Annual Report 2008/09

C Y Foundation Group Limited

(Incorporated in Bermuda with limited liability)
Stock code : 1182

Contents

Corporate Information

BOARD OF DIRECTORS

Executive:

CHENG Chee Tock Theodore *(Chairman)*
WOELM Samuel
WU Chuang John
CAO Dongxin

Non-executive:

POH Po Lian

Independent Non-executive:

SZE Tsai Ping Michael
CHOW Steven
WANG Shan Chuan

CHIEF EXECUTIVE OFFICER (Acting)

HO Chi Chung Joseph

AUDIT COMMITTEE

SZE Tsai Ping Michael *(chairman)*
CHOW Steven
WANG Shan Chuan

REMUNERATION COMMITTEE

CHENG Chee Tock Theodore *(chairman)*
SZE Tsai Ping Michael
CHOW Steven

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
LGT Bank in Liechtenstein AG
Bank of China (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited
Hang Seng Bank Limited

AUDITOR

SHINEWING (HK) CPA Limited

COMPANY SECRETARY

LAU Ying Kit, *CPA*

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

17th Floor
200 Gloucester Road
Wanchai
Hong Kong

REGISTRARS AND TRANSFER OFFICE (HONG KONG)

Tricor Secretaries Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

1182

CONTACTS

Telephone	:	(852) 3576 3309
Facsimile	:	(852) 3576 3963
Website	:	www.cyfoundation.com

Five Year Financial Summary

For the year ended 31 March

	2009		2008		2007		2006		2005	
	Continuing operations	Discontinued operation	Continuing operations	Discontinued operation	Continuing operations	Discontinued operation	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations
	HK$'000	*HK$'000*	*HK$'000* (Restated)	*HK$'000* (Restated)	*HK$'000*	*HK$'000*	*HK$'000* (Restated)	*HK$'000* (Restated)	*HK$'000* (Restated)	*HK$'000* (Restated)
Turnover	57,046	–	664	33,880	77,634	55	86,887	5,004	90,948	63,004
Loss from operations	(103,784)	(2,359)	(37,139)	(15,686)	(23,282)	(3,036)	(20,734)	(2,524)	(11,056)	(3,234)
Share of results of associates	2	–	–	–	–	–	–	–	14	–
Exchange (loss) gain	(60,762)	–	6,923	795	–	–	–	–	–	–
Impairment loss of other receivables	(25,329)	–	–	–	–	–	–	–	–	–
Changes in fair value of investment properties	(258)	–	2,432	–	–	–	–	–	–	–
Loss on dissolution of a subsidiary	(2,635)	–	–	–	–	–	–	–	–	–
Discount on acquisition	–	–	1,389	–	–	–	–			
Finance costs	(2,864)	(278)	(2,147)	(282)	(869)	–	(1,924)	(5)	(1,230)	(12)
Gain on disposal of subsidiaries	–	–	–	3,440	–	–	–	–	–	21,574
Loss on disposal of available-for-sale financial assets	–	–	–	–	–	(13,288)	–	–	–	–
Other non-operating items	–	–	–	–	–	–	2,327	73	(1,423)	–
(Loss) Profit before income tax	(195,630)	(2,637)	(28,542)	(11,733)	(24,151)	(16,324)	(20,331)	(2,456)	(13,695)	18,328
Income tax	(358)	(58)	(608)	–	–	–	–	–	–	–
(Loss) Profit before minority interests	(195,988)	(2,695)	(29,150)	(11,733)	(24,151)	(16,324)	(20,331)	(2,456)	(13,695)	18,328
Minority interests	3,021	–	(480)	–	–	–	–	–	–	(35)
Net (loss) Profit attributable to equity holders of the Company	(192,967)	(2,695)	(29,630)	(11,733)	(24,151)	(16,324)	(20,331)	(2,456)	(13,695)	18,293

Five Year Financial Summary

	As at 31 March									
	2009		2008		2007		2006		2005	
	Continuing operations *HK$'000*	Discontinued operation *HK$'000*	Continuing operations *HK$'000* (Restated)	Discontinued operation *HK$'000* (Restated)	Continuing operations *HK$'000*	Discontinued operation *HK$'000*	Continuing operations *HK$'000* (Restated)	Discontinued operations *HK$'000* (Restated)	Continuing operations *HK$'000* (Restated)	Discontinued operations *HK$'000* (Restated)
Total assets	**709,693**	**2,817**	840,463	32,825	822,513	–	68,949	4,401	83,882	2,188
Total liabilities	**(103,081)**	**(4,496)**	(76,734)	(31,808)	775,185	–	(29,429)	(2)	(35,865)	–
Minority interests	**(3,955)**	**–**	(6,001)	–	–	–	–	–	–	–
Shareholders' equity	**602,657**	**(1,679)**	757,728	1,017	47,328	–	39,520	4,399	48,017	2,188

Comparative figures have been restated as a result of the presentation of discontinued operation(s).

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors ("Board") of C Y Foundation Group Limited (the "Company", together with its subsidiaries, the "Group"), I am pleased to present the Group's annual report for the year ended 31 March 2009 ("Annual Report").

The financial year under review has marked an important milestone in the Group's development. We have successfully transformed our core business from apparel trading to the provision of digital entertainment. With the complete phase-out of the apparel business in 2008, the Group is now focusing its resources on the development of its e-sports tournament and digital entertainment business.

Leveraging its strategic partnership with Network Media Center of the Communist Youth League of the People's Republic of China ("PRC"), the Group has obtained the exclusive right to organize and host the international e-sports tournaments including International E-sports Festival ("IEF") and China E-sports Games ("CEG") in the PRC. To fulfill our mission of becoming a leading provider of quality digital entertainment products and services with a diversified product portfolio, we plan to commercialise these events by organising daily tournaments to be held all year round. The PRC market, being one of the fastest growing digital entertainment markets in the world, offers enormous growth potential. The Group plans to market and promote its e-sports tournaments and digital entertainment products through its proprietary online platform and by gaining access to the extensive internet Café network in China. To capture the lucrative opportunities in the PRC, the Group will accelerate its pace of development by establishing an IEF Club franchise to collaborate with internet Café network in major cities and provinces in the PRC. The Group is confident that these initiatives will create a strong synergy between its distribution channel and digital entertainment products, which will benefit not just the proprietary products but also other products and services from the Group's partners.

The Group plans to roll out several new products in 2009. One of these products is the popular massive multiplayer online role-playing game ("MMORPG") "Rohan", of which the Group has recently obtained the exclusive distribution right in the PRC. The Group has also expanded its product range in casual games including card game offered through its on-line platform. By continuously enriching the Group's digital entertainment products portfolio and benefiting from the forthcoming establishment of the IEF Club franchise, we believe the Group's position in the digital entertainment industry will be further strengthened and enhanced.

Finally, on behalf of the Board of the Group, I would like to express our sincere gratitude to our shareholders and business partners for their continued support and to our staff for their valuable contribution and dedication to the Group in the past year.

CHENG Chee Tock Theodore
Chairman

18 June 2009

Business Review and Outlook

Business Review

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

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

Digital Entertainment Business

The digital entertainment products that the Group offers include MMORPG, casual games and interactive arcade games. The Group aims to enrich its product portfolio through product acquisition and by obtaining distribution rights with strategic partners.

During the financial year under review, the Group entered into an exclusive license and distribution agreement with YNK Korea Inc. for the exclusive right to distribute and market a MMORPG "Rohan" in the PRC for a term of three years. "Rohan" has been ranked one of Korea's top ten MMORPG for the past three years in row. By acquiring the exclusive distribution right of this established MMORPG, with its proven track record in many Asian cities, the Group is striving to gain a firm foothold in the highly competitive and fast growing market in the PRC.

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

Internet Café Distribution Network

During the financial year under review, the Group has obtained the exclusive right on the usage of well-established brand name "IEF" in the region of the PRC. With the aims to expand and strengthen the internet café franchise network, the Group is currently in discussion with a number of provincial governments to broaden the geographical reach of the franchise network.

Business Review and Outlook

The IEF Club franchise will become an effective channel for the Group to distribute its interactive arcade game and casual games products to end users. Using this model, distribution will be extended to new markets across major provinces in the PRC in the near future.

Online Distribution Platform

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

Land-based E-sports Tournaments

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

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

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

Kingbox

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

Business Review and Outlook

Prospects

The Group will strive to bring quality digital entertainment products and services to players in the PRC. The continued expansion of the product range lays a solid foundation for the Group to further develop the digital entertainment market. Leveraging on the successful hosting of the 2008 IEF final, it is expected that the Group will make a great success of the PRC finals of 2009's IEF and its qualifiers in different cities across the country. The Group's expertise in organizing e-sports tournaments was evidenced by its obtaining the right to host the 2009 CEG. By bringing together the resources of both IEF and CEG, the management believes they can further promote the popularity of the Group's gaming products as well as attract traffic to the Group's online entertainment.

FINANCIAL REVIEW

Results

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

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

Convertible Note

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

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

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

Business Review and Outlook

Material Acquisition and Disposals of Subsidiaries

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

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

Capital Resources and Currency Exposure

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

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

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

Pledge of Assets

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

Commitments

Details of commitments of the Group are set out in note 40 to the consolidated financial statements.

Contingent Liabilities

Details of contingent liabilities of the Group are set out in note 41 to the consolidated financial statements.

Business Review and Outlook

Events After Balance Sheet Date

Details of events after balance sheet date are set out in note 45 to the consolidated financial statements.

Litigation

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

Senior Management's Profile

Executive Directors

CHENG Chee Tock Theodore, aged 59, joined the Group as Director in February 2007. He was educated in electronic and electrical engineering disciplines with The Hong Kong Polytechnic University. Mr Cheng has over 25 years of working experience involving high technology products trading, venture capital, structure financing and credit enhancement. Currently, Mr Cheng is also the chairman, a director and the controlling shareholder of Sino Strategic International Limited, a company listed on the Australian Stock Exchange, whose principal business is gaming, internet, mobile media, pharmaceutical and investment services. He has been engaged in the lottery gaming business in the PRC for years. Mr Cheng is the Chairman of the Group and is responsible for the Group's strategy planning and steering of the Group's development direction. Mr Cheng is also a member and the chairman of the Remuneration Committee of the Company. He is a substantial shareholder of the Company.

WOELM Samuel, aged 42, joined the Group as Director in May 2007. He graduated Summa-Cum Laude Japanese and Chinese Studies from the University of Minnesota. Since 1991, Mr Woelm has been residing in Japan, Hong Kong and the PRC fulfilling senior sales and marketing positions for international enterprises. He has acquired extensive experience in marketing and business development as well as developed corporate relationships with various international conglomerates. Mr Woelm has extensive hands on business experience in the PRC and is proficient in Japanese and Chinese. Mr Woelm is responsible for the Group's business development.

WU Chuang John, aged 60, joined the Group as Director in May 2007. He graduated with a Bachelor Degree in Business Administration with emphasis in Accounting and a Master Degree in International Economics from the University of San Francisco. Mr Wu has over 25 years experience in management and financing business in the United States, the PRC and Hong Kong. Currently, he is also a non-executive director of Sino Strategic International Limited, an Australian Stock Exchange listed company. Mr Wu participates in the development direction of the Group.

CAO Dongxin, aged 58, joined the Group in July 2007. He graduated from the Politics stream of Shijiazhuang Senior Troops College of the People's Liberation Army of China. He had many years of participation in various divisions of the Communist Youth League of China. Currently, Mr Cao is an officer of Network Movie Centre of the Communist Youth League of China. He is also holding senior positions in various organizations and investment vehicles of the Communist Youth League of China, as well as the managing director and legal representative of C Y Foundation Culture Company Limited, an 80.2% variable interest entity of the Company established in the PRC. Mr Cao participates in the development direction of the Group.

Non-executive Director

POH Po Lian, aged 51, joined the Group as Director in February 2007. He has started his career as an entrepreneur in hospitality and leisure business in Singapore since 1977. Over the past 30 years, Dato Poh has acquired extensive knowledge in a number of gaming management roles in Asia, including Singapore, Malaysia, Vietnam, the Philippines and Cambodia. He has extensive experience in providing gaming machines solution in Cambodia, Vietnam and the Philippines. Dato Poh also participated in building the Rendang Beach Resort in Malaysia and the Hainan Wenchang Golf Club in Hainan Province of the PRC. He is also the founder and the chairman of a private company which is a manufacturer and distributor of slot machines, progressive jackpot link system, electronic table games and trilling games. Dato Poh participates in the development direction of the Group. He is a substantial shareholder of the Company.

Senior Management's Profile

Independent Non-executive Directors

SZE Tsai Ping Michael, aged 64, joined the Group as Independent Non-executive Director in May 2007. Mr Sze has over 30 years of experience in the financial and securities field. He graduated with a Master of Laws (LLM) Degree from the University of Hong Kong. Mr Sze is currently a member of the Disciplinary Appeals Committee of the Hong Kong Stock Exchange, member of the Market Misconduct Tribunal and member of the Securities and Futures Appeals Tribunal. He was a former council member, member of the Main Board Listing Committee of the Hong Kong Stock Exchange and member of the Cash Market Consultative Panel of the Hong Kong Exchanges & Clearing. He is a fellow of the Institute of Chartered Accountants in England and Wales, the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, as well as a fellow of the Hong Kong Institute of Directors. Mr Sze is also the chairman of the Audit Committee and a member of the Remuneration Committee of the Company.

CHOW Steven, aged 64, joined the Group as Independent Non-executive Director in May 2007. Dr Chow has obtained a Bachelor Degree of Science from Bishop's University, a Master Degree in Business Administration and a PhD in Economics from Boston University. He is a licensed investment advisor and has over 30 years of experience in banking and investment. Currently, Dr Chow is a senior representative for an European bank as well as a managing director of its local company providing wealth management services for high net worth clients in Asia. Dr Chow is also a member of each of the Audit Committee and the Remuneration Committee of the Company.

WANG Shan Chuan, aged 64, joined the Group as Independent Non-executive Director in May 2007. Mr Wang holds a Bachelor Degree in English from Foreign Languages Institute of People's Liberation Army. He had served various commissions of the State Council, including as the director-general of Foreign Affairs Bureau of the State-owned Assets Supervision and Administration Commission, and the deputy director-general of Foreign Affairs Department of State Economic and Trade Commission. Mr Wang is a member of the Audit Committee.

Chief Executive Officer (Acting)

HO Chi Chung Joseph, aged 57, joined the Group as Executive Vice President in September 2008 and was appointed as Chief Executive Officer (Acting) in December 2008. Mr Ho holds a Bachelor of Science Degree in Chemistry and a MBA in Finance & Marketing from University of California, Berkeley, USA. He is also a qualified Chartered Accountant. Prior to joining the group, Mr Ho served senior management positions in major international consumer brands and multinational companies with both business development and general management experience gained across Asia, the PRC, Hong Kong and North America for over 30 years.

Chief Financial Officer and Company Secretary

LAU Ying Kit, aged 35, joined the Group as Chief Financial Officer and Company Secretary in January 2009. He is a member of the Hong Kong Institute of Certified Public Accountant with a master degree in finance from City University of Hong Kong. Prior to joining the Group, he was the Chief Financial Officer and Company Secretary of a listed company in Hong Kong. He has gained extensive experience in finance and accounting across the PRC and Hong Kong for over 12 years.

Directors' Report

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The current principal activities of the Group are the provision of quality digital entertainment across the PRC, manufacturing and sale of packaging products as well as watch trading respectively.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 March 2009 are set out in the consolidated income statement on page 33 of this Annual Report.

