C Y Foundation Group Limited

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

Annual Report 2009/10

Contents

Corporate Information

BOARD OF DIRECTORS

Executive:

CHENG Chee Tock Theodore *(Chairman)*
WOELM Samuel
WU Chuang John
CAO Dongxin
HO Chi Chung Joseph *(Acting CEO)*
YU Ping
ZHANG Yiwei
TANG Ming
HU Xichang

Independent Non-executive:

WANG Shanchuan
NG Pui Lung
FUNG Pui Cheung Eugene

AUDIT COMMITTEE

WANG Shanchuan *(chairman)*
NG Pui Lung
FUNG Pui Cheung Eugene

REMUNERATION COMMITTEE

CHENG Chee Tock Theodore *(chairman)*
WANG Shanchuan
FUNG Pui Cheung Eugene

PRINCIPAL BANKERS

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

AUDITOR

SHINEWING (HK) CPA Limited

COMPANY SECRETARY

CHEUNG Chin Wa Angus, ACS, ACIS

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
26th Floor 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									
	2010		2009		2008		2007		2006	
	Continuing operations HK$'000	Discontinued operations HK$'000	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)
Turnover	117,149	–	57,046	–	664	33,880	77,634	55	86,887	5,004
Loss from operations	(73,305)	–	(103,784)	(2,359)	(37,139)	(15,686)	(23,282)	(3,036)	(20,734)	(2,524)
Share of results of associates	35	–	2	–	–	–	–	–	–	–
Exchange gain (loss)	12,751	–	(60,762)	–	6,923	795	–	–	–	–
Impairment loss of other receivables	(31,023)	–	(25,329)	–	–	–	–	–	–	–
Changes in fair value of investment properties	13,035	–	(258)	–	2,432	–	–	–	–	–
Loss on dissolution of a subsidiary	–	–	(2,635)	–	–	–	–	–	–	–
Discount on acquisition	–	–	–	–	1,389	–	–	–	–	
Finance costs	(1,610)	–	(2,864)	(278)	(2,147)	(282)	(869)	–	(1,924)	(5)
Gain on disposal of subsidiaries	–	–	–	–	–	3,440	–	–	–	–
Loss on disposal of available-for-sale financial assets	–	–	–	–	–	–	–	(13,288)	–	–
Other non-operating items	–	–	–	–	–	–	–	–	2,327	73
Loss before income tax	(80,117)	–	(195,630)	(2,637)	(28,542)	(11,733)	(24,151)	(16,324)	(20,331)	(2,456)
Income tax expense	(3,429)	–	(358)	(58)	(608)	–	–	–	–	–
Loss before minority interests	(83,546)	–	(195,988)	(2,695)	(29,150)	(11,733)	(24,151)	(16,324)	(20,331)	(2,456)
Minority interests	4,952	–	3,021	–	(480)	–	–	–	–	–
Net loss attributable to owners of the parent	(78,594)	–	(192,967)	(2,695)	(29,630)	(11,733)	(24,151)	(16,324)	(20,331)	(2,456)

Five Year Financial Summary

	At 31 March									
	2010		2009		2008		2007		2006	
	Continuing operations HK$'000	Discontinued operations HK$'000	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)
Total assets	627,036	–	709,693	2,817	840,463	32,825	822,513	–	68,949	4,401
Total liabilities	(77,868)	–	(103,081)	(4,496)	(76,734)	(31,808)	(775,185)	–	(29,429)	(2)
Minority interests	(1,264)	–	(3,955)	–	(6,001)	–	–	–	–	–
Equity attributable to owners of the parent	547,904	–	602,657	(1,679)	757,728	1,017	47,328	–	39,520	4,399

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 ("Company", together with its subsidiaries, "Group"), I am pleased to present the Group's annual report for the year ended 31 March 2010 ("Year under Review").

During the Year under Review, with dispute between the shareholders of the Group, the management continued to adhere to the implementation of the e-sports tournaments and digital entertainment in the People's Republic of China ("PRC") as the core strategy of our business. With the rapid and diversified development in the PRC market, the Group actively strengthened the business under development and explored many new business opportunities.

The Group invested the exclusive distribution right in the PRC for one of South Korea's most popular massive multiplayer online role-playing game ("MMORPG") 'Rohan', which was approved by relevant authorities through secondary development in the year and has entered the stage of final promotion and closed-beta testing for launch in the market. In the past year, the Group has also introduced a number of new products, including an all round online entertainment platform 'Juesheng IEF' (www.iefgames.com) which brings 24-hour non-stop online entertainment and e-sports games to the players. Meanwhile, to further enrich our product platform, we have cooperated with an independent online game developer and provided the platform and publicity program for their online games including the 'Little Big Soldier', which originated from the action-comedy played by the international superstar Jackie Chan.

For the e-sports tournament business, with the experiences of hosting international e-sports tournaments such as the International E-sport Festival ("IEF") with the Youth League in the past few years, the Group co-organized an e-sports tournament for national team tryout named the 2010 'T-Matrix Cup' with the China Sports Industry Group ("China Sports Industry"), a business arm of the State General Administration of Sports through T-Matrix Culture Company Limited ("T-Matrix"), a wholly-owned subsidiary of the Company. The winners of 'T-Matrix Cup' will represent the PRC to participate in various international competitions. Through this cooperation, the Group has established a good working relationship with the State General Administration of Sports and China Sports Industry as both parties are exploring the opportunity for full cooperation and looking for a plan for co-development of e-sports tournaments and sports theme properties.

Finally, on behalf of the Board, I would like to express our sincere gratitude to our shareholders and business partners for their support in the past year and to our staff for their dedication to the Group, who have laid a solid foundation for our business and future development.

CHENG Chee Tock Theodore
Chairman

Business Review and Outlook

BUSINESS REVIEW

During the financial year ended 31 March 2010, the Group successfully achieved a number of milestones in its efforts to enter the PRC's burgeoning digital entertainment industry. During the Year under Review, the revenues of the Group totalled HK$117.1 million, representing a 105.4% increase compared to HK$57.0 million of last year. 2.2% of the revenues were generated from the Group's digital entertainment business and 97.8% were from Kingbox (Asia) Limited ("Kingbox").

DIGITAL ENTERTAINMENT BUSINESS

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

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

PRODUCT PLATFORM

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

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

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

E-SPORT TOURNAMENT

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

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

KINGBOX

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

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

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

PROSPECTS

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

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

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

FINANCIAL REVIEW

RESULTS

After the continue effort, the Group had recorded significant improving financial results during the Year under Review. Revenue increased by 105.4% to HK$117.1 million as compared to HK$57.0 million of last year. The significant improvement in revenue is driven by the first full year contribution from Kingbox that was acquired in financial year 08/09.

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

Business Review and Outlook

During the Year under Review, impairment losses in respect of various assets of HK$31 million had been made as the Board considered that they were not recoverable. The details were set out on Note 10 of the consolidated financial statements.

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

SHARE OPTIONS AND CONVERTIBLE NOTES

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

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

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

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

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

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

CAPITAL RESOURCES AND CURRENCY EXPOSURE

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

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

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

At 31 March 2010, the bank balances and cash (including pledged bank deposits) of the Group amounted to approximately HK$127.5 million. The Group's bank borrowing was approximately HK$43.6 million, approximately HK$4.8 million of which was payable within one year. The Group's bank borrowing is mainly denominated in HK$ and made on a floating rate basis.

The gearing ratio of interest bearing borrowing (net of the zero coupon rate convertible notes) against the total equity as at 31 March 2010 was 7.9%. As the majority of bank fiduciary deposits and cash on hand were in AUD, US$, RMB, Euro, GBP and HK$ during the Year under Review, the Group's exchange risk exposure depends on the movement of the exchange rate of the aforesaid currencies. During the Year under Review, the Group had exchange gain of HK$12.8 million which was mainly due to the appreciation of AUD. Moreover, the trading receipt of foreign currencies would also be used to settle the loans advanced in the same foreign currencies.

PLEDGE OF ASSETS

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

COMMITMENTS

Details of commitments of the Group are set out in Note 47 to the consolidated financial statement.

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group are set out in Note 48 to the consolidated financial statement.

LITIGATION

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

EVENTS AFTER THE END OF THE REPORTING PERIOD

Details of the events after the end of the reporting period are set out in Note 52 to the consolidated financial statements.

Directors' Profile

EXECUTIVE DIRECTORS

CHENG Chee Tock Theodore, aged 61, joined the Group in February 2007. He was educated in the department of electronic engineering of 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. Mr Cheng is also the chairman, a director and the controlling shareholder of Sino Strategic International Limited ("Sino Strategic"), 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 many years. Mr Cheng is the Chairman and is responsible for the Group's strategy planning and to steer the Group's development direction. Mr Cheng is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr Cheng is the chairman of the Remuneration Committee.

WOELM Samuel, aged 43, joined the Group 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 many 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.

WU Chuang John, aged 61, joined the Group 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. He is a non-executive director of Sino Strategic.

CAO Dongxin, aged 59, 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 ("CYF Culture"), an 80.2% variable interest entity of the Company established in the PRC.

HO Chi Chung Joseph, aged 59, joined the Group in September 2008 and was later appointed as the Acting Chief Executive Officer of the Group in December 2008. He holds a Bachelor of Science Degree in Chemistry and a Master of Business Administration in Finance & Marketing from University of California Berkeley USA. He is also a Canadian Chartered Accountant since 1979. Prior to joining the Group, Mr Ho held senior management positions in many major international consumer brands and multinational companies with both business development and general management experiences across Asia (including the PRC and Hong Kong) and North America for over 30 years.

YU Ping, aged 57, joined CYF Culture in 2007 as the Assistant General Manager and a director. Mr Yu obtained a Bachelor's Degree from the China Central Radio and TV University with a major in statistics. Mr Yu has more than 19 years' of experience in managerial positions in various corporations and political and other organizations. He is currently the Secretary General in the Esports Working Committee of the China Youth Internet Association and International E-sports Festival Chinese Executive Committee.

ZHANG Yiwei, aged 55, joined the Company in 2006 and currently serves as an Executive Vice President of the Company, and is stationed in Shanghai, the PRC. He received a Master of Business Administration Degree from Shanghai Jiao Tong University. He has extensive experience in the operation and management of investment projects and is exceptionally experienced in the investment and operation in the industry of internet and mobile communications and their ancillary services. Mr Zhang has over 19 years' of experience in senior positions in companies listed in Hong Kong and elsewhere, during which he managed and engaged in numerous investment and merger and acquisition activities. Prior to joining the Company, he was the chief executive officer of Ruili Holdings Limited, a listed company in Hong Kong, which mainly engaged in the investment in media, internet and software.

