



C Y Foundation Group Limited

(Incorporated in Bermuda with limited liability)

Stock code : 1182

INTERIM REPORT
2008 / 2009



SHINEWING (HK) CPA Limited

16/F., United Centre

95 Queensway, Hong Kong

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE SHAREHOLDERS OF C Y FOUNDATION GROUP LIMITED

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 3 to 28 which comprise the condensed consolidated balance sheet of C Y Foundation Group Limited as at 30 September 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors are responsible for the preparation and fair presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this interim financial information.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that this interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Lo Wa Kei

Practising Certificate Number: P03427

Hong Kong

8 December 2008

The unaudited condensed consolidated results of C Y Foundation Group Limited (the "Company") and its subsidiaries (the "Group") for the six months ended 30 September 2008 together with the comparative figures for the last corresponding period are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

		Six months ended 30 September 2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
	NOTE		
Turnover	4	898	29,345
Cost of sales		(182)	(15,781)
Gross profit		716	13,564
Other operating income		16,703	19,366
Selling and distribution costs		(2,261)	(15,129)
Administrative expenses		(78,462)	(30,814)
Loss from operations	5	(63,304)	(13,013)
Finance costs	6	(1,342)	(1,158)
Changes in fair value of conversion option derivative		4	-
Changes in fair value of investment properties		(34)	-
Excess of net assets value over the consideration arising from acquisition of subsidiaries		-	1,336
Loss before income tax		(64,676)	(12,835)
Income tax	7	(72)	-
Loss for the period		(64,748)	(12,835)
Attributable to:			
Equity holders of the Company		(62,840)	(12,605)
Minority interests		(1,908)	(230)
		(64,748)	(12,835)
Loss per share	8		
Basic		HK(1.42) cent	HK(0.37) cent
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2008

	NOTE	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
Non-current assets			
Investment properties	9	36,480	35,601
Property, plant and equipment	10	54,957	53,225
Prepaid lease payments		69,592	69,527
Convertible note receivable	11	8,567	-
Intangible assets		29,768	29,321
Goodwill		9,145	8,370
		208,509	196,044
Current assets			
Inventories		465	469
Trade and other receivables	12	100,081	70,469
Prepaid lease payments		1,099	1,081
Loan to minority shareholders of a subsidiary		5,130	5,779
Conversion option derivative	11	20	-
Held-to-maturity investments	13	38,850	213,444
Bank fiduciary deposit		130,388	169,976
Cash and cash equivalents		299,285	216,026
		575,318	677,244
Current liabilities			
Other payables	14	18,725	47,634
Amounts due to directors		717	1,290
Amounts due to related companies		10	186
Obligation under finance lease, due within one year		356	356
Bank and other borrowings, due within one year		1,897	9,929
		21,705	59,395
Net current assets		553,613	617,849
Total assets less current liabilities		762,122	813,893

CONDENSED CONSOLIDATED BALANCE SHEET*(Continued)*

AS AT 30 SEPTEMBER 2008

		As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
	<i>NOTE</i>		
Non-current liabilities			
Obligation under finance lease, due after one year		592	770
Bank and other borrowings, due after one year		28,530	29,484
Convertible notes	15	12,981	18,138
Deferred tax liability		785	755
		42,888	49,147
Net assets		719,234	764,746
Capital and reserves			
Share capital	16	4,596	3,893
Reserves		709,508	754,852
Equity attributable to equity holders of the Company		714,104	758,745
Minority interests		5,130	6,001
Total equity		719,234	764,746

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve	Translation reserve	Capital redemption reserve	Reserve funds	Accumulated losses	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note (a))									
As at 1 April 2008	3,893	740,479	5,468	18,858	1,190	135	(11,278)	758,745	6,001	764,746
Exchange differences arising on translation of foreign operations	-	-	-	7,773	-	-	-	7,773	472	8,245
Net income recognised directly in equity	-	-	-	7,773	-	-	-	7,773	472	8,245
Loss for the period	-	-	-	-	-	-	(62,840)	(62,840)	(1,908)	(64,748)
Total recognised income and expense for the period	-	-	-	7,773	-	-	(62,840)	(55,067)	(1,436)	(56,503)
Issue of new shares (Note 16)	3	4,594	-	-	-	-	-	4,597	-	4,597
Issue of share on conversion of convertible notes (Notes 15 & 16)	700	6,868	(1,739)	-	-	-	-	5,829	-	5,829
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	565	565
As at 30 September 2008	4,596	751,941	3,729	26,631	1,190	135	(74,118)	714,104	5,130	719,234