The Directors do not recommend any final dividend for the year ended 31 March 2009 (2008: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the audited results and the assets and liabilities of the Group for the last five financial years ended 31 March is set out on pages 3 to 4 of this Annual Report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the financial year under review are set out in note 36 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the financial year under review are set out on pages 36 to 38 to the consolidated financial statements.

SHARE OPTION SCHEME

The Company's share option scheme ("Share Option Scheme") was adopted pursuant to an ordinary resolution passed at the special general meeting of the Company held on 30 August 2002. The major terms of the Share Option Scheme are summarized as follows:

1. The Board may at its discretion grant options to any employee, director, supplier of the Group, customer of the Group, consultant, adviser, agent, member of the Group, or any entity in which the Group holds any equity interest.

2. The purpose is to:
   - Provide incentives or rewards to the participants who have made contributions to the Group; or any entity in which the Group holds any equity interest.

   - Recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest.

Directors' Report

3. The total number of shares in respect of which share options may be granted under the Share Option Scheme shall not exceeded 10% of the issued share capital of the Company as at the date of approval of the Share Option Scheme and such limit may be refreshed by shareholders in general meeting. The total maximum number of shares which might be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

4. The exercise period should be any period fixed by the Board upon grant of the option but in any event the share option period should not go beyond 10 years from the date of offer for grant.

5. The acceptance of a share option must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee to the Company.

6. The exercise price of a share option shall not be lower than the higher of
   - The closing price of the Company's shares on the date of grant which day must be a trading day;
   - The average closing price of the Company's shares for the 5 trading days immediately preceding the date of grant; and
   - The nominal value of the Company's share.

7. The life of the Share Option Scheme is effective for 10 years.

During the financial year under review, the movements of the options which have been granted under the Share Option Scheme are as follows:

1. Share Option Scheme

				Number of options					
Category and name of participant	Date of grant	Exercise price per share (HK$)	Exercise period	Balance as at 1 April 2008	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Balance as at 31 March 2009
Others	2008-04-07	0.410	N/A (a)	–	15,000,000	–	15,000,000	–	–
Others	2008-11-03	0.090	2008-11-03 – 2018-11-02	–	10,000,000	–	–	–	10,000,000
Employee	2008-12-10	0.100	2009-12-10 – 2018-12-9	–	9,000,000	–	–	–	9,000,000
				–	34,000,000	–	15,000,000	–	19,000,000

2. Notes:

   (a) 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.

PRE-EMPTIVE RIGHTS

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

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Details of movements during the financial year under review in the investment properties and property, plant and equipment of the Group are set out in notes 16 and 17 to the consolidated financial statements respectively.

BANK AND OTHER BORROWINGS

The bank and other borrowings as at 31 March 2009 amounted to HK$59,307,000 (2008: HK$39,413,000). Particulars of bank and other borrowings are set out in note 32 to the consolidated financial statements.

ISSUE OF SHARES AND CONVERTIBLE NOTE

1. On 5 May 2008, 16 May 2008 and 15 April 2009, HK$2,000,000 convertible notes, HK$5,000,000 convertible notes and HK$15,000,000 convertible notes were converted to 200,000,000 shares, 500,000,000 shares and 1,500,000,000 shares in the Company respectively.

2. On 6 June 2007, the Company announced for the acquisition of T-Matrix Culture Company Limited, a company established in the PRC engaging in operating and franchising of internet cafés, and organising of online gaming tournaments, at a total consideration of not more than RMB22,378,408 of which RMB15,000,000 (subject to downward adjustment) should be settled in 3 tranches by the issue of a total of maximum of 11,145,818 shares of HK$0.001 each in the Company at an issue price of HK$1.375. On 19 December 2007 and 28 July 2008, 5,572,909 shares and 3,343,745 shares in the Company were issued as the first and second tranche of the consideration respectively.

   The latest closing price of the Company's shares before the announcement of the above acquisition was HK$1.68.

3. On 17 July 2008, the Company announced for the acquisition of Kingbox, a company established in Hong Kong and the holding company of a group of companies which are principally engaged in manufacturing and sale of packaging products as well as watch trading at an initial consideration of HK$160 million and a deferred consideration (subject to the achievement of a profit guarantee) in the amount of no more than HK$20 million. The initial consideration was satisfied by 4 tranches of which HK$96 million would be satisfied by cash and HK$64 million by the issue of consideration shares. The deferred consideration was satisfied as to HK$12 million in cash and as to HK$8 million by the issue of consideration shares.

   During the financial year under review, 257,142,856 shares in the Company were issued as the initial consideration and deferred consideration.

   The latest closing price of the Company's shares before the announcement of the above acquisition was HK$0.31 and the average closing price for the five consecutive trading days was HK$0.278 respectively.

Directors' Report

CONNECTED TRANSACTIONS

Apart from the related party transactions as disclosed in note 43(a)(i), (ii), (iv) and (v) to the consolidated financial statements, during the financial year under review, the Company had completed 2 connected transactions.

On 11 July 2008, the Company had entered into a connected transaction for the acquisition of Kingbox. Details of the transaction are set out in item 3 under "Issue of shares and convertible note".

As disclosed in the Company's announcement dated 29 October 2008, a wholly owned subsidiary of the Company entered into an agreement with Weike(S) Pte Limited to acquire 30 pieces of gaming machine and its operating systems at the total consideration of HK$9,893,000. As Dato Poh Po Lian, a substantial shareholder and director of the Company, holds a directorship and owns 50% equity interest in Weike(S) Pte Limited, the transaction constituted a connected transaction of the Company. As the applicable percentage ratios (as set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules")) for the transaction was less than 25% and the total consideration was less than HK$10 million, the transaction was exempt from the approval of the independent shareholders. The transaction was approved by the independent board of directors on 21 October 2008.

MAJOR CUSTOMERS AND SUPPLIERS

During the financial year under review, the percentage of turnover attributable to the Group's five largest customers to the total turnover was 60%. The percentage of turnover attributable to the Group's largest customer to the total turnover was 28%.

During the financial year under review, the percentage of purchases attributable to the Group's five largest suppliers to the total purchases was 36.4%. The percentage of purchase attributable to the Group's largest supplier to the total purchases was 12.2%.

To the best of the Directors' knowledge, none of the Directors, their associates or any shareholder who owns more than 5% of the Company's share capital had an interest in any of the major customers or suppliers above.

DONATIONS

Donations by the Group for charitable and other purposes amounted to HK$11,638,000 (2008: HK$1,069,000) in which HK$9 million was paid to a school in Wuxi, the PRC for promotion of education.

DIRECTORS

The Directors of the Company during the financial year under review and up to the date of this Annual Report were as follows:

Executive Directors:

CHENG Chee Tock Theodore *(Chairman)*
WOELM Samuel
WU Chuang John (re-designated from Non-executive Director to Executive Director on 1 September 2008)
CAO Dongxin (re-designated from Non-executive Director to Executive Director on 1 September 2008)

Non-executive Director:

POH Po Lian (re-designated from Executive Director to Non-executive Director on on 28 April 2009)

Independent Non-executive Directors:

SZE Tsai Ping Michael
CHOW Steven
WANG Shan Chuan

In accordance with the terms of office of directorship, all Non-executive Directors ("NED(s)") and Independent Non-executive Directors ("INED(s)") shall retire and, being eligible, offer themselves for re-election at every annual general meeting.

In accordance with section 87(1) of the Company's Bye-laws and as agreed among the relevant Directors, Mr Cheng Chee Tock Theodore shall retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment of compensation, other than statutory obligation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 43 to the consolidated financial statements, item 3 under "Issue of shares and convertible note" and "connected transactions" under Directors' Report, no contracts of significance to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Report

DIRECTORS' INTERESTS

As at the end of the financial period under review, 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 of Hong Kong Limited ("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 Issuers ("Model Code") were as follows:

1. Long position in the shares

Name	Capacity	Number of shares	Shareholding (%)
Poh Po Lian [(a)]	Interest of a controlled corporation	2,646,264,127	54.52
Cheng Chee Tock Theodore [(b)]	Interest of a controlled corporation	257,142,856	5.30
		2,903,406,983	59.82

2. Long position in the underlying shares – warrant

Name	Subscription period	Subscription price (HK$)	Amount of subscription right (HK$)	Number of underlying shares	Percentage to issued shares at end of financial year under review (%)
Poh Po Lian [(a)]	2007/01/31 – 2010/01/30	0.01	6,000,000	600,000,000	12.36

3. Long position in the underlying shares – convertible note

Name	Conversion period	Conversion price (HK$)	Convertible amount (HK$)	Number of underlying shares	Percentage to issued shares at end of financial year under review (%)
Cheng Chee Tock Theodore [(b)]	2007/04/13 – 2010/04/12	0.01	15,000,000	1,500,000,000	30.91

4. Notes

(a) The interest was held by Luck Continent which was wholly owned by Dato Poh.

(b) The interest was held by Super Bonus Management Limited ("Super Bonus"), Treasure Bay, Pacific Equity Development Corp. ("Pacific Equity"), Super Mark, Golden View and Super Crown. Each of Super Bonus, Treasure Bay, Pacific Equity, Super Mark and Golden View was wholly owned by Ms Yung Leonora (the spouse of Mr Cheng), whereas Super Crown was owned as to 50% by Ms Yung Leonora. Mr Cheng was deemed to be interested in all these shares.

Save as disclosed above, as at the end of the financial year under review, 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.

SUBSTANTIAL SHAREHOLDERS

As at the end of the financial year under review, 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 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	54.52
YUNG Leonora [(b)]	Interest of controlled corporation	257,142,856	5.30
		2,903,406,983	59.82

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	12.36
Super Bonus [(b)]	Beneficial owner	Convertible note	1,500,000,000	30.91

Directors' Report

3. Notes

(a) Pursuant to the SFO, Dato Poh Po Lian, a Director, was deemed to be interested in the interest details of which have been disclosed in the section headed "Directors' Interests" above.

(b) Pursuant to the SFO, Mr Cheng Chee Tock Theodore, a Director, was deemed to be interested in the shares details of which have been disclosed in the section headed "Directors' Interests" above.

Save as disclosed above, as at the end of the financial year under review, 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.

EMPLOYEE INFORMATION

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

REMUNERATION POLICY

The remuneration of the employees and the holding of offices of the Group were based on internal equity factors and external market conditions and will be reviewed from time to time.

The remuneration of the employees including Executive Directors ("ED(s)") and NEDs generally consists of:

- fixed salary/allowance – which is set in accordance with the duties, responsibilities, skills, experiences and market influences;

- pension – which is based on the Mandatory Provident Fund Contribution Scheme or the local statutory pension scheme;

- short term variable incentive – which may include commission, discretionary cash bonus depending on the achievement of short-term corporate objectives and/or personal targets;

- long term variable incentive – which may include share options designed to encourage long-term commitment; and

- other benefits in kind – which may include accommodation, company car and related services.

The remuneration of the INEDs was at a fixed annual/monthly payment.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes are set out in note 42 to the consolidated financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this Annual Report, the Company has maintained sufficient public float of not less than 25% of its shares in the hands of the public throughout the financial year under review and up to the date of this Annual Report.

EVENTS AFTER BALANCE SHEET DATE

Details of events after balance sheet date of the Group are set out in note 45 to the consolidated financial statements.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report of this Annual Report.

CONFIRMATION OF INDEPENDENCE

The Company has received a written confirmation in respect of independence from each of the current INED of the Company in compliance with rule 3.13 of the Listing Rules, and the Company still considers that each of them to be independent.

AUDITORS

The consolidated financial statements of the Group for the financial years ended 31 March 2009 and 2008 were audited by SHINEWING (HK) CPA Limited, and the years ended 31 March 2007 and 2006 were audited by CCIF CPA Limited who resigned as auditor of the Company on 22 February 2008, and those for the year ended 31 March 2005 were audited by RSM Nelson Wheeler who resigned as auditor of the Company on 10 May 2006. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint SHINEWING (HK) CPA Limited as Auditor of the Company.

On behalf of the Board
Cheng Chee Tock Theodore
Chairman

Hong Kong, 18 June 2009

Corporate Governance Report

This corporate governance report presents the corporate governance matters during the financial year, required to be disclosed under the Listing Rules, in particular, the required compliance matters set out in the Code on Corporate Governance Practices ("CG Code") and the Model Code contained in the Listing Rules.

ADOPTION OF CORPORATE GOVERNANCE PRINCIPLES

On 29 February 2008 ("Adoption Date"), 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 CG Code and the Model Code contained in the Listing Rules. Before the Adoption Date, the Model Code had been taken as the Company's code of conduct regarding Directors' securities trading. The Board had made specific written enquiry with each ED, NED and 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 underlying period. The Board is not aware of any deviations from the CG Principles during the year.

BOARD OF DIRECTORS

Details of the composition of the Board are set out in the Directors' Report of this Annual Report.

The Board monitors the development and financial performance and sets strategic directions of the Group's business. Matters including material investment decisions, approval of financial accounts, declaration of dividend, are reserved to the Board. Resolutions on operation matters are reserved to the Board of ED. Matters involving nomination and removal of Directors have been delegated to the Board of EDs. The management implements the Board's decisions, makes investment proposals and reports to the Board on the overall performance of the Group. Daily operations of the business are also delegated to the management. During the financial year, the Board had held 5 physical full Board meetings.

During the financial year, the attendances of each of the Directors at the above Directors' meetings are presented as follows:

Director	Capacity	Attendance
Current		
CHENG Chee Tock Theodore	ED & Chairman	5/5
WOELM Samuel	ED	5/5
WU Chuang John	ED	5/5
CAO Dongxin	ED	4/5
POH Po Lian	NED	2/5
SZE Tsai Ping Michael	INED	4/5
CHOW Steven	INED	3/5
WANG Shan Chuan	INED	5/5

Corporate Governance Report

During the financial year, none of the Directors above has or maintained any financial, business, family or other material/relevant relationship with any of the other Directors.

The terms of the appointments of the current NED and INEDs are subject to retirement and re-election every year at every next annual general meeting of the Company.

Other Directors were not subject to a specific term of appointment except that they were subject to retirement by rotation and re-election in accordance with the Company's Bye-laws including the retirement by rotation at least once every 3 years.

REMUNERATION COMMITTEE

Throughout the financial year, the Company had maintained a Remuneration Committee as required under the CG Code.

The role and function of the Remuneration Committee included the following:

- to make recommendation to the Board on the Group's remuneration policy and structure for the remuneration of the Directors and senior management officers as defined by the Board of EDs;

- to have the delegated responsibility to determine the specific remuneration packages of all Directors and senior management, including benefits in kind, pension rights and compensation payments;

- to review and approve the compensation payable to EDs and senior management officers in connection with any loss or termination of their office or appointment; and

- to ensure that no Director is involved in deciding his own remuneration.

During the financial year, the Remuneration Committee had held 2 physical meetings.

The composition of the Remuneration Committee, and the respective attendances of the members are presented as follows:

Member	Attendance
Current	
CHENG Chee Tock Theodore *(chairman of committee)*	2/2
SZE Tsai Ping Michael	1/2
CHOW Steven	1/2

Corporate Governance Report

The summary of the works performed by the Remuneration Committee for the financial year included the following:

- endorsement of the remuneration policy for the Directors; and

- review and approval of the remuneration package of each Director including benefits in kind, pension right, bonus payment and compensation payable.

DIRECTORS' REMUNERATION

The remuneration paid to and/or entitled by each of the Directors for the financial year under review is set out in note 12 to the consolidated financial statements in the Annual Report.

NOMINATION OF DIRECTORS

The Board shall be composed of members with mixed skills and experience with appropriate weights necessary to accomplish the Group's business development, strategies, operation, challenges and opportunities. Each member of the Board shall possess, be recognised for and be able to exhibit high and professional standard of a set of core criteria of competence.

