C Y FOUNDATION GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1182)

FINAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2010

The audited consolidated results of C Y Foundation Group Limited ("Company") and its subsidiaries ("Group") for the year ended 31 March 2010 together with the comparative figures for the last corresponding year are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	NOTES	**2010**	2009
		HK$'000	*HK$'000*
Continuing operations			
Turnover	*3*	**117,149**	57,046
Cost of sales		**(72,159)**	(32,992)
Gross profit		**44,990**	24,054
Other operating income	*3*	**20,761**	21,433
Selling and distribution costs		**(4,104)**	(12,610)
Administrative expenses		**(129,876)**	(131,871)
Change in fair value of investment properties		**13,035**	(258)
Change in fair value of convertible note receivables		**6,042**	870
Exchange gain (loss)		**12,751**	(60,762)
Impairment loss recognised in respect of various assets	*5*	**(31,023)**	(25,329)
Written off of property, plant and equipment		**(11,118)**	(5,660)
Share of results of associates		**35**	2
Loss on dissolution of a subsidiary		**–**	(2,635)
Finance costs	*7*	**(1,610)**	(2,864)
Loss before taxation		**(80,117)**	(195,630)
Income tax expense	*8*	**(3,429)**	(358)

	NOTES	2010 HK$'000	2009 HK$'000
Loss for the year from continuing operations		**(83,546)**	(195,988)
Discontinued operation			
Loss for the year from discontinued operation		–	(2,695)
Loss for the year	6	**(83,546)**	(198,683)
Other comprehensive income			
Change in fair value of investment properties		–	911
Exchange difference arising on translation of foreign operations		**1,554**	4,904
Income tax relating to components of other comprehensive income		–	(227)
Other comprehensive income for the year, net of tax		**1,554**	5,588
Total comprehensive expenses for the year		**(81,992)**	(193,095)
Loss for the year attributable to:			
Owners of the parent		**(78,594)**	(195,662)
Minority interests		**(4,952)**	(3,021)
		(83,546)	(198,683)
Total comprehensive expenses attributable to:			
Owners of the parent		**(77,057)**	(190,494)
Minority interests		**(4,935)**	(2,601)
		(81,992)	(193,095)
Loss per share – basic and diluted	9		
– continuing operations		**HK(1.22) cents**	HK(4.16) cents
– discontinued operation		–	HK(0.06) cents
		HK(1.22) cents	HK(4.22) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	NOTES	**31.3.2010**	31.3.2009	1.4.2008
		HK$'000	*HK$'000*	*HK$'000*
			(Restated)	
Non-current assets				
Investment properties		**62,876**	49,494	35,601
Property, plant and equipment		**42,917**	65,580	53,225
Prepaid lease payments		**70,720**	71,775	69,527
Intangible assets		**19,580**	31,685	29,321
Goodwill		**101,280**	107,130	8,370
Interests in associates		**25,033**	4,002	–
Convertible note receivables at fair value through profit or loss		**48,616**	20,471	–
Derivative financial instruments		**193**	–	–
Held-to-maturity investments		**2,000**	2,000	–
Deposits paid for acquisition of intangible assets		**–**	2,196	–
		373,215	354,333	196,044
Current assets				
Inventories		**28,774**	21,952	469
Prepaid lease payments		**1,153**	1,150	1,081
Trade and other receivables	*10*	**58,427**	41,608	70,469
Deposits paid for acquisition of property, plant and equipment		**23,576**	23,431	–
Convertible note receivables at fair value through profit or loss		**12,996**	4,020	–
Loans to minority shareholders of a subsidiary		**–**	3,955	5,779
Amount due from a related company		**20**	–	–
Derivative financial instruments		**1,149**	850	–
Held-to-maturity investments		**–**	–	213,444
Income tax recoverable		**214**	–	–
Bank fiduciary deposit		**–**	12,102	169,976
Pledged bank deposits		**22,050**	18,051	–
Bank balances and cash		**105,462**	231,058	216,026
		253,821	358,177	677,244

	NOTES	31.3.2010	31.3.2009	1.4.2008
		HK$'000	*HK$'000*	*HK$'000*
			(Restated)	
Current liabilities				
Trade and other payables	*11*	**30,035**	32,006	47,634
Amounts due to directors		**39**	6	1,290
Amounts due to related companies		**15**	24	186
Obligations under finance lease – due within one year		**356**	356	356
Bank borrowings – due within one year		**4,848**	24,751	9,929
Income tax payable		**–**	583	–
		35,293	57,726	59,395
Net current assets		**218,528**	300,451	617,849
		591,743	654,784	813,893
Capital and reserves				
Share capital		**6,969**	4,853	3,893
Reserves		**540,935**	596,125	754,852
Equity attributable to owners of the parent		**547,904**	600,978	758,745
Minority interests		**1,264**	3,955	6,001
		549,168	604,933	764,746
Non-current liabilities				
Obligations under finance lease – due after one year		**58**	414	770
Bank borrowings – due after one year		**38,708**	34,556	29,484
Convertible loan notes		**–**	13,597	18,138
Deferred taxation		**3,809**	1,284	755
		42,575	49,851	49,147
		591,743	654,784	813,893

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 ("HKFRSs") 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 new and revised standards, amendments to standards and interpretations ("new and revised HKFRSs") issued by the HKICPA.