TANG Ming, aged 37, joined the Company in 2009. Mr Tang received a Bachelor's Degree from the Central University of Finance and Economics in the PRC, a Master of Business Administration Degree from ESERP Escuela Universitaria in Spain & ESICAD Business School in France, and a Master Degree in Financial Engineering from Claremont Graduate University in the United States. He has more than 10 years' of working experience in the financial industry. He has held many senior positions in a PRC investment bank, US banks and US venture capital firm, responsible mostly for project analysis, evaluation and investment decisions.

HU Xichang, aged 30, joined the group in 2006 as the supervisor of C Y Investment Consultancy (Wuxi) Limited, an indirect wholly owned subsidiary of the Company in Wuxi ("Wuxi Office"), and was subsequently appointed the General Manager for the Wuxi Office. Mr Hu obtained an Executive Master of Business Administration Degree from AnTai Economics and Management College of Shanghai Jiaotong University. He has over 9 years' experience in a number of fields including publishing, event organizing and trade. Prior to joining the Group, Mr Hu held senior positions in newspaper publishing companies and he founded a trading company in Wuxi.

INDEPENDENT NON-EXECUTIVE DIRECTORS

WANG Shanchuan, aged 65, joined the Group 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 the chairman of the Audit Committee and a member of the Remunerations Committee.

NG Pui Lung, aged 31, joined the Group in November 2009. Mr Ng obtained his Bachelor's Degree in Computer Science from the State University of California at Hayward in 2004. He qualified the Certificate of Hong Kong Securities Institute on Shares, FX and Futures respectively in 2008 and obtained the Hong Kong Securities Institute Practicing Certificate – Securities and Hong Kong Securities Institute Practicing Certificate – Derivatives. He also holds the Estate Agent’s Licence. Mr Ng has been acting as a financial consultant of equity securities, commodity and property since March 2008. Mr Ng has more than 7 years of experience in the management and the human resources management fields with a good understanding of Asia and United States markets and cultures. He is currently a director of Hung Property Limited, a local private property agency which is mainly engaged in real estates sales and wealth consultancy. He is a member of the Audit Committee.

Directors' Profile

FUNG Pui Cheung Eugene, aged 61, joined the Group in February 2010. Mr Fung holds a Master of Arts Degree from Antioch University of USA. Mr Fung is a Certified Public Accountant, a fellow member of Hong Kong Institute of Certified Public Accountants, a member of The Institute of Chartered Accountants in England & Wales as well as The Certified General Accountant's Association of Canada. Since 30 September 2004 and 1 February 2010, Mr Fung has been an independent non-executive director of Vantage International (Holdings) Limited and China Liansu Group Holdings Limited, both of which are listed on the main board of the Stock Exchange of Hong Kong Limited. He is presently a director of Pan-China (HK) CPA Limited and is now in private practice as a sole proprietor in the name of P. C. Fung & Company, Certified Public Accountants. He has previously served in senior and managerial positions in large local and international accounting firms. Mr Fung is currently an Honorary Associate of Baptist University, School of Business, a Committee member of The Hong Kong Chinese Importers' & Exporters' Association, a Standing Committee member of Democratic Alliance for Betterment and Progress of Hong Kong, a Standing Committee member of the Jiangxi Provincial Overseas Liaison Association and a member of the Financial Reporting Review Panel under the Financial Reporting Council and a member of the IRD Users Committee. Mr Fung is a member of each of the Audit Committee and the Remuneration Committee.

Directors' Report

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 31 March 2010.

PRINCIPAL ACTIVITIES

The current principal activities of the Group are acting as an interactive media entertainment company focused on providing quality entertainment across China. The Group is also principally engaged in manufacturing and sale of packaging products as well as watch trading respectively.

RESULTS AND DIVIDEND

The results of the Group for the period of the financial year under review are set out in the consolidated statement of comprehensive income on pages 30 to 31 of this Annual Report.

The Directors recommended no dividend to be paid in respect of the financial year under review (prior year: 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 at the end of the financial year under review is set out from page 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 42 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 from page 34 to 35 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.

3. The total number of shares in respect of which share options may be granted under the Share Option Scheme shall not exceed 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.

Directors' Report

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:

	Options to subscribe for shares of the Company							
Category of grantees	At the beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	At the end of the year	Date of grant	Exercise period	Exercise price per share
Employees of the Group	3,000,000	–	(3,000,000)	–	–	10.12.2008	10.12.2009–09.12.2018	HK$0.10
	3,000,000	–	–	–	3,000,000	10.12.2008	10.12.2010–09.12.2018	HK$0.10
	3,000,000	–	–	–	3,000,000	10.12.2008	10.12.2011–09.12.2018	HK$0.10
	–	500,000	–	(23,750)	476,250	30.04.2009	28.02.2010–28.02.2012	HK$0.52
	–	500,000	–	(23,750)	476,250	30.04.2009	28.08.2010–28.02.2012	HK$0.52
	–	500,000	–	(23,750)	476,250	30.04.2009	28.02.2011–28.02.2012	HK$0.52
	–	500,000	–	(23,750)	476,250	30.04.2009	28.08.2011–28.02.2012	HK$0.52
	9,000,000	2,000,000	(3,000,000)	(95,000)	7,905,000			
Other participant[(a)]	10,000,000	–	(10,000,000)	–	–	03.11.2008	03.11.2008–02.11.2018	HK$0.09
	10,000,000	–	(10,000,000)	–	–			
	19,000,000	2,000,000	(13,000,000)	(95,000)	7,905,000			

Note:

(a) Mr Sik Siu Kwan, a former NED, held 10,000,000 share options under the category Other Participant at the beginning of the year and exercised 10,000,000 share options after his resignation of directorship during the period from 1 September 2009 to 16 November 2009.

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 20 and 21 to the consolidated financial statements respectively.

ISSUE OF SHARES

1. On 22 December 2006, the Company announced the details of the issue of convertible note convertible into shares in the Company with conversion price of HK$0.01 per share. On 15 April 2009, Super Bonus Management Limited, a company owned by Ms YUNG Leonora, the spouse of the Chairman, exercised the conversion right under its convertible note of principal value of HK$15,000,000. Accordingly, 1,500,000,000 shares in the Company were issued on the date of exercise. Upon such exercise, all the convertible notes of the Company have been fully converted.

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 would be settled in 3 tranches by the issue of 11,145,818 shares in the Company at an issue price of HK$1.375. A total of 8,916,654 shares in the Company were issued as the first tranche and the second tranche of the consideration before the financial year under review. On 15 July 2009, 2,229,164 shares in the Company were issued as the last tranche of the consideration in the financial year under review.

3. On 22 December 2006, the Company announced the details of the issue of warrants to Luck Continent Limited, a substantial shareholder of the Company and wholly owned by Dato POH Po Lian, a former Director. The warrants are attached with subscription rights of HK$6,000,000 of right to subscribe shares in the Company at HK$0.01 per share. In December 2009 and January 2010, the subscription rights attached to the warrants were duly exercised as to HK$1,000,000 and HK$5,000,000. Accordingly, 100,000,000 shares and 500,000,000 shares in the Company were respectively issued on 8 December 2009 and 21 January 2010. Upon such issue, all the warrants of the Company have been fully exercised.

4. During the financial year under review, 6,000,000 shares, 3,000,000 shares and 4,000,000 shares were issued on 18 December 2009, 29 December 2009 and 12 January 2010 respectively upon exercise of share options and a total of 13,000,000 shares in the Company were issued in the financial year under review.

MAJOR CUSTOMERS AND SUPPLIERS

In the financial year under review, the percentage of turnover attributable to the Group's five largest customers to the total turnover was 55.7%. The percentage of turnover attributable to the Group's largest customer to the total turnover was 27%.

In the financial year under review, the percentage of purchases attributable to the Group's five largest suppliers to the total purchases was 50%. The percentage of purchase attributable to the Group's largest supplier to the total purchases was 13.9%.

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

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	
CAO Dongxin	
HO Chi Chung Joseph	(appointed on 16 November 2009)
YU Ping	(appointed on 16 November 2009)
ZHANG Yiwei	(appointed on 16 November 2009)
TANG Ming	(appointed on 16 November 2009)
HU Xichang	(appointed on 16 November 2009)

Non-executive Directors:

POH Po Lian	(re-designated on 28 April 2009 as Non-executive Director and resigned on 22 July 2009)
SIK Siu Kwan	(appointed on 1 September 2009 and resigned on 16 November 2009)

Independent Non-executive Directors:

WANG Shanchuan	
NG Pui Lung	(appointed on 16 November 2009)
FUNG Pui Cheung Eugene	(appointed on 1 February 2010)
SZE Tsai Ping Michael	(resigned on 3 November 2009)
CHOW Steven	(resigned on 21 December 2009)

In accordance with the terms of office of directorship, all Independent Non-executive Directors 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 CAO Dongxin shall retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting. In accordance with section 86(2) of the Company's Bye-laws, Messrs HO Chi Chung Joseph, YU Ping, ZHANG Yiwei, TANG Ming and HU Xichang shall retire and, being eligible, offer themselves 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 49 to the consolidated financial statements, 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' 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 were as follows:

LONG POSITION IN THE SHARES

Name	Capacity	Number of shares	Shareholding (%)
CHENG Chee Tock Theodore ("Mr Cheng") [(a)]	Interest of controlled corporation	1,757,142,856	27.66
HO Chi Chung Joseph	Beneficial owner	600,000	0.01
WU Chuang John	Beneficial owner	10,000,000	0.16
NG Pui Lung	Beneficial owner	1,140,000	0.02
		1,768,882,856	27.85

Note:

(a) The interest was held by Super Bonus Management Limited ("Super Bonus"), Treasure Bay Assets Limited ("Treasure Bay"), Pacific Equity Development Corp. ("Pacific Equity"), Super Mark Profits Corp. ("Super Mark"), Golden View Worldwide Limited ("Golden View") and Super Crown Venture Inc. ("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, details of which have been disclosed in the section headed "Substantial Shareholders" below.

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 for Securities Transactions by Directors of Listed Companies.