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

	Attributable to equity holders of the Company									
	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Capital reserve HK\$'000 (Unaudited)	Translation reserve HK\$'000 (Unaudited)	Capital redemption reserve HK\$'000 (Unaudited)	Reserve funds HK\$'000 (Unaudited) (Note (a))	Retained earnings (Accumulated losses) HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Minority interests HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
As at 1 April 2007	3,087	27,000	992	47	1,190	135	14,877	47,328	-	47,328
Exchange differences arising on translation of foreign operations	-	-	-	(1,064)	-	-	-	(1,064)	-	(1,064)
Net expense recognised directly in equity	-	-	-	(1,064)	-	-	-	(1,064)	-	(1,064)
Loss for the period	-	-	-	-	-	-	(12,605)	(12,605)	(230)	(12,835)
Total recognised expense for the period	-	-	-	(1,064)	-	-	(12,605)	(13,669)	(230)	(13,899)
Issue of new shares	600	717,190	-	-	-	-	-	717,790	-	717,790
Share premium reduction (Note (b))	-	(15,208)	-	-	-	-	15,208	-	-	-
Equity component of convertible note issued	-	-	4,972	-	-	-	-	4,972	-	4,972
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	1,281	1,281
As at 30 September 2007	3,687	728,982	5,964	(1,017)	1,190	135	17,480	756,421	1,051	757,472

Notes:

- (a) Pursuant to the relevant laws and regulations in the People's Republic of China ("PRC"), a portion of the profit of the Group's subsidiaries in the PRC has been transferred to reserve funds which are restricted as to use.
- (b) Pursuant to a resolution passed at the annual general meeting of the Company on 23 August 2007, it was resolved that, subject to compliance with section 46(2)(b) of the Companies Act 1981 of Bermuda (as amended), the share premium account of the Company would be reduced by HK\$15,208,000 and such amount be transferred to the contributed surplus account of the Company where it was utilised by the directors in accordance with the Bye-laws of the Company and all applicable laws to apply such amount to set off against the accumulated losses of the Company.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

	Six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(121,814)	(762,145)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	210,301	(213,950)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(9,264)	713,714
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	79,223	(262,381)
CASH AND CASH EQUIVALENTS AS AT 1 APRIL	216,026	460,573
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	4,036	(1,064)
CASH AND CASH EQUIVALENTS AS AT 30 SEPTEMBER	299,285	197,128

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

1. GENERAL

C Y Foundation Group Limited (the "Company") was incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Luck Continent Limited ("Luck Continent") (incorporated in the British Virgin Islands) at 30 September 2008. The addresses of the registered office and principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and 17/F, Silver Base Centre, 200 Gloucester Road, Wanchai, Hong Kong respectively.

The unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company.

The principal activities of the Company and its subsidiaries (the "Group") are digital entertainment business and apparel trading.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2008 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities of the Stock Exchange.

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim 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 accounting policies used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 March 2008, except for the following accounting policies newly adopted in the current interim period as mentioned below.

(a) Financial instruments

Convertible note asset

The Group has measured the convertible note in accordance with HKAS 39. The loan portion of the convertible note was measured initially at fair value and subsequently at amortised cost and classified as convertible note receivable. The conversion option derivative of the convertible note was measured initially and subsequently at fair value in accordance with HKAS 39 and classified as conversion options embedded in convertible note receivable. The fair value of the conversion option embedded were carried out by an independent valuer not connected with the Group.

(b) Revenue recognition

Rental income is recognised on a straight-line basis over the term of the relevant lease.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("New HKFRSs") issued by the HKICPA which are either effective for accounting periods beginning on 1 April 2008. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The Group has not early applied the following new and revised HKASs, Hong Kong Financial Reporting Standards ("HKFRSs") and interpretations ("HK(IFRIC)-INTs") that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising On Liquidation ¹
HKFRS 2 (Amendment)	Share-based Payment - Vesting Conditions and Cancellation ¹
HKFRS 3 (Revised)	Business Combination ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) - INT 13	Customer Loyalty Programmes ³
HK(IFRIC) - INT 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC) - INT 16	Hedges of a Net Investment in a Foreign Operation ⁴

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

² Effective for annual periods beginning on or after 1 July 2009.

³ Effective for annual periods beginning on or after 1 July 2008.

⁴ Effective for annual periods beginning on or after 1 October 2008.

The adoption 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 that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other new, revised and amended HKASs, HKFRSs and HK(IFRIC)-INTs will have no material impact on the results and the financial position of the Group.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS**Business segments**

The Group comprised the following main business segments:

- (a) Digital entertainment business
- (b) Apparel trading

The analysis of the Group's turnover and results for the six months ended 30 September 2008 and 2007 regarding business segments is as follows:

For the six months ended 30 September 2008

	Digital entertainment business HK\$'000 (Unaudited)	Apparel trading HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Turnover	898	-	898
Segment results	(31,756)	(4,305)	(36,061)
Interest income			13,802
Unallocated income			2,901
Group overheads			(43,946)
Loss from operations			(63,304)
Finance costs			(1,342)
Changes in fair value of conversion option derivative			4
Changes in fair value of investment properties			(34)
Loss before income tax			(64,676)
Income tax			(72)
Loss for the period			(64,748)

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

For the six months ended 30 September 2007

	Digital entertainment business HK\$'000 (Unaudited)	Apparel trading HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Turnover	131	29,214	29,345
Segment results	(1,548)	(8,553)	(10,101)
Interest income			19,007
Unallocated income			9
Group overheads			(21,928)
Loss from operations			(13,013)
Finance costs			(1,158)
Excess of net assets value over the consideration arising from acquisition of subsidiaries			1,336
Loss before income tax			(12,835)
Income tax			-
Loss for the period			(12,835)

