	Apparel trading business *HK$'000*	Consolidated *HK$'000*
Turnover	1,735	54,960	351	57,046	–	57,046
Segment results	(71,496)	7,207	(617)	(64,906)	(4,317)	(69,223)
Interest income				15,382	143	15,525
Unallocated income				6,921	1,815	8,736
Unallocated corporate expense				(61,181)	–	(61,181)
Loss from operations				(103,784)	(2,359)	(106,143)
Share of results of an associate				2	–	2
Exchange loss				(60,762)		(60,762)
Impairment loss of other receivables	(25,329)	–	–	(25,329)	–	(25,329)
Changes in fair value of investment properties				(258)	–	(258)
Loss on dissolution of a subsidiary	(2,635)	–	–	(2,635)	–	(2,635)
Finance costs				(2,864)	(278)	(3,142)
Loss before tax				(195,630)	(2,637)	(198,267)
Income tax expense				(358)	(58)	(416)
Loss for the year				(195,988)	(2,695)	(198,683)

3. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

As at 31 March 2009

	Continuing operations				Discontinued operation	
	Digital entertainment business	Manufacture and sale of packaging products	Watch trading	Sub-total	Apparel trading business	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Segment assets	**100,065**	**68,731**	**4,265**	**173,061**	**–**	**173,061**
Interest in an associate				**4,002**	**–**	**4,002**
Unallocated corporate assets				**535,447**	**–**	**535,447**
Consolidated total assets				**712,510**		**712,510**
LIABILITIES						
Segment liabilities	**11,311**	**10,231**	**1,816**	**23,358**	**–**	**23,358**
Unallocated corporate liabilities				**84,219**	**–**	**84,219**
Consolidated total liabilities				**107,577**		**107,577**
OTHER INFORMATION						
Capital expenditure	**17,085**	**455**	**–**	**17,540**	**–**	**17,540**
Unallocated capital expenditure				**6,050**	**–**	**6,050**
				23,590		**23,590**
Depreciation and amortisation	**6,448**	**1,542**	**9**	**7,999**	**36**	**8,035**
Unallocated depreciation and amortisation				**3,430**	**–**	**3,430**
				11,429		**11,465**
Loss on disposal of property, plant and equipment	**110**	**–**	**–**	**110**	**6**	**116**
Write-off of property, plant and equipment	**5,660**	**–**	**–**	**5,660**	**–**	**5,660**
Changes in fair value of derivative financial instruments				**(636)**	**–**	**(636)**

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

Business segments (Continued)

For the year ended 31 March 2008

	Continuing operations				Discontinued operation	
	Digital entertainment business	Manufacture and sale of packaging products	Watch trading	Sub-total	Apparel trading business	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	664	–	–	664	33,880	34,544
Segment results	(22,313)	–	–	(22,313)	(15,936)	(38,249)
Interest income				29,168	121	29,289
Unallocated income				3,660	129	3,789
Unallocated corporate expense				(47,654)	–	(47,654)
Loss from operations				(37,139)	(15,686)	(52,825)
Exchange gain				6,923	795	7,718
Changes in fair value of investment properties				2,432	–	2,432
Gain on disposal of subsidiaries				–	3,440	3,440
Discount on acquisition				1,389	–	1,389
Finance costs				(2,147)	(282)	(2,429)
Loss before tax				(28,542)	(11,733)	(40,275)
Income tax expense				(608)	–	(608)
Loss for the year				(29,150)	(11,733)	(40,883)

3. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

As at 31 March 2008

	Continuing operations				Discontinued operation	
	Digital entertainment business	Manufacture and sale of packaging products	Watch trading	Sub-total	Apparel trading business	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Segment assets	133,512	–	–	133,512	14,394	147,906
Unallocated corporate assets				706,951	18,431	725,382
Consolidated total assets				840,463		873,288
LIABILITIES						
Segment liabilities	14,693	–	–	14,693	31,808	46,501
Unallocated corporate liabilities				62,041	–	62,041
Consolidated total liabilities				76,734		108,542
OTHER INFORMATION						
Capital expenditure	57,684	–	–	57,684	275	57,959
Unallocated capital expenditure				6,484	–	6,484
				64,168		64,443
Depreciation and amortisation	2,466	–	–	2,466	611	3,077
Unallocated depreciation and amortisation				1,082	–	1,082
				3,548		4,159
Impairment loss of other receivables	–	–	–	–	124	124
Loss on disposal of property, plant and equipment	2	–	–	2	147	149

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

Geographical segments

The Group's operations are principally located in the PRC and Hong Kong.

An analysis of the Group's turnover by geographical market, irrespective of the origin of the goods/ services is as follows:

Turnover by geographical market

	2009			2008		
	Continuing operations	**Discontinued operation**	**Consolidated**	Continuing operations	Discontinued operation	Consolidated
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
The PRC	**1,735**	**–**	**1,735**	664	8,105	8,769
Hong Kong	**55,311**	**–**	**55,311**	–	25,775	25,775
	57,046	**–**	**57,046**	664	33,880	34,544

An analysis of the carrying amount of segment assets and capital expenditure by geographical areas is as follows:

Carrying amount of segment assets

	2009			2008		
	Continuing operations	**Discontinued operation**	**Consolidated**	Continuing operations	Discontinued operation	Consolidated
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
The PRC	**100,065**	**–**	**100,065**	133,512	1,820	135,332
Hong Kong	**72,996**	**–**	**72,996**	–	12,574	12,574
	173,061	**–**	**173,061**	133,512	14,394	147,906

Capital expenditure

	2009			2008		
	Continuing operations	**Discontinued operation**	**Consolidated**	Continuing operations	Discontinued operation	Consolidated
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
The PRC	**20,275**	**–**	**20,275**	57,715	7	57,722
Hong Kong	**3,315**	**–**	**3,315**	6,453	268	6,721
	23,590	**–**	**23,590**	64,168	275	64,443

4. OTHER OPERATING INCOME

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
Interest income from held-to-maturity investments	**–**	29,168
Changes in fair value of convertible note receivables	**870**	–
Changes in fair value of derivative financial instrument	**636**	–
Other interest income	**15,382**	3,586
Rental income *(Note)*	**2,406**	–
Sundry income	**3,009**	14
	22,303	32,768
Discontinued operation		
Other interest income	**143**	121
Sundry income	**1,815**	129
	1,958	250
	24,261	33,018

Note:

	2009	2008
	HK$'000	*HK$'000*
Gross rental income	**2,406**	–
Less: direct expenses	**(1,083)**	–
Net rental income	**1,323**	–

5. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	Continuing operations		Discontinued operation		Total	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Cost of inventories expensed	**31,755**	–	**–**	20,004	**31,755**	20,004
Auditors' remuneration						
Current year	**1,019**	730	**–**	179	**1,019**	909
Under-provision for prior year	**74**	–	**–**	–	**74**	–
	1,093	730	**–**	179	**1,093**	909
Total staff costs including directors' emoluments						
Staff salaries and other benefits	**55,544**	23,605	**826**	7,460	**56,370**	31,065
Severance payment	**–**	–	**–**	1,145	**–**	1,145
Staff retirement benefits scheme contributions	**1,191**	391	**51**	157	**1,242**	548
	56,735	23,996	**877**	8,762	**57,612**	32,758
Impairment loss of other receivables	**25,329**	–	**–**	124	**25,329**	124
Depreciation and amortisation	**11,429**	3,548	**36**	611	**11,465**	4,159
Loss on disposal of property, plant and equipment	**110**	2	**6**	147	**116**	149
Write-off of property, plant and equipment	**5,660**	–	**–**	–	**5,660**	–
Operating lease rentals in respect of land and buildings	**12,560**	7,836	**61**	3,963	**12,621**	11,799
Royalty expenses	**–**	–	**1,636**	3,272	**1,636**	3,272
Exchange loss *(Note)*	**60,762**	–	**–**	–	**60,762**	–
Share option expenses	**2,027**	–	**–**	–	**2,027**	–

Note: The exchange loss represents foreign exchange loss arising from translation of deposits denominated in foreign currencies.

6. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
Interests on bank and other borrowings wholly repayable within 5 years	**739**	–
Interests on bank and other borrowings not wholly repayable within 5 years	**781**	368
Imputed interest on convertible note	**1,288**	1,692
Finance leases	**56**	42
Other finance charges	**–**	45
	2,864	2,147
Discontinued operation		
Interests on bank and other borrowings wholly repayable within 5 years	**278**	282
	3,142	2,429

7. INCOME TAX EXPENSE

	2009	2008
	HK$'000	*HK$'000*
Continuing operation		
The tax charge comprises:		
– Current (Hong Kong Profits Tax)	**72**	–
– Deferred tax		
– Charge for the year	**346**	608
– Effect of change in tax rate	**(60)**	–
	286	608
	358	608
Discontinued operation		
Current (Hong Kong Profits Tax)	**58**	–
	416	608

The provisions for Hong Kong Profits Tax for the year ended 31 March 2009 are calculated at 16.5% of the estimated assessable profits for the year. No provision has been provided for in the consolidated financial statement for the year ended 31 March 2008 as there was no estimated assessable profit derived from Hong Kong for that year.

7. **INCOME TAX EXPENSE (Continued)**

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009.

The subsidiaries established in the PRC are subject to the PRC Enterprise Income Tax ("EIT") at the rate of 25% (2008: 33%). No provision for EIT has been made for these subsidiaries established in the PRC as they did not generate any assessable profits during both years.

On 16 March 2007, the PRC promulgated the Law of the PRC on EIT (the "New Law") by Order No.63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulation, the EIT rate of the Group's subsidiaries in the PRC reduced from 33% to 25% from 1 January 2008 onwards. The relevant tax rates for the Group's subsidiaries in the PRC are at 25% (2008: 33%)

8. **DISCONTINUED OPERATION**

During the year ended 31 March 2009 resulting from the disposal of the subsidiaries which carried majority of the Group's apparel trading business, the Group ceased operation of its apparel trading business in order to focus the Group's resources in its remaining businesses. The loss for the year from the discontinued operation is analysed as follows:

	2009	2008
	HK$'000	*HK$'000*
Loss from apparel trading business	**2,695**	11,733

The results of the apparel trading business for the year ended 31 March 2009, which have been included in the consolidated income statement, were as follows:

	2009	2008
	HK$'000	*HK$'000*
Turnover	**–**	33,880
Cost of sales	**–**	(20,004)
Gross profit	**–**	13,876
Other operating income	**1,958**	250
Selling and distribution costs	**–**	(17,154)
Administrative expenses	**(4,317)**	(12,658)
Loss from operations	**(2,359)**	(15,686)
Exchange gain	**–**	795
Finance costs	**(278)**	(282)
Gain on disposal of subsidiaries	**–**	3,440
Loss before tax	**(2,637)**	(11,733)
Income tax	**(58)**	–
Loss for the year	**(2,695)**	(11,733)

8. DISCONTINUED OPERATION (Continued)

During the year, net operating cash flows used by the subsidiaries engaged in the apparel trading business approximately HK$11,838,000, of which received approximately HK$1,732,000 in respect of investing activities and paid approximately HK$8,054,000 in respect of financing activities.

No charge or credit arose on discontinuance of the operation.

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share is based on the following data:

Weighted average number of ordinary shares

	2009	2008
	'000	*'000*
Issued ordinary shares at 1 April	**3,892,994**	3,087,422
Effect of conversion of convertible notes	**619,726**	80,874
Effect of issue of new shares	**115,218**	513,059
Weighted average number of ordinary shares at 31 March	**4,627,938**	3,681,355

(i) From continuing and discontinued operations

The calculation of basic loss per share is based on the loss attributable to the equity holders of the Company of HK$195,662,000 (2008: HK$41,363,000) and the weighted average number of 4,627,938,000 ordinary shares (2008: 3,681,355,000 ordinary shares) in issue during the year.