Hong Kong Accounting Standard ("HKAS") 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK (IFRIC) – Interpretation ("Int") 9 and HKAS 39 (Amendments)	Embedded Derivatives
HK (IFRIC) – Int 13	Customer Loyalty Programmes
HK (IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK (IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK (IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the above new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) "Presentation of Financial Statements"

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

Improving Disclosures about Financial Instruments
(Amendments to HKFRS 7 "Financial Instruments: Disclosures")

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related Party Disclosures[7]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[5]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 1 (Amendment)	Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[8]
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement[7]
HK(IFRIC) – INT 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments[6]

[1] Effective for annual periods beginning on or after 1 July 2009.

[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

[3] Amendments that are effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

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

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

[6] Effective for annual periods beginning on or after 1 July 2010.

[7] Effective for annual periods beginning on or after 1 January 2011.

[8] Effective for annual periods beginning on or after 1 January 2013.

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.

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

In addition, as part of Improvement to HKFRSs (2009), HKAS17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS17, Leasees were required to classified leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. TURNOVER AND OTHER OPERATING INCOME

Turnover represents net amounts received and receivable for services provided and goods sold by the Group to outside customers, less discounts and sales related taxes.

An analysis of the Group's turnover for the year is as follows:

	Continuing operations		Discontinued operation		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover						
Digital entertainment business	**2,631**	1,735	**–**	–	**2,631**	1,735
Manufacture and sale of packaging products	**103,857**	54,960	**–**	–	**103,857**	54,960
Trading of watches	**10,661**	351	**–**	–	**10,661**	351
	117,149	57,046	**–**	–	**117,149**	57,046
Other operating income						
Changes in fair value of derivative financial instruments	**1,342**	636	**–**	–	**1,342**	636
Gain on disposal of subsidiaries	**1,624**	–	**–**	–	**1,624**	–
Gain on disposal of derivative financial instruments	**739**	–	**–**	–	**739**	–
Interest income	**2,957**	15,382	**–**	143	**2,957**	15,525
Reversal of impairment loss recognised in respect of other receivables	**5,330**	–	**–**	–	**5,330**	–
Rental income *(Note)*	**5,748**	2,406	**–**	–	**5,748**	2,406
Sundry income	**1,853**	3,009	**–**	1,815	**1,853**	4,824
Wavier of other payables	**1,168**	–	**–**	–	**1,168**	–
	20,761	21,433	**–**	1,958	**20,761**	23,391
	137,910	78,479	**–**	1,958	**137,910**	80,437

Note:

	2010	2009
	HK$'000	*HK$'000*
Gross rental income	**5,748**	2,406
Less: outgoings	**(784)**	(466)
Net rental income	**4,964**	1,940

4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. The chief operating decision maker of the Group have been identified as the directors of the Company. In contrast, the predecessor standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical), using a risks and returns approach.

In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a re-designation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

For management purposes, the Group's operating and reportable segments are – digital entertainment business, packaging products business and watch business.

Principal activities are as follows:

Digital entertainment business	–	Provision of internet café licenses, online game tournament services and online entertainment platforms.
Packaging products business	–	Manufacture and sale of packaging products.
Watch business	–	Trading of watches

For the year ended 31 March 2009, the Group was also involved in apparel trading which was reported as a separate business segment under HKAS 14. The operation was discontinued with effect from 29 June 2009.

Information regarding the above segment is reported below.

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment.

	For the year ended 31 March											
	Continuing operations								Discontinued operation			
	Digital entertainment business		Packaging products business		Watch business		Sub-total		Apparel trading business		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
TURNOVER												
Revenue from external customers	**2,631**	1,735	**103,857**	54,960	**10,661**	351	**117,149**	57,046	**–**	–	**117,149**	57,046
RESULTS												
Segment profit (loss)	**(77,609)**	(71,496)	**8,211**	7,207	**1,577**	(617)	**(67,821)**	(64,906)	**–**	(4,317)	**(67,821)**	(69,223)
Interest income							**2,957**	15,382	**–**	143	**2,957**	15,525
Change in fair value of derivative financial instruments							**1,342**	636	**–**	–	**1,342**	636
Changes in fair value of investment properties							**13,035**	(258)	**–**	–	**13,035**	(258)
Change in fair value of convertible notes receivables							**6,042**	870	**–**	–	**6,042**	870
Exchange gain (loss)							**12,751**	(60,762)	**–**	–	**12,751**	(60,762)
Gain on disposal of derivative financial instruments							**739**	–	**–**	–	**739**	–
Gain on disposal of subsidiaries							**1,624**	–	**–**	–	**1,624**	–
Impairment loss recognised in respect of other receivables							**(3,000)**	(25,329)	**–**	–	**(3,000)**	(25,329)
Impairment loss recognised in respect of interests in associates							**(4,004)**	–	**–**	–	**(4,004)**	–
Impairment loss recognised in respect of loans to minority shareholders of a subsidiary							**(4,197)**	–	**–**	–	**(4,197)**	–
Reversal of impairment loss recognised in respect of other receivables							**5,330**	–	**–**	–	**5,330**	–
Waiver of other payables							**1,168**	–	**–**	–	**1,168**	–
Loss on dissolution of a subsidiary							**–**	(2,635)	**–**	–	**–**	(2,635)
Share of results of associates							**35**	2	**–**	–	**35**	2
Unallocated income							**7,601**	5,415	**–**	1,815	**7,601**	7,230
Unallocated corporate expense							**(52,109)**	(61,181)	**–**	–	**(52,109)**	(61,181)
Finance costs							**(1,610)**	(2,864)	**–**	(278)	**(1,610)**	(3,142)
Loss before taxation							**(80,117)**	(195,630)	**–**	(2,637)	**(80,117)**	(198,267)

There are no sales between the reportable segments for both years ended 31 March 2010 and 2009.