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:

LONG POSITIONS IN SHARES

Name	Capacity	Number of shares	Shareholding (%)
Mr Cheng [(a)]	Interest of controlled corporation	1,757,142,856	27.66
YUNG Leonora [(a)]	Interest of controlled corporation	1,757,142,856	27.66
Super Bonus Management Limited [(a)]	Beneficial owner	1,500,000,000	23.61
POH Po Lian	Interest of controlled corporation	3,246,264,127	51.08
Luck Continent Limited	Beneficial owner	3,246,264,127	46.61

Note:

(a) Pursuant to the SFO, Mr Cheng, the Chairman, 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 1,877 permanent employees, including 67 employees in Hong Kong and 1,810 in the PRC. The Group continued to review the remuneration packages of employees with reference to the level and composition of pay, general market condition and individual performance. Staff benefits include contribution to Mandatory Provident Fund Scheme and discretionary bonus, share option scheme, medical allowance 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 and Non-executive Director generally consists of:

- fixed salary/allowance – which is set in accordance to 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 Independent Non-executive Director was at a fixed annual/monthly payment.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes are set out in note 17 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 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 THE END OF THE REPORTING PERIOD

Details of the significant events after the end of the reporting period of the Group are set out in note 52 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 Independent Non-executive Director of the Company in compliance with rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange, and the Company still considers that each of them to be independent.

AUDITOR

The consolidated financial statements of the Group for the financial years ended 31 March 2010, 31 March 2009 and 31 March 2008 were audited by SHINEWING (HK) CPA Limited, and that for the year ended 31 March 2007 were audited by CCIF CPA Limited who resigned as auditor of the Company on 22 February 2008.

On behalf of the Board
CHENG Chee Tock Theodore
Chairman

Hong Kong, 30 July 2010

Corporate Governance Report

This corporate governance report ("CG Report") presents the corporate governance matters during the financial year ("CG Period"), required to be disclosed under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), in particular, the required compliance matters set out in Code on Corporate Governance Practices ("CG Code") and the Model Code for Securities Transactions by Directors of Listed Issuers ("Securities 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 Securities 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 to each executive Director ("ED") and independent non-executive Director ("INED") in respect of the due compliance of the rules and principles relevant to the Model Code.

The Company had duly complied with the CG Principles throughout the financial year under review with except for the deviations summarized as follows:

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

Model Code

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

BOARD OF DIRECTORS

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

The Board monitors the development and financial performance and sets strategic directions of the Group's business. Matters including material investment decisions, approving financial accounts, declaration of dividend, are reserved to the Board. Resolutions on operation matters are reserved to the Board of EDs. Commencing from 9 May 2007, 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 CG Period, the Board had held 25 physical Board meetings. Out of the above 25 Board meetings, 2 of them were held to discuss and/or approve the annual and the interim financial performance/results of the Group, 23 of them were held to discuss, among other things, various projects contemplated by the Group and the business strategy of the Group.

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

Director	**Capacity**	**Attendance**
CHENG Chee Tock Theodore	ED & Chairman	21/25
WOELM Samuel	ED	24/25
WU Chuang John	ED	24/25
CAO Dongxin	ED	21/25
HO Chi Chung Joseph	ED	18/18
YU Ping	ED	18/18
ZHANG Yiwei	ED	18/18
TANG Ming	ED	17/18
HU Xichang	ED	18/18
WANG Shanchuan	INED	23/25
NG Pui Lung	INED	18/18
FUNG Pui Cheung Eugene	INED	4/4
POH Po Lian	NED	0/1
SIK Siu Kwan	NED	0/6
SZE Tsai Ping Michael	INED	2/3
CHOW Steven	INED	9/15

During the CG Period, 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 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 CG Period, the Company had maintained a Remuneration Committee as required under the CG Code.

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

- 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 CG Period, the Remuneration Committee had held 1 physical meeting for the purpose of considering the remuneration of the Directors.

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

Member	Attendance
CHENG Chee Tock Theodore (chairman of committee)	1/1
WANG Shanchuan (appointed on 16 November 2009)	0/0
FUNG Pui Cheung Eugene (appointed on 1 February 2010)	0/0
SZE Tsai Ping Michael (resigned on 3 November 2009)	1/1
CHOW Steven (resigned on 21 December 2009)	1/1

The summary of the work performed by the Remuneration Committee for the CG Period included:

- endorsement to 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 Director for the financial year under review is set out in note 16 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 lain 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 CG Period, the Company had maintained an Audit Committee as required under the Listing Rules.

The major role and function of the Audit Committee included the follows:

- to consider the appointment of the external auditor, the audit fees and any questions of resignation or dismissal of the external auditor of the Group;
- to discuss with the external auditor 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 auditor may wish to discuss;
- to review the external auditor's 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 issuer's accounting and financial reporting function, and training programs and budget; and
- to consider the major findings of internal investigations.

During the CG Period, the Audit Committee had held 2 physical meetings. The above 2 meetings were held for discussing and/or approving the periodic financial results of the Group and/or discussing the internal audit of the Group.

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

Member	Attendance
WANG Shanchuan (chairman of committee)	2/2
NG Pui Lung (appointed on 16 November 2009)	1/2
FUNG Pui Cheung Eugene (appointed on 1 February 2010)	0/0
SZE Tsai Ping Michael (appointed on 21 May 2007 and resigned on 3 November 2009)	1/1
CHOW Steven (appointed on 21 May 2007 and resigned on 21 December 2009)	1/2

For the financial year ended 31 March 2010, 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;

- 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 service and non-audit service 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; and

- recommended to the Board for the approval of the audited financial statements of the financial year under review together with the Auditor's Report there attached, before the announcement of the annual results.

AUDITOR'S REMUNERATION

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

	HK$'000
Audit services	1,485
Non-audit services	
– Other advisory services	478
Total	1,963

Other advisory services include provisions of the interim report review, financial information for the circular of a major transaction and the special audit for the guaranteed profit arising from the acquisition of Kingbox (Asia) Limited.

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 auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report from page 28 to 29.

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 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 in 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.

On behalf of the Board
CHENG Chee Tock Theodore
Chairman

Hong Kong, 30 July 2010

Independent Auditor's Report

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF C Y FOUNDATION GROUP LIMITED
中青基業集團有限公司
(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 30 to 118, which comprise the consolidated statement of financial position as at 31 March 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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.

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 judgment, 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 2010 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
Chong Kwok Shing
Practising Certificate Number: P05139

Hong Kong
30 July 2010

Consolidated Statement of Comprehensive Income

Year ended 31 March 2010

	NOTES	2010 HK$'000	2009 HK$'000
Continuing operations			
Turnover	9	117,149	57,046
Cost of sales		(72,159)	(32,992)
Gross profit		44,990	24,054
Other operating income	9	20,761	21,433
Selling and distribution costs		(4,104)	(12,610)
Administrative expenses		(129,876)	(131,871)
Change in fair value of investment properties	20	13,035	(258)
Change in fair value of convertible note receivables		6,042	870
Exchange gain (loss)		12,751	(60,762)
Impairment loss recognised in respect of various assets	10	(31,023)	(25,329)
Written off of property, plant and equipment		(11,118)	(5,660)
Share of results of associates		35	2
Loss on dissolution of a subsidiary	46	–	(2,635)
Finance costs	12	(1,610)	(2,864)
Loss before taxation		(80,117)	(195,630)
Income tax expense	13	(3,429)	(358)
Loss for the year from continuing operations		(83,546)	(195,988)
Discontinued operation			
Loss for the year from discontinued operation	14	–	(2,695)
Loss for the year	15	(83,546)	(198,683)
Other comprehensive income			
Change in fair value of investment properties		–	911
Exchange difference arising on translation of foreign operations		1,554	4,904
Income tax relating to components of other comprehensive income		–	(227)
Other comprehensive income for the year, net of tax		1,554	5,588
Total comprehensive expenses for the year		(81,992)	(193,095)

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010

	NOTES	2010 HK$'000	2009 HK$'000
Loss for the year attributable to:			
Owners of the parent		(78,594)	(195,662)
Minority interests		(4,952)	(3,021)
		(83,546)	(198,683)
Total comprehensive expenses attributable to:			
Owners of the parent		(77,057)	(190,494)
Minority interests		(4,935)	(2,601)
		(81,992)	(193,095)
Loss per share – basic and diluted	*18*		
– continuing operations		HK(1.22) cents	HK(4.16) cents
– discontinued operation		–	HK(0.06) cents
		HK(1.22) cents	HK(4.22) cents

Consolidated Statement of Financial Position

At 31 March 2010

	NOTES	31.3.2010 HK$'000	31.3.2009 HK$'000 (Restated)	1.4.2008 HK$'000
Non-current assets				
Investment properties	20	62,876	49,494	35,601
Property, plant and equipment	21	42,917	65,580	53,225
Prepaid lease payments	22	70,720	71,775	69,527
Intangible assets	23	19,580	31,685	29,321
Goodwill	24	101,280	107,130	8,370
Interests in associates	25	25,033	4,002	–
Convertible note receivables at fair value through profit or loss	26	48,616	20,471	–
Derivative financial instruments	27	193	–	–
Held-to-maturity investments	28	2,000	2,000	–
Deposits paid for acquisition of intangible assets		–	2,196	–
		373,215	354,333	196,044
Current assets				
Inventories	29	28,774	21,952	469
Prepaid lease payments	22	1,153	1,150	1,081
Trade and other receivables	30	58,427	41,608	70,469
Deposits paid for acquisition of property, plant and equipment	31	23,576	23,431	–
Convertible note receivables at fair value through profit or loss	26	12,996	4,020	–
Loans to minority shareholders of a subsidiary	32	–	3,955	5,779
Amount due from a related company	33	20	–	–
Derivative financial instruments	27	1,149	850	–
Held-to-maturity investments	28	–	–	213,444
Income tax recoverable		214	–	–
Bank fiduciary deposit	34	–	12,102	169,976
Pledged bank deposits	35	22,050	18,051	–
Bank balances and cash	35	105,462	231,058	216,026
		253,821	358,177	677,244
Current liabilities				
Trade and other payables	36	30,035	32,006	47,634
Amounts due to directors	37	39	6	1,290
Amounts due to related companies	37	15	24	186
Obligations under finance lease – due within one year	38	356	356	356
Bank borrowings – due within one year	39	4,848	24,751	9,929
Income tax payable		–	583	–
		35,293	57,726	59,395
Net current assets		218,528	300,451	617,849
		591,743	654,784	813,893