(ii) From continuing operations

The calculation of basic loss per share is based on the loss attributable to the equity holders of the Company of HK$192,967,000 (2008: HK$29,630,000) and the weighted average number of 4,627,938,000 ordinary shares (2008: 3,681,355,000 ordinary shares) in issue during the year.

(iii) From discontinued operation

The calculation of basic loss per share is based on the loss attributable to the equity holders of the Company of HK$2,695,000 (2008: HK$11,733,000) and the weighted average number of 4,627,938,000 ordinary shares (2008: 3,681,355,000 ordinary shares) in issue during the year.

(b) Diluted loss per share

Diluted loss per share for the years ended 31 March 2009 and 2008 has not been disclosed as the effect of the exercise of the conversion of the Company's outstanding convertible notes would result in a decrease in loss per share during the year presented.

10. TRADE AND OTHER RECEIVABLES

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**38,863**	14,032
Less: Provision for impairment losses	**(9,116)**	(11,427)
	29,747	2,605
Other receivables	**32,880**	40,304
Less: Provision for impairment losses	**(29,462)**	(4,375)
	3,418	35,929
Deposits and prepayments	**8,443**	31,935
	41,608	70,469

The Group allows a credit period normally ranging from cash on delivery to 90 days (2008: cash on delivery to 60 days) to its trade customers. For those customers who have established good relationships with the Group, the credit period may extend to 120 days.

An ageing analysis of trade receivables, net of impairment losses, is as follows:

	2009	2008
	HK$'000	*HK$'000*
Within 60 days	**19,002**	2,605
61-90 days	**4,494**	–
91-180 days	**2,480**	–
181-365 days	**3,771**	–
	29,747	2,605

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly. The movement in the impairment losses for trade receivables is as follows:

	2009	2008
	HK$'000	*HK$'000*
Balance at beginning of the year	**11,427**	11,427
Disposal of subsidiaries	**(2,311)**	–
Balance at end of the year	**9,116**	11,427

10. TRADE AND OTHER RECEIVABLES (Continued)

The movement in the impairment losses of other receivables is as follows:

	2009	2008
	HK$'000	*HK$'000*
Balance at beginning of the year	**4,375**	4,300
Impairment loss recognised in profit or loss	**25,329**	124
Disposal of subsidiaries	**(451)**	(49)
Exchange difference	**209**	–
Balance at end of the year	**29,462**	4,375

At the balance sheet date, the Group's receivables were individually determined to be impaired. The individually impaired receivables as at 31 March 2009 of approximately HK$29,462,000 (2008: HK$4,375,000) are recognised based on credit history of its debtors, such as financial difficulties or default in payments, and current market conditions. The Group does not hold any collateral over these balances.

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of HK$12,955,000 (2008: Nil) which are past due as at the reporting date for which the Group has not provided for impairment loss. Trade receivables that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Aging of trade receivables based on payment due date:

	2009	2008
	HK$'000	*HK$'000*
Neither past due nor impaired	**16,792**	2,605
Past due but not impaired:		
Less than 60 days past due	**8,153**	–
61 to 90 days past due	**1,031**	–
91 to 180 days past due	**3,771**	–
	29,747	2,605

10. TRADE AND OTHER RECEIVABLES (Continued)

Included in trade and other receivables in the consolidated balance sheet are mainly the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2009	2008
	'000	*'000*
US$	**131**	–
EURO	**2,113**	–

Include in the deposits and prepayments is an amount of approximately HK$3,000,000 which represents and earnest money paid for the subscription of shares of an unlisted private company, Profit Grow (Hong Kong) Limited ("Profit Grow"). Subsequent to the balance sheet date, in April 2009, as one of the conditions as stated in the agreement to subscribe for the shares of Profit Grow has not been fulfilled, the agreement was terminated. Details of the termination are set out in the Company's announcement dated 7 April 2009.