The Board has not set up a nomination committee. Since 9 May 2007, the functions of nomination and removal of Directors have laid with the EDs who are responsible for assessing the qualification, experience as well as integrity of any potential candidate to be appointed as new Director.

AUDIT COMMITTEE

Throughout the financial year, the Company had maintained an Audit Committee as required under the Listing Rules.

The major roles and functions of the Audit Committee included the following:

- to consider the appointment of the external auditors, the audit fees and any questions of resignation or dismissal of the external auditors of the Group;

- to discuss with the external auditors the nature and scope of the audit;

- to review the interim and annual financial statements before submission to the Board;

- to discuss problems and reservations arising from the interim review and final audit, and any matters the external auditors may wish to discuss;

- to review the external auditors' management letters and management's response;

- to review the Group's internal control systems;

- to conduct an annual review of the adequacy of resources, qualifications and experience of staff for the Group's accounting and financial reporting function, and training programs and budget; and

- to consider the major findings of internal investigations of internal control matters, if any.

Corporate Governance Report

During the financial year, the Audit Committee had held 3 physical meetings. The composition of the Audit Committee, and the respective attendances of the members are presented as follows:

Member	Attendance
Current	
SZE Tsai Ping Michael *(chairman of committee)*	2/3
CHOW Steven	2/3
WU Chuang John (Resigned on 1 September 2008)	1/3
WANG Shan Chuan (Appointed on 1 September 2008)	2/3

For the financial year ended 31 March 2009, the Audit Committee had performed the following duties:

- reviewed and commented on the half yearly and the annual financial report of the Group of the financial year under review before submission to the Board for adoption and publication;
- considered the revised terms of reference of the Audit Committee;
- met with the Auditor to discuss the financial matters of the Group that arose during the course of the audit process, and reviewed the findings, recommendations and representations of the Auditor;
- reviewed and approved of the remuneration and the terms of engagement of the Auditor for both audit services and non-audit services for the financial year under review; and
- reviewed the Company's works on internal control.

Based on the reviews and discussions performed by the Audit Committee, the Audit Committee had:

- recommended to the Board for the approval of the unaudited interim financial statements of the financial year under review before the announcement of the interim results;
- recommended to the Board for the approval of the revised terms of reference of the Audit Committee;
- recommended to the Board for the approval of the audited financial statements of the financial year under review together with the Auditor's Report thereto attached, before the announcement of the annual results; and
- recommended to the Board for the proposal for the re-appointment of SHINEWING (HK) CPA Limited as the Auditor of the Company for the ensuing year in the forthcoming annual general meeting of the Company.

Corporate Governance Report

AUDITORS' REMUNERATION

The auditors' remuneration for the financial year under review is presented as follows:

	HK$'000
Audit services	980
Non-audit services	
– Tax advisory services	15
– Other advisory services	1,250
Total	2,245

Other advisory services include provisions of the financial due diligence report and accountants' report for a very substantial acquisition.

ACKNOWLEDGEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for preparing the accounts of the Group. In preparing the accounts for the financial year under review, the Directors have:

- based on a going concern basis;
- selected suitable accounting policies and applied them consistently; and
- made judgments and estimates that were prudent, fair and reasonable.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 31 to 32.

REVIEW OF INTERNAL CONTROL

The Board is responsible for establishing, maintaining and reviewing an effective system of internal control and safeguarding the assets and the interests of the Group and the shareholders as well.

During the financial year under review, the Group has established policies and procedures for approval and control of expenditures. Pursuant to a risk-based methodology, the Board plans its internal control review with resources being focused on higher risk areas. Internal control review has been conducted on an ongoing basis to ensure that the policies and procedures in place are adequate. Any findings and recommendations would be discussed by the management and followed up properly and timely.

During the financial year under review, the Directors had conducted a review over the effectiveness of the internal control system of the Group including functions of financial, operation, compliance and risk management. The Board has not been aware of any internal control deficiencies of the Group. The scope of review and group policy had been reported to and reviewed by the Audit Committee.

Corporate Governance Report

In view of the rapid business growth of the Group, the Company has established an internal audit department to perform the internal control review of the Group.

On behalf of the Board
CHENG Chee Tock Theodore
Chairman

Hong Kong, 18 June 2009

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of C Y Foundation Group Limited ("Company") will be held at 22nd Floor, 200 Gloucester Road, Wanchai, Hong Kong on 31 July 2009, Friday, at 11:00 am for the following purposes:

1. To receive and consider the consolidated financial statements, the directors' report and the auditor's report of the Company for the year ended 31 March 2009.

2. To re-elect the retiring directors of the Company ("Directors") for the ensuing year.

3. To re-appoint SHINEWING (HK) CPA Limited as auditor of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

4. To consider and, if thought fit, to pass the following resolutions, with or without amendments, as ordinary resolutions:

(A) THAT

(a) subject to paragraph A(c), the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;

(b) the approval in paragraph A(a) shall authorise the Directors during the Relevant Period (as defined hereinafter) to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to the approval in paragraph A(a), otherwise than pursuant to a Rights Issue (as hereinafter defined) or any option scheme or similar arrangement for the time being adopted for the grant or issue to participants of the Company, its subsidiaries, and its ultimate holding company (if any) which is also listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and its subsidiaries, of shares or right to acquire shares in the Company shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and

(iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

"Rights Issue" means an offer of shares open for a period fixed by the Directors to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).

(B) THAT

(a) subject to paragraph B(b), the exercise by the Directors during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase issued shares in the capital of the Company on the Stock Exchange or on any other stock exchange on which the shares in the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of The Rules Governing the Listing of Securities on the Stock Exchange or on any other stock exchange as amended from time to time be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares in the Company to be repurchased or agreed conditionally or unconditionally to be repurchased by the Company pursuant to the approval in paragraph B(a) during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution and the said approval be limited accordingly; and

(c) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and

(iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

Notice of Annual General Meeting

(C) **THAT** conditional upon resolutions number 4(A) and 4(B) above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the Directors as mentioned in resolution number 4(B) above be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to resolution number 4(A) above.

5. To consider and, if thought fit, to pass the following resolution, with or without amendments, as ordinary resolution:

   THAT conditional on the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the shares in the Company to be issued pursuant to the exercise of any options ("Options") to be granted under the existing share option scheme and any other share option scheme(s) of the Company, the Directors be and are hereby authorised, at their absolute discretion, to grant Options to the extent that the shares in the Company issuable upon the full exercise of all Options shall not be more than 10% of the issued share capital of the Company as at the date of this resolution.

By order of the board
Lau Ying Kit
Company Secretary

Hong Kong, 2 July 2009

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint proxy(ies) to attend and vote instead of him. A proxy need not be a member of the Company.

2. In order to be valid, the form of proxy must be deposited at the principal place of business of the Company in Hong Kong at 17th Floor, 200 Gloucester Road, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.

3. The biographical details of all retiring Directors proposed to be re-elected at the forthcoming annual general meeting, are provided in the circular of the Company dated 2 July 2009.

Independent Auditor's Report

信永中和 ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

TO THE SHAREHOLDERS OF C Y FOUNDATION GROUP LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of C Y Foundation Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 116, which comprise the consolidated balance sheet as at 31 March 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

Independent Auditor's Report

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lo Wa Kei
Practising Certificate Number: P03427

Hong Kong
18 June 2009

Consolidated Income Statement

FOR THE YEAR ENDED 31 MARCH 2009

	NOTES	2009 HK$'000	2008 HK$'000
Continuing operations			
Turnover	7	57,046	664
Cost of sales		(32,992)	(217)
Gross profit		24,054	447
Other operating income	9	22,303	32,768
Selling and distribution costs		(12,610)	–
Administrative expenses		(137,531)	(70,354)
Loss from operations		(103,784)	(37,139)
Share of results of an associate		2	–
Exchange (loss) gain		(60,762)	6,923
Impairment loss of other receivables		(25,329)	–
Changes in fair value of investment properties		(258)	2,432
Loss on dissolution of a subsidiary		(2,635)	–
Discount on acquisition		–	1,389
Finance costs	10	(2,864)	(2,147)
Loss before tax	11	(195,630)	(28,542)
Income tax expense	13	(358)	(608)
Loss for the year from continuing operations		(195,988)	(29,150)
Discontinued operation			
Loss for the year from discontinued operation	14	(2,695)	(11,733)
Loss for the year		(198,683)	(40,883)
Attributable to:			
Equity holders of the Company		(195,662)	(41,363)
Minority interests		(3,021)	480
		(198,683)	(40,883)
Loss per share	15		
Basic			
– Continuing operations		HK(4.16) cents	HK(0.80) cents
– Discontinued operation		HK(0.06) cents	HK(0.32) cents
		HK(4.22) cents	HK(1.12) cents
Diluted		N/A	N/A

Consolidated Balance Sheet

AS AT 31 MARCH 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Investment properties	16	**49,494**	35,601
Property, plant and equipment	17	**65,580**	53,225
Prepaid lease payments	18	**71,775**	69,527
Intangible assets	19	**31,685**	29,321
Goodwill	20	**107,130**	8,370
Interest in an associate	21	**4,002**	–
Convertible note receivables at fair value through profit and loss	22	**20,471**	–
Deposits paid for acquisition of property, plant and equipment		**23,431**	–
Deposits paid for acquisition of intangible assets		**2,196**	–
		375,764	196,044
Current assets			
Inventories	23	**21,952**	469
Trade and other receivables	24	**41,608**	70,469
Prepaid lease payments	18	**1,150**	1,081
Loan to minority shareholders of a subsidiary	30	**3,955**	5,779
Convertible note receivables at fair value through profit and loss	22	**4,020**	–
Derivative financial instrument	25	**850**	–
Held-to-maturity investments	26	**–**	213,444
Bank fiduciary deposit	27	**12,102**	169,976
Cash and cash equivalents	28	**251,109**	216,026
		336,746	677,244
Current liabilities			
Trade and other payables	29	**32,006**	47,634
Amounts due to directors	30	**6**	1,290
Amounts due to related companies	30	**24**	186
Obligation under finance lease, due within one year	31	**356**	356
Bank and other borrowings, due within one year	32	**24,751**	9,929
Tax payable		**583**	–
		57,726	59,395
Net current assets		**279,020**	617,849
Total assets less current liabilities		**654,784**	813,893

Consolidated Balance Sheet

AS AT 31 MARCH 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Obligation under finance lease, due after one year	31	414	770
Bank and other borrowings, due after one year	32	34,556	29,484
Convertible notes	33	13,597	18,138
Deferred tax liability	35	1,284	755
		49,851	49,147
Net assets		604,933	764,746
Capital and reserves			
Share capital	36	4,853	3,893
Reserves		596,125	754,852
Equity attributable to equity holders of the Company		600,978	758,745
Minority interests		3,955	6,001
Total equity		604,933	764,746

The consolidated financial statements on pages 33 to 116 were approved and authorised for issue by the board of directors on 18 June 2009 and are signed on its behalf by:

CHENG CHEE TOCK THEODORE
Director

WOELM SAMUEL
Director

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2009

	Attributable to equity holders of the Company												
	Share capital *HK$'000*	Share premium *HK$'000*	Share option reserve *HK$'000*	Assets revaluation reserve *HK$'000*	Other reserve *HK$'000* *Note (c)*	Capital reserve *HK$'000* *Note (d)*	Translation reserve *HK$'000*	Capital redemption reserve *HK$'000*	Reserve funds *HK$'000* *Note (a)*	Retained earnings (accumulated losses) *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total equity *HK$'000*
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 are recognised directly in equity	–	–	–	–	–	–	18,811	–	–	–	18,811	30	18,841
(Loss) profit for the year and total recognised income and expense for the year	–	–	–	–	–	–	–	–	–	(41,363)	(41,363)	480	(40,883)
Share premium reduction *(Note (b))*	–	(15,208)	–	–	–	–	–	–	–	15,208	–	–	–
Issue of new shares, net of share issue expenses *(Note 36)*	606	726,793	–	–	–	–	–	–	–	–	727,399	–	727,399
Conversion of convertible notes *(Note 36)*	200	1,894	–	–	–	(496)	–	–	–	–	1,598	–	1,598
Equity component of convertible note issued *(Note 33)*	–	–	–	–	–	4,972	–	–	–	–	4,972	–	4,972
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	1,288	1,288
Capital contribution from minority shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	4,203	4,203
As at 31 March 2008	3,893	740,479	–	–	–	5,468	18,858	1,190	135	(11,278)	758,745	6,001	764,746

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2009

	Attributable to equity holders of the Company												
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Assets revaluation reserve HK$'000	Other reserve HK$'000 *Note (c)*	Capital reserve HK$'000 *Note (d)*	Translation reserve HK$'000	Capital redemption reserve HK$'000	Reserve funds HK$'000 *Note (a)*	Retained earnings (accumulated losses) HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
As at 1 April 2008	3,893	740,479	–	–	–	5,468	18,858	1,190	135	(11,278)	758,745	6,001	764,746
Change in fair value of owner – occupied properties upon transfer to investment properties	–	–	–	911	–	–	–	–	–	–	911	–	911
Deferred tax on changes in fair value of owner-occupied properties upon transfer to investment properties	–	–	–	(227)	–	–	–	–	–	–	(227)	–	(227)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	4,484	–	–	–	4,484	420	4,904
Net income recognised directly in equity	–	–	–	684	–	–	4,484	–	–	–	5,168	420	5,588
Loss for the year and total recognised income and expense for the year	–	–	–	–	–	–	–	–	–	(195,662)	(195,662)	(3,021)	(198,683)
Issue of new shares, net of share issue expenses *(Note 36)*	3	4,594	–	–	–	–	–	–	–	–	4,597	–	4,597
Conversion of convertible notes *(Note 36)*	700	6,868	–	–	–	(1,739)	–	–	–	–	5,829	–	5,829
Issue of shares for acquisition of subsidiaries, net of share issue expenses *(Note 36)*	257	20,572	–	–	–	–	–	–	–	–	20,829	–	20,829
Recognition of equity-settled share-based payments	–	–	2,027	–	–	–	–	–	–	–	2,027	–	2,027
Acquisition of additional interest in subsidiaries *(Note (e))*	–	–	–	–	(555)	–	–	–	–	–	(555)	555	–
As at 31 March 2009	4,853	772,513	2,027	684	(555)	3,729	23,342	1,190	135	(206,940)	600,978	3,955	604,933

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2009

Notes:

(a) Pursuant to the relevant laws and regulations in the People's Republic of China (the "PRC"), certain subsidiaries established in the PRC are required to set aside a portion of their profit after income tax. The reserve fund is 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.

(c) Amount included in the other reserve represents the difference between the consideration and the book value of the identifiable assets, liabilities and contingent liabilities attributable to the additional interest acquired in subsidiaries.

(d) Amount included in the capital reserve represents the equity component of the convertible notes issued by the Company. which is the difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity.

(e) During the year, the Group acquired the remaining 10% of equity shares of certain subsidiaries from the minority shareholders at nil consideration. The difference between the consideration and the book value of the identifiable assets, liabilities and contingent liabilities attributable to the additional interest acquired is recognised in other reserve as a reserve movement. The difference represents the portion of the revaluation difference that arose since the original acquisition date that is attributable to the Group's increased interest in the subsidiary.