Consolidated Statement of Financial Position

At 31 March 2010

	NOTES	31.3.2010 HK$'000	31.3.2009 HK$'000 (Restated)	1.4.2008 HK$'000
Capital and reserves				
Share capital	42	6,969	4,853	3,893
Reserves		540,935	596,125	754,852
Equity attributable to owners of the parent		547,904	600,978	758,745
Minority interests		1,264	3,955	6,001
		549,168	604,933	764,746
Non-current liabilities				
Obligations under finance lease – due after one year	38	58	414	770
Bank borrowings – due after one year	39	38,708	34,556	29,484
Convertible loan notes	40	–	13,597	18,138
Deferred taxation	41	3,809	1,284	755
		42,575	49,851	49,147
		591,743	654,784	813,893

The consolidated financial statements on pages 30 to 118 were approved and authorised for issue by the board of directors on 30 July 2010 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 2010

	Attributable to owners of the parent												
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Assets revaluation reserve HK$'000	Other reserve HK$'000 *(Note a)*	Capital reserve HK$'000 *(Note b)*	Exchange translation reserve HK$'000	Capital redemption reserve HK$'000	Reserve fund HK$'000 *(Note c)*	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2008	3,893	740,479	–	–	–	5,468	18,858	1,190	135	(11,278)	758,745	6,001	764,746
Total comprehensive income (expenses) for the year	–	–	–	684	–	–	4,484	–	–	(195,662)	(190,494)	(2,601)	(193,095)
Issue of shares													
– conversion of convertible loan notes	700	6,868	–	–	–	(1,739)	–	–	–	–	5,829	–	5,829
– settlement of consideration in respect of acquisition of subsidiaries	260	25,166	–	–	–	–	–	–	–	–	25,426	–	25,426
Recognition of equity-settled share based payments	–	–	2,027	–	–	–	–	–	–	–	2,027	–	2,027
Acquisition of additional interest in subsidiaries *(Note d)*	–	–	–	–	(555)	–	–	–	–	–	(555)	555	–
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 2010

	Attributable to owners of the parent												
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Assets revaluation reserve HK$'000	Other reserve HK$'000 *(Note a)*	Capital reserve HK$'000 *(Note b)*	Exchange translation reserve HK$'000	Capital redemption reserve HK$'000	Reserve fund HK$'000 *(Note c)*	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2009	4,853	772,513	2,027	684	(555)	3,729	23,342	1,190	135	(206,940)	600,978	3,955	604,933
Total comprehensive income (expenses) for the year	-	-	-	-	-	-	1,537	-	-	(78,594)	(77,057)	(4,935)	(81,992)
Issue of shares													
– conversion of convertible loan notes	1,500	15,882	-	-	-	(3,729)	-	-	-	-	13,653	-	13,653
– settlement of consideration in respect of acquisition of subsidiaries	3	3,062	-	-	-	-	-	-	-	-	3,065	-	3,065
– exercise of warrant subscription rights	600	5,400	-	-	-	-	-	-	-	-	6,000	-	6,000
– exercise of share options	13	2,954	(1,767)	-	-	-	-	-	-	-	1,200	-	1,200
Capital contribution by minority shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	2,244	2,244
Recognition of equity-settled share based payment	-	-	65	-	-	-	-	-	-	-	65	-	65
Lapse of share options	-	-	(1)	-	-	-	-	-	-	1	-	-	-
At 31 March 2010	6,969	799,811	324	684	(555)	-	24,879	1,190	135	(285,533)	547,904	1,264	549,168

Notes:

a) 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.

b) 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.

c) 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 its use.

d) During the year ended 31 March 2009, the Group acquired the remaining 10% equity interests in 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 Statement of Cash Flows

For the year ended 31 March 2010

	2010 HK$'000	2009 HK$'000 (Restated)
OPERATING ACTIVITIES		
Loss before taxation		
– from continuing operations	(80,117)	(195,630)
– from discontinued operations	–	(2,637)
	(80,117)	(198,267)
Adjustments for:		
Amortisation of prepaid lease payment	1,152	1,162
Amortisation of intangible assets	1,788	823
Changes in fair value of investment properties	(13,035)	258
Changes in fair value of convertible note receivables	(6,042)	(870)
Changes in fair value of derivative financial instruments	(1,342)	(636)
Depreciation of property, plant and equipment	13,657	9,480
Equity-settled share-based payment	65	2,027
Gain on disposal of derivative financial instruments	(739)	–
Gain on disposal of subsidiaries	(1,624)	–
Impairment loss recognised in respect of other receivables	3,000	25,329
Impairment loss recognised in respect of interests in associates	4,004	–
Impairment loss recognised in respect of intangible asset	13,954	–
Impairment loss recognised in respect of goodwill	5,868	–
Impairment loss recognised in respect of loans to minority shareholders of a subsidiary	4,197	–
Imputed interest on convertible loan notes	56	1,288
Interest expenses	1,554	1,854
Interest income	(2,957)	(15,525)
Loss on dissolution of a subsidiary	–	2,635
Loss on disposal of property, plant and equipment	568	116
Loss on disposal of held-to-maturity investments	–	1,690
Management service fees from minority shareholders of a subsidiary	–	1,824
Reversal of impairment loss recognised in respect of other receivables	(5,330)	–
Share of results of associates	(35)	(2)
Waiver of other payables	(1,168)	–
Written-off of inventories	114	–
Written-off of property, plant and equipment	11,118	5,660
Operating cash flows before movements in working capital	(51,294)	(161,154)
Increase in inventories	(6,932)	(779)
(Increase) decrease in trade and other receivables	(3,573)	24,099
Increase (decrease) in trade and other payables	6,697	(17,346)
Cash used in operations	(55,102)	(155,180)
PRC Enterprise Income Tax paid	(17)	–
Hong Kong Profits Tax paid	(1,700)	(213)
NET CASH USED IN OPERATING ACTIVITIES	(56,819)	(155,393)

Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	NOTES	2010 HK$'000	2009 HK$'000 (Restated)
INVESTING ACTIVITIES			
Acquisition of convertible note receivables		(34,878)	(23,667)
Acquisition of an associate		(25,000)	(4,000)
Deposit paid for acquisition of convertible note receivables		(12,000)	–
Increase in pledged bank deposits		(3,999)	(18,051)
Purchase of property, plant and equipment		(2,850)	(20,907)
Purchase of intangible assets		(1,292)	(2,683)
(Advance to) repayment of loans to minority shareholders of a subsidiary		(229)	–
Net cash (outflow) inflow in respect of the disposal of subsidiaries	45	(187)	1,989
Advance to a related company		(20)	–
Decrease in bank fiduciary deposit		12,102	157,874
Redemption of convertible note receivables		3,876	–
Proceeds from disposal of derivative financial instrument		1,589	–
Interest received		1,576	15,525
Proceeds from disposal of property, plant and equipment		342	161
Proceeds from disposal of held-to-maturity investments		–	209,754
Net cash outflow in respect of the acquisition of subsidiaries	44	–	(96,163)
Deposit paid for acquisition of property, plant and equipment		–	(23,431)
Deposit paid for acquisition of intangible assets		–	(2,196)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(60,970)	194,205
FINANCING ACTIVITIES			
Repayment of bank borrowings		(24,751)	(89,384)
Interest paid		(1,554)	(1,854)
Repayment of obligations under finance lease		(356)	(356)
Repayment of advances from related companies		(9)	(264)
New bank borrowings raised		9,000	71,318
Proceeds from issue of ordinary shares		7,200	–
Capital injection from minority shareholders		2,244	–
Advances from (repayments to) directors		33	(6,166)
NET CASH USED IN FINANCING ACTIVITIES		(8,193)	(26,706)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(125,982)	12,106
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		231,058	216,026
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		386	2,926
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		105,462	231,058

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

1. GENERAL

C Y Foundation Group Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act. The shares of the Company 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 "BVI").

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 consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

The principal activities of the Company is investment holding and the principal activities of its subsidiaries are set out in Note 51.

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

In the current year, the Group has applied the following new and revised standards, amendments to standards and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

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

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

New and revised HKFRSs affecting presentation and disclosure only

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

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

[1] Effective for annual periods beginning on or after 1 July 2009.
[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
[3] Amendments that are effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
[4] Effective for annual periods beginning on or after 1 January 2010.
[5] Effective for annual periods beginning on or after 1 February 2010.
[6] Effective for annual periods beginning on or after 1 July 2010.
[7] Effective for annual periods beginning on or after 1 January 2011.
[8] Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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 and by the Hong Kong Companies Ordinance.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of consolidation (Continued)

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income 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.

(b) Business combinations

The acquisition of businesses 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.

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.

(c) Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

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 profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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 associates are carried in the consolidated statement of financial position 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 Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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.

(e) 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 the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

(f) 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.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and asset revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated losses.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property, plant and equipment (Continued)

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 profit or loss in the period in which the item is derecognised.

(g) Prepaid lease payments

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

(h) Intangible assets

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.

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.

(i) Inventories

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. 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 (other than financial assets or financial liabilities at fair value through profit or loss) 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 one of three categories, including financial assets at fair value through profit or loss, 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 marketplace.

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 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 to the net carrying amount on initial recognition.

Interest income is recognised on effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

The Group's financial asset at fair value through profit or loss comprise convertible notes receivables.

A financial asset may be designated as at fair value through profit or loss 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 fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value, with changes in fair value arising from remeasurement 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, loans to minority shareholders of a subsidiary, amount due from a related company, bank fiduciary deposit, pledged bank deposit and bank balances and cash) 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. The Group designated investments in a structured deposit as held-to-maturity investments. 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).

Impairment loss on financial assets

Financial assets, other than those at financial asset at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. 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 financial assets have been affected.

For 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 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, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on the receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Impairment loss on financial assets (Continued)

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.

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 as other financial liabilities.

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, obligations under finance lease and bank 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 loan notes

Convertible loan notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that 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 classified as an equity instrument.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Convertible loan notes (Continued)

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in the capital reserve until the embedded 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 profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loan 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 portion and amortised over the period of the convertible loan notes using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivate contract date is entered into and are subsequently remeasured to their fair value at the end of each reporting period. 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 in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. 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. An 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) 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 taxes.

i) Sale of goods

Revenue from sales of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

ii) Service income

Service income is recognised when services are provided.

iii) Interest income

Interest income from a financial asset (including financial assets at fair value through profit or loss) 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 on initial recognition.