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)***Geographical segments**

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

The analysis of the Group's turnover and contribution to loss for the period by geographical market, irrespective of the origin of the goods/services is as follows:

Six months ended 30 September					
Hong Kong		The PRC		Consolidated	
2008	2007	2008	2007	2008	2007
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

Segment revenue:

Turnover	-	21,949	898	7,396	898	29,345
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Contribution to loss

for the period	(33,305)	(13,608)	(31,443)	773	(64,748)	(12,835)
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5. LOSS FROM OPERATIONS

Loss from operations has been arrived at:

	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
After charging:		
Total staff costs including directors' emoluments		
Staff salaries and other benefits	21,996	15,421
Staff retirement benefits scheme contributions	376	121
	22,372	15,542
Depreciation and amortisation	4,762	830
Loss on disposal of property, plant and equipment	26	-
Written off of property, plant and equipment	5,685	-
Operating lease rentals in respect of land and buildings	4,803	4,325
Royalty expenses	1,636	1,636
And after crediting:		
Interest income	13,802	19,007
Rental income	644	-

6. FINANCE COSTS

	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interests on bank and other borrowings		
wholly repayable within 5 years	642	311
Imputed interest on convertible note (<i>Note 15</i>)	672	847
Finance leases	28	-
	1,342	1,158

7. INCOME TAX

	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Income tax comprises		
- Hong Kong Profits Tax	58	-
- Overseas taxation	3	-
	61	-
- Deferred tax	11	-
	72	-

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

8. 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

	Six months ended	
	30 September	
	2008	2007
	'000	'000
	(Unaudited)	(Unaudited)
Issued ordinary shares at the beginning of the period	3,892,995	3,087,422
Effect of conversion of convertible notes (<i>Note 15</i>)	539,891	-
Effect of issue of new shares (<i>Note 16</i>)	1,187	422,951
Weighted average number of ordinary shares at the end of the period	4,434,073	3,510,373
Basic loss per share	HK(1.42) cent	HK(0.37) cent

(b) Diluted loss per share

Diluted loss per share for the six months ended 30 September 2008 and 2007 has not been disclosed as the potential ordinary shares outstanding had an anti-dilutive effect on the basic loss for the periods.

9. INVESTMENT PROPERTIES

	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
FAIR VALUE		
At the beginning of the period/year	35,601	–
Additions	–	33,028
Fair value adjustment	(34)	2,432
Exchange realignment	913	141
At the end of the period/year	36,480	35,601

The fair value of the Group's investment properties as at 30 September 2008 have been arrived at by reference to a valuation carried out by an independent qualified professional valuer not connected with the Group. The valuer is a member of the Institute of Valuers, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. The Group's interests in investment properties were held in the PRC with lease period between 10 to 50 years.

Rental income of approximately HK\$644,000 was generated during the six months ended 30 September 2008.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2008, the Group's purchased property, plant and equipment amounted to approximately HK\$10,987,000 (six months ended 30 September 2007: approximately HK\$2,778,000).

During the six months ended 30 September 2008, property, plant and equipment with an aggregate carrying amount of approximately HK\$457,000 was disposed by the Group through disposal of subsidiaries (six months ended 30 September 2007: Nil).

During the six months ended 30 September 2008, property, plant and equipment with an aggregate carrying amount of approximately HK\$5,685,000 was written off by the Group (six months ended 30 September 2007: Nil).

11. CONVERTIBLE NOTE RECEIVABLE

	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
Unlisted convertible notes		
Loan portion		
At inception date	7,776	-
Imputed interest income	791	-
At the end of the period/year	8,567	-
Conversion option derivative at fair value		
At inception date	16	-
Changes in fair value of conversion option derivative	4	-
At the end of the period/year	20	-

11. CONVERTIBLE NOTE RECEIVABLE *(Continued)*

During the six months ended 30 September 2008, the Group subscribed a convertible note with principal amount of US\$1,000,000 (equivalent to HK\$7,792,000) issued by a private company ("Unlisted CN"). The Unlisted CN carries at coupon rate of 8% per annum and conferred rights to the bearer to convert the whole or part of the outstanding principal amounts into shares of that company so that if all of the Unlisted CN were converted, the number of shares issued on conversion would represent 15% of the then issued share capital of that company as enlarged by the issue of the shares in the defined period. The Unlisted CN carried an effective interest rate of 31% per annum.

The Unlisted CN can be redeemed by the issuer at a redemption amount equals the principal amount of the Unlisted CN to be redeemed as increased at the rate of 30% per annum calculated from the date of issue of the Unlisted CN on or before the maturity date of Unlisted CN at 5 May 2011 to the extent of the amount not previously converted.

The Group has measured the Unlisted CN in accordance with HKAS 39. The loan portion of the Unlisted CN was measured initially at fair value and subsequently at amortised cost and classified as convertible note receivable. The conversion option derivative of the Unlisted CN was measured initially and subsequently at fair value in accordance with HKAS 39 and classified as conversion options embedded in convertible note receivable. The fair value of the conversion option embedded were carried out by an independent valuer not connected with the Group.