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2009

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
Loss from continuing operations before tax	(195,630)	(28,542)
Loss from discontinued operations before tax	(2,637)	(11,733)
	(198,267)	(40,275)
Adjustments for:		
Impairment loss for other receivables	25,329	124
Depreciation and amortisation	11,465	4,159
Write-off of property, plant and equipment	5,660	–
Loss on dissolution of a subsidiary	2,635	–
Share option payment	2,027	–
Interest expenses	1,854	737
Imputed interest on convertible notes	1,288	1,692
Changes in fair value of investment properties	258	(2,432)
Loss on disposal of property, plant and equipment	116	149
Gain on disposal of subsidiaries	–	(3,440)
Discount on acquisition	–	(1,389)
Interest income	(15,525)	(32,875)
Changes in fair value of convertible note receivables	(870)	–
Changes in fair value of derivative financial instrument	(636)	–
Share of results of an associate	(2)	–
Operating cash flows before movements in working capital	(164,668)	(73,550)
(Increase) decrease in inventories	(779)	16,760
Decrease (increase) in trade and other receivables	24,099	(45,095)
Decrease in trade and other payables	(22,330)	(2,505)
(Decrease) increase in amounts due to directors	(1,284)	1,290
Decrease in provision for long-service payments	–	(959)
Cash used in operations	(164,962)	(104,059)
Hong Kong Profits Tax paid	(213)	–
NET CASH USED IN OPERATING ACTIVITIES	(165,175)	(104,059)

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2009

	NOTES	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES			
Proceeds from disposal of held-to-maturity investments		213,444	–
Decrease in bank fiduciary deposit		157,874	158,300
Interest received		15,525	32,875
Proceeds from disposal of property, plant and equipment		161	–
Net cash inflow (outflow) in respect of the disposal of subsidiaries	39	1,989	(286)
Repayment of loans to minority shareholders of a subsidiary		1,824	–
Purchase of held-to-maturity investments		–	(213,444)
Purchase of investment properties		–	(33,028)
Net cash outflow in respect of the acquisition of subsidiaries	38	(96,163)	(18,924)
Acquisition of convertible note receivables		(23,667)	–
Deposit paid for acquisition of property, plant and equipment		(23,431)	–
Purchase of property, plant and equipment		(20,907)	(29,993)
Acquisition of equity interest in an associate		(4,000)	–
Purchase of intangible assets		(2,683)	–
Deposit paid for acquisition of intangible assets		(2,196)	–
Purchase of prepaid lease payments		–	(24,869)
Decrease in pledged bank deposits		–	497
Loan to minority shareholders of a subsidiary		–	(5,779)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		217,770	(134,651)
FINANCING ACTIVITIES			
New bank and other borrowings		71,318	41,923
Repayment of bank and other borrowings		(89,384)	(27,890)
Interest paid		(1,854)	(737)
Repayment of obligations under finance lease		(356)	(296)
Repayment of advances from related companies		(162)	(57,758)
Proceeds from issue of convertible notes		–	20,000
Capital contribution from minority shareholders of a subsidiary		–	4,203
NET CASH USED IN FINANCING ACTIVITIES		(20,438)	(20,555)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		32,157	(259,265)
CASH AND CASH EQUIVALENTS AS AT 1 APRIL		216,026	460,573
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		2,926	14,718
CASH AND CASH EQUIVALENTS AS AT 31 MARCH		251,109	216,026

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

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"), a company incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The Company and its subsidiaries (the "Group") are principally engaged in digital entertainment business, manufacturing and sale of packaging products, watch trading and investment holding. The Group was also engaged in apparel trading, which was discontinued during the year ended 31 March 2009 (Note 14).

Other than those major subsidiaries established in the People's Republic of China (the "PRC") and which functional currency is Renminbi ("RMB") and the functional currency of the Company and its subsidiaries is Hong Kong dollars ("HK$"). The consolidated financial statements are presented in HK$, which is the same as the functional currency of the Company. The reason for selecting Hong Kong dollars as its presentation currency is because the Company is a public company with the shares listed on the Stock Exchange.

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

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

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

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 & 32 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 1(Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 39 (Amendment)	Eligible hedged items[4]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standard[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations[3]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Amendment)	Financial Instruments Disclosures – Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[7]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[5]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC)-Int 17	Distributions of non-cash Assets to Owners[4]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[8]

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

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

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

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

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

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

7 Effective for annual periods ending or after 30 June 2009

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

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

Notes to the Consolidated Financial Statements

3. 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 as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the 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.

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Acquisition of additional interest in a subsidiary

When the Group increases its interest in an entity that is already controlled by the Group, goodwill arising on such acquisition represents the difference between the cost of additional interest acquired and the increase in the Group's share of the net carrying amount of the identifiable assets, liabilities and contingent liabilities acquired. No revaluation surplus or deficit on revaluing all of the identifiable assets, liabilities and contingent liabilities of the subsidiary is recognised in the consolidated balance sheet. The difference between the consideration and the book value of the identifiable assets, liabilities and contingent liabilities attributable to the additional interest acquired is recognised as a reserve movement (other reserve). The difference represents the portion of the revaluation difference that arose since the original acquisition date that is attributable to the Group's increased interest in the subsidiary. On the subsequent disposal of the subsidiary, the reserve is transferred to retained earnings.

Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisitions")

A discount on acquisition arising on an acquisition of a subsidiary represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss.

Goodwill

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

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment in an associate

An associate is an entity over which the investor has significant influence and that is not a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in an associate is carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair value using their fair value model. Gains or losses from changes in the fair value of investment property are included in profit of loss for the year in which they arise.

For a property occupied by the Group as an owner-occupied property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference at that date between the carrying amount and the fair value of the property is accounted for in assets revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the consolidated income statement. Any subsequent revaluation surplus is credited to the consolidated income statement to the extent of the deficit previously charged. On subsequent disposal of the investment property, the assets revaluation reserve included in equity may be transferred to retained earnings (accumulated losses). The transfer from assets revaluation reserve to retained earnings (accumulated losses) is not made through profit or loss. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognised in the consolidated income statement.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the terms of the relevant leases.

Prepaid lease payments

Payment for obtaining land use right is considered as prepaid operating lease payment. Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses, amortisation is charged to consolidated income statement over the period of the rights or the term of the respective enterprise to which the land use rights are granted, whichever is the shorter, using the straight-line method.

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases, except for those that are classified and accounted for as investment properties under the fair value model.

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and held-to-maturity investments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on effective interest basis for the debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Financial assets at fair value through profit or loss

The Group's financial assets at FVTPL comprise convertible notes receivables and derivative financial instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

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

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

– it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, loan to minority shareholders of a subsidiary, bank fiduciary deposit and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. At each balance sheet date subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment loss on financial assets

Financial assets, other than those as FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For all of the Group's financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivable and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments as well as observable changes in national or local economic conditions that correlate with default on the receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

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

Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to directors, amounts due to related companies, obligation under finance lease and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Convertible notes

Convertible notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Convertible notes (Continued)

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible notes using the effective interest method.

Derivative financial instrument

Derivative financial instrument is initially measured at fair value on the contract date, and is remeasured to fair value at subsequent reporting dates. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in consolidated income statement.

For financial liabilities, they are removed from the Group's balance sheet when, and only when, they are extinguished (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expired). The difference between the carrying amount of the financial liability derecognised and the consideration received or receivable is recognised in consolidated income statement.

Equity-settled share-based payment transactions

Share options granted to consultants

Share options issued in exchange for services are measured at fair values of services received, unless that fair value cannot be reliably measured, in which case services received measured by reference to the fair value of the share options granted. The fair values of services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the counterparties render services, unless the services qualify for recognition as assets.

Share options granted to directors and employees

The fair value of the share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Equity-settled share-based payment transactions (Continued)

Share options granted to directors and employees (Continued)

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits (losses).

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Impairment loss on tangible and intangible assets with finite useful lives other than goodwill (see the accounting policy in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value having been within three months of maturity at acquisition.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related tax.

Sales of goods are recognised when goods are delivered and title has passed.

Service income is recognised when services are rendered.

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

Rental income is recognised on a time proportion basis over the lease terms.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the year in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year.

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the year in which the foreign operation is disposed of.

Retirement benefits costs

Payments to defined contribution retirement benefit schemes are charged as expenses when employees have rendered service entitling them to the contributions.

The subsidiaries in the PRC participate in the central pension scheme (the "CPS") operated by the PRC government for all of their staff. The subsidiaries are required to contribute a certain percentage of their covered payroll to the CPS to fund the benefits. The only obligation of the Group will respect to the CPS is to pay the ongoing required contributions under the CPS. Payments to the CPS are charged as expenses as they fall due in accordance with the rules of the CPS.

Borrowing costs

Borrowing costs are expensed in consolidated income statement in the year in which they are incurred.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in Note 4, management has made the following judgements that have significant effect on the amounts recognised in the consolidated financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

The followings is the critical judgement, apart from those involving estimations (see below), that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgements in applying the entity's accounting policies *(Continued)*

Classification of Investment and owner-occupied property

For a property occupied by the Group as an owner-occupied property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference at that date between the carrying amount and the fair value of the property is accounted for in assets revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the consolidated income statement. Any subsequent revaluation surplus is credited to the consolidated income statement to the extent of the deficit previously charged. On subsequent disposal of the investment property, the assets revaluation reserve included in equity may be transferred to retained earnings (accumulated losses). The transfer from assets revaluation reserve to retained earnings (accumulated losses) is not made through profit or loss.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair Value of Investment properties

Investment properties are carried in the balance sheet at 31 March 2009 at their fair value of approximately HK$49,494,000. The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated income statement.

Impairment assessment of property, plant and equipment

Property, plant and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount of the write-down is charged against the consolidated income statement. No impairment loss has been recognised in the consolidated financial statements for the year.

Impairment assessment of intangible assets

Intangible assets are evaluated for possible impairment on a specific intangible asset basis. This process requires management's estimate of future cash flows generated by each intangible asset. For any instance where this evaluation process indicates impairment, the relevant intangible asset's carrying amount is written down to the recoverable amount and the amount of the write-down is charged against the consolidated income statement. No impairment loss has been recognised for the year.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated useful lives of property, plant and equipment and intangible assets

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to market conditions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment loss of other receivables

The policy for impairment loss of other receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2009, the carrying amounts of goodwill was approximately HK$107,130,000 (net of impairment loss of approximately HK$6,433,000). Details of impairment testing on goodwill are set out in Note 20.

Fair values of convertible note receivables

As described in Note 22, the directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The estimation of fair value of unlisted convertible notes receivable includes some assumptions not supported by observable market prices or rates. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's convertible note receivables and corresponding adjustments to the amount of gain or loss reported in the consolidated income statement.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Categories of financial instruments

	2009 *HK$'000*	2008 *HK$'000*
Financial assets		
– Loans and receivables (including cash and cash equivalents)	308,774	462,250
– Convertible note receivables at fair value through profit and loss	24,491	–
– Derivative financial instrument	850	–
– Held-to-maturity investments	–	213,444
	334,115	675,694
Financial liabilities		
– Financial liabilities, at amortised costs	105,710	107,787

The Group's major financial instruments include trade and other receivables, loan to minority shareholders of a subsidiary, convertible note receivables at fair value through profit and loss, derivative financial instrument, held-to-maturity investments, bank fiduciary deposit, cash and cash equivalent, trade and other payables, amounts due to directors and related companies, obligation under finance lease and bank and other borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Exposure to liquidity, interest rate, foreign exchange and credit risks arises in the normal course of the Group's business. The Group does not enter into derivative financial instruments for hedging purpose. There has been no significant change to the Group's exposure to these risks or the manner in which it manages and measures. These risks are limited by the Group's financial management policies and practices described below.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management will closely monitor the cash flow generated from operations and the Group's needs for different types of external financing and will negotiate for proper facilities and consider proper means of equity financing as appropriate.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The following table details the contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group can be required to pay:

	Weighted average interest rate	On demand or within one year *HK$'000*	More than one year less than two years *HK$'000*	More than two years less than five years *HK$'000*	More than five years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying Amount *HK$'000*
2009							
Financial liabilities							
Trade and other payables	N/A	32,006	–	–	–	32,006	32,006
Amounts due to directors	N/A	6	–	–	–	6	6
Amounts due to related companies	N/A	24	–	–	–	24	24
Bank and other borrowings	3.81% – 6.1%	26,197	2,952	12,883	20,036	62,068	59,307
Convertible notes	10.00%	–	15,000	–	–	15,000	13,597
Obligation under finance lease	3.98%	412	412	69	–	893	770
		58,645	18,364	12,952	20,036	109,997	105,710

	Weighted average interest rate	On demand or within one year *HK$'000*	More than one year less than two years *HK$'000*	More than two years less than five years *HK$'000*	More than five years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying Amount *HK$'000*
2008							
Financial liabilities							
Trade and other payables	N/A	47,634	–	–	–	47,634	47,634
Amounts due to directors	N/A	1,290	–	–	–	1,290	1,290
Amounts due to related companies	N/A	186	–	–	–	186	186
Bank and other borrowings	3.96%	11,426	2,592	7,775	23,974	45,767	39,413
Convertible notes	10.00%	–	2,000	20,000	–	22,000	18,138
Obligation under finance lease	3.98%	412	412	481	–	1,305	1,126
		60,948	5,004	28,256	23,974	118,182	107,787

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate convertible note receivables, bank fiduciary deposits, obligation under finance lease and convertible notes (see notes 22, 27, 31 and 33 respectively for details). The Group historically has not used any financial instruments to hedge potential fluctuations in interest rates.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank and other borrowings (see notes 28 and 32 respectively for details). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the prime rates set by financial institutions arising from the Group's borrowings and bank balances.

Sensitivity analysis

At 31 March 2009, it is estimated that a general 100 basis point (2008: 50 basis point) increase or decrease in interest rates, with all other variables held constant, would increase or decrease the Group's loss for the year and accumulated losses by approximately HK$2,039,000 (2008: HK$985,000).

The above sensitivity analysis has been determined assuming that a change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. As a result of the volatile financial market, the management adjusted the sensitivity rate from 50 basis point to 100 basis point for the current year for the purpose of analysing interest rate risk.

Foreign exchange risk

The Group mainly operates in Hong Kong and the PRC with most of the transactions settled in HK$ and Renminbi ("RMB"). Certain receivables and deposits with bank of the Group are denominated in foreign currencies which expose it to foreign currency risk. Also, certain subsidiaries of the Group have foreign currency option contracts (classified as derivative financial instrument) denominated in United States dollars ("US$") and Euros ("EURO") which are other than the functional currency of the relevant group entity (i.e. HK$), which expose the Group 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign exchange risk *(Continued)*

The following tables show the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity which they relate.

As at 31 March 2009	US$ '000	EURO '000	AUD '000
Monetary assets:			
Trade and other receivables	**131**	**2,113**	**–**
Bank fiduciary deposit	**1,115**	**279**	**653**
Derivative financial instrument	**100**	**–**	**–**
Cash and cash equivalents	**18,144**	**–**	**5,585**
	19,490	**2,392**	**6,238**
Monetary liabilities:			
Trade and other payables	**167**	**–**	**–**
Bank and other borrowings	**179**	**1,593**	**–**
	346	**1,593**	**–**

As at 31 March 2008	US$ '000	EURO '000	AUD '000
Monetary assets:			
Held-to-maturity investments	27,424	–	–
Bank fiduciary deposit	1,955	–	21,666
Cash and cash equivalent	7,186	–	5
	36,565	–	21,671
Monetary liabilities:			
Trade and other payables	1,108	–	–

Sensitivity analysis

As of 31 March 2009, if HK$ had strengthened/weakened 10% (2008: 5%) against Australian dollars ("AUD") and EURO, and 0.5% (2008: 0.5%) against US$, with all other variables held constant, loss for the year would have been approximately HK$4,002,000 (2008: HK$9,120,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of US$, AUD and EURO denominated financial assets and liabilities. As a result of the volatile financial market, the management adjusted the sensitivity rate from 5% to 10% for the current year for the purpose of analysing foreign exchange risk on AUD and EURO.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The Group's principal financial assets are trade and other receivables, held-to-maturity investments, bank fiduciary deposit and bank balances, which represent the Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk on trade and other receivables, with exposure spread over a number of counterparties.