11. TRADE AND OTHER PAYABLES

	2009	2008
	HK$'000	*HK$'000*
Trade payables		
Within 60 days	**2,978**	–
61 to 90 days	**74**	–
91 to 180 days	**282**	–
181 to 365 days	**1,109**	–
	4,443	–
Value added tax payables	**–**	9,178
Other payables	**27,563**	38,456
	32,006	47,634

Included in trade and other payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate.

	2009	2008
	'000	*'000*
US$	**167**	1,108

12. COMPARATIVE FIGURES

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

13. DIVIDEND

The Board recommended that no final dividend be paid for the year (2008: Nil).

BUSINESS REVIEW AND OUTLOOK

Business Review

During the financial year ended 31 March 2009, the Group underwent a transformation of its core business from apparel trading to digital entertainment operations. The apparel business ceased operations and no longer contributed to the Group's turnover during the financial year under review. The Group completed the exit process and has started to tap into the digital entertainment industry across different market segments during the financial year under review.

However, as the digital entertainment business is still at its initial development stage, its contribution to the revenue of the Group is relatively small in the year under review. The turnover of the digital entertainment product of the financial year amounted to HK$1,735,000 with a net loss of HK$99,389,000 compared to HK$664,000 and HK$29,150,000 respectively in 2007/08. During the financial year under review, the newly acquired Kingbox (Asia) Limited ("Kingbox") served as the main revenue contributor to the Group. Sales from Kingbox amount to HK$55,311,000, accounting for 96.9% of the Group's turnover, while net profit reached HK$4,186,000 for the year. The digital entertainment business is expected to increase in its share of the Group's turnover after the launch of several products in the near future.

Digital Entertainment Business

The digital entertainment products that the Group offers include massive multiplayer online role-playing game ("MMORPG"), casual games and interactive arcade games. The Group aims to enrich its product portfolio through product acquisition and by obtaining distribution rights with strategical partners.

During the financial year under review, the Group entered into an exclusive license and distribution agreement with YNK Korea Inc. for the exclusive right to distribute and market a MMORPG in the People Republic of China ("PRC") for a term of three years. The MMORPG "Rohan" which has been ranked one of Korea's top 10 multiplayer online games for the past three years in row. By acquiring the exclusive distribution right to this established MMORPG, with its proven track record in many Asian cities, the Group has gained a firm foothold in the highly competitive and fast growing market in the PRC.

In addition, the Group identified growth opportunities in the PRC casual games and interactive arcade game market. During the financial year under review, the Group signed agreements with several strategic partners to obtain the rights to distribute games in PRC market via the Group's proprietary online platform and extensive i-café network. The product portfolio has extended rapidly with poker games including Doudizhu, Big Two, 13 cards, Texas hold'em and other casual games such as bingo, pool and snookers games. The casual game portfolio will be distributed through the Group's online platform and i-café network while interactive arcade games will be served through i-café network.

I-café Distribution Network

During the financial year 2007/08, the Group started a flagship Enternet centre in Shanghai with a total floor area of approximately 1,700 square meters. This spacious center offers patrons a range of entertainment including a P2P tournament playing section, VIP rooms, digital cinema and live sports, and an internet café with refreshments. Together with the acquisition of T-Matrix Culture Company Limited, the Group now has an extensive i-café network across PRC.

I-café network is an effective channel for the Group to distribute its interactive arcade game and casual games products to end users. Using this model, distribution will be extended to new markets across major provinces in the PRC in the near future.

Online Distribution Platform

The Group will launch an online entertainment platform which is designed to deliver products and services of the Group and its business partners directly to players through the Internet. The online entertainment platform also serves as a 24-hour all round tournament platform, allowing players to enjoy online entertainment and participate in e-sports games without any time and geographical constraints. With the implementation of a variety of games including casual games and MMORPG, the online entertainment platform is expected to substantially expand the customer base of the Group to become a new revenue stream.