12. TRADE AND OTHER RECEIVABLES

	As at	As at
	30 September	31 March
	2008	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables	9,116	14,032
Less: Provision for impairment losses	(9,116)	(11,427)
	-	2,605
Other receivables, net of impairment losses	30,454	35,929
Deposit for acquisition of subsidiaries (Note 22(a))	45,000	-
Deposits and prepayments	24,627	31,935
	100,081	70,469

The Group allows a credit period normally ranging from cash on delivery to 60 days to its trade customers.

An ageing analysis of trade receivables, net of impairment losses for bad and doubtful debts, is as follows:

	As at	As at
	30 September	31 March
	2008	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Current to 60 days	-	2,605

13. HELD-TO-MATURITY INVESTMENTS

	As at	As at
	30 September	31 March
	2008	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Unlisted bonds products included		
in current assets	38,850	213,444

As at 30 September 2008, the unlisted bonds products were issued by a bank and carried fixed interest rate and maturing within one year. The annual interest rate on the bond products is 10%. The fair value of the unlisted bonds at 30 September 2008 approximates their carrying amounts.

14. OTHER PAYABLES

	As at	As at
	30 September	31 March
	2008	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Deposits received	1,156	1,273
Accruals and other payables	17,569	46,361
	18,725	47,634

15. CONVERTIBLE NOTES

The convertible notes recognised in the condensed consolidated balance sheet are calculated as follows:

	As at	As at
	30 September	31 March
	2008	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Principal amount of convertible note		
issued on 13 April 2007	-	20,000
Equity component	-	(4,972)
Liability component on initial recognition	-	15,028
Liability component at the beginning		
of the period/year	18,138	3,016
Converted into shares	(5,829)	(1,598)
Imputed interest expense (Note 6)	672	1,692
Liability component at the end of		
the period/year	12,981	18,138

The convertible notes holders have converted the notes 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. Accordingly, the equity components of the convertible notes of approximately HK\$1,739,000 previously recognised in capital reserve of the Company and the amortised cost of the liability portion of approximately HK\$5,829,000 were transferred to share capital and share premium accounts by HK\$700,000 and HK\$6,868,000 respectively.

16. SHARE CAPITAL

	Number of shares	HK\$'000
	'000	HK\$'000
Authorised:		
As at 31 March 2008 and 30 September 2008		
Ordinary shares of HK\$0.001 each	300,000,000	300,000
Issued and fully paid:		
As at 1 April 2007	3,087,422	3,087
Conversion of convertible notes	200,000	200
Issue of new shares	605,573	606
As at 31 March 2008 and 1 April 2008	3,892,995	3,893
Conversion of convertible notes (<i>Note 15</i>)	700,000	700
Issue of new shares	3,344	3
As at 30 September 2008	4,596,339	4,596

On 25 May 2007, 600,000,000 new share of HK\$0.001 each in the Company was subscribed by Luck Continent at a subscription price of HK\$1.28 per share. The new shares rank pari passu in all respects with the then existing shares in the Company. The premium arose from the issue of the new shares of HK\$767,400,000 and after net of share issue expenses of HK\$50,210,000 was credited to the share premium account. The Company used the net proceeds as general working capital of the Group.

On 19 December 2007, 5,572,909 new share of HK\$0.001 each in the Company was issued at an issued price of HK\$1.375 per share. The new shares rank pari passu in all respects with the then existing shares in the Company. The premium arose from the issue of the new shares of HK\$7,657,000 was credited to the share premium account. The Company used the net proceeds as general working capital of the Group.

16. SHARE CAPITAL (Continued)

On 28 July 2008, 3,343,745 new share of HK\$0.001 each in the Company was issued at an issued price of HK\$1.375 per share. The new shares rank pari passu in all respects with the then existing shares in the Company. The premium arose from the issue of the new shares of HK\$4,594,000 was credited to the share premium account. The Company used the net proceeds as general working capital of the Group.

17. DISPOSAL OF SUBSIDIARIES

During the six months ended 30 September 2008, the Group disposed of the following subsidiaries to independent third parties, the net assets (liabilities) of these subsidiaries at the respective dates of disposals were as follows:

	Villaway Limited HK\$'000	Koltai International Limited HK\$'000	Goldgain Services Limited HK\$'000	Total HK\$'000
Net assets (liabilities) disposed of:				
Property, plant and equipment	-	457	-	457
Trade and other receivables	1,766	58	10,050	11,874
Cash and cash equivalents	-	67	1,933	2,000
Amount due from immediate holding company	-	-	1,926	1,926
Trade and other payables	-	(285)	(11,983)	(12,268)
	1,766	297	1,926	3,989
Gain on disposal	-	-	-	-
Total consideration	1,766	297	1,926	3,989
Net cash inflow (outflow) arising on disposal of subsidiaries:				
Cash consideration received	1,766	297	1,926	3,989
Cash and cash equivalents disposed of	-	(67)	(1,933)	(2,000)
	1,766	230	(7)	1,989

18. OTHER COMMITMENTS

On 28 August 2008, CYC Investment Consultancy (Wuxi) Limited (中青投資諮詢(無錫)有限公司), a wholly-owned subsidiary of the Company, entered into a school project with Wuxi School Management Center (無錫學校管理中心) in Wuxi of PRC amounting to RMB9,000,000.