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. The directors consider that the credit risk on liquid funds is limited as the majority of the counterparties are banks and financial institutions with good reputation.

Fair value

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

– The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;

– the fair value of the unlisted convertible note is determined by using the discounted cash flows method at a market interest rate for the equivalent non-convertible note for its straight debt component and using the Black-Scholes-Merton Option Pricing Model for its derivative components; and

– The fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors consider that the fair values of financial assets and financial liabilities recorded at amortised cost in the consolidated balance sheet approximate their carrying amounts due to their short-term maturities.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital risk management

The primary objective of the Group's capital management is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group monitors capital by maintaining an adequate capital structure. The Group will balance its overall capital structure through new share issues, raise of new borrowings and repayment of existing borrowings. Capital of the Group comprises all components of equity, including share capital and reserves, cash and bank balances, convertible notes, finance leases and bank and other borrowings. The Group's approach to capital management remains unchanged throughout the years.

7. TURNOVER

	2009 *HK$'000*	2008 *HK$'000*
Continuing operations		
Income from digital entertainment business	1,735	664
Manufacture and sale of packaging products	54,960	–
Sale of products from watch trading business	351	–
	57,046	664
Discontinued operation		
Sale of products from apparel trading business	–	33,880
	57,046	34,544

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

The Group comprised the following main business segments:

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

In previous year, the Group also engaged in apparel trading business. This segment was discontinued during the year ended 31 March 2009. Further details of the discontinued operation under the apparel trading business segment are set out in Note 14.

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

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FOR THE YEAR ENDED 31 MARCH 2009

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

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

	Continuing operations				Discontinued operation	
	Digital entertainment business *HK$'000*	Manufacture and sale of packaging products *HK$'000*	Watch trading *HK$'000*	Sub-total *HK$'000*	Apparel trading business *HK$'000*	Consolidated *HK$'000*
For the year ended 31 March 2009						
Turnover	1,735	54,960	351	57,046	–	57,046
Segment results	(71,496)	7,207	(617)	(64,906)	(4,317)	(69,223)
Interest income				15,382	143	15,525
Unallocated income				6,921	1,815	8,736
Unallocated corporate expense				(61,181)	–	(61,181)
Loss from operations				(103,784)	(2,359)	(106,143)
Share of results of an associate				2	–	2
Exchange loss				(60,762)	–	(60,762)
Impairment loss of other receivables	(25,329)	–	–	(25,329)	–	(25,329)
Changes in fair value of investment properties				(258)	–	(258)
Loss on dissolution of a subsidiary	(2,635)	–	–	(2,635)	–	(2,635)
Finance costs				(2,864)	(278)	(3,142)
Loss before tax				(195,630)	(2,637)	(198,267)
Income tax expense				(358)	(58)	(416)
Loss for the year				(195,988)	(2,695)	(198,683)

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8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

	Continuing operations				Discontinued operation	
	Digital entertainment business *HK$'000*	Manufacture and sale of packaging products *HK$'000*	Watch trading *HK$'000*	Sub-total *HK$'000*	Apparel trading business *HK$'000*	Consolidated *HK$'000*
As at 31 March 2009						
ASSETS						
Segment assets	100,065	68,731	4,265	173,061	–	173,061
Interest in an associate				4,002	–	4,002
Unallocated corporate assets				535,447	–	535,447
Consolidated total assets				712,510		712,510
LIABILITIES						
Segment liabilities	11,311	10,231	1,816	23,358	–	23,358
Unallocated corporate liabilities				84,219	–	84,219
Consolidated total liabilities				107,577		107,577
OTHER INFORMATION						
Capital expenditure	17,085	455	–	17,540	–	17,540
Unallocated capital expenditure				6,050	–	6,050
				23,590		23,590
Depreciation and amortisation	6,448	1,542	9	7,999	36	8,035
Unallocated depreciation and amortisation				3,430	–	3,430
				11,429		11,465
Loss on disposal of property, plant and equipment	110	–	–	110	6	116
Write-off of property, plant and equipment	5,660	–	–	5,660	–	5,660
Changes in fair value of derivative financial instruments	–	–	–	(636)	–	(636)

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FOR THE YEAR ENDED 31 MARCH 2009

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

	Continuing operations				Discontinued operation	
	Digital entertainment business *HK$'000*	Manufacture and sale of packaging products *HK$'000*	Watch trading *HK$'000*	Sub-total *HK$'000*	Apparel trading business *HK$'000*	Consolidated *HK$'000*
For the year ended 31 March 2008						
Turnover	664	–	–	664	33,880	34,544
Segment results	(22,313)	–	–	(22,313)	(15,936)	(38,249)
Interest income				32,754	121	32,875
Unallocated income				14	129	143
Unallocated corporate expense				(47,594)	–	(47,594)
Loss from operations				(37,139)	(15,686)	(52,825)
Exchange gain				6,923	795	7,718
Changes in fair value of investment properties				2,432	–	2,432
Gain on disposal of subsidiaries				–	3,440	3,440
Discount on acquisition				1,389	–	1,389
Finance costs				(2,147)	(282)	(2,429)
Loss before tax				(28,542)	(11,733)	(40,275)
Income tax expense				(608)	–	(608)
Loss for the year				(29,150)	(11,733)	(40,883)

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

	Continuing operations				Discontinued operation	
	Digital entertainment business *HK$'000*	Manufacture and sale of packaging products *HK$'000*	Watch trading *HK$'000*	Sub-total *HK$'000*	Apparel trading business *HK$'000*	Consolidated *HK$'000*
As at 31 March 2008						
ASSETS						
Segment assets	133,512	–	–	133,512	14,394	147,906
Unallocated corporate assets				706,951	18,431	725,382
Consolidated total assets				840,463		873,288
LIABILITIES						
Segment liabilities	14,693	–	–	14,693	31,808	46,501
Unallocated corporate liabilities				62,041	–	62,041
Consolidated total liabilities				76,734		108,542
OTHER INFORMATION						
Capital expenditure	82,553	–	–	82,553	275	82,828
Unallocated capital expenditure				6,484	–	6,484
				89,037		89,312
Depreciation and amortisation	2,466	–	–	2,466	611	3,077
Unallocated depreciation and amortisation				1,082	–	1,082
				3,548		4,159
Impairment loss of other receivables	–	–	–	–	124	124
Loss on disposal of property, plant and equipment	2	–	–	2	147	149

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical segments

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

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

Turnover by geographical market

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

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

Carrying amount of segment assets

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

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical segments *(Continued)*

Capital expenditure

	2009			2008		
	Continuing operations *HK$'000*	Discontinued operation *HK$'000*	Consolidated *HK$'000*	Continuing operations *HK$'000*	Discontinued operation *HK$'000*	Consolidated *HK$'000*
The PRC	20,275	–	20,275	82,584	7	82,591
Hong Kong	3,315	–	3,315	6,453	268	6,721
	23,590	–	23,590	89,037	275	89,312

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9. OTHER OPERATING INCOME

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

Note:

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

Notes to the Consolidated Financial Statements

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10. FINANCE COSTS

	2009 *HK$'000*	2008 *HK$'000*
Continuing operations		
Interests on bank and other borrowings wholly repayable within 5 years	739	–
Interests on bank and other borrowings not wholly repayable within 5 years	781	368
Imputed interest on convertible note *(Note 33)*	1,288	1,692
Finance leases	56	42
Other finance charges	–	45
	2,864	2,147
Discontinued operation		
Interests on bank and other borrowings wholly repayable within 5 years	278	282
	3,142	2,429

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FOR THE YEAR ENDED 31 MARCH 2009

11. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	Continuing operations		Discontinued operation		Total	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Cost of inventories expensed	**31,755**	–	**–**	20,004	**31,755**	20,004
Auditors' remuneration						
Current year	**1,019**	730	**–**	179	**1,019**	909
Under-provision for prior year	**74**	–	**–**	–	**74**	–
	1,093	730	**–**	179	**1,093**	909
Total staff costs including directors' emoluments						
Staff salaries and other benefits	**55,544**	23,605	**826**	7,460	**56,370**	31,065
Equity settled share-based payments	**530**	–	**–**	–	**530**	–
Severance payment	**–**	–	**–**	1,145	**–**	1,145
Staff retirement benefits scheme contributions	**1,191**	391	**51**	157	**1,242**	548
	57,265	23,996	**877**	8,762	**58,142**	32,758
Impairment loss of other receivables	**25,329**	–	**–**	124	**25,329**	124
Depreciation and amortisation	**11,429**	3,548	**36**	611	**11,465**	4,159
Loss on disposal of property, plant and equipment	**110**	2	**6**	147	**116**	149
Write-off of property, plant and equipment	**5,660**	–	**–**	–	**5,660**	–
Operating lease rentals in respect of land and buildings	**12,560**	7,836	**61**	3,963	**12,621**	11,799
Royalty expenses	**–**	–	**1,636**	3,272	**1,636**	3,272
Exchange loss *(Note (i))*	**60,762**	–	**–**	–	**60,762**	–
Share-based payment *(Note (ii))*	**1,497**	–	**–**	–	**1,497**	–

Notes:

(i) The exchange loss represents foreign exchange loss mainly arising from translation of deposits to HK$ from US$ and AUD.

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

12. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

(a) Directors' emoluments

The remuneration of each director of the Company for the years ended 31 March 2009 and 2008, disclosed pursuant to the Listing Rules is analysed as follows:

	Directors' fee		Salaries and other allowances		Retirement benefits scheme contribution		Total	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Executive directors								
Cheng Chee Tock Theodore	200	173	3,250	1,969	12	7	3,462	2,149
Poh Po Lian	200	173	–	–	10	9	210	182
Woelm Samuel Mesker	–	–	1,800	1,224	12	8	1,812	1,232
Wu Chuang John**	200	–	411	–	6	–	617	–
Cao Dongxin**	200	–	–	–	–	–	200	–
Non-executive directors								
Wu Chuang John**	–	179	–	–	–	–	–	179
Cao Dongxin**	–	148	–	–	–	–	–	148
Independent non-executive directors								
Sze Tsai Ping Michael	200	179	–	–	–	–	200	179
Wang Shan Chuan	200	179	–	–	–	–	200	179
Chow Steven	200	179	–	–	–	–	200	179
Chu Kar Wing*	–	6	–	–	–	–	–	6
Chow King Wai*	–	6	–	–	–	–	–	6
Tang Yiu Wing*	–	6	–	–	–	–	–	6
	1,400	1,228	5,461	3,193	40	24	6,901	4,445

* Resigned on 9 May 2007.

** Re-designated as executive directors from non-executive directors on 1 September 2008.

During the year, no emolument or incentive payments were paid or payable to the Group's directors as an inducement to join or upon joining the Group or as compensation for loss of office (2008: Nil). None of the directors has waived or agreed to waive any emoluments during both years.

Notes to the Consolidated Financial Statements

12. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

(b) Employees' emoluments

Of the five highest paid individuals of the Group include two (2008: two) director(s), details of whose emoluments are set out in note (a) above. The total amount of the emoluments of the remaining three (2008: three) individuals during the year are as follows:

	2009 *HK$'000*	2008 *HK$'000*
Salaries and other allowances	2,354	4,212
Retirement benefits scheme contributions	29	27
	2,383	4,239

The emoluments of the remaining three (2008: three) individuals fell within the following bands:

	2009	2008
Emolument band		
Nil – HK$1,000,000	2	–
HK$1,000,001 to HK$1,500,000	1	2
HK$1,500,001 to HK$2,000,000	–	1

During the year, no emolument or incentive payments were paid or payable to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2008: Nil).

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13. INCOME TAX EXPENSE

	2009 HK$'000	2008 HK$'000
Continuing operations		
The tax charge comprises:		
– Current (Hong Kong Profits Tax)	72	–
– Deferred tax *(Note 35)*		
– Charge for the year	346	608
– Effect of change in tax rate	(60)	–
	286	608
	358	608
Discontinued operation		
Current (Hong Kong Profits Tax)	58	–
	416	608

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

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

13. INCOME TAX EXPENSE *(Continued)*

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

	2009 *HK$'000*	2008 *HK$'000*
Loss from continuing and discontinued operations before income tax	**(198,267)**	(40,275)
Tax credit at domestic income tax rate of 16.5% (2008: 17.5%)	**(32,714)**	(7,048)
Tax effect of estimated tax losses not recognised	**7,531**	6,186
Tax effect of deductible temporary differences not recognised	**6,539**	–
Tax effect of income not taxable for tax purpose	**(2,129)**	(1,125)
Tax effect of expenses not deductible for tax purpose	**30,279**	2,526
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(9,030)**	69
Effect on change in tax rate	**(60)**	–
Income tax expense	**416**	608

14. DISCONTINUED OPERATION

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

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

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

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

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

No charge or credit arose on the discontinuance of the operation.

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FOR THE YEAR ENDED 31 MARCH 2009

15. LOSS PER SHARE

(a) Basic loss per share

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

Weighted average number of ordinary shares

	2009 *'000*	2008 *'000*
Issued ordinary shares at 1 April	**3,892,994**	3,087,422
Effect of conversion of convertible notes	**619,726**	80,874
Effect of issue of new shares *(Note 36)*	**115,218**	513,059
Weighted average number of ordinary shares at 31 March	**4,627,938**	3,681,355

(i) *From continuing and discontinued operations*

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

(ii) *From continuing operations*

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

(iii) *From discontinued operation*

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

(b) Diluted loss per share

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

16. INVESTMENT PROPERTIES

	2009 HK$'000	2008 HK$'000
FAIR VALUE		
At 1 April	**35,601**	–
Additions	**–**	33,028
Transfer from property, plant and equipment *(Note 17)*	**4,478**	–
Transfer from prepaid lease payments	**8,060**	–
Revaluation surplus at transfer date from transferred own-occupied properties	**911**	–
Change in fair value	**(258)**	2,432
Exchange realignment	**702**	141
At 31 March	**49,494**	35,601

During the year, the Group leased certain of its properties to other independent third parties and such properties had been reclassified as investment properties from the date of change in use accordingly. The Group engaged an independent qualified valuer to perform a valuation on these properties as at the date of change in use, an amount of approximately HK$911,000 represents the change in fair value upon transfer to investment properties had been credited to the asset revaluation reserve for the year ended 31 March 2009.

The fair value of the Group's investment properties at 31 March 2009 have been arrived at on the basis of a valuation carried out on that date 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. During the year ended 31 March 2009, the above investment properties generated rental income of HK$2,406,000 (2008: Nil). The Group's interests in investment properties were held in the PRC under medium-term leases.