Segment profit (loss) represents the profit (loss) of each segment without allocation of interest income, change in fair value of derivative financial instruments, change in fair value of investment properties, change in fair value of convertible note receivables, exchange gain (loss), gain on disposal of derivative financial instruments, gain on disposal of subsidiaries, impairment loss recognised in respect of other receivables, impairment loss recognised in respect of investments in associates, impairment loss recognised in respect of loans to minority shareholders of a subsidiary, reversal of impairment loss recognised in respect of other receivables, waiver of other payables, loss on dissolution of a subsidiary, share of results of associates, centralised administrative expenses, directors' remunerations, finance costs and income tax expense. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and assessment of segment performance.

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment.

	At 31 March											
	Continuing operations								Discontinued operation			
	Digital entertainment business		Packaging products business		Watch business		Sub-total		Apparel trading business		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS												
Segment assets	**98,596**	129,346	**159,114**	170,011	**4,116**	4,265	**261,826**	303,622	**–**	–	**261,826**	303,622
Interests in associates							**25,033**	4,002	**–**	–	**25,033**	4,002
Convertible note receivables at fair value through profit or loss							**61,612**	24,491	**–**	–	**61,612**	24,491
Derivative financial instruments							**1,342**	850	**–**	–	**1,342**	850
Loans to minority shareholders of a subsidiary							**–**	3,955	**–**	–	**–**	3,955
Amount due from a related company							**20**	–	**–**	–	**20**	–
Held-to-maturity investments							**2,000**	2,000	**–**	–	**2,000**	2,000
Income tax recoverable							**214**	–	**–**	–	**214**	–
Bank fiduciary deposit							**–**	12,102	**–**	–	**–**	12,102
Pledged bank deposits							**22,050**	18,051	**–**	–	**22,050**	18,051
Bank balances and cash							**105,462**	231,058	**–**	–	**105,462**	231,058
Unallocated corporate assets							**147,477**	112,379	**–**	–	**147,477**	112,379
Total assets							**627,036**	712,510	**–**	–	**627,036**	712,510

	At 31 March											
	Continuing operations								Discontinued operation			
	Digital entertainment business		Packaging products business		**Watch business**		Sub-total		**Apparel trading business**		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
LIABILITIES												
Segment liabilities	**4,329**	11,311	**15,390**	10,231	**2,730**	1,816	**22,449**	23,358	**–**	–	**22,449**	23,358
Amounts due to directors							**39**	6	**–**	–	**39**	6
Amounts due to related companies							**15**	24	**–**	–	**15**	24
Obligations under finance lease							**414**	770	**–**	–	**414**	770
Bank borrowings							**43,556**	59,307	**–**	–	**43,556**	59,307
Income tax payable							**–**	583	**–**	–	**–**	583
Convertible loan notes							**–**	13,597	**–**	–	**–**	13,597
Deferred taxation							**3,809**	1,284	**–**	–	**3,809**	1,284
Unallocated corporate liabilities							**7,586**	8,648	**–**	–	**7,586**	8,648
Total liabilities							**77,868**	107,577	**–**	–	**77,868**	107,577

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than investment properties, prepaid lease payments, interests in associates, convertible note receivables at fair value through profit or loss, other receivables, derivative financial instruments, loans to minority shareholders of a subsidiary, amount due from a related company, held-to-maturity investments, income tax recoverable, bank fiduciary deposit, pledged bank deposits and bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

- all liabilities are allocated to reportable segments other than amounts due to directors and related companies, other payables, obligations under finance leases, bank borrowings, income tax payable, convertible loan notes and deferred taxation. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

(c) Geographical information

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

The Group's revenue from external customers by geographical location of revenue from external customers is detailed below:

Turnover by geographical market

	2010	2009
	HK$'000	*HK$'000*
Asia (exclude the PRC)	**4,848**	3,874
Europe	**74,801**	36,128
Hong Kong (country of domicile)	**28,661**	12,544
North America	**4,074**	2,120
The PRC	**3,582**	1,960
Others	**1,183**	420
	117,149	57,046

The Group's non-current assets, other than financial instruments, by geographical location are detailed below:

	2010	2009
	HK$'000	*HK$'000*
The PRC	**148,830**	148,013
Hong Kong (country of domicile)	**72,296**	76,719
	221,126	224,732

(d) Other segment information

Amounts included in the measure of segment profit or loss or segment assets:

	For the year ended 31 March													
	Continuing operations										Discontinued operation			
	Digital entertainment business		Packaging products business		Watch business		Unallocated		Sub-total		Apparel trading business		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Addition to non-current assets *(Note)*	**3,918**	13,094	**582**	22,816	**–**	49	**25,671**	15,909	**30,171**	51,868	**–**	329	**30,171**	52,197
Amortisation of prepaid lease payments	**471**	637	**289**	133	**–**	–	**392**	392	**1,152**	1,162	**–**	–	**1,152**	1,162
Amortisation of intangible assets	**1,788**	823	**–**	–	**–**	–	**–**	–	**1,788**	823	**–**	–	**1,788**	823
Depreciation of property, plant and equipment	**6,792**	5,210	**2,619**	1,409	**18**	9	**4,228**	2,816	**13,657**	9,444	**–**	36	**13,657**	9,480
Impairment loss recognised in respect of goodwill	**5,868**	–	**–**	–	**–**	–	**–**	–	**5,868**	–	**–**	–	**5,868**	–
Impairment loss recognised in respect of intangible assets	**13,954**	–	**–**	–	**–**	–	**–**	–	**13,954**	–	**–**	–	**13.954**	–
Loss on disposal of property, plant and equipment	**568**	110	**–**	–	**–**	–	**–**	–	**568**	110	**–**	6	**568**	116
Written-off of property, plant and equipment	**11,049**	5,660	**69**	–	**–**	–	**–**	–	**11,118**	5,660	**–**	–	**11,118**	5,660
Written-off of inventories (included in cost of sales)	**–**	–	**114**	–	**–**	–	**–**	–	**114**	–	**–**	–	**114**	–

Note: Non-current assets exclude financial instruments.