19. PLEDGE OF ASSETS

As at 30 September 2008, the buildings and prepaid lease payments of the Group with carrying amounts of approximately HK\$7,965,000 and HK\$45,774,000 respectively were pledged for bank borrowing.

20. RELATED PARTY TRANSACTIONS

- (a) During the six months ended 30 September 2008, the Group had the following material transaction with a related company:

Name of related party	Nature of transaction	Six months ended 30 September	
		2008	2007
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Horizon Structured Solutions Limited	Rent received	75	-

Mr. Cheng Chee Tock, Theodore, the director of the Company, has beneficial interest in the above related company.

- (b) The key management compensation for the six months ended 30 September 2008 and 2007 is detailed as follows:

	Six months ended 30 September	
	2008	2007
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Fees	702	784
Salaries and other allowances	2,400	710
Retirement benefits scheme contribution	27	-
	3,129	1,494

21. CONTINGENT LIABILITIES

In August 2005, Orient Rise Limited ("Orient Rise") initiated a legal action against French Trade Marketing Limited ("French Trade") and Prime Axis Limited (formerly known as Euro Fashion Trading Company Limited), two wholly-owned subsidiaries of the Group for a breach of the terms of sublicense causing loss and damages to Orient Rise. In August 2008, the Group disposed 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 believed that there is no ground for Orient Rise to make the claim and therefore, no provision has been made in the unaudited condensed consolidated interim financial statements.

22. EVENTS AFTER THE BALANCE SHEET DATE

- (a) On 11 July 2008, Ace Luck International Limited, a wholly-owned subsidiary of the Company, had entered into an agreement with Super Crown Venture Inc., Golden View Worldwide Limited, Treasure Bay Assets Limited and Super Mark Profits Corporation (collectively, the "Vendors"), in relation to the acquisition of the entire issued share capital of Kingbox (Asia) Limited at a total consideration of HK\$160,000,000 ("Acquisition"). Kingbox (Asia) Limited and its subsidiaries are principally engaged in manufacture and sale of packaging products and watch trading. Details of the Acquisition were set out in the Company's circular dated 19 September 2008.

A deposit of HK\$45,000,000 has been paid during the six months ended 30 September 2008, the Acquisition was approved by the shareholders of the Company at a special general meeting held on 15 October 2008. The Group has paid HK\$108,000,000 cash and issued a total of 257,142,856 ordinary shares of the Company to the Vendors by the end of November 2008.

- (b) On 23 October 2008, Billion Cosmos Investment Limited, a wholly-owned subsidiary of the Company, entered into an agreement with a connected person, Weike(S) Pte Limited, to acquire 30 pieces of gaming machine and its operating systems with an exclusive right of use at a total consideration of HK\$9,893,000. Dato Poh Po Lian, the controlling shareholder and an executive director of the Company, holds a directorship and owns 50% equity interest in Weike(S) Pte Limited.

22. EVENTS AFTER THE BALANCE SHEET DATE *(Continued)*

- (c) On 24 October 2008, C Y Foundation Culture Company Limited, a wholly-owned subsidiary of the Company, entered into an co-operation agreement with Network Movie Centre of the Central Committee of the Communist Youth League of China (共青團中央網絡影視中心) to acquire the exclusive rights to organise the International Entertainment Festival 2008 in the PRC at a total consideration of HK\$9,500,000.
- (d) On 3 November 2008, the Company subscribed a 6-month convertible note in an aggregate principal amount of US\$500,000 in Winning Asia Technology Limited, an independently third party not connected with the Group, with an interest rate of 10% per annum.
- (e) On 10 November 2008 and 14 November 2008, Cheer Crowd Limited ("Subscriber"), a wholly-owned subsidiary of the Company, entered into the agreement and the supplemental agreement ("Subscription Agreement") with Profit Grow (Hong Kong) Limited ("Profit Grow") and Zhongcheng Satellite Technology Centre (Overseas) Limited respectively, pursuant to which Profit Grow has conditionally agreed to allot and issue and Subscriber has conditionally agreed to subscribe for the subscription shares at the consideration of HK\$30 million. Upon completion of the Subscription Agreement, the Subscriber shall make available to Profit Grow the loan of HK\$40 million for a term of two years for financing its working capital and investments.

23. FOREIGN EXCHANGE RISK

The Group mainly operates in Hong Kong and the PRC with most of the transactions settled in HK\$ and Renminbi ("RMB"). Also, certain deposits with bank of the Group are denominated in foreign currencies which expose it to foreign currency risk. The Group did not have a foreign currency hedging policy as at the balance sheet date. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Exchange loss of approximately HK\$18,914,000 was incurred during the six months ended 30 September 2008.

DIVIDEND

The Board recommended that no interim dividend be paid for the six months ended 30 September 2008 (2007: Nil).