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17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings *HK$'000*	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Plant and machinery *HK$'000*	Game machines and systems *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST								
As at 1 April 2007	–	4,255	165	606	–	–	–	5,026
Acquisition of subsidiaries	8,100	10,120	92	3,780	–	183	890	23,165
Additions	13,853	3,843	543	6,299	–	4,334	2,543	31,415
Disposals	–	(4,263)	(163)	(623)	–	–	–	(5,049)
Exchange realignment	–	674	13	689	–	211	123	1,710
As at 31 March 2008 and 1 April 2008	21,953	14,629	650	10,751	–	4,728	3,556	56,267
Acquisition of subsidiaries	3,500	3,262	1,129	353	2,573	–	394	11,211
Additions	–	2,208	559	1,714	315	13,226	2,885	20,907
Transfer to investment properties	(4,617)	–	–	–	–	–	–	(4,617)
Disposals	–	–	(137)	(7)	–	–	(229)	(373)
Written off during the year	–	(5,660)	–	–	–	–	–	(5,660)
Disposal of subsidiaries	–	–	–	(266)	–	–	(230)	(496)
Exchange realignment	192	134	6	201	–	109	48	690
As at 31 March 2009	21,028	14,573	2,207	12,746	2,888	18,063	6,424	77,929

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17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Leasehold buildings *HK$'000*	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Plant and machinery *HK$'000*	Game machines and systems *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
ACCUMULATED DEPRECIATION								
As at 1 April 2007	–	3,776	79	441	–	–	–	4,296
Charge for the year	175	1,290	68	834	–	391	678	3,436
Eliminated on disposals	–	(4,253)	(96)	(551)	–	–	–	(4,900)
Exchange realignment	7	26	1	127	–	21	28	210
As at 31 March 2008 and 1 April 2008	182	839	52	851	–	412	706	3,042
Charge for the year	559	3,098	387	2,446	522	1,413	1,055	9,480
Transfer to investment properties	(139)	–	–	–	–	–	–	(139)
Eliminated on disposals	–	–	(43)	(1)	–	–	(52)	(96)
Elimination on disposals of subsidiaries	–	–	–	(23)	–	–	(16)	(39)
Exchange realignment	4	16	–	52	–	16	13	101
As at 31 March 2009	606	3,953	396	3,325	522	1,841	1,706	12,349
NET CARRYING VALUES								
As at 31 March 2009	20,422	10,620	1,811	9,421	2,366	16,222	4,718	65,580
As at 31 March 2008	21,771	13,790	598	9,900	–	4,316	2,850	53,225

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of the term of the lease, or 50 years
Leasehold improvements	Over the shorter of 20% – 33% or over the remaining unexpired terms of the leases
Furniture, fixtures and office equipment	19% – 33%
Plant and machinery	20%
Game machines and systems	20% – 33%
Motor vehicles	10% – 20%

As at 31 March 2009, net carrying value of motor vehicles of approximately HK$955,000 (2008: HK$1,273,000) was held under finance leases.

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17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

During the year ended 31 March 2009, the Group terminated a rental agreement with the landlord in respect of a leased property, accordingly, the carrying amount of the leasehold improvements relating to the leased property amounted to approximately HK$5,660,000 has been fully written off during the year.

The Group's leasehold buildings comprise:

	2009 *HK$'000*	2008 *HK$'000*
Leasehold buildings in the PRC		
situated on land under medium-term lease	9,079	13,725
Leasehold buildings in Hong Kong		
situated on land under medium-term lease	11,343	8,046
	20,422	21,771

The Group has pledged leasehold buildings having a net carrying amount of approximately HK$11,343,000 (2008: HK$8,046,000) to secure general banking facilities granted to the Group.

18. PREPAID LEASE PAYMENTS

The Groups' prepaid lease payments in relation to land use rights comprise:

	2009 *HK$'000*	2008 *HK$'000*
Leasehold land in the PRC		
Medium-term lease	16,279	24,639
Leasehold land in Hong Kong		
Medium-term lease	56,646	45,969
	72,925	70,608
Current assets	1,150	1,081
Non-current assets	71,775	69,527
	72,925	70,608

The Group has pledged prepaid lease payments having a net carrying amount of approximately HK$56,646,000 (2008: HK$45,969,000) to secure general banking facilities granted to the Group.

19. INTANGIBLE ASSETS

	License HK$'000	Software HK$'000	Total HK$'000
COST			
As at 1 April 2007	–	–	–
Acquired through acquisition of subsidiaries	27,683	–	27,683
Exchange realignment	2,035	–	2,035
As at 31 March 2008 and 1 April 2008	29,718	–	29,718
Additions during the year	–	2,683	2,683
Exchange realignment	495	22	517
As at 31 March 2009	30,213	2,705	32,918
ACCUMULATED AMORTISATION			
As at 1 April 2007	–	–	–
Charge for the year	375	–	375
Exchange realignment	22	–	22
As at 31 March 2008 and 1 April 2008	397	–	397
Charge for the year	599	224	823
Exchange realignment	13	–	13
As at 31 March 2009	1,009	224	1,233
NET CARRYING VALUE			
As at 31 March 2009	29,204	2,481	31,685
As at 31 March 2008	29,321	–	29,321

License has definite useful life and was on a straight-line basis over 50 years.

Software was amortised on a straight-line basis over 5 years.

The Group tests the intangible assets annually for impairment or more frequently if there are indication that the intangible assets might be impaired. At 31 March 2009, the management reviewed the recoverable amount of the license by the estimation of the value in use of the subsidiary holding such license as a separate cash generating unit ("CGU") based on a valuation report issued by a qualified valuer not connected with the Group. The valuation has been carried out by adopting the discounted cash flow technique based on a 5 year operating budget of the relevant CGU, as approved by the management of the Group, which adopted an a discount rate of 12%. The directors of the Company are of the opinion that, based on the cash flow forecast and with reference to the valuation report performed by independent valuer that the recoverable amount of this CGU exceeds its carrying amount in the consolidated balance sheet and no impairment loss of goodwill is necessary.

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20. GOODWILL

	HK$'000
COST	
As at 1 April 2007	6,433
Acquisition of subsidiaries *(Note 38)*	8,370
As at 31 March 2008 and 1 April 2008	14,803
Acquisition of subsidiaries *(Note 38)*	101,280
Dissolution of a subsidiary	(2,635)
Exchange realignment	115
As at 31 March 2009	113,563
IMPAIRMENT	
As at 1 April 2007, 31 March 2008 and 1 April 2008 and 31 March 2009	6,433
NET CARRYING VALUE	
As at 31 March 2009	107,130
As at 31 March 2008	8,370

The carrying amounts of goodwill (net of accumulated impairment losses) as at 31 March 2009 allocated to the cash generated units ("CGUs") are as follows:

	2009 HK$'000	2008 HK$'000
Apparel trading business		
– Hamlet Profits Limited ("Hamlet Profits")	–	–
Digital entertainment business		
– 上海好彩投資管理有限公司（"上海好彩"）， 深圳萬德豐投資管理有限公司（"深圳萬德豐"） and Sincere Land Holdings Limited	5,850	8,370
Manufacture and sale of packaging products		
– Kingbox (Asia) Limited and its subsidiaries	101,280	–
	107,130	8,370

20. GOODWILL *(Continued)*

Apparel trading business

Goodwill was recognised on acquisition of Hamlet Profits and its subsidiaries before 1 April 2007, which are principally engaged in apparel trading business. The receivable amounts for the cash generating units were determined based on value-in-use estimation of the cash generating units by the directors of the Company. The Group fully impaired the goodwill during the year ended 31 March 2006 as the directors assessed the carrying value of the goodwill based on results projections to determine the estimated goodwill recoverable amount at a discount rate of 9%. In view of the poor financial performance and unfavourable business prospect of Hamlet Profits and its subsidiaries, the directors considered that it was appropriate to provide full impairment for the goodwill generated from the acquisition.

Digital entertainment business

The goodwill was recognised on acquisitions of three subsidiaries, 上海好彩，深圳萬德豐 and Sincere Land Holdings Limited during the year ended 31 March 2008, which are engaged in the digital entertainment business. The recoverable amounts for these subsidiaries were determined based on their value-in-use calculations, covering a five-year budget plan, followed by an extrapolation of expected cash flows at the average growth rates of 2% (2008: 10%) and discount rate of 9% (2008: 15%) estimated by the directors of the Company. The management determined the budgeted growth rate based on past performance and its expectation on the relevant industry growth forecasts and does not exceed the average long term growth rate for the relevant industry. The directors of the Company are of the opinion that, based on the cash flow forecast and with reference to the valuation report performed by independent valuer that the recoverable amount of this CGU exceeds it carrying amount in the consolidated balance sheet and no impairment loss of goodwill is necessary.

During the year ended 31 March 2009, 深圳萬德豐 was dissolved and an amount of approximately HK$2,635,000 in relation to the goodwill arising from the acquisition of 深圳萬德豐 has been accounted for as a loss on dissolution of a subsidiary. Save as the goodwill as above, 深圳萬德豐 has no assets and liabilities at the date of dissolution.

Manufacture and sale of packing products

The goodwill was recognised on acquisitions of Kingbox Asia Limited and its subsidiaries during the year ended 31 March 2009, which are engaged in the manufacture and sale of packaging products. For the purposes of impairment testing, goodwill has been allocated to the cash generating units of manufacture and sale of packaging products approximately HK$101,280,000 (2008: Nil). The recoverable amount of this CGU has been determined on the basis of value-in-use calculation. That calculation uses cash flow projections based on financial budges approved by management covering a 5 year periods, and discount rate of 16%. Cash flows beyond the 5 year periods have been extrapolated using a steady 5% growth rate. The management determined the budgeted growth rate based on past performance and its expectation on the relevant industry growth forecasts and does not exceed the average long term growth rate for the relevant industry. The directors of the Company are of the opinion, based on the cash flow forecast and with reference to the valuation report performed by independent valuer that the recoverable amount of this CGU exceeds it carrying amount in the consolidated balance sheet and no impairment loss of goodwill is necessary.

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21. INTEREST IN AN ASSOCIATE

	2009 *HK$'000*	2008 *HK$'000*
Cost of investment in an associate, unlisted *(Note (a))*	4,000	–
Share of post-acquisition profit, net of dividends received	2	–
Interest in an associate *(Note (b))*	4,002	–

Notes:

(a) On 24 December 2008, the Group acquired 25% of the equity interest of Score Global Services Company Limited ("Score Global") from an independent third party at a consideration of approximately HK$4,000,000. Score Global was incorporated in the British Virgin Islands with limited liability with authorised share capital of 50,000 of US$1 each. The results of which have been accounted for into the Group's consolidated financial statements by equity accounting method, and are derived from the unaudited financial statements of Score Global from 24 December 2008 to 31 March 2009.

(b) The interest in an associate includes HK$3,003,000 goodwill acquired during the year ended 31 March 2009.

(c) The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amount of the associate, which covers the above goodwill is determined from a value-in-use calculation and based on the dividend income received from the associate. The key assumptions for the value-in-use calculation are those regarding the discount rate, growth rate, dividend yield rate and expected changes to selling prices and direct costs during the year. The Group estimates discount rate using the prevailing market rate of return of similar companies in the market adjusted with the specific risks relating to the associate. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on the past industry practices and expectations of future changes in the relevant markets.

(d) The Group prepares five-year cash flow forecasts at an average growth rate of 5% per annum derived from the associate's financial budgets, of which are approved by the management of the associate. The rate used to discount the cash flow forecasts is 13% per annum.

21. INTEREST IN AN ASSOCIATE *(Continued)*

The following table illustrates the summarised financial information of the Group's associate extracted from their management accounts:

	2009 *HK$'000*
Total assets	4,061
Total liabilities	(65)
Net assets	3,996
Group's share of net assets of an associate	999

	Period from 24 December 2008 to 31 March 2009 *HK$'000*
Revenue	15
Profit for the year	9
Group's share of results of an associate for the year	2

Particulars of the associate is as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Group	Principal activities
Score Global	British Virgin Islands/PRC	US$100	25%	On-line lottery distribution in the PRC

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22. CONVERTIBLE NOTE RECEIVABLES AT FAIR VALUE THROUGH PROFIT AND LOSS

	2009 *HK$'000*	2008 *HK$'000*
Mature over one year	20,471	–
Mature within one year under current assets	4,020	–
At the end of the year	24,491	–

During the year ended 31 March 2009, the Group subscribed three convertible notes issued by three independent unlisted private companies and classified three convertible notes as financial asset designated at fair value through profit and loss.

The convertible notes are redeemable with coupon rates of Nil, 8% and 10% respectively and are repayable upon maturity which is ranging from 1 to 3 years from the respective dates of issue. The Group has the right to convert the convertible notes into ordinary shares of the issuer from the date of acquisition of the convertible notes to their maturity dates, subject to the conditions as set out in the respective convertible notes agreements.

Fair values of these unlisted convertible note receivables have been determined by reference to the valuation performed by independent qualified professional valuers not connected with the Group. The valuation has been carried out by adopting the discounted cash flow technique based on its maturity date of the convertible note receivables and the discount rate of 19%.

The fair value gain of approximately HK$870,000 was recognised for the year ended 31 March 2009 (2008: Nil).

Included in convertible note receivables at fair value through profit and loss in the consolidated balance sheet are mainly the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2009 *'000*	2008 *'000*
US$	1,500	–

23. INVENTORIES

	2009 *HK$'000*	2008 *HK$'000*
Raw material	10,916	–
Work-in-progress	4,587	–
Finished goods	6,449	469
	21,952	469

24. TRADE AND OTHER RECEIVABLES

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

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

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

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

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24. TRADE AND OTHER RECEIVABLES *(Continued)*

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

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

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

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

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

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

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

24. TRADE AND OTHER RECEIVABLES *(Continued)*

Aging of trade receivables based on payment due date:

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

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

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

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

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25. DERIVATIVE FINANCIAL INSTRUMENT

	2009 *HK$'000*	2008 *HK$'000*
Derivative financial asset – current		
Foreign currency option contracts	850	–

The foreign currency option contract represents the exchange of US$ to HK$, US$ to RMB and EURO to US$ with various transaction dates up to 20 January 2010. The contract is normally settled other than by physical delivery of the underlying foreign currency and hence are classified as derivative financial instruments. On each of the transaction dates, the contracted rate is compared to the market rate and the differential is applied to the notional amounts. A net amount is paid or received by the Group. The derivative is measured at fair value at the balance sheet date. The fair value is determined with reference to the directors' valuation of the option at balance sheet date. The Group's derivative financial instrument is denominated in RMB, US$ and EURO and not for hedging purpose.

Major terms of the foreign currency option contracts as at 31 March 2009 are as follows:

Notional amount	Maturity	Exchange rates
Sell US$ 700,000	20 January 2010	US$ 1: HK$7.81
Sell US$ 2,000,000	5 January 2010	US$ 1: RMB 6.4379-RMB 7.261
Sell EUR 300,000	20 April 2009	EURO 1: US$1.3615
Sell EUR 200,000	22 September 2009	EURO 1: US$1.4

The profit arising from changes in fair value of foreign currency option contracts for the year is approximately HK$636,000 (2008: Nil).

26. HELD-TO-MATURITY INVESTMENTS

	2009 *HK$'000*	2008 *HK$'000*
Unlisted bonds products included in current assets	–	213,444

As at 31 March 2008, the unlisted bonds products were issued by banks and other financial institutions are carried at fixed interest rates and maturing within one year. The annual interest rates on the bonds products ranged from 7.5% to 10%. The fair value of the unlisted bonds at 31 March 2008 approximates their carrying amount. All held-to-maturity investments were denominated in US$ and were matured in April 2008.

27. BANK FIDUCIARY DEPOSIT

	2009 HK$'000	2008 HK$'000
Balance as at year end	**12,102**	169,976

The Group's bank fiduciary deposit at 31 March 2009 represents the cash deposit in Liechtenstein Ltd ("LGT Bank"). According to the agreement between the Company and LGT Bank, the Company instructed LGT Bank to place capital investments in the form of money market investments in the name of LGT Bank by using the fiduciary deposit, but for the account and exclusive risk of the Company with foreign banks. LGT Bank shall act at the bank's discretion and act as the agent of the Company.

The first time a placement is made it shall be executed according to instructions received from the Company. Subsequently, LGT Bank shall be empowered to extend/renew and increase/reduce the sum of the investment with the same or another foreign bank at conditions it shall stipulate, provided it does not receive contrary instructions from the Company not later than two working days before the deposit falls due. Such fiduciary placements may only be made up to the limit of the Company's own funds. In no circumstances may the LGT Bank, in making such discretionary placements, make use of credit facilities available to the Company. All risks of any type connected with such placements shall be exclusively for the account of the Company.