Land-based E-sport Tournament

Organizing e-sports tournaments is one of the major business activities under the Group's digital entertainment operations. The Group has engaged in the organization of different land-based e-sports tournaments, including high profile national events in the PRC. In June 2008, the Group organized an e-sports tournament with popular casual games such as Doudizhu. The tournament was successfully held at the Group's flagship "Enternet Centre" in Shanghai.

During the financial year under review, the Group obtained the exclusive right to organize the final of 2008 International E-sports Festival ("IEF") and its qualifiers in the PRC. Being a high profile international e-sports event fully supported by the PRC and Korean governments, the 2008 IEF has successfully promoted international friendship through e-sports tournaments. The 2008 IEF final ran from 5 to 7 December 2008 in the city of Wuhan, PRC. It was regarded as a great success, with over 150,000 visitors coming from countries and regions all over the world including China, Korea, Japan, France, Singapore and Hong Kong to join the event.

The Group believes that e-sports tournaments have tremendous growth potential in the PRC. The successful organization of the 2008 IEF final has further strengthened the Group's position in the digital entertainment industry.

Kingbox

The Group acquired Kingbox during the financial year under review. Kingbox is principally engaged in the manufacture and sale of packaging products and in watch trading. The revenue contribution from Kingbox amounted to HK$55,311,000, with a net profit of HK$4,186,000. As the acquisition of Kingbox was completed in October 2008, only the financial results of five months ended 31 March 2009 were incorporated into the Group's financial statements for the financial year under review. In spite of the worldwide financial crisis which has led to a serious downturn of the global economy including Hong Kong, Kingbox can still achieve the guarantee profits for both the financial year ended 30 June 2008 and the half year ended 31 December 2008. It is expected that it will continue to contribute and provide a stable revenue and profit to the Group in the future.

Prospects

The Group will continue to strive to bring quality digital entertainment products and services to players in the PRC. Key products in the pipeline include the MMORPG – Rohan that is expected to launch in the second half of 2009. The cost structure of Rohan will be based on virtual item sales and the Group anticipates that revenue from MMORPG will grow rapidly after the official launch of Rohan.

The expansion of the product range lays a solid foundation for the Group to further develop the digital entertainment market. Leveraging on the successful hosting of the 2008 IEF finals, it is expected that the Group will make a great success of the PRC finals of 2009's IEF and its qualifiers in different cities across the country. The Group's expertise in organizing e-sports tournaments was evidenced by the rights it obtained to host the 2009 China E-sport Games ("CEG"). By bringing together the resources of both IEF and CEG, the management believes it will increase the investment appeal for both events. E-sports tournaments can promote the games as well as attract traffic to the Group's online entertainment.

Going forward, the revenue of the Group is expected to be driven by the virtual item sales from Rohan, membership fees of the online entertainment platform, entry fees of the online and land-based e-sports tournaments as well as steady contributions from Kingbox. The management believes that the growth potential of PRC digital entertainment industry is enormous, and revenue is expected to improve gradually along with the continued launch of new products and services in the future.

FINANCIAL REVIEW

Results

The Group reported a turnover of HK$57,046,000 during the financial year under review. Turnover increased by 84.9 times year-on-year mainly due to the completion of the acquisition of Kingbox and the consolidation of Kingbox's results for the five months ended 31 March 2009 into the Group's financial statements for the financial year under review.

Owing to the initial outlay for the development of the digital entertainment business, the Group's net loss attributable to shareholders increased from HK$41,363,000 in 2007/08 financial year to HK$195,662,000 for the financial year under review. Nevertheless, backed by the enormous growth potential in the PRC digital entertainment industry, the Group's core business is expected to expand rapidly which will in turn generate steady revenue in the near future. Together with the stable revenue stream from Kingbox, the growing digital entertainment business will gradually improve the operating results of the Group.