REVIEW AND OUTLOOK

Business Review

Business Transition

As disclosed in the annual report of the Group for the year ended 31 March 2008, the Group is undergoing a transition period in its business strategy transforming from its former apparel business to a new focus on digital entertainment business. The apparel business no longer contributed to the Group's turnover in the six month ended 30 September 2008 ("the Period") as compared to HK\$29.2 million and a net loss of HK\$8.9 million over the same period in 2007/2008. The Board will continue to scale down the apparel business and transfer its business focus to the new digital entertainment business.

New business – Digital Entertainment Business

The Group will focus on the digital entertainment business including land-based online game tournaments, online games entertainment platform and internet cafés. The new business is still at the development and investment stage and revenue contribution in this area is still being assessed. During the Period, the revenue of the Group amounted to HK\$0.90 million. This revenue was generated from the new business only, representing a 592.3% increase as compared to HK\$0.13 million last year.

Land-based Online Game Tournament

One of the core businesses of the Group is to organize and manage nationwide online game tournaments. In June 2008, the Group organized an e-sport tournament in Shanghai. Participants signed up and competed in featured games such as doudizhu. The tournament was held in the Group's flagship "EnterNet" entertainment centre in Shanghai, the event proved the Group's tournament management capabilities.

REVIEW AND OUTLOOK *(Continued)*

Business Review *(Continued)*

Land-based Online Game Tournament (Continued)

Given the enormous market potential in e-sport tournaments in China, the Group has acquired the exclusive rights to organize the finals of the 2008 International E-sports Festival ("IEF"). The IEF tournament is a high profile e-sport event featuring role play ("RPG") and popular casual games. It is an international land-based tournament made famous by the intense e-sport rivalry between China and Korea. In addition to Chinese and Korean competitors, the tournament for the first time included participants from other European and Asian cities. The final was held from 5 to 7 December 2008 in Wuhan. The Group's appointment as the tournament's exclusive organizer positions the Group as a leading market platform provider in the digital entertainment industry.

Online Game Platform

Leveraging on brand recognition gained from organizing the IEF tournament, the Group's next step will be to develop its proprietary neutral back end system. The online game platform based on the system enables the Group to bring all major online games products and service providers under one single market platform, thus improving revenue and the traffic potential. The online games platform features casual games such as mahjong, doudizhu, Texas Hold'em poker and tuolaji. The Group also closely monitors the markets for opportunities in acquiring famous RPG titles which would further increase player volume across the platform.

i-café

The Group will expand its extensive network of internet entertainment centres and cafés to raise its market profile. It has acquired T-Matrix Culture Company Limited ("T-Matrix") which has franchisees and allied café partners in 12 provinces across China. Together with the Group's flagship "Enternet" entertainment center in Shanghai, the Group aims at creating an extensive distribution network for online game tournaments and online platform. The Group is positioned to expand its network through newly franchised i-café in China, where each franchisee dedicates terminals for the Group's online game platform.

REVIEW AND OUTLOOK *(Continued)*

Business Review *(Continued)*

Other business

During the Period, the Group acquired Kingbox (Asia) Limited ("Kingbox") which is principally engaged in the manufacture and sale of packaging products and in the watch trade. The Board believes this acquisition would benefit the Group by enabling it to diversify its businesses and broaden its revenue sources. The acquisition will also expand the Group's client base, especially when the core business of digital entertainment is still at development stage. Shareholders' approval for the acquisition of Kingbox was obtained in October 2008. For the nine months ended 31 March 2008, Kingbox recorded a turnover and net profit after tax of HK\$88,639,000 and HK\$10,634,000 respectively. As the guaranteed profit of Kingbox for its financial year ended 30 June 2008 has been achieved, it is expected that Kingbox will contribute a steady and stable revenue and profit to the Group during second half of this financial year.

Prospects

The global economy is expected to remain volatile. However, given the online game industry is a low cost entertainment for customers, the Group believes the current economic downturn will result in an increase in number of new players participating in internet games. It is expected that there will be more opportunities for the Group to expand its digital entertainment business. The Group's exclusive role in the forthcoming IEF finals is a critical event for Group's restructured corporate strategy for the PRC market.

The Group is closely monitoring the online entertainment market trends across China. Currently, the market penetration rate is low. Management believes the growth potential of both casual games and RPG games is enormous. In order to capture and maximize market opportunities, the Group will continue to enrich its online entertainment platform to provide quality entertainment to players. The Group is currently in discussion for acquiring famous RPG titles and it expects to deliver these to players soon.

REVIEW AND OUTLOOK *(Continued)*

Business Review *(Continued)*

Prospects (Continued)

Looking ahead, revenue is expected to gradually improve from sales of new RPG games. Entry fees from players entering tournaments and membership fees from the online platform are expected to increase steadily, along with revenue contributions from the recently acquired Kingbox. Management believes the enormous market potential in the industry is still relatively untapped and is confident that its financial performance will gradually be improved in the near future.

Financial Review

Results

For the Period, the Group recorded an unaudited consolidated turnover of HK\$0.90 million as compared to HK\$29.3 million for the same period last year, representing a year-on-year decrease of 96.9%. The loss attributable to shareholders amounted to HK\$62.8 million as compared to a loss of HK\$12.6 million for the same period last year. This was due to the costs and efforts spent by the Group in undergoing a process of transforming its business focus from apparel trading to new business on digital media with focus on entertainment across the PRC. As the new business is still under the developing stage, the contribution from the new business will take time to realize.