The deposit carries fixed interest rate ranging from 0.25% to 3% per annum (2008: 5.25%).

Included in bank fiduciary deposit in the consolidated balance sheet are mainly the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2009 '000	2008 '000
US$	**1,115**	1,955
EURO	**279**	–
AUD	**653**	21,666

28. CASH AND CASH EQUIVALENTS

	2009 HK$'000	2008 HK$'000
Cash and bank balance	**198,240**	177,123
Short-term bank deposits, with an original maturity of three months or less	**52,869**	38,903
	251,109	216,026

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28. CASH AND CASH EQUIVALENTS *(Continued)*

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

	2009 *'000*	2008 *'000*
US$	18,144	7,186
AUD	5,585	5

The bank balances and deposits carry interest at 0.01% to 0.36% per annum.

29. TRADE AND OTHER PAYABLES

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

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

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

30. AMOUNTS DUE TO DIRECTORS/RELATED COMPANIES/LOAN TO MINORITY SHAREHOLDERS OF A SUBSIDIARY

The amounts due to directors and related companies are unsecured, interest-free and repayable on demand.

The loan to minority shareholders of a subsidiary, C Y Foundation Culture Co Ltd represents loans to 共青團中央網絡影視中心 and 北京紀鑫偉業科貿有限公司 which are unsecured, interest-free and repayable on demand.

31. OBLIGATION UNDER FINANCE LEASE

	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance lease:				
Within one year	**412**	412	**356**	356
More than one year, but not exceeding two years	**412**	412	**356**	356
More than two years, but not exceeding five years	**69**	481	**58**	414
	893	1,305	**770**	1,126
Less: Future finance charges	**(123)**	(179)	**N/A**	N/A
Present value of lease obligation	**770**	1,126	**770**	1,126
Less: Amount due within one year shown under current liabilities			**(356)**	(356)
Amount due after one year			**414**	770

The Group's obligation under finance lease is secured by the lessor's charge over the leased asset.

It is the Group's policy to lease certain of its motor vehicles under finance lease. The lease term is 4 years. For the year ended 31 March 2009, the effective borrowing rate was 3.98% per annum (2008: 3.98%). Interest rate are fixed at the contract date. The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The lease was denominated in functional currency of the Group.

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32. BANK AND OTHER BORROWINGS

	2009 *HK$'000*	2008 *HK$'000*
Bank loans, secured	**37,337**	31,359
Trust receipt loans	**21,970**	–
Other loans, secured	**–**	8,054
	59,307	39,413

The above bank and other borrowings are repayable as follows:

	2009 *HK$'000*	2008 *HK$'000*
Bank loans:		
On demand or within one year	**2,781**	1,875
More than one year but not exceeding two years	**2,844**	1,919
More than two years but not exceeding five years	**12,411**	3,977
More than five years	**19,301**	23,588
	37,337	31,359
Trust receipt loans and other loans:		
On demand or within one year	**21,970**	8,054
Total bank and other borrowings	**59,307**	39,413
Less: Amount due within one year shown under current liabilities	**(24,751)**	(9,929)
Amount due after one year	**34,556**	29,484

As at 31 March 2009, bank loans are interest bearing at the Bank of China's best lending rate less 2.1% (2008: Bank of China's best lending rate less 2.9%) per annum. The trust receipt loans are charged at 6.10% (2008: Nil) per annum. The bank loans and trust receipt loans are secured by the leasehold buildings and prepaid lease payments as set out in notes 17 and 18 respectively.

32. BANK AND OTHER BORROWINGS *(Continued)*

Pursuant to a loan agreement entered into between Hamlet Profits and an independent third party on 11 March 2008, a loan of HK$10,000,000 was granted by an independent third party to Hamlet Profits. Other loans are interest bearing at 5% (2008: 5%) per annum above the The Hongkong and Shanghai Banking Corporation Limited's best lending rate. The loans are secured by a pledge of all the issued share capital in and the shareholder loan due from Reward Well Limited, Koltai International Limited and Goldgain Services Limited ("Goldgain"), wholly-owned subsidiaries of the Group. As at 31 March 2008, the aggregate net assets value of these subsidiaries amounted to approximately HK$8,883,000. Such loan has been fully settled during the year and the related assets pledged had been released during the year ended 31 March 2009.

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

	2009 *'000*	2008 *'000*
US$	179	–
AUD	1,593	–

33. CONVERTIBLE NOTES

On 29 January 2007, a resolution was passed at a special general meeting of the Company pursuant to which a zero-coupon convertible note in an aggregate principal amount of HK$24,000,000 ("Convertible Note") would be issued to Super Bonus Management Limited ("Super Bonus") in which Mr Cheng Chee Tock Theodore, a director of the Company, held 100% interest. The noteholder has the right to convert the Convertible Note into ordinary shares in the Company at any time during the period from the date of the issue of the Convertible Note to the third anniversary of the date of the issue of the Convertible Note (the maturity date of the Convertible Note) at an initial conversion price of HK$0.01 per share, subject to adjustment. On the maturity date, the outstanding Convertible Note will be redeemed at par in cash.

On 21 March 2007, the Company issued the zero-coupon Convertible Note in an aggregate principal amount of HK$4,000,000 ("First Convertible Note") to Super Bonus. On the same date, the First Convertible Note was transferred to Copernicus Trading Limited ("Copernicus"), a company wholly-owned by Mr Cheng Chee Tock Theodore. The First Convertible Note has a maturity date of 20 March 2010.

On 13 April 2007, the Company issued the zero-coupon convertible note in an aggregate principal amount of HK$20,000,000 ("Second Convertible Note") to Super Bonus. The Second Convertible Note has a maturity date of 12 April 2010.

The convertible note issued during the year ended 31 March 2008 was split into liability and equity components of HK$15,028,000 and HK$4,972,000, respectively upon initial recognition by recognising the liability component at its fair value and attributing to the equity component the residual amount. The liability component is subsequently carried at amortised cost and the equity component is recognised in the capital reserve.

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33. CONVERTIBLE NOTES *(Continued)*

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

	2009 HK$'000	2008 HK$'000
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 1 April	18,138	3,016
Converted into shares	(5,829)	(1,598)
Imputed interest expense *(Note 10)*	1,288	1,692
Liability component at 31 March	13,597	18,138

Interest expense on the convertible notes is calculated using the effective interest method by applying the effective interest rates of 10% (2008: 10%) per annum to the liability component of the convertible notes.

34. PROVISION FOR LONG SERVICE PAYMENTS

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees' final salary and years of service, and is reduced by entitlements accrued under the Group's retirement plan that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations.

The amount recognised in respect of the probable future long service payments expected to be made is as follows:

	2009 HK$'000	2008 HK$'000
As at 1 April	–	959
Provision utilised during the year	–	(959)
As at 31 March	–	–

35. DEFERRED TAXATION

The following is the major deferred tax liability recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Change in fair value of properties upon transfer to investment properties HK$'000	Total HK$'000
As at 1 April 2007	–	–	**–**
Additions through acquisition of subsidiaries	112	–	**112**
Charge to consolidation income statement for the year	608	–	**608**
Exchange realignment	35	–	**35**
As at 31 March 2008 and 1 April 2008	755	–	**755**
Charge to consolidated income statement for the year	346	–	**346**
Effect of change in tax rate	(60)	–	**(60)**
Charge to consolidation equity during the year	–	227	**227**
Exchange realignment	16	–	**16**
As at 31 March 2009	1,057	227	**1,284**

At the balance sheet date, the Group has deductible temporary differences of approximately HK$26,791,000 (2008: Nil). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At the balance sheet date, the Group has unused tax losses of approximately HK$129,509,000 (2008: HK$99,081,000). Deferred tax assets have not been recognised in respect of the unused tax losses because it is not probable that future taxable profits will be available against which the Group can utilise the benefits. Included in the above unused tax losses are losses of HK$68,959,000 (2008: HK$39,464,000) that will expire after five years from the year of assessment they relate to. Other unused tax losses may be carried forward indefinitely.

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36. SHARE CAPITAL

	Number of shares *'000*	*HK$'000*
Authorised:		
As at 31 March 2008 and 2009:		
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 *(Note (a))*	200,000	200
Issue of new shares *(Notes (b) and (c))*	605,573	606
As at 31 March 2008 and 1 April 2008	**3,892,995**	**3,893**
Conversion of convertible notes *(Note d)*	**700,000**	**700**
Issue of new shares *(Note (e))*	**3,344**	**3**
Issue of new shares for acquisition of subsidiary *(Note (f))*	**257,143**	**257**
As at 31 March 2009	**4,853,482**	**4,853**

Notes:

(a) During the year ended 31 March 2008, the convertible notes holder had converted the convertible note issued by the Company in an aggregate principal amount of HK$20,000,000 into 200,000,000 ordinary shares of HK$0.001 in the Company at a conversion price of HK$0.1 per share.

(b) 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 approximately HK$48,264,000 was credited to the share premium account.

(c) 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 approximately HK$7,657,000 was credited to the share premium account.

(d) During the year ended 31 March 2009, the convertible notes holder had converted the convertible note issued by the Company in an aggregate principal amount of HK$70,000,000 into 700,000,000 ordinary shares of HK$0.001 in the Company at a conversion price of HK$0.1 per share.

36. SHARE CAPITAL *(Continued)*

Notes: (Continued)

(e) 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 approximately HK$4,594,000 was credited to the share premium account.

(f) On 20 October 2008 and 13 November 2008, 228,571,428 and 28,571,428 new share of HK$0.001 each respectively was issued for the acquisition of subsidiaries as set out in Note 38 at a quoted market price of HK$0.081 per share at the date of completion of the acquisition. 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 approximately HK$20,572,000 was credited to the share premium account.

37. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to the share option scheme adopted by the shareholders of the Company on 30 August 2002 ("Share Option Scheme"), the directors of the Company may for a consideration of HK$1 offer to selected eligible persons to subscribe for shares in the Company as incentive or rewards for their contribution to the Group. The subscription price will be determined by the directors at its absolute discretion, but in any event shall not be less than the higher of the nominal value for the time being of each share in the Company, the average closing price of the shares in the Company as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date on which the relevant option is granted and the closing price of the shares in the Company as stated in the Stock Exchange's daily quotation sheet on the date on which the relevant option is granted.

The maximum number of share in respect of which options may be granted under the Share Option Scheme and any other schemes of the Company must not, in aggregate, exceed 30% of the issued share capital of the Company from time to time.

The Share Option Scheme became effective for a period of ten years commenced on 26 September 2002.

During the year ended 31 March 2009, 1,900,000 options were granted under the Share Option Scheme to the eligible participants of the Group.

At 31 March 2009, the number of shares of the Company in respect of which options had remained outstanding under the Share Option Scheme of the Company was 440,633,830 (2008: 459,633,830), representing 9% (2008: 11.81%) of the shares of the Company in issue at that date.

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37. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The following table discloses movements of the Company's share options held by eligible persons during year ended 31 March 2009:

Date of grant	Exercisable period	Exercise price per share	Outstanding at 1 April 2008	Granted during year	Outstanding at 31 March 2009
Employees					
10.12.2008	10.12.2009 to 9.12.2018	HK$0.1	–	3,000,000	3,000,000
10.12.2008	10.12.2010 to 9.12.2018	HK$0.1	–	3,000,000	3,000,000
10.12.2008	10.12.2011 to 9.12.2018	HK$0.1	–	3,000,000	3,000,000
Other eligible participants					
3.11.2008	3.11.2008 to 2.11.2018	HK$0.09	–	10,000,000	10,000,000
			–	19,000,000	19,000,000
Exercisable at the end of the year					10,000,000
Weighted average exercise price (HK$)			–	0.095	0.095

The fair value of services received in return for the share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Black-Scholes-Merton Option Pricing model. The contractual life of the share option is used as an input into this model. Expectation of early exercise is incorporated into the valuation model.

	Share options granted on	
	3 November 2008	10 December 2008
Grant date share price	0.164	0.164
Exercise price	0.09	0.10
Expected volatility	94.31%	113.25%
Option life	10 years	4 years
Risk-free rate	2.42%	1.49%
Expected dividend yield	0%	0%

37. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Expected volatility was determined by using the historical volatility of the Company's share price over the previous one year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Black-Scholes-Merton Option Pricing Model has been used to estimate the fair value of the options. The variables or assumptions used in computing the fair value of the share options are based on the director's best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised the total expense of approximately HK$2,027,000 for the year ended 31 March 2009 (2008: Nil) in relation to the fair value of the share options granted by the Company.

38. ACQUISITION OF SUBSIDIARIES

Year ended 31 March 2009

On 20 October 2008, the Group acquired 100% equity interests in Kingbox (Asia) Limited ("Kingbox") at a consideration of HK$128,829,000 from the beneficial owners which comprise the spouse and the family members of the executive directors Mr. Cheng Chee Tock Theodore and Mr. Wu Chuang, John respectively. Accordingly, Kingbox became a wholly-owned subsidiary of the Group thereafter. The acquisition has been accounted for using the purchase method. Kingbox and its subsidiaries contributed revenue of approximately HK$55,311,000 and profit of approximately HK$4,186,000 to the Group from the 20 October 2008 to 31 March 2009. Details of the transaction are set out in the Company's circular dated 19 September 2008.

If the above acquisition had been completed on 1 April 2008, total Group's turnover and loss for the year would have been increased by approximately HK$89,451,000 and decrease by approximately HK$14,693,000 respectively. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed on 1 April 2008, nor is it intended to be a projection of future results.

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38. ACQUISITION OF SUBSIDIARIES *(Continued)*

Year ended 31 March 2009 *(Continued)*

The net assets acquired being the fair value, in the transaction and the goodwill on acquisition arising, are as follows:

	Acquiree's carrying amount before combination *HK$'000*	Fair value adjustment *HK$'000*	Fair value *HK$'000*
Net assets acquired:			
Property, plant and equipment, net	11,445	(234)	11,211
Prepaid lease payments	11,309	(109)	11,200
Inventories	20,704	–	20,704
Trade and other receivables	34,576	–	34,576
Derivative financial instrument	214	–	214
Cash and cash equivalents	13,972	–	13,972
Trade and other payables	(23,567)	–	(23,567)
Tax payables	(666)	–	(666)
Bank and other borrowings	(37,960)	–	(37,960)
Net assets/(liabilities) acquired	30,027	(343)	29,684
Goodwill *(Note 20)*			101,280
			130,964
Satisfied by:			
Cash consideration paid			108,000
Share consideration paid *(Note 44(a))*			20,829
			128,829
Direct cost relating to the acquisition			2,135
			130,964

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38. ACQUISITION OF SUBSIDIARIES *(Continued)*

Year ended 31 March 2009 *(Continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries are as follow:

	HK$'000
Cash consideration paid	**(108,000)**
Direct cost relating to the acquisition	**(2,135)**
Cash and bank balances acquired	**13,972**
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	**(96,163)**

Pursuant to the sale and purchase agreement dated 11 July 2008 between the Group and the former shareholders of Kingbox (the "Former Shareholders"), the Former Shareholders had guaranteed to the Group a minimum profit generated by Kingbox Group of HK$16 million for the twelve months ended 30 June 2008, HK$8 million for the six months ended 31 December 2008 and HK$16 million for the twelve months ending 31 December 2009, subject to adjustments (the "Profit Guarantee"). If Kingbox failed to meet the Profit Guarantee, the Former Shareholders will refund part of the consideration to the Group and the consideration will be adjusted accordingly. Details of this Profit Guarantee had been set out in the Company's circular dated 19 September 2008. Kingbox Group had achieved the Profit Guarantee for the twelve months ended 30 June 2008 and for the six months ended 31 December 2008.