(e) Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total revenue of the Group as follows:

	Revenue generated from	2010	2009
		HK$'000	*HK$'000*
Company A	Packaging products business	**31,681**	5,809

5. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF VARIOUS ASSETS

	2010	2009
	HK$'000	*HK$'000*
Impairment loss recognised in respect of various assets comprise of:		
– other receivables	**3,000**	25,329
– intangible assets	**13,954**	–
– goodwill	**5,868**	–
– interests in associates	**4,004**	–
– loans to minority shareholders of a subsidiary	**4,197**	–
	31,023	25,329

6. LOSS FOR THE YEAR

	Continuing operations		Discontinued operation		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Loss for the year has been arrived at after charging:						
Staff costs (including directors' emoluments):						
Salaries, allowances and other benefits in kind	**65,294**	55,544	**–**	826	**65,294**	56,370
Equity-settled share-based payment	**65**	530	**–**	–	**65**	530
Retirement benefits scheme contributions	**1,648**	1,191	**–**	51	**1,648**	1,242
Total staff costs	**67,007**	57,265	**–**	877	**67,007**	58,142
Auditor's remuneration						
– current year	**1,701**	1,019	**–**	–	**1,701**	1,019
– under-provision in prior years	**85**	74	**–**	–	**85**	74
	1,786	1,093	**–**	–	**1,786**	1,093
Amortisation of prepaid lease payment	**1,152**	1,162	**–**	–	**1,152**	1,162
Amortisation of intangible assets	**1,788**	823	**–**	–	**1,788**	823
Costs of inventories recognised as an expense	**70,831**	31,755	**–**	–	**70,831**	31,755
Depreciation of property, plant and equipment	**13,657**	9,480	**–**	–	**13,657**	9,480
Equity-settled share based payment (business associates) *(Note)*	**–**	1,497	**–**	–	**–**	1,497
Loss on disposal of property, plant and equipment	**568**	110	**–**	6	**568**	116
Loss on disposal of held-to-maturity investments	**–**	1,690	**–**	–	**–**	1,690
Operating lease rentals in respect of land and buildings	**10,900**	12,560	**–**	61	**10,900**	12,621
Royalty expenses	**–**	–	**–**	1,636	**–**	1,636
Written-off of inventories (included in cost of sales)	**114**	–	**–**	–	**114**	–

Notes: The amounts represented the fair value of financial consultancy services provided to the Group during the year ended 31 March 2009.

7. FINANCE COSTS

	Continuing operations		Discontinued operation		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest expenses on:						
– bank borrowings wholly repayable within five years	**702**	739	**–**	278	**702**	1,017
– bank borrowings not wholly repayable within five years	**795**	781	**–**	–	**795**	781
– imputed interest on convertible loan notes	**56**	1,288	**–**	–	**56**	1,288
– obligations under finance lease	**57**	56	**–**	–	**57**	56
	1,610	2,864	**–**	278	**1,610**	3,142

8. INCOME TAX EXPENSE

	Continuing operations		Discontinued operation		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong Profits Tax						
– current	**665**	72	**–**	58	**665**	130
– under-provision	**239**	–	**–**	–	**239**	–
	904	72	**–**	58	**904**	130
PRC Enterprise Income Tax						
– current	**16**	–	**–**	–	**16**	–
Deferred taxation						
– current period	**2,509**	346	**–**	–	**2,509**	346
– attributable to a change in tax rate	**–**	(60)	**–**	–	**–**	(60)
	2,509	286	**–**	–	**2,509**	286
	3,429	358	**–**	58	**3,429**	416

(i) On 26 June 2008, the Hong Kong Legislation 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.

Hong Kong Profits Tax was calculated at 16.5% of the estimated profit for the year ended 31 March 2010 and 2009.

(ii) Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

(iii) Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC is 25% for both years.

9. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to the owners of the parent for the year is based on the following data:

	2010	2009
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to the owners of the parent	**(78,594)**	(195,662)

	2010	2009
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**6,427,998**	4,627,938

From continuing operations

The calculation of the basic loss per share from continuing operations attributable to the owners of the parent for the year is based on the following data:

	2010	2009
	HK$'000	*HK$'000*
Loss for the year attributable to the owners of the parent	**(78,594)**	(195,662)
Less: Loss for the year from discontinued operation attributable to owners of the parent	**–**	(2,695)
Loss for the year for the purpose of basic loss per share from continuing operation	**(78,594)**	(192,967)

The denominators used are the same as those detailed above for basic loss per share.

From discontinued operation

Basic loss per share for the discontinued operation was Nil per share (2009: HK0.06 cents), based on the loss for the year from the discontinued operation attributable to the owners of the parent of Nil (2009: HK$2,695,000) and the denominator detailed above for basic loss per share.