Significant Investments

The PRC property in Beijing is partly for the office use and partly for leasing purpose. Most of the units were leased out as at the balance sheet date. The rental income for the Period amounted to HK\$0.64 million. Office leasing will provide a stable source of income for the Group.

The Group subscribed for 3-year convertible notes in an aggregate principal amount of US\$1,000,000 in Lucky Belt Holdings Limited with interest rate of 8% per annum.

REVIEW AND OUTLOOK *(Continued)***Financial Review** *(Continued)**Material acquisitions 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 Corporation (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 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 while the digital entertainment market is developing. For more details regarding this Kingbox acquisition, please refer to the circular of the Group dated 19 September 2008.

In August 2008, the Group entered into an agreement with Great Rider Limited to dispose of 100% interests in Goldgain Services Limited ("Goldgain") at the consideration of HK\$1,925,679.39. For more details of the disposal of Goldgain, please refer to the circular of the Group dated 3 September 2008.

Capital Resources and Currency Exposure

The convertible note-holders have 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 respectively on 5 May 2008 and 16 May 2008.

REVIEW AND OUTLOOK *(Continued)*

Financial Review *(Continued)*

Capital Resources and Currency Exposure (Continued)

At the balance sheet date, the cash and cash equivalents (including bank fiduciary deposit) of the Group amounted to approximately HK\$429.7 million. The Group's bank borrowing was approximately HK\$30.4 million in which approximately HK\$1.9 million and HK\$28.5 million were payable within one year and after one year respectively. The Group's bank borrowing is denominated in Hong Kong dollars 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 4.2%. As majority of bank fiduciary deposit and cash on hand are in US dollars, AUD dollars, Renminbi and Hong Kong dollars, the Group's exchange risk exposure depends on the movement of the exchange rate of the aforesaid currencies. After the balance sheet date, the Group converted a portion of AUD to US\$ to reduce the potential downward exchange risk exposure. During the Period, the Group recorded foreign exchange loss of HK\$18.9 million 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\$8.0 million and HK\$45.8 million respectively were pledged for the bank borrowing.

Capital and Other Commitments

At the balance sheet date, the Group has not committed nor had any plan to commit for any material investment or capital assets.

On 28 August 2008, the Group entered into a school project with Wuxi School Management Center in Wuxi of PRC amounting to RMB9,000,000.

REVIEW AND OUTLOOK *(Continued)*

Financial Review *(Continued)*

Contingent Liabilities

In August 2005, Orient Rise Limited ("Orient Rise") initiated a legal action against French Trade Marketing Limited ("French Trade") and Prime Axis Limited (formerly known as Euro Fashion Trading Company Limited), 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 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 believed that there is no ground for Orient Rise to make the claim and therefore, no provision has been made in the unaudited condensed consolidated interim financial statements.

EMPLOYEE INFORMATION

The Group had approximately 246 employees as at the balance sheet date, including 36 employees in Hong Kong and 210 in the PRC. The Group continued to review remuneration policies with reference to the level and composition of pay, market conditions and both individual and company performances. Staff benefits include contribution to Mandatory Provident Fund Scheme and year end bonus, share option scheme, group medical allowance, group travel insurance scheme and housing benefit.

EVENTS AFTER BALANCE SHEET DATE

Upon the shareholders' approval for the acquisition of Kingbox was obtained in October 2008, the Group has paid HK\$108 million cash and issued a total of 257,142,856 ordinary shares of the Group to the Vendors by the end of November 2008.

EVENTS AFTER BALANCE SHEET DATE *(Continued)*

In October 2008, the Group's entered into an agreement with a connected person, Weike (S) Pte Limited, to acquire 30 pieces of gaming machine and its operating systems with an exclusive right of use at a total consideration of HK\$9,893,000.

In late October 2008, the Group entered into a co-operation agreement with Network Movie Centre of the Central Committee of the Communist Youth League of China to acquire the exclusive rights to organize IEF in the PRC at the total consideration of HK\$9,500,000.

In November 2008, the Group subscribed a 6-month convertible note in an aggregate principal amount of US\$500,000 in Winning Asia Technology Limited with interest rate of 10% per annum.