Year ended 31 March 2008

On 1 August 2007, the Group acquired 100% of the equity interests in Beijing Horizon Trading Company Limited ("Beijing Horizon Group"). The acquisition has been accounted for using the purchase method. Beijing Horizon Group contributed revenue of approximately HK$392,000 and loss of approximately HK$13,180,000 to the Group from 1 August 2007 to 31 March 2008.

On 24 October 2007, the Group acquired 100% of the equity interests in 上海好彩. The acquisition has been accounted for using the purchase method. 上海好彩 contributed revenue of approximately HK$148,000 and loss of approximately HK$5,875,000 to the Group from 24 October 2007 to 31 March 2008.

On 22 October 2007, the Group acquired 100% of the equity interests in 深圳萬德豐. The acquisition has been accounted for using the purchase method. 深圳萬德豐 contributed revenue of approximately Nil and loss of approximately HK$1,684,000 to the Group from 22 October 2007 to 31 March 2008.

On 1 December 2007, the Group acquired 100% of the equity interests in Sincere Land Holdings Limited. The acquisition has been accounted for using the purchase method. Sincere Land Holdings Limited contributed revenue of approximately Nil and loss of approximately HK$103,000 to the Group from 1 December 2007 to 31 March 2008.

On 1 December 2007, the Group acquired 100% of the equity interests in Mansion Gains Holdings Limited. The acquisition has been accounted for using the purchase method. Mansion Gains Holdings Limited contributed revenue of approximately Nil and loss of approximately HK$810,000 to the Group from 1 December 2007 to 31 March 2008.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

38. ACQUISITION OF SUBSIDIARIES *(Continued)*

Year ended 31 March 2008 *(Continued)*

If the above acquisitions had been completed on 1 April 2007, total Group's turnover and loss for the year would have been increased by approximately HK$628,000 and HK$59,313,000 respectively. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed on 1 April 2007, nor is it intended to be a projection of future results.

The net assets/(liabilities) acquired in the transaction and the goodwill arising or discount on acquisition are as follows:

	Beijing Horizon Group Fair value *HK$'000*	上海好彩 Fair value *HK$'000*	深圳萬德豐 Fair value *HK$'000*	Sincere Land Holdings Limited Fair value *HK$'000*	Mansion Gains Holdings Limited Fair value *HK$'000*	Total Fair value *HK$'000*
Net assets/(liabilities) acquired:						
Property, plant and equipment, net	2,275	6,615	4,936	40	9,299	23,165
Prepaid lease payments	–	–	–	–	46,100	46,100
Intangible assets	27,683	–	–	–	–	27,683
Inventories	–	23	–	–	–	23
Trade and other receivables	5,989	3,521	1,152	–	145	10,807
Cash and cash equivalents	18,689	3,019	390	2	205	22,305
Trade and other payables	(27,144)	(2,561)	(5,496)	(211)	(562)	(35,974)
Loan from related companies	(24,862)	(14,800)	(3,424)	–	(14,858)	(57,944)
Deferred tax liability	–	–	–	–	(112)	(112)
	2,630	(4,183)	(2,442)	(169)	40,217	36,053
Minority interests	(1,288)	–	–	–	–	(1,288)
Translation reserve	20	(366)	(171)	–	–	(517)
Net assets/(liabilities) acquired	1,362	(4,549)	(2,613)	(169)	40,217	34,248
Goodwill *(Note 20)*	–	5,588	2,613	169	–	8,370
Discount on acquisition	(1,362)	–	–	–	(27)	(1,389)
	–	1,039	–	–	40,190	41,229
Satisfied by:						
Cash consideration paid	–	1,039	–	–	40,190	41,229

38. ACQUISITION OF SUBSIDIARIES *(Continued)*

Year ended 31 March 2008 *(Continued)*

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries are as follow:

	Beijing Horizon Group Fair value *HK$'000*	上海好彩 Fair value *HK$'000*	深圳萬德豐 Fair value *HK$'000*	Sincere Land Holdings Limited Fair value *HK$'000*	Mansion Gains Holdings Limited Fair value *HK$'000*	Total Fair value *HK$'000*
Cash consideration paid	–	(1,039)	–	–	(40,190)	(41,229)
Cash and cash equivalents acquired	18,689	3,019	390	2	205	22,305
Net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries	18,689	1,980	390	2	(39,985)	(18,924)

39. DISPOSAL OF SUBSIDIARIES

Year ended 31 March 2009

During the year ended 31 March 2009, the Group disposed of its entire interests in the following companies to independent third parties at a consideration of approximately HK$3,989,000. Goldgain and Koltai International Limited were principally engaged in apparel trading business in the PRC. The net assets disposed in the transactions are as follows:

	Villaway Limited *HK$'000*	Koltai International Limited *HK$'000*	Goldgain Services Limited *HK$'000*	Total *HK$'000*
Net assets 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
Trade and other payables	–	(285)	(11,983)	(12,268)
Amount due from a shareholder	–	–	1,926	1,926
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

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39. DISPOSAL OF SUBSIDIARIES *(Continued)*

Year ended 31 March 2008

During the year ended 31 March 2008, the Group disposed of the following subsidiaries to independent third parties, the net liabilities of these subsidiaries at the respective dates of disposals were as follows:

	Full Ahead Limited *HK$'000*	Global System Limited *HK$'000*	Total *HK$'000*
Net liabilities disposed of:			
Trade and other receivables	540	–	540
Cash and cash equivalents	286	–	286
Trade and other payables	(4,264)	(2)	(4,266)
Amounts due to the group companies	(268,880)	(262)	(269,142)
	(272,318)	(264)	(272,582)
Assignment of amounts due from group companies	268,880	262	269,142
Gain on disposal	3,438	2	3,440
Total consideration	–	–	–
Net outflow of cash and cash equivalents arising on disposal of subsidiaries:			
Cash consideration received	–	–	–
Cash and cash equivalents disposed of	(286)	–	(286)
	(286)	–	(286)

40. COMMITMENTS

(a) Operating lease commitments

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2009 *HK$'000*	2008 *HK$'000*
Within one year	5,356	–
In the second to fifth year inclusive	6,086	–
	11,442	–

Property income during the year was approximately HK$2,406,000 (2008: Nil), Property held at balance sheet date are expected to generate rental yields of 2.7% (2008: Nil) on an ongoing basis. All of the properties held have committed tenants to the next 2 (2008: Nil) years.

The Group as lessee

At 31 March 2009, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of leased premises which fall due as follows:

	2009 *HK$'000*	2008 *HK$'000*
Within one year	7,475	7,709
In the second to fifth year inclusive	5,381	15,245
	12,856	22,954

For the year ended 31 March 2008, the leases are negotiated for terms ranging from 1 to 5 years. The operating lease rentals of certain outlets are leased on the higher of the minimum guaranteed rental and the sales level leased rental, ranging from 10% to 15% on the sales level. The minimum guaranteed rental has been used to arrive at the above commitments.

For the year ended 31 March 2009, leases were negotiated for terms ranging from 1 to 3 years (2008: 1 to 5 years) with fixed rentals over the terms of lease.

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40. COMMITMENTS *(Continued)*

(b) Capital commitments

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

(c) Other commitment

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

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

At 31 March 2008, the licensing arrangement was contracted for a term up to 31 December 2008. Apart from the guaranteed royalty as disclosed above, if, at any time and during the contractual period, the Group's cumulated net sales were in excess of the sales level bases as referred to in the relevant license agreement, the Group would pay additional royalty to the licensor, at 5% on the cumulated net sales exceeding the sales level bases.

At 31 March 2009, the licensing arrangement is contracted for a term up to 31 December 2012. Pursuant to the licensing arrangement, the Group has to pay the licensor, a non-refundable minimum guarantee in the total sum of US$5,000,000, payable by 3 annual installments.

41. CONTINGENT LIABILITIES

In August 2005, Orient Rise Limited ("Orient Rise") initiated a legal action against French Trade Marketing Limited and Prime Axis 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% interest 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 consolidated financial statements.

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42. RETIREMENT BENEFITS SCHEMES

Hong Kong

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000 and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The PRC

The Group also participates in a defined contribution retirement scheme organised by the government in the PRC. The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

43. RELATED PARTY TRANSACTIONS

(a) In additional to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group had the following material transactions with its related companies:

Name of related party	Nature of transactions	*Notes*	2009 HK$'000	*2008 HK$'000*
Horizon Structured Solutions Ltd.	Rental fee received	*(i), (iv)*	135	–
China Entertainment Holdings Ltd.	Tournament fee paid	*(ii), (iv)*	105	–
Bersett International (HK) Ltd.	Consultancy fee paid	*(ii), (v)*	420	–
Weike (S) Pte Limited	Acquisition of game machines	*(iii), (vi)*	9,893	–

(i) Rental fee received from the related party was made on terms mutually agreed between both parties.

(ii) Tournament fee paid and consultancy fee paid to the related parties were made on mutually agreed between both parties.

(iii) The acquisition of game machines from the related party was made on terms mutually agreed between both parties.

(iv) Mr. Wu Chuang John and Mr. Cheng Chee Tock Theodore are the common directors of the Company, Horizon Structured Solutions Ltd and China Entertainment Holdings Ltd..

(v) Mr. Wu Chuang John is a common director of the Company and Bersett International (HK) Ltd..

(vi) Dato Poh Po Lian is the common director of the Company and Weike (S) Pte Limited.

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43. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Key management compensation

The remunerations of directors and other members of key management were disclosed in Note 12.

44. MAJOR NON-CASH TRANSACTIONS

(a) During the year ended 31 March 2009, the Group issued 257,142,856 new ordinary shares at par value of HK$0.001 per share to Super Crown Venture Inc., Golden View Worldwide Limited, Treasure Bay Assets Limited and Super Mak Profits Corporation at the quoted market price of HK$0.081 per share at the date of completion of the acquisition of Kingbox as set out in Note 38, for a total of HK$20,829,000 as part of the settlement of the consideration payable by a subsidiary for acquisition of Kingbox. The rest of the consideration of HK$110,135,000 has been paid by cash during the year.

(b) The consideration for additions in property, plant and equipment of approximately HK$31,415,000 during the year ended 31 March 2008 as set out in Note 17 was partly settled by the Group in cash. The unpaid consideration of approximately HK$1,422,000 was included in obligation under finance lease as at 31 March 2008, of which approximately HK$296,000 has been settled during the year ended 31 March 2008.

(c) During the year ended 31 March 2008, the Group issued 600,000,000 new ordinary shares to Luck Continent at par value of HK$0.001 per share at the price of HK$1.28 per share, for a total of HK$768,000,000, and net of share issue expenses of HK$48,264,000, which was settled with amount due to ultimate holding company.

(d) During the year ended 31 March 2008, the Group issued 5,572,909 new ordinary shares to Zhuming (Beijing) Enterprise Management Limited and Beijing Yinhe Matrix Network Technology Limited at par value of HK$0.001 per share at the price of HK$1.375 per share, for a total of approximately HK$7,662,000, as part of the settlement of the consideration payable by a subsidiary for acquisition of a company's subsidiary, T-Matrix Culture Company Limited. The unpaid consideration of HK$7,500,000 is included in other payables as at 31 March 2008.

(e) During the year ended 31 March 2009, the Group issued 3,343,745 new ordinary shares to Zhuming (Beijing) Enterprise Management Limited and Beijing Yinhe Matrix Network Technology Limited at par value of HK$0.001 per share at the price of HK$1.375 per share, for a total of approximately HK$4,598,000, as part of the settlement of the consideration payable by a subsidiary for acquisition of a company's subsidiary, T-Matrix Culture Company Limited. The unpaid consideration of HK$2,902,000 is included in other payables as at 31 March 2009.

45. EVENTS AFTER BALANCE SHEET DATE

(a) On 15 April 2009, the convertible notes holder had converted the convertible note issued by the Company in an aggregate principal amount of 15 million into 1,500 million ordinary shares of HK$0.001 in the Company at a conversion price of HK$0.01 per share; after the conversion, there are 6,353,481,162 outstanding ordinary shares.

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

(c) In April 2009, the Group subscribed for a 3-year convertible note issued by an unlisted private company in an aggregate principal amount of US$2 million with interest rate of 5% per annum. In the same month, the Group subscribed for a 3-year convertible note issued by an private company not connected to the Group in an aggregate principal amount of US$ 2.5 million with interest rate of 5% per annum.

(d) On 2 May 2009, a convertible note of US$500,000 (equivalent to approximately to HK$3,875,000) became immediately due and payable and was fully redeemed.

46. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at the balance sheet dates are as follows:

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Group		Principal activities
			2009	2008	
Interest held directly:					
Highsharp Investment Ltd	BVI	US$1	**100%**	100%	Investment holding
Interests held indirectly:					
Beijing Horizon Trading Company Limited	The PRC*	RMB1,000,000	**100%**	100%	Online game tournament services
C Y Foundation Culture Company Limited	The PRC*	RMB30,300,000	**80.2%**	80.2%	Online game tournament services
Sino Joy Holdings Limited	Hong Kong	HK$100	**100%**	100%	Property holding
Kingbox (Asia) Limited	Hong Kong	HK$5,000,000	**100%**	–	Manufacture and sale of packaging products

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46. PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries of the Company as at the balance sheet dates are as follows:

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Group 2009	2008	Principal activities
Interest held indirectly: *(Continued)*					
Horizon Worldwide Ltd.	Hong Kong	HK$500,000	**100%**	–	Watch trading
Suzhou C Y Foundation Entertainment and Investment Management Limited	The PRC*	US$2,500,000	**100%**	100%	Investment holding
T-Matrix Culture Company Limited	The PRC**	RMB97,000,000	**100%**	100%	Online game tournament services
上海好彩	The PRC*	RMB6,000,000	**100%**	100%	Online game tournament services
上海基豐投資管理有限公司	The PRC*	RMB171,206,300	**100%**	100%	Investment holding
海南寶瀛實業有限公司	The PRC**	US$25,000,000	**100%**	100%	Investment holding

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

* private limited liability company

** wholly-owned foreign enterprise

47. BALANCE SHEET OF THE COMPANY

	2009 HK$'000	2008 HK$'000
Non-current assets		
Property, plant and equipment	5,918	5,667
Investments in subsidiaries	–	–
	5,918	5,667
Current assets		
Other receivables	717	16,130
Amounts due from subsidiaries *(Note (i))*	264,525	320,674
Held-to-maturity investments	–	213,444
Convertible note receivables	3,864	–
Bank fiduciary deposit	12,102	169,976
Cash and cash equivalents	176,592	49,549
	457,800	769,773
Current liabilities		
Other payables	1,334	2,026
Amounts due to related companies *(Note (ii))*	13	175
Amounts due to directors *(Note (ii))*	6	1,290
Obligation under finance lease, due within one year	356	356
	1,709	3,847
Net current assets	456,091	765,926
Total assets less current liabilities	462,009	771,593
Non-current liabilities		
Obligation under finance lease, due after one year	414	770
Convertible notes	13,597	18,138
	14,011	18,908
	447,998	752,685
Capital and reserves		
Share capital	4,853	3,893
Share premium	823,684	740,479
Capital reserve	3,729	5,468
Capital redemption reserve	1,190	1,190
(Accumulated losses)/retained earnings	(385,458)	1,655
	447,998	752,685

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

47. BALANCE SHEET OF THE COMPANY *(Continued)*

Notes:

(i) The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

(ii) The amounts due to related companies and directors are unsecured, interest-free and repayable on demand.

48. COMPARATIVE FIGURES

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