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible loan notes and share options since their exercise would result in a decrease in loss per share from continuing and discontinued operations. The basic and diluted loss per share are the same.

10. TRADE AND OTHER RECEIVABLES

	31.3.2010	31.3.2009	1.4.2008
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	**23,768**	38,863	14,032
Less: Impairment loss recognised	**–**	(9,116)	(11,427)
	23,768	29,747	2,605
Other receivables	**30,709**	32,880	40,304
Less: Impairment loss recognised	**(23,352)**	(29,462)	(4,375)
	7,357	3,418	35,929
Deposits and prepayments	**15,302**	8,443	31,935
Deposit paid for acquisition of convertible note receivable	**12,000**	–	–
	27,302	8,443	31,935
	58,427	41,608	70,469

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

(b) An aged analysis of the trade receivables based on invoice date, net of impairment loss is recognised as follows:

	31.3.2010	31.3.2009	1.4.2008
	HK$'000	*HK$'000*	*HK$'000*
Within 60 days	**11,811**	19,002	2,605
61 – 90 days	**3,817**	4,494	–
91 – 180 days	**5,154**	2,480	–
181 – 365 days	**2,764**	3,771	–
Over 365 days	**222**	–	–
	23,768	29,747	2,605

(c) At 31 March 2010 and 2009, the aging analysis of trade receivables that were past due but not impaired are as follows:

			Past due but not impaired			
	Total	**Neither past due nor impaired**	**Less than 60 days past due**	**61 to 90 days past due**	**91 to 180 days past due**	**Over 180 days past due**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 March 2010	23,768	15,563	1,877	2,861	2,121	1,346
31 March 2009	29,747	16,792	8,153	1,031	3,771	–

Trade receivables that were neither past due nor impaired relate to a wide range of customers who has no recent history of default. The Group does not hold any collateral over these balances.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, 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.

11. TRADE AND OTHER PAYABLES

	31.3.2010	31.3.2009	1.4.2008
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	**8,663**	4,443	–
Accrued expenses and other payables	**21,372**	27,563	47,634
	30,035	32,006	47,634

(a) An aged analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	31.3.2010	31.3.2009	1.4.2008
	HK$'000	*HK$'000*	*HK$'000*
Within 60 days	**6,145**	2,978	**–**
61 to 90 days	**613**	74	**–**
91 to 180 days	**545**	282	**–**
181 to 365 days	**443**	1,109	**–**
Over 365 days	**917**	–	**–**
	8,663	4,443	**–**

(b) The average credit period on purchase of goods is ranged from 30 to 90 days (2009: 30 to 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

(c) Included in accrued expenses and other payables are amounts in total of approximately HK$1,541,000 (2009: Nil) representing accrued directors' fees due to the Company's directors.

12. COMPARATIVE INFORMATION

The comparative figures of the consolidated statement of financial position as at 31 March 2009 were restated due to the reclassification of a bank deposit of approximately HK$18,051,000 and a structured deposit of approximately HK$2,000,000 which by nature should be a pledged bank deposit and held-to-maturity investments, respectively. The amounts of the reclassification for each consolidated financial statements line affected are presented below.

Effect of the reclassification on the Group's consolidated statement of financial position at 31 March 2009:

	As previously reported	Reclassification	As restated
	HK$'000	*HK$'000*	*HK$'000*
Held-to-maturity investments	–	2,000	2,000
Pledged bank deposits	–	18,051	18,051
Bank balances and cash	251,109	(20,051)	231,058

13. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2010, nor has any dividend been proposed since the end of the reporting date (2009: Nil).

BUSINESS REVIEW AND OUTLOOK

Business Review

During the financial year ended 31 March 2010 ("Year ended Review"), the Group successfully achieved a number of milestones in its efforts to enter the burgeoning digital entertainment industry in the People's Republic of China ("PRC"). During the Year under Review, the revenues of the Group totalled HK$117.1 million, representing a 105.4% increase compared to HK$57 million of last year. 2.2% of the revenues were generated from the Group's digital entertainment business and 97.8% were from Kingbox (Asia) Limited ("Kingbox").

Digital Entertainment Business

Following a successful business transition completed in the year ended 31 March 2009, the Group achieved a number of key goals in different areas of the PRC's digital entertainment industry.

During the Year under Review, digital entertainment business contributed HK$2.6 million to the Group's revenues as compared to HK$1.7 million of last year. Leveraging the significant milestones established during the Year under Review, digital entertainment business revenues are expected to gradually be improved in the coming financial year.

Product Platform

During the Year under Review, the Group successfully launched its e-sport games site – 'Juesheng IEF' (www.iefgames.com). 'Juesheng IEF' is an entertainment platform comprised of various types of games, allowing players to access our titles at one comprehensive location. In addition, we offer online e-sport games 24 hours a day, so players can enjoy a full range of entertainment with no time limits or geographical constraints.

During the Year under Review, the Group increased its platform product range by partnering with other online game developers. The Group entered into a joint cooperative arrangement with Euro Websoft to promote its new Massive multiplayer online role-playing game ("MMORPG") 'Little Big Soldier'. This MMORPG is based on the action comedy motion picture of the same name featuring international superstar Jackie Chan. The online game features his likeness in an animated form. This partnership created a win-win situation where the Group expands its products and provides effective promotional channels for the online game developer.

Another milestone reached during the Year under Review was our success in obtaining the exclusive distribution and marketing rights in the PRC for the leading Korean MMORPG – 'Rohan'. Approval was granted by the Ministry of Culture ("MOC") to begin closed beta testing, marketing and promotional activities. This is a major step prior to a game's launch in the PRC market. The Group expects online game revenue to be improved significantly after the launch of this top Korean MMORPG.