(m) Equity-settled share-based payment transactions

Share options granted to directors and employees

The fair value of services received is determined by reference to the fair 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 the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

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 after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of services received, unless that fair value cannot be reliably measured, in which case services received are 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Taxation

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 profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items 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 end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those 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 associated with investments in subsidiaries and associates, 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 assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in to profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity, respectively.

(o) 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 the respective 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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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 retranslation of monetary items, are recognised in profit or loss in the period 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 period.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) 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 end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange translation reserve).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the exchange translation reserve.

(p) Retirement benefits costs

Payments to the state-managed retirement benefit schemes and defined contribution retirement plans are charged as an expense when employees have rendered services entitling them to the contributions.

(q) Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

(r) 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 profit or loss on a straight-line basis over the term of the relevant lease.

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 statement of financial position 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.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Leasehold land and building

The land and building elements of a lease of land and buildings 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 interest in land are accounted for as operating leases and amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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 judgment in apply the entity's accounting policies

The critical judgment, 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 effects on the amounts recognised in the consolidated financial statement.

Held-to-maturity investments

The directors of the company have reviewed the Group's held-to-maturity investments in the light of its capital maintenance and liquidity requirements and have confirmed the Group's positive intention and ability to hold those assets to maturity. The carrying amount of the held-to-maturity investments was approximately HK$2,000,000 (2009: HK$2,000,000). Details of these assets are set out in Note 28.

Key sources of estimation uncertainty

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

(a) Estimated 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 Group 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. At 31 March 2010, the carrying amounts of goodwill is approximately HK$101,280,000 (2009: HK$107,130,000), net of accumulated impairment loss of approximately HK$5,885,000 (2009: HK$6,433,000). Details of impairment testing on goodwill are set out in Note 24 (b).

(b) Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 31 March 2010 at their fair value of approximately HK$62,876,000 (2009: 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 statement of comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(c) Depreciation of property, plant and equipment and amortisation of intangible assets

Property, plant and equipment are depreciated and intangible assets are amortised on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual values. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and intangible assets and if the expectation differs from the original estimates, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

(d) Written off and impairment loss recognised in respect of property, plant and equipment and prepaid lease payments

The impairment loss for and written off of property, plant and equipment and prepaid lease payments are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of property, plant and equipment and prepaid lease payments have been determined based on value-in-use calculations. These calculations require the use of estimates such as the future revenue and discount rates. No impairment was provided for both years. During the year ended 31 March 2010, property, plant and equipment of approximately HK$11,118,000 (2009: HK$5,660,000) was written off.

(e) Impairment loss recognised in respect of intangible assets

At the end of the reporting period, the Group performs tests on whether there has been impairment of intangible assets in accordance with the accounting policy stated in Note 3. The recoverable amounts of cash generating units are determined based on value in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in use calculations. At 31 March 2010, the carrying value of intangible assets was approximately HK$19,580,000 (2009: HK$31,685,000) (net of impairment loss of approximately HK$13,954,000 (2009: Nil).

(f) Impairment loss recognised in respect of trade receivables

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses. At 31 March 2010, the carrying amount of trade receivables was approximately HK$23,768,000 (2009: HK$29,747,000) (net of accumulated impairment loss of approximately Nil (2009: HK$9,116,000).

(g) Impairment loss recognised in respect of other receivables

The policy for provision of impairment loss of other receivables of the Group is determined by the management based on the evaluation of collectability and aging analysis of accounts and management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each receivables. At 31 March 2010, the carrying amount of other receivables was approximately HK$7,357,000 (2009: HK$3,418,000) (net of accumulated impairment loss of approximately HK$23,352,000 (2009: HK$29,462,000).

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(h) Fair value of convertible note receivables

Convertible note receivables are carried in the consolidated statement of financial position at 31 March 2010 at their fair value of approximately HK$61,612,000 (2009: HK$24,491,000). As described in Note 26, the directors of the Company use their judgment 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 statement of comprehensive income.

(i) Impairment loss recognised in respect of interests in associates

Interests in associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Value-in-use calculations are used for assessing the recoverable amount of these interests. These calculations require use of judgments and estimates.

Management judgment is required for assessing impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related carrying value of interests may not be recoverable; and (ii) whether the carrying value of the interests can be supported by the recoverable amount. Changing the estimations used by management in assessing impairment could materially affect the recoverable amount used in the impairment test and as a result affect the Group's consolidated financial position and results of operations. At 31 March 2010, the carrying value of interests in associates was approximately HK$25,033,000 (2009: HK$4,000,000) (net of accumulated impairment loss of approximately HK$4,004,000 (2009: Ni).

(j) Impairment loss recognised in respect of impairment of loans to minority shareholders of a subsidiary

The policy for provision of impairment loss of loans to minority shareholder of the Group is determined by the management based on the evaluation of collectability of accounts and management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each minority shareholder. At 31 March 2010, the carrying amount of to loans to minority shareholders of a subsidiary was Nil (2009: HK$3,955,000) (net of impairment loss of approximately HK$4,197,000 (2009: Nil).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consist of debt which includes obligations under finance lease as disclosed in Note 38, bank borrowings as disclosed in Note 39, pledged and unpledged bank balances and cash as disclosed in Note 35 and equity attributable to owners of the parent, comprising issued share capital and reserves. The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the associated risks, and take appropriate actions to adjust the Group's capital structure. The Group's overall strategy remains unchanged from prior periods.

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6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	31.3.2010 HK$'000	31.3.2009 HK$'000	1.4.2008 HK$'000
Financial assets			
Convertible note receivables at fair value through profit or loss	61,612	24,491	–
Derivative financial instruments	1,342	850	–
Held-to-maturity investments	2,000	2,000	213,444
Loans and receivables (including bank balances and cash)	184,864	304,345	462,250
	249,818	331,686	675,694
Financial liabilities			
Financial liabilities at amortised costs	69,848	89,788	89,649
Convertible loan notes	–	13,597	18,138
	69,848	103,385	107,787

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, convertible note receivables at fair value through profit or loss, loans to minority shareholders of a subsidiary, amount due from a related company, derivative financial instruments, held-to-maturity investments, bank fiduciary deposit, pledged bank deposits, bank balances and cash, trade and other payables, amounts due to directors and related companies, obligations under finance lease and bank borrowings are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. 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.

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 34% (2009: 34%) of the Group's sales are denominated in currencies other than the functional currency of the Group entity making the sale, whilst 100% (2009: 100%) of costs are denominated in the Group entity's functional currency.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	United States dollars ("US$")		Great Britain pounds ("GBP")		Renminbi ("RMB")		HK$		Australian dollars ("AUD")	
	2010 '000	2009 '000	2010 '000	2009 '000	2010 '000	2009 '000	2010 '000	2009 '000	2010 '000	2009 '000
Assets	2,278	19,490	200	181	2,042	1,121	29,964	11,112	3,502	6,238
Liabilities	356	346	6	7	4,676	1,656	24,151	15,954	–	–

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The Group is mainly exposed to US$, GBP, RMB, HK$ and AUD.

The following table details the Group's sensitivity to a 5% (2009: 10%) increase and decrease in US$, GBP, RMB, HK$ and AUD against EUR. 5% (2009: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possibly change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2009: 10%) change in foreign currency rates. A positive number below indicates a decrease in post-tax loss (2009: decrease in post-tax loss) where US$, GBP, RMB, HK$ and AUD strengthen 5% (2009: 10%) against the relevant currency. For a 5% (2009: 10%) weakening of US$, GBP, RMB, HK$ and AUD against the relevant currency, there would be an equal and opposite impact on the loss, and the balances below would be negative. As a result of the financial markets becoming more stable, the management adjusted the sensitivity analysis from 10% to 5% for the current year for the purpose of analysis the foreign currency risk of the Group.

	US$		GBP		RMB		HK$		AUD	
	2010 EUR'000	2009 EUR'000	2010 EUR'000	2009 EUR'000	2010 EUR'000	2009 EUR'000	2010 EUR'000	2009 EUR'000	2010 EUR'000	2009 EUR'000
Impact on loss for the year	(60)	(603)	(9)	(8)	12	2	(23)	20	(100)	(135)

This is mainly attributable to the exposure on outstanding derivative financial instruments, trade and other receivables, bank fiduciary deposit, bank balances and cash, trade and other payables and bank borrowings denominated in US$, GBP, RMB, HK$ and AUD at the end of the reporting period.

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7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk

The interest income is derived from the Group's current and short-term time deposits that carry interest at the respective banking deposit rate of the banks located in the PRC and Hong Kong.

The Group is exposed to fair value interest rate risk in relation to its fixed-rate convertible note receivables, bank fiduciary deposits, obligations under finance lease and convertible loan notes (see Notes 26, 34, 38 and 40, respectively for details). The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk, primarily in relation to its variable-rate bank deposits (see Note 35 for details) and bank borrowings (see Note 39 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 bank deposits are short-term in nature and the exposure of the interest rate risk is minimal and no sensitivity to interest rate risk is presented.

The Group's exposure to interest rates on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of base lending rate published by the People's Bank of China and the Hong Kong Interbank Offered Rate.

Sensitivity analysis

At 31 March 2010, it is estimated that a general 100 basis point (2009: 100 basis point) increase or decrease in interest rates, with all other variables held constant, would increase or decrease the Group's post-tax loss for the year ended and accumulated losses by approximately HK$378,000 (2009: HK$2,039,000).

The above sensitivity analysis has been determined assuming that a change in interest rates had occurred at the end of the reporting period 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 reporting period. The analysis was performed on the same basis for the year ended 31 March 2009.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

At 31 March 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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 the end of each reporting period 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 credit risk on liquid funds is limited because the counterparties are banks in Hong Kong with high credit ratings assigned by international credit rating agencies and authorised banks in the PRC with high credit ratings.

The Group's concentration of credit risk by geographical locations is mainly in Europe, which accounted for 73% (2009: 60%) of the total trade receivables at 31 March 2010.

The Group has concentration of credit risk as 14% and 63% (2009: 28% and 56%) of the total trade receivables due from the Group's largest customer and the five largest customers, respectively.