Significant Investments

The Group's investment properties in Beijing held for leasing purpose had been leased as at 31 March 2009. The rental income amounted to HK$2,406,000 during the financial year under review and will provide a stable source of income to the Group.

Convertible Note

In May 2008, the Group subscribed for a 3-year convertible note in the principal amount of US$1,000,000 issued by Lucky Belt Holdings Limited with interest rate of 8% per annum.

In November 2008, the Group subscribed for a 6-month convertible note in the principal amount of US$0.5 million issued by Winning Asia Technology Limited with interest rate of 10% per annum. Upon maturity, Winning Asia Technology Limited has settled the principal amount of US$0.5 million plus interest.

In December 2008, the Group subscribed for a 2-year convertible note in the principal amount of HK$12 million issued by Best Max Holdings Limited with zero coupon rate.

Material Acquisition and Disposals of Subsidiaries and Associated Companies

In July 2008, the Group entered into an agreement with (i) Super Crown Venture Inc., (ii) Golden View Worldwide Limited, (iii) Treasure Bay Assets Limited and (iv) Super Mark Profits Corp. (collectively, the "Vendors") for the acquisition of Kingbox, the holding company of a group of companies which are principally engaged in the manufacture and sale of packaging products and watch trading. The acquisition is considered to be in the interest of the Group as it has allowed the Group to diversify its business into industries with growth prospects. This will broaden sources of income as well as client base of the Group while it is developing its digital entertainment business. For more details regarding the acquisition of Kingbox, please refer to the circular of the Company dated 19 September 2008.

In August 2008, the Group disposed of 100% interests in Goldgain Services Limited ("Goldgain") and the shareholder's loan at the consideration of HK$1,925,679.39. For more details of the disposal of Goldgain, please refer to the circular of the Company dated 3 September 2008.

Capital Resources and Currency Exposure

The convertible note holder converted the notes issued by the Company in an aggregate principal amount of HK$2,000,000 and HK$5,000,000 into 200,000,000 and 500,000,000 ordinary shares of HK$0.001 each at a conversion price of HK$0.01 per share on 5 May 2008 and 16 May 2008 respectively.

At the balance sheet date, the cash and cash equivalents (including bank fiduciary deposit) of the Group amounted to approximately HK$263,211,000. The Group's bank borrowing was approximately HK$59,307,000, approximately HK$24,751,000 of which was payable within one year. The Group's bank borrowing is mainly denominated in HK$, Euro and GBP and made on a floating rate basis.

The gearing ratio of interest bearing borrowing (net of the zero coupon rate convertible notes) against the total equity at the balance sheet date was 9.8%. As the majority of bank fiduciary deposit and cash on hand are in AUD, US$, Renminbi, Euro, GBP and HK$ during the financial year, the Group's exchange risk exposure depends on the movement of the exchange rate of the aforesaid currencies. During the financial year under review, the Group converted most of the AUD to US$ to reduce the potential downward exchange risk exposure. Moreover, the trading receipt of foreign currencies will also be used to settle the loans advanced in the same foreign currencies. During the financial year under review, the Group recorded foreign exchange loss of HK$60,762,000 for holding foreign currencies. The Group does not have any financial instruments for hedging purposes.

Pledge of Assets

At the balance sheet date, the buildings and prepaid lease payments of the Group with carrying value of approximately HK$11,343,000 (2008: HK$8,046,000) and HK$56,646,000 (2008: HK$45,969,000) respectively were pledged for the bank borrowing.

Capital and Other Commitments

(a) Capital commitments

At the balance sheet date, the Group had the following capital commitments:

	2009	2008
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statement in respect of:		
Acquisition of property, plant and equipment	**2,293**	–
Acquisition of intangible asset	**1,526**	–
	3,819	–

(b) Other commitment

As at the balance sheet date, the Group had entered into certain licensing arrangements. The future minimum licensing payments committed by the Group in respect of the arrangements are as follows:

	2009	2008
	HK$'000	*HK$'000*
Licensing arrangements		
Within one year	**9,312**	2,468
In the second to fifth year inclusive	**52,768**	–
	62,080	2,468

Contingent Liabilities

In August 2005, Orient Rise Limited ("Orient Rise") instituted a legal action against French Trade Marketing Limited ("French Trade") and Prime Axis Limited (formerly known as Euro Fashion Trading Company Limited), being two wholly-owned subsidiaries of the Group, for a breach of the terms of a sub-licence causing loss and damages to Orient Rise.