E-sport Tournament

During the Year under Review, the Group had the honor of co-organizing the PRC's first E-sport National Team Trial ("National Team Trial") with China Sports Industry Group ("China Sports Industry") – a business arm of the General Administration of Sports. The new National Team Trial name was granted following the wholly owned subsidiary of the Company. The 'T-Matrix Cup' was the first and only national e-sport team officially designated by the General Administration of Sport as a national team to represent the PRC.

The Group continued to build on its past success by hosting the e-sport qualifier tournament in the PRC for the 2009 IEF in Suwon, Korea. Players from over 17 countries and regions participated in this event in October 2009.

Kingbox

Kingbox, which was acquired by the Group in fiscal year 2008/09, is principally engaged in the design, development, manufacture and sales of packaging products as well as being in the watch trade. The Year under Review is the first full financial year in which Kingbox was consolidated into the Group's financial report. During the Year under Review, turnover for Kingbox amounted to HK$114.5 million.

Kingbox continues to target the medium to high-end markets for its customer base in Europe, the USA and Southeast Asian regions with HK$103.8 million generated through the manufacture and sales of packaging products and HK$10.7 million from the watch trade. For the packaging products business, during the Year under Review, the market demand decreased which was mainly due to global financial crisis and devaluation of Euro. The Board believes that with the global market under recovery and the financial market becoming stable, the market demand will gradually be back to normal. In July 2010, Kingbox successfully transformed one of its factories into a foreign investment enterprise and was granted the right to sell its products in the PRC market. At the same time, Kingbox acquired a new 5,251 square feet warehouse to create new opportunities for future business expansion. The Board believes that the expansion of Kingbox into the PRC market will generate new income growth opportunities.

For the watch trading business, the increase in market demand for the Year under Review was mainly due to the successful marketing activities. The Board believes that with the continuous marketing strategies, sales performance will further be improved.

Prospects

Going forward, the Group will continue to develop its current business focus as well as explore new opportunities in the PRC's digital entertainment market.

We have nurtured a mutually strong relationship with the China Sports Industry, a business arm of the General Administration of Sports for the National Games Trial event. Further meetings will be held with the China Sports Industry to discuss projects that will help further promote e-sport development in the PRC. Taking full advantage of the professional expertise in terms of both software and hardware from each side, we believe that this cooperative venture will help establishing a nationwide network of e-sport and online games.

Our contribution to the digital entertainment sector continued apace over the past few reporting periods and the Group tallied several important achievements in different areas of the market. In addition, the business expansion of Kingbox into the PRC market will expect to provide new source of income and leading Korean MMORPG will soon be launched following a closed-beta testing period. As a result, we see revenues gradually improving over the near term.

Financial Review

Results

After the continue effort, the Group had recorded significant improving financial results during the Year under Review. Revenue increased by 105.4% to HK$117.1 million as compared to HK$57 million of last year. The significant improvement in revenue is driven by the first full year contribution from Kingbox that was acquired in financial year 08/09.

During the Year under Review, the loss attributable to owner amounted to HK$78.6 million as compared to HK$195.7 million same period last year. The significant decrease in loss as compared to last year is mainly due to improvement from different area. Among which the full year profit contribution from Kingbox, the foreign exchange gain due to appreciation of AUD, increasing in market value as well as rental income of the Beijing property and cessation of some loss making operations of the digital entertainment business.

During the Year under Review, impairment losses in respect of various assets of HK$31 million had been made as the Board considered that they were not recoverable.

After the continuing effort put into the digital entertainment business over the last few financial years, loss reduced significantly as compared with last year. At the same time, Kingbox business was turnaround and expected to contribute a stable source of finance, the Group will continue to explore new opportunities in the market and expect the business will continue to be improved.

Share Options and Convertible Notes

In April 2009, the Group 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.

In April 2009, the Company signed two subscription agreements for convertible notes due 36 months issued by Winning Beauty Investments Limited and Lucky Belt Holdings Limited in the aggregate principal amount of US$2.5 million and US$2 million respectively.

In May 2009, a convertible notes of US$0.5 million subscribed by the Group matured and was fully redeemed.

In August 2009, the Group signed a subscription agreement for convertible notes due 24 months issued by Paradise Entertainment Limited in an aggregate principal amount of HK$20 million with an option to subscribe for the additional notes in an aggregate principal amount of HK$20 million. During the Year under Review, the Group has paid a sum of HK$12 million as an earnest money. The subscription was subject to the Company's shareholders' approval. In the SGM held on in 31 December 2009, the shareholder approval regarding the said subscription had not been obtained. The earnest money of HK$12 million had been repaid to the Company.

Material Acquisition and Disposals of Subsidiaries and Associated Companies

In June 2009, the Group disposed of 100% interest in Hamlet Profits Limited and its shareholder's loan at a consideration of HK$2, resulting in a gain of HK$1.6 million.

In December 2009, the Group acquired 24.4% of shares of an associated company, Well Union Investment Ltd ("Well Union") at a consideration of HK$25 million. The principal business of Well Union is to develop and produce super high brightness LED backlight LCD monitors through an already profitable subsidiary company. The acquisition of Well Union creates synergy with the Company's main business by securing hardware supply to display entertainment content in special venues such as the i-café network, lottery center, school, etc.