The credit risk on held-to-maturity investment is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

None of the Group's financial assets are secured by collateral or other credit enhancements.

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 flows 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.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities. The table has been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

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7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

	At 31 March 2010					
	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
Non-derivative financial liabilities						
Trade and other payables	25,824	–	–	–	25,824	25,824
Amounts due to directors	39	–	–	–	39	39
Amounts due to related companies	15	–	–	–	15	15
Obligations under finance lease	412	69	–	–	481	414
Bank borrowings	5,787	5,735	15,885	21,114	48,521	43,556
	32,077	5,804	15,885	21,114	74,880	69,848

	At 31 March 2009					
	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
Non-derivative financial liabilities						
Trade and other payables	29,681	–	–	–	29,681	29,681
Amounts due to directors	6	–	–	–	6	6
Amounts due to related companies	24	–	–	–	24	24
Obligations under finance lease	412	412	69	–	893	770
Bank borrowings	26,197	2,952	12,883	20,036	62,068	59,307
Convertible loan notes	–	15,000	–	–	15,000	13,597
	56,320	18,364	12,952	20,036	107,672	103,385

8. 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 in liquid markets are determined with reference to quoted market bid prices and ask prices, respectively;
- the fair value of the unlisted convertible loan notes is determined by using the discounted cash flows method at a market interest rate for the equivalent non-convertible loan note for its straight debt component and using the Black-Scholes-Merton Option Pricing model for its derivative components;
- the fair value of non-optional derivative instrument is calculated using quoted prices where such prices are not available, the fair value is estimated using discounted cash flow analysis and the applicable curve for the duration of the instruments. For option based derivative, the fair value is estimated using option pricing model.
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and

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

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

8. FAIR VALUE (Continued)

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e prices) or indirectly (i.e derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	At 31 March 2010			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Derivative financial instruments	–	1,342	–	1,342
Convertible note receivables at fair value through profit or loss	–	–	61,612	61,612
	–	1,342	61,612	62,954

The reconciliation of level 3 fair value measurements of financial assets is as follows:

	31.3.2010 HK$'000
At 1 April	24,491
Exchange realignment	77
Purchases	34,878
Settlements	(3,876)
Total gains recognised in profit or loss	6,042
At 31 March	61,612

There were no transfers between Level 1 and 2 in the current year.

Included in the consolidated statement of comprehensive income is a gain of HK$1,342,000 (2009: gain of HK$636,000) and gain of HK$6,042,000 (2009: gain of HK$870,000) which relates to the change in fair value of the derivate financial instruments and convertible note receivables, respectively at the end of the reporting period.

Convertible note receivables

The fair value of the liability component of convertible note receivables is determined assuming redemption on expiry and using a risk free interest rate from nil to 8% per annum.

9. TURNOVER AND OTHER OPERATING INCOME

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

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

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

Note:

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

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10. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF VARIOUS ASSETS

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

Notes:

i) For the year ended 31 March 2010, the impairment loss recognised in respect of other receivables of HK$3,000,000 relates to the deposit paid for the subscription of shares in a company. Details are set out in Note 30 (f).

For the year ended 31 March 2009, the impairment loss was recognised in respect of the amount due from Jiangsu East China Sea Huayu Industrial Co, Ltd* (江蘇東海華宇實業有限公司) ("Huayu") was approximately HK$25,329,000. After assessing the recoverability of the amount, the directors of the Company considered the amount irrecoverable which was due to its long outstanding.

In 2009, the Group took legal action against Huayu and following a judgment dated 12 February 2010 by the Beijing People's Second Intermediary Court ruled in favour of the Group, certain assets of Huayu have been seized pending from the repayment of the amount. Up to the date of issue of these consolidated financial statements an amount of approximately HK$5,330,000 has been received from Huayu and been recognised as a reversal of impairment loss for the year ended 31 March 2010.

* The English names are for identification only

ii) For the year ended 31 March 2010, the impairment loss recognised in respect of intangible assets of approximately HK$13,954,000 (2009: Nil) relates to the Group's licenses. Details of the impairment testing on the licenses are set out in Note 23 (a).

iii) For the year ended 31 March 2010, the impairment loss was recognised in respect of goodwill of approximately HK$5,868,000 (2009: Nil) which is related to the Group's digital entertainment business. Details of the impairment testing on the goodwill are set out in Note 24 (b).

iv) For the year ended 31 March 2010, impairment loss of approximately HK$4,004,000 was recognised in respect of the Group's interests in associates. Details are set out in Note 25 (c).

v) For the year ended 31 March 2010, the impairment loss was recognised in respect of the loans to minority shareholders of a subsidiary of approximately HK$4,197,000 (2009: Nil). Details of the impairment testing on the loans to minority shareholders of a subsidiary are set out in Note 32.

11. SEGMENT INFORMATION

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

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

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

Principal activities are as follows:

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

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

Information regarding the above segment is reported below.

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For the year ended 31 March 2010

11. SEGMENT INFORMATION (Continued)

(a) Segment revenue and results

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

	For the year ended 31 March											
	Continuing operations								Discontinued operation			
	Digital entertainment business		Packaging products business		Watch business		Sub-total		Apparel trading business		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER												
Revenue from external customers	2,631	1,735	103,857	54,960	10,661	351	117,149	57,046	–	–	117,149	57,046
RESULTS												
Segment profit (loss)	(77,609)	(71,496)	8,211	7,207	1,577	(617)	(67,821)	(64,906)	–	(4,317)	(67,821)	(69,223)
Interest income							2,957	15,382	–	143	2,957	15,525
Change in fair value of derivative financial instruments							1,342	636	–	–	1,342	636
Changes in fair value of investment properties							13,035	(258)	–	–	13,035	(258)
Change in fair value of convertible notes receivables							6,042	870	–	–	6,042	870
Exchange gain (loss)							12,751	(60,762)	–	–	12,751	(60,762)
Gain on disposal of derivative financial instruments							739	–	–	–	739	–
Gain on disposal of subsidiaries							1,624	–	–	–	1,624	–
Impairment loss recognised in respect of other receivables							(3,000)	(25,329)	–	–	(3,000)	(25,329)
Impairment loss recognised in respect of interests in associates							(4,004)	–	–	–	(4,004)	–
Impairment loss recognised in respect of loans to minority shareholders of a subsidiary							(4,197)	–	–	–	(4,197)	–

11. SEGMENT INFORMATION (Continued)

(a) Segment revenue and results (Continued)

	For the year ended 31 March											
	Continuing operations								Discontinued operation			
	Digital entertainment business		Packaging products business		Watch business		Sub-total		Apparel trading business		Consolidated	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Reversal of impairment loss recognised in respect of other receivables							5,330	–	–	–	5,330	–
Waiver of other payables							1,168	–	–	–	1,168	–
Loss on dissolution of a subsidiary							–	(2,635)	–	–	–	(2,635)
Share of results of associates							35	2	–	–	35	2
Unallocated income							7,601	5,415	–	1,815	7,601	7,230
Unallocated corporate expense							(52,109)	(61,181)	–	–	(52,109)	(61,181)
Finance costs							(1,610)	(2,864)	–	(278)	(1,610)	(3,142)
Loss before taxation							(80,117)	(195,630)	–	(2,637)	(80,117)	(198,267)

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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit (loss) represents the profit (loss) of each segment without allocation of interest income, change in fair value of derivative financial instruments, change in fair value of investment properties, change in fair value of convertible note receivables, exchange gain (loss), gain on disposal of derivative financial instruments, gain on disposal of subsidiaries, impairment loss recognised in respect of other receivables, impairment loss recognised in respect of investments in associates, impairment loss recognised in respect of loans to minority shareholders of a subsidiary, reversal of impairment loss recognised in respect of other receivables, waiver of other payables, loss on dissolution of a subsidiary, share of results of associates, centralised administrative expenses, directors' remunerations, finance costs and income tax expense. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and assessment of segment performance.

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11. SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

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

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

11. SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities (Continued)

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

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

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

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

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11. SEGMENT INFORMATION (Continued)

(c) Geographical information

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

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

Turnover by geographical market

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

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

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

11. SEGMENT INFORMATION (Continued)

(d) Other segment information

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

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

Note: Non-current assets exclude financial instruments.

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11. SEGMENT INFORMATION (Continued)

(e) Information about major customers

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

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

12. FINANCE COSTS

	Continuing operations		Discontinued operation		Consolidated	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Interest expenses on:						
– bank borrowings wholly repayable within five years	702	739	–	278	702	1,017
– bank borrowings not wholly repayable within five years	795	781	–	–	795	781
– imputed interest on convertible loan notes *(Note 40)*	56	1,288	–	–	56	1,288
– obligations under finance lease	57	56	–	–	57	56
	1,610	2,864	–	278	1,610	3,142

13. INCOME TAX EXPENSE

	Continuing operations		Discontinued operation		Consolidated	
	2010	2009	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong Profits Tax						
– current	665	72	–	58	665	130
– under-provision	239	–	–	–	239	–
	904	72	–	58	904	130
PRC Enterprise Income Tax						
– current	16	–	–	–	16	–
Deferred taxation *(Note 41)*						
– current period	2,509	346	–	–	2,509	346
– attributable to a change in tax rate	–	(60)	–	–	–	(60)
	2,509	286	–	–	2,509	286
	3,429	358	–	58	3,429	416

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

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

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

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

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13. INCOME TAX EXPENSE (Continued)

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

	Continuing operations		Discontinued operation		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Loss before taxation	**(80,117)**	(195,630)	**–**	(2,637)	**(80,117)**	(198,267)
Tax at the domestic income tax rate 16.5% (2009: 16.5%)	**(13,219)**	(32,279)	**–**	(435)	**(13,219)**	(32,714)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(2,136)**	(9,030)	**–**	–	**(2,136)**	(9,030)
Under-provision of taxation in prior years	**239**	–	**–**	–	**239**	–
Tax effect of income not taxable for tax purpose	**(3,772)**	(2,129)	**–**	–	**(3,772)**	(2,129)
Tax effect of expenses not deductible for tax purpose	**16,244**	29,786	**–**	493	**16,244**	30,279
Tax effect of deductible temporary differences not recognised	**5,779**	6,539	**–**	–	**5,779**	6,539
Tax effect of taxes losses not recognised	**1,956**	7,531	**–**	–	**1,956**	7,531
Utilisation of tax losses previously not recognised	**(330)**	–	**–**	–	**(330)**	–
Utilisation of other deductible temporary difference not recognised	**(1,332)**	–	**–**	–	**(1,332)**	–
Effect of change in tax rate	**–**	(60)	**–**	–	**–**	(60)
	3,429	358	**–**	58	**3,429**	416

Details of the deferred taxation are set out in Note 41.