In November 2008, the Group entered into an agreement and supplementary agreement ("Subscription Agreement") with Profit Grow (Hong Kong) Limited ("Profit Grow") and Zhongcheng Satellite Technology Centre (Overseas) Limited respectively, pursuant to which Profit Grow has conditionally agreed to allot and issue and the Group has conditionally agreed to subscribe for the subscription shares at the consideration of HK\$30 million. Upon completion, the Group shall make available to Profit Grow the loan of HK\$40 million for a term of two years for financing its working capital and investments. For more details of the Subscription Agreement, please refer to circular of the Group dated 5 December 2008.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2008, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares, and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO, or otherwise as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

1. Long positions in shares

Name	Capacity	Number of shares		Shareholding (%)
		Personal interest	Corporate interest	
Poh Po Lian ^(a)	Interest in a controlled corporation	-	2,646,264,127	57.57

2. Long positions in underlying shares - warrant

Name	Date of issue	Exercise period	Amount of warrant (HK\$)	Exercise price per share (HK\$)	Number of exercisable shares	Percentage to issued shares (%)
Poh Po Lian ^(a)	2007-01-31	2007-01-31 to 2010-01-30	6,000,000	0.01	600,000,000	13.05

DIRECTORS' INTERESTS IN SECURITIES *(Continued)***3. Long positions in underlying shares – convertible note**

Name	Date of issue	Conversion period	Amount of convertible note (HK\$)	Conversion price per share (HK\$)	Number of convertible shares	Percentage to issued shares (%)
Cheng Chee Tock Theodore ^(b)	2007-04-13	2007-04-13 to 2010-04-12	15,000,000	0.01	1,500,000,000	32.63

4. Aggregate long positions in shares and underlying shares

Name	Number of shares	Number of underlying shares	Aggregate in number	Percentage to issued shares (%)
Cheng Chee Tock Theodore ^(b)	-	1,500,000,000	1,500,000,000	32.63
Poh Po Lian ^(a)	2,646,264,127	600,000,000	3,246,264,127	70.62
	2,646,264,127	2,100,000,000	4,746,264,127	^(c) 103.25

5. Notes:

- (a) The shares were held by Luck Continent Limited ("Luck Continent") which was wholly owned by Dato Poh. Dato Poh was deemed to be interested in all these shares which are also disclosed in the section headed "Substantial Shareholders" below.
- (b) The underlying shares were held by Super Bonus Management Limited ("Super Bonus") which was wholly owned by the spouse of Mr Cheng. Mr Cheng was deemed to be interested in all these shares which are also disclosed in the section headed "Substantial Shareholders" below.
- (c) The figure is distorted to above 100% as dilution upon issue of the underlying shares is not taken into consideration in accordance with the applicable rules for the disclosure requirement hereof.

DIRECTORS' INTERESTS IN SECURITIES *(Continued)*

Save as disclosed above, as at 30 September 2008, none of the Directors, chief executive or their associates had any personal, family, corporate or other beneficial interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or otherwise as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2008, the persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the shares and underlying shares in the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register of the Company were as follows:

1. Long positions in shares

Name	Capacity	Number of shares	Shareholding (%)
Luck Continent ^(a)	Beneficial owner	2,646,264,127	57.57

SUBSTANTIAL SHAREHOLDERS *(Continued)***2. Long positions in underlying shares**

Name	Capacity	Financial instrument	Number of underlying shares	Percentage to issued shares (%)
Luck Continent ^(a)	Beneficial owner	Warrant	600,000,000	13.05
Super Bonus ^(b)	Beneficial owner	Convertible note	1,500,000,000	32.63

3. Notes:

- (a) Pursuant to the SFO, Dato Poh Po Lian, a Director, was deemed to be interested in these shares details of which have been disclosed in the section headed "Directors' Interest" above.
- (b) Pursuant to the SFO, Mr Cheng Chee Tock Theodore, a Director, was deemed to be interested in the underlying shares details of which have been disclosed in the section headed "Directors' Interest" above.

Save as disclosed above, as at 30 September 2008, no other person/company, other than a Director or chief executive of the Company, had any personal, family, corporate or other beneficial interests or short positions in the shares or underlying shares in the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register of the Company.

SHARE OPTIONS

Pursuant to the share option scheme adopted by the Company on 30 August 2002 and came into effect on 26 September 2002 ("Scheme"), there were no options outstanding as at 30 September 2008.

SHARE OPTIONS *(Continued)*

During the six months ended 30 September 2008, the movements of the options which have been granted under the Scheme are as follows:

1. Share Option Scheme

Category and name of participant	Date of grant	Exercise price per share (HK\$)	Exercise period	Number of options					Balance as at 30 September 2008
				Balance as at 1 April 2008	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	

Others	2008-04-07	0.410 ^(a)	N/A ^(b)	-	15,000,000	-	15,000,000	-	-
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2. Notes:

- (a) In respect of the options granted on 7 April 2008, the average closing price per shares for the 5 trading days immediately preceding the date on which the options were granted was HK\$0.410 per share.
- (b) The option has been cancelled on 30 September 2008 after entering into an option termination agreement. Exercise period is subject to an achievement of business target but the grantee has not achieved the business target during the period.

CORPORATE GOVERNANCE

The Board is committed to ensuring high standards of corporate governance practices as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules. The Company has fully complied with the CG Code throughout the underlying period.

COMPLIANCE WITH THE MODEL CODE

Throughout the underlying period, the Model Code for Securities Transactions by Directors of Listed Issuers ("Securities Code") had been taken as the Company's code of conduct regarding Directors' securities trading. All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the Securities Code throughout the underlying period.

REVIEW OF RESULTS

The Group's unaudited condensed consolidated results for the six months ended 30 September 2008 have been reviewed by the auditors and the Audit Committee of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 September 2008, 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, 8 December 2008