Capital Resources and Currency Exposure

During the Year under Review, the convertible notes holder had converted the convertible notes issued by the Company in an aggregate principal amount of HK$15 million into 1,500 million ordinary shares of the Company at the conversion price of HK$0.01 per share.

During the Year under Review, 10 million and 3 million share options at the exercise prices of HK$0.09 and HK$0.1 had been exercised.

During the Year under Review, 600 million warrants at the exercise price of HK$0.01 each had been converted into 600 million ordinary shares of the Company.

At 31 March 2010, the bank balances and cash (including pledged bank deposits) of the Group amounted to approximately HK$127.5 million. The Group's bank borrowing was approximately HK$43.6 million, approximately HK$4.8 million of which was payable within one year. The Group's bank borrowing is mainly denominated in HK$ 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 as at 31 March 2010 was 7.9%. As the majority of bank fiduciary deposits and cash on hand were in AUD, US$, RMB, Euro, GBP and HK$ during the Year under Review, the Group's exchange risk exposure depends on the movement of the exchange rate of the aforesaid currencies. During the Year under Review, the Group had exchange gain of HK$12.8 million which was mainly due to the appreciation of AUD. Moreover, the trading receipt of foreign currencies would also be used to settle the loans advanced in the same foreign currencies.

Pledge of Assets

At 31 March 2010, the buildings and prepaid lease payments of the Group with carrying value of approximately HK$11.1 million and HK$56 million respectively were pledged for the bank borrowing. In addition, the Group's banking facilities were secured by pledged bank deposits of HK$22.1 million.

Capital and other commitments

(a) Capital commitments

	2010	2009
	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	**319**	–
Acquisition of intangible asset	**432**	1,526
	751	1,526

(b) Other commitments in respect licensing payments

At 31 March 2010, the licensing arrangement is contracted for a term up of three years. Pursuant to the licensing arrangement, subject to the condition of obtaining certain online game licenses, the Group has to pay the licensor, a non-refundable minimum guarantee in the total sum of US$5 million, payable by three annual installments.

Contingent Liabilities

Confiscation of gaming machines acquired from a company owned as to 50% by an ex-director

On 29 October 2008, the Company announced that gaming machines and the applicable software (collectively referred to as the "Weike Machines") would be acquired from Weike (S) Pte Limited ("Weike"), a company owned as to 50% by Mr Poh, an ex-director of the Company and the beneficial shareholder of the Petitioner at a consideration of HK$9.893 million.

Subsequent to the delivery of the products, it was noted that the functionality and performance of the Weike Machines was not in conformity with the Company's specification. Despite the various rounds of efforts of the technical teams of both sides in solving the problems, the Company's specifications remained unmatched. Besides, various obligations of Weike under the purchase agreement remained outstanding including, inter alia, the handling of all laws, rules and declaration at customs, and delivery to the Group the necessary administrative documents which are required for the normal procedures of application for product license and gaming license. Furthermore, in May 2010, all the Weike Machines were seized by the PRC Police which, on 13 June 2010, confirmed in writing that such Weike Machines were confiscated on the reason that such machines were gambling related.

For such, the Company has instructed its lawyer to issue a demand letter to Weike on its claim on the Weike Machines. This case is currently handled by the Company's lawyer and is in the stage of legal correspondences between the lawyers of both sides.

In view of the violation of the rules as claimed by the PRC Police, the Group also have consulted external lawyer in the PRC who advised that no contingency liability on the Group from such violation should be expected from the regulatory body(ies) in the PRC.

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 ("Huayu") in Beijing claiming for recovery of an amount of RMB27.1 million together with interest, penalties and costs. The parties have agreed to settle the case in mid-September 2009 whereby Huayu has agreed to pay RMB24 million by several installments in full and final settlement of the case. Following the default of Huayu to make the first installment payment on the due date, legal proceedings were instituted in the PRC for execution of the conciliation statement made by the Beijing Arbitration Commission and the full amount of the then outstanding debt and costs in the amount equivalent to HK$25.7 million has been impaired in full in the financial year ended 31 March 2009. The order for execution was eventually granted against Huayu in February 2010. On 17 June 2010, a settlement agreement was entered into with Huayu with scheduled payments by end of July 2010 for the remaining outstanding debt and part of which was repaid immediately after the settlement agreement. Subsequent to the full provision of the entire debt in 2009 and until the date of this announcement, Huayu has repaid a total of RMB4.7 million. Such repaid amount was treated as write back of other receivable and income of the Group in the Year under Review.

EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) On 14 April 2010, Luck Continent Limited (the "Petitioner"), a substantial shareholder of the Company, filed a petition ("Petition") to the court against various parties including Mr Cheng (the chairman of the Company), Ms Yung, the spouse of Mr Cheng, 6 corporate shareholders of the Company interested by Ms Yung ("Yung Companies", and altogether with Mr Cheng and Ms Yung, as "Private Parties"), and the Company. In the Petition, the Petitioner raised various allegations against the Private Parties and/or the Company and intended to seek for (1) an order for revising the articles of the Company to effect that (a) removal of director(s) of the Company shall be made effective by an ordinary resolution instead of a special resolution, and (b) shareholders in general meeting of the Company may fill or authorise the board of directors to fill any vacancy in the number left unfilled at any general meeting; (2) an injunction restraining Ms Yung and the Yung Companies to vote at the special general meeting of the Company held on 30 April 2010 (which has been spent); (3) an order that the Company shall cause a subsidiary of the Company not to proceed with a project in relation to a transaction at a Suzhou site and to demand for the repayment of the earnest money having been paid; (4) a declaration that the appointment of 3 executive directors of the Company made on 16 November 2009 be invalid and of no effect; and (5) the appointment of a receiver and/or manager, and/or such person(s) for the purpose of conducting an independent investigation and/or audit of the matters complained of in the Petition.