14. DISCONTINUED OPERATION

On 29 June 2009, the Group completed the disposal of its entire equity interests in Hamlet Group to an independent third party.

Hamlet Group is engaged in the apparel trading business and the apparel trading business was regarded as discontinued operation accordingly during the year ended 31 March 2009. The results of the discontinued operation for the period were as follows:

	1/4/2008 to 31/3/2009 HK$'000
Turnover	–
Cost of sales	–
Gross profit	–
Other operating income	1,958
Administrative expenses	(4,317)
Finance costs	(278)
Loss before taxation	(2,637)
Income tax expense	(58)
Loss for the year	(2,695)

For the year ended 31 March 2009, Hamlet Group contributed to the Group's net operating cash flows of approximately HK$11,838,000, received approximately HK$1,732,000 in respect of investing activities and paid approximately HK$8,054,000 in respect of financing activities by the subsidiaries engaged in the apparel trading business.

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

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15. LOSS FOR THE YEAR

	Continuing operations		Discontinued operation		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Loss for the year has been arrived at after charging:						
Staff costs (including directors' emoluments):						
Salaries, allowances and other benefits in kind	**65,294**	55,544	**–**	826	**65,294**	56,370
Equity-settled share-based payment *(Note 43)*	**65**	530	**–**	–	**65**	530
Retirement benefits scheme contributions	**1,648**	1,191	**–**	51	**1,648**	1,242
Total staff costs	**67,007**	57,265	**–**	877	**67,007**	58,142
Auditor's remuneration						
– current year	**1,701**	1,019	**–**	–	**1,701**	1,019
– under-provision in prior years	**85**	74	**–**	–	**85**	74
	1,786	1,093	**–**	–	**1,786**	1,093
Amortisation of prepaid lease payment	**1,152**	1,162	**–**	–	**1,152**	1,162
Amortisation of intangible assets	**1,788**	823	**–**	–	**1,788**	823
Costs of inventories recognised as an expense	**70,831**	31,755	**–**	–	**70,831**	31,755
Depreciation of property, plant and equipment	**13,657**	9,480	**–**	–	**13,657**	9,480
Equity-settled share based payment (business associates) *(Note)*	**–**	1,497	**–**	–	**–**	1,497
Loss on disposal of property, plant and equipment	**568**	110	**–**	6	**568**	116
Loss on disposal of held-to-maturity investments	**–**	1,690	**–**	–	**–**	1,690
Operating lease rentals in respect of land and buildings	**10,900**	12,560	**–**	61	**10,900**	12,621
Royalty expenses	**–**	–	**–**	1,636	**–**	1,636
Written-off of inventories (included in cost of sales)	**114**	–	**–**	–	**114**	–

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

16. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the sixteen (2009: eight) directors were as follows:

	For the year ended 31 March 2010				
	Fees HK$'000	Salaries, allowances and other benefits in kind HK$'000	Equity-settled share-based payment HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors					
Mr. Cheng Chee Tock Theodore ("Mr. Cheng")	200	1,300	–	12	1,512
Mr. Poh Po Lian ("Mr. Poh") (re-designated from executive director to non-executive director on 28 April 2009)	–	–	–	–	–
Mr. Woelm Samuel	–	1,800	–	12	1,812
Mr. Wu Chuang John ("Mr. Wu")	200	445	–	–	645
Mr. Cao Dongxin	200	–	–	–	200
Mr. Ho Chi Chung Joseph (appointed on 16 November 2009)	75	484	–	12	571
Mr. Hu Xichang (appointed on 16 November 2009)	75	83	–	–	158
Mr. Yu Ping (appointed on 16 November 2009)	75	192	–	–	267
Mr. Zhang Yiwei (appointed on 16 November 2009)	75	205	–	–	280
Mr. Tang Ming (appointed on 16 November 2009)	75	221	–	–	296
Non-executive directors					
Mr. Poh (re-designated from executive director to non-executive director on 28 April 2009) (resigned on 22 July 2009)	62	–	–	12	74
Mr. Sik Siu Kwan (appointed on 1 September 2009 and resigned on 16 November 2009)	42	–	–	–	42
Independent non-executive directors					
Mr. Sze Tsai Ping Michael (resigned on 3 November 2009)	119	–	–	–	119
Mr. Wang Shanchuan	200	–	–	–	200
Dr. Chow Steven (resigned on 21 December 2009)	145	–	–	–	145
Mr. Ng Pui Lung (appointed on 16 November 2009)	75	–	–	–	75
Mr. Fung Pui Cheung Eugene (appointed on 1 February 2010)	32	–	–	–	32
	1,650	4,730	–	48	6,428

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16. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

	For the year ended 31 March 2009				
	Fees HK$'000	Salaries, allowances and other benefits in kind HK$'000	Equity-settled share-based payment HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors					
Mr. Cheng	200	3,250	–	12	3,462
Mr. Poh	200	–	–	10	210
Mr. Woelm Samuel	–	1,800	–	12	1,812
Mr. Wu (Re-designated as executive director on 1 September 2008)	200	411	–	6	617
Mr. Cao Dongxin (Re-designated as executive director on 1 September 2008)	200	–	–	–	200
Non-executive directors					
Mr. Wu (Re-designated as executive director on 1 September 2008)	–	–	–	–	–
Mr. Cao Dongxin (Re-designated as executive director on 1 September 2008)	–	–	–	–	–
Independent non-executive directors					
Mr. Sze Tsai Ping Michael	200	–	–	–	200
Mr. Wang Shanchuan	200	–	–	–	200
Dr. Chow Steven	200	–	–	–	200
	1,400	5,461	–	40	6,901

No directors has waived or agreed to waive any emoluments during the two years ended 31 March 2010 and 2009.

16. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Senior management's emoluments

Of the five highest paid individuals of the Group, three (2009: two) were directors of the Company whose emoluments are set out in the above. For the year ended 31 March 2010, the remaining two (2009: three) senior management's emoluments of the Company were as follows:

	2010 HK$'000	2009 HK$'000
Salaries, allowances and other benefits in kind	3,510	2,354
Retirement benefits scheme contributions	24	29
	3,534	2,383

Their emoluments fall within the following bands:

	No. of employees 2010	 2009
Emolument band		
Nil – HK$1,000,000	1	2
HK$1,000,001 to HK$1,500,000	–	1
HK$2,500,001 to HK$3,000,000	1	–
	2	3

(c) No emoluments have been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the two years ended 31 March 2010 and 2009.

17. STAFF COSTS (EXCLUDING DIRECTORS' EMOLUMENTS)

	2010 HK$'000	2009 HK$'000
Salaries, allowances and other benefits in kind	**58,914**	49,509
Equity-settled share-based payment	**65**	530
Retirement benefits scheme contributions	**1,600**	1,202
	60,579	51,241

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 consolidated statement of comprehensive income 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 consolidated statement of comprehensive income 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.

18. LOSS PER SHARE

From continuing and discontinued operations

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

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

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

From continuing operations

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

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

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

From discontinued operation

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

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

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19. DIVIDENDS

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

20. INVESTMENT PROPERTIES

	2010 HK$'000	2009 HK$'000
FAIR VALUE		
At 1 April	49,494	35,601
Exchange realignment	347	702
Transferred from property, plant and equipment *(Note 21)*	–	4,478
Transferred from prepaid lease payments	–	8,060
Revaluation surplus at transfer date from transferred own-occupied properties	–	911
Change in fair value	13,035	(258)
At 31 March	62,876	49,494

(a) All of the Group's investment properties are held under operating leases to earn rentals or for capital appreciation purposes and are measured using the fair value model.

(b) The investment properties shown above consist of medium-term lease land and buildings held in the PRC.

(c) The fair values of the Group's investment properties in the PRC at 31 March 2010 and 31 March 2009 were valued by BMI Appraisals Limited, an independent qualified professional valuer not connected with the Group. The valuer has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations have been arrived at with reference to market evidence of transaction prices for similar properties in the same locations and conditions.

(d) During the year ended 31 March 2009, 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 transferred to investment properties had been credited to the asset revaluation reserve.

21. 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$'000	Gaming machines and systems HK$'000	Motor vehicles HK$'000	Total HK$'000
COST								
At 1 April 2008	21,953	14,629	650	10,751	–	4,728	3,556	56,267
Exchange realignment	192	134	6	201	–	109	48	690
Acquired on 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
Transferred 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)
At 31 March 2009	21,028	14,573	2,207	12,746	2,888	18,063	6,424	77,929
Exchange realignment	58	93	1	79	–	54	25	310
Additions	–	1,084	42	875	348	85	416	2,850
Disposals	–	–	(105)	(1,153)	–	–	(286)	(1,544)
Written off during the year	–	(5,022)	(244)	(72)	(78)	(10,408)	–	(15,824)
At 31 March 2010	21,086	10,728	1,901	12,475	3,158	7,794	6,579	63,721
ACCUMULATED DEPRECIATION								
At 1 April 2008	182	839	52	851	–	412	706	3,042
Exchange realignment	4	16	–	52	–	16	13	101
Provided for the year	559	3,098	387	2,446	522	1,413	1,055	9,480
Transferred to investment properties	(139)	–	–	–	–	–	–	(139)
Eliminated on disposals	–	–	(43)	(1)	–	–	(52)	(96)
Eliminated on disposal of subsidiaries	–	–	–	(23)	–	–	(16)	(39)
At 31 March 2009	606	3,953	396	3,325	522	1,841	1,706	12,349
Exchange realignment	3	77	1	32	–	17	8	138
Provided for the year	515	4,326	559	2,672	794	3,555	1,236	13,657
Eliminated on disposals	–	–	(39)	(518)	–	–	(77)	(634)
Eliminated on written off	–	(2,212)	(182)	(45)	(72)	(2,195)	–	(4,706)
At 31 March 2010	1,124	6,144	735	5,466	1,244	3,218	2,873	20,804
CARRYING VALUES								
At 31 March 2010	19,962	4,584	1,166	7,009	1,914	4,576	3,706	42,917
At 31 March 2009	20,422	10,620	1,811	9,421	2,366	16,222	4,718	65,580
At 1 April 2008	21,771	13,790	598	9,900	–	4,316	2,850	53,225