In August 2008, the Group disposed of 100% interests in French Trade through the disposal of 100% interests in Goldgain (the holding company of French Trade).

Up to the date of this report, based on the legal advice obtained, the directors believe that there is no ground for Orient Rise to make the claim and therefore, no provision has been made in the consolidated financial statements.

Events After Balance Sheet Date

On 30 April 2009, the Company granted an aggregate of 2 million share options to certain staff of the Company for subscription for ordinary shares of HK$0.001 each in the Company at the exercise price of HK$0.52.

On 15 April 2009, the note holder had converted the convertible note issued by the Company in an aggregate principal amount of 15 million into 1500 million ordinary shares of HK$0.001 in the Company at a conversion price of HK$0.01 per share; after the conversion, there are 6,353,481,162 outstanding ordinary shares.

In April 2009, in addition to the 3-year convertible note issued by Lucky Belt holdings Limited which was disclosed above under the sub-heading of "convertible note" of Financial Review, the Group subscribed for a 3-year convertible note issued by Lucky Belt Holdings Limited in an aggregate principal amount of US$2 million with interest rate of 5% per annum. In the same month, in addition to the 6-month convertible note issued by Winning Asia Technology Limited, the wholly-owned subsidiary of Winning Beauty Investments Limited, which was disclosed above under the sub-heading of "convertible note" of Financial Review, the Group subscribed for a 3-year convertible note issued by Winning Beauty Investments Limited in an aggregate principal amount of US$2.5 million with interest rate of 5% per annum.

Litigation

In April 2009, a subsidiary of the Company instituted an arbitration proceeding against 江蘇東海華宇實業有限公司 in Beijing claiming for recovery of an amount of RMB27.1 million together with interest, penalties and cost. Based on the legal advice obtained, the Directors believe that the claim has strong merit.

EMPLOYEE INFORMATION

At the end of the financial year under review, the Group employed 2,034 permanent employees, including 72 employees in Hong Kong and 1,962 in the PRC. The Group continued to review the remuneration packages of employees with reference to the level and composition of pay, general market condition and individual performance. Staff benefits include contribution to Mandatory Provident Fund Scheme and discretionary bonus, share option scheme, medical allowance and hospitalisation scheme and housing allowance.

CORPORATE GOVERNANCE

The Board adopted a set of corporate governance principles ("CG Principles") which aligns with or is more restrictive than all requirements set out in the Code on Corporate Governance Practices ("CG Code") and the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules. The Board had made specific written enquiry to each executive Director, non-executive Director and independent non-executive Director in respect of the due compliance of the rules and principles relevant to the Model Code.

The Company had duly complied with the CG Principles throughout the financial year under review. The Board is not aware of any deviations from the CG Principles during the period.

REVIEW OF RESULTS

The above consolidated financial statements have been reviewed by the Audit Committee of the Company.

SCOPE OF WORK OF AUDITORS

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes for the year ended 31 March 2009 as set out in the preliminary announcement have been agreed by the Group's auditors, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2009. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the financial year under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board
Cheng Chee Tock Theodore
Chairman

Hong Kong, 18 June 2009

As at the date hereof, the executive directors of the Company are Mr Cheng Chee Tock Theodore (Chairman), Mr Woelm Samuel, Mr Wu Chuang John and Mr Cao Dongxin; and the non-executive director is Dato Poh Po Lian; and the independent non-executive directors are Mr Sze Tsai Ping Michael, Dr Chow Steven and Mr Wang Shan Chuan.