On 20 April 2010 and 27 April 2010, the Petitioner further issued via its lawyer 2 letters ("Legal Letters") for the attention of the Private Parties and/or the Company raising various other concerns and allegations relating to the Group's investments and the reason for the resignation of the Company's auditor.

On 30 April 2010, the Petitioner also filed a summons ("First Summons") to Court to seek for, inter alia, an independent investigation accountant ("IIA") to look into various matters alleged by the Petitioner in the Petition.

The board had thoroughly reviewed and looked into each of the concerns raised by the Petitioner in the Petition and the Legal Letters. The Board noticed that some of the allegations were wrong and is of the opinion that there is no valid grounds for any other concern raised which should render such concern for action that the Petitioner is now seeking. In response to the Petition and the First Summons,

(1) on 14 May 2010, the audit committee resolved to engage Ernst and Young Transactions Limited ("EY") as the IIA. On 15 July 2010, EY issued the IIA report ("IIA Report") for the attention of the Audit Committee. A copy of IIA report was also served with the Judge to the Petition.

(2) on 24 June 2010, the Company filed an affirmation to Court to rebut and/or explain the Petitioner's allegations/concerns in the Petition as well as the Legal Letters as far as the Company is concerned.

    On 24 June 2010, the Petitioner, being in disagreement on the appointment of EY as the IIA, filed summons ("Second Summons") to the Court to restore the First Summons with modification of (1) including 2 executives of Ferrier Hodgson Limited as a choice as the IIA; and (2) revoking the appointment of EY as the IIA. The Board is of the view that (1) it is the Company's contention that the Court has no jurisdiction to make an order for the appointment of an IIA as the Petitioner wishes; and (2) there being no ground or justification for EY not being suitable to be appointed as IIA while the investigation work of EY had completed. Accordingly, the Board anticipates that the order sought by the Petitioner in the Second Summons would not be granted by Court.

    The legal proceedings on the Petition and the Second Summons are ongoing.

(b) On 3 May 2010, the Group entered into a temporary sales and purchase agreement with an independent third party for the acquisition of a property in Hong Kong to be used as a warehouse for the Group's packaging business for a consideration of approximately HK$6.88 million. The transaction was completed on 20 May 2010 following the successful transfer of legal title to the property.

(c) On 12 July 2010, the Company received from Asian Capital (Corporate Finance) Limited that its client, China Trends Holdings Limited ("China Trends"), a Company listed on The Growth Enterprise Market of the Stock Exchange was contemplating a securities exchange offer for the shares and share options of the Company involving the issue of new shares of China Trends. Details are set in the announcement of the Company dated 13 July 2010.

EMPLOYEE INFORMATION

At the end of the Year under Review, the Group employed 1,877 permanent employees, including 67 employees in Hong Kong and 1,810 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, 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 and independent non-executive Director ("INED") 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 Year under Review with except for the deviations summarized as follows:

CG Code

A.3	Every board of directors of a listed issuer must include at least three INEDs.	– During the period from 3 November 2009 until 1 February 2010, the Board was composed of less than 3 INEDs due to the resignation of 2 former INEDs from the Board. – On 16 November 2009 and 1 February 2010, Mr NG Pui Lung and Mr FUNG Pui Cheung Eugene had been appointed as the INEDs respectively fulfilling the requirement.
B.1.1	A remuneration committee should be set up with majority members to be INEDs.	– During the period from 3 November 2009 until 1 February 2010, the Remuneration Committee was not composed of a majority of INEDs due to the resignation of 2 former INEDs from the Board and the Remuneration Committee.

– On 16 November 2009 and 1 February 2010, Mr WANG Shanchuan and Mr FUNG Pui Cheung Eugene had been appointed as new members of the Remuneration Committee respectively fulfilling the requirement.

Model Code

A.3	A director must not deal in any securities of the listed issuer on any day on which its financial results are published and during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results.	– On 25 May 2009, the Company published an announcement that a board meeting to consider and approve the Company's annual results for the year ended 31 March 2009 was scheduled on 18 June 2009. The announcement of the annual results was published on 19 June 2009 before the commencement of the morning trading session. On 19 June 2009, Mr WU Chuang John, a Director, acquired 10,000,000 shares in the Company. – On 16 April 2009, the Company has sent the then Directors a notice in which Mr Wu knew the annual results were set to be published on 18 June 2009. However, due to an unexpected delay in finalizing the announcement, the annual results announcement dated 18 June 2009 was actually published after 18 June 2009 but before the commencement of the morning trading session on 19 June 2009. Mr Wu was not aware of and was not informed of such extension of the black out period and acquired the said shares on 19 June 2009. In view of such breach and in order to avoid similar incident in future, the Company has notified directors that the black out period shall last until the annual results announcement is published and undertakes to send the Directors a follow up notice to inform them that the black out period is over.

REVIEW OF RESULTS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the Year under Review, neither our 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, 30 July 2010

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, Mr CAO Dongxin, Mr HO Chi Chung Joseph, Mr YU Ping, Mr ZHANG Yiwei, Mr TANG Ming and Mr HU Xichang; and the independent non-executive directors are Mr WANG Shanchuan, Mr NG Pui Lung and Mr FUNG Pui Cheung Eugene.