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21. PROPERTY, PLANT AND EQUIPMENT (Continued)

i) 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%

ii) At 31 March 2010, the carrying value of motor vehicles of approximately HK$3,706,000 (2009: HK$4,718,000) included an amount of approximately HK$636,000 (2009: HK$955,000) in respect of assets held under finance leases.

iii) The Group's leasehold buildings comprises of buildings:

	31.3.2010 HK$'000	31.3.2009 HK$'000	1.4.2008 HK$'000
Held under medium-term lease in			
– the PRC	8,872	9,079	13,725
– Hong Kong	11,090	11,343	8,046
	19,962	20,422	21,771

iv) At 31 March 2010, the Group's leasehold buildings with a carrying value of HK$11,090,000 (2009: HK$11,343,000) was pledged as security for banking facilities granted to the Group.

v) During the year ended 31 March 2010, the carrying values of the Group's leasehold improvements, furniture and fixtures, office equipment and plant and equipment amounting to approximately HK$2,810,000, HK$62,000, HK$27,000 and HK$6,000, respectively (2009: leasehold improvement of HK$5,660,000) were written off, which was mainly due to termination of a rental agreement with the landlord in respect of a leased property.

vi) During the year ended 31 March 2010, the Group wrote off gaming machines and systems with a carrying value of approximately HK$8,213,000 (2009: nil) which represented the gaming machines being seized by the Public Security bureau of Shanghai ("PRC Police"). Details of the seizure are disclosed in Note 48.

22. PREPAID LEASE PAYMENTS

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

	31.3.2010 HK$'000	31.3.2009 HK$'000	1.4.2008 HK$'000
Leasehold land held under medium-term lease in:			
– the PRC	**15,907**	16,279	24,639
– Hong Kong	**55,966**	56,646	45,969
	71,873	72,925	70,608

	31.3.2010 HK$'000	31.3.2009 HK$'000	1.4.2008 HK$'000
Analysed for reporting purposes as follows:			
Current assets	**1,153**	1,150	1,081
Non-current assets	**70,720**	71,775	69,527
	71,873	72,925	70,608

At 31 March 2010, the carrying value of the Group's prepaid lease payment pledged as security for banking facilities granted to the Group amounted to approximately HK$55,966,000 (2009: HK$56,646,000).

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23. INTANGIBLE ASSETS

	License HK$'000	Software HK$'000	Total HK$'000
COST			
At 1 April 2008	29,718	–	29,718
Exchange realignment	495	22	517
Acquired on acquisition of subsidiaries	–	2,683	2,683
At 31 March 2009	30,213	2,705	32,918
Exchange realignment	184	17	201
Additions during the year	–	3,488	3,488
At 31 March 2010	30,397	6,210	36,607
AMORTISATION AND IMPAIRMENT			
At 1 April 2008	397	–	397
Exchange realignment	13	–	13
Provided for the year	599	224	823
At 31 March 2009	1,009	224	1,233
Exchange realignment	47	5	52
Provided for the year	606	1,182	1,788
Impairment loss recognised for the year	13,954	–	13,954
At 31 March 2010	15,616	1,411	17,027
CARRYING VALUES			
At 31 March 2010	14,781	4,799	19,580
At 31 March 2009	29,204	2,481	31,685
At 1 April 2008	29,321	–	29,321

23. INTANGIBLE ASSETS (Continued)

(a) License

License have definite useful life and are amortised on a straight-line basis over 50 years.

The Group's intangible assets in license arose from the digital entertainment business. At 31 March 2010, the management reviewed the recoverable amount of the license with reference to the valuation issued by an independent professional valuer not connected with the Group. After due assessment of the recoverable amount of the license, an impairment loss of approximately HK$13,954,000 was recognised for the year ended 31 March 2010.

The recoverable amount of the license is determined from the discounted cash flow value-in-use approach as extracted from the valuer's valuation report for the recoverable amount as at 31 March 2010. The Group prepared cash flow forecasts derived from the most recent budgets approved by management and extrapolated over five years. The key assumptions for the discounted cash flow forecast were those regarding discount rates and anticipated future sales, as follows:

– Projected cash flow are based on sales plans derived from the digital entertainment business plans.

– Management used a discount rate which is derived as the Company's cost of capital, representing the expected return on the Company's capital, and assigned a discount rate of 14%.

(b) Software

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

The Group's intangible assets in software arose from the digital entertainment business. At 31 March 2010, the management reviewed the recoverable amount of the software with reference to the discounted cash flow value-in-use approach prepared by the management. After due assessment of the recoverable amount of the software, no impairment loss was recognised for the year (2009: Nil).

The recoverable amount of the software is determined from the discounted cash flow for the recoverable amount as at 31 March 2010. The Group prepared cash flow forecasts derived from the most recent budgets approved by management and extrapolated over five years. The key assumptions for the discounted cash flow forecast were those regarding discount rates and anticipated future sales, as follows:

– Projected cash flow is based on sales plans derived from the digital entertainment business plans.

– Management used a discount rate which is derived as the Company's cost of capital, representing the expected return on the Company's capital, and assigned a discount rate of 12%.

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24. GOODWILL

(a)

	31.3.2010 HK$'000	31.3.2009 HK$'000	1.4.2008 HK$'000
COST			
At 1 April	113,563	14,803	6,433
Exchange realignment	35	115	–
Acquired on acquisition of subsidiaries (Note 44)	–	101,280	8,370
Dissolution of a subsidiary (Note 46)	–	(2,635)	–
Disposal of a subsidiary	(6,433)	–	–
At 31 March	107,165	113,563	14,803
IMPAIRMENT			
At 1 April	6,433	6,433	6,433
Exchange realignment	17	–	–
Impairment loss recognised during the year	5,868	–	–
Eliminated on disposal of a subsidiary	(6,433)	–	–
At 31 March	5,885	6,433	6,433

CARRYING VALUES	
At 31 March 2010	101,280
At 31 March 2009	107,130
At 1 April 2008	8,370

(b) For the purpose of impairment testing, goodwill set out above has been allocated to three individual cash generating units (2009: three). The carrying amounts of goodwill (net of accumulated impairment losses) as at 31 March 2010 allocated to the cash generated units ("CGUs") are as follows:

24. GOODWILL (Continued)

(b) (Continued)

	31.3.2010 HK$'000	31.3.2009 HK$'000	1.4.2008 HK$'000
Apparel trading business			
– Hamlet Profits Limited ("Hamlet Profits")	–	–	–
Digital entertainment business			
– Shanghai Haocai Investment Management Co., Ltd* ("Shanghai Haocai") 上海好彩投資管理有限公司	–	5,681	5,681
– Shenzhen Wandefeng Investment Management Co., Ltd* ("Shenzhen Wandefeng") 深圳市萬德豐投資管理有限公司	–	–	2,520
– Sincere Land Holdings Limited ("Sincere Land")	–	169	169
Manufacture and sale of packaging products			
– Kingbox (Asia) Limited	101,280	101,280	–
	101,280	107,130	8,370

* The English names are for identification only.

Apparel trading business

On 27 June 2009, Hamlet Profits was disposed of to an independent third party and the related goodwill arising from the acquisition of Hamlet Profits was derecognised during the year ended 31 March 2010.

Digital entertainment business

Shanghai Haocai and Sincere Land operate in the digital entertainment business in the PRC. Due to difficult business environment, the directors of the Company is seriously assessing the future viability of Shanghai Haocai and Sincere Land and considers that the carrying amount of the goodwill arising from these acquisitions in the amount of HK$5,681,000 and HK$169,000, respectively was fully impaired during the year ended 31 March 2010.

Manufacture and sale of packaging products

The directors of the Company are of the opinion that, based on the business valuation report of the manufacture and sale of packaging products segment as at 31 March 2010 issued by BMI Appraisal Limited, an independent valuer not connected with the Group ("BMI"), the business value of the manufacture and sale of packaging products exceeds its carrying amount in the consolidated statement of financial position and therefore, no impairment loss is necessary.

The recoverable amount of the cash generating unit is determined from the income-based approach calculation as extracted from BMI's valuation report for the recoverable amount as at 31 March 2010.

24. GOODWILL (Continued)

Manufacture and sale of packaging products (Continued)

The management of the Group prepared a profit forecast and cash flow forecast in respect of this CGU (the "Forecast"). The Forecast were based on financial budgets approved by the management covering a period of five years at a discount rate 11.21% (2009: 16%). The cash flows beyond the period of one year were extrapolated using a steady growth rate of 5% (2009: 5%). The growth rate was based on the relevant industry growth rate forecast and does not exceed the average long-term growth rate for the relevant industry. The Forecast for the budgeted period was based on the budgeted sales and budgeted gross margins during the budget period. Budgeted gross margins were determined based on management's expectation for market development and past experience, and the management believes that the budgeted gross margins were reasonable. The directors of the Company were of the opinion, based on the Forecast, that the recoverable amount exceeds its carrying amount in the consolidated statement of financial position and no impairment loss was necessary.

25. INTERESTS IN ASSOCIATES

	31.3.2010 HK$'000	31.3.2009 HK$'000	1.4.2008 HK$'000
Cost of investments in associates, unlisted	29,000	4,000	–
Less: Impairment loss	(4,004)	–	–
	24,996	4,000	–
Share of post-acquisition results, net of dividends received	37	2	–
Interests in associates	25,033	4,002	–

(a) On 28 December 2009, the Group acquired 24.41% equity interest of Well Union Investments Limited ("Well Union"') from an independent third party at a consideration of HK$25,000,000. Well Union was incorporated in the Samoa with limited liability with authorised share capital of US$1 each. The principal activities of Well Union and its subsidiaries is research, design, development and manufacture of outdoor LCD video panels in the PRC.

(b) On 24 December 2008, the Group acquired 25% 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 ordinary shares of US$1 each.

(c) At 31 March 2010, the directors of the Company have reviewed the recoverable amount of the interests in Score Global and based on the unpredictability of future profit streams, an impairment loss of HK$ 4,004,000 was recognised for the year ended 31 March 2010. The recoverable amounts of the interest in Score Global have been determined on the basis of dividends receivable from Score Global.

25. INTERESTS IN ASSOCIATES (Continued)

(d) The directors of the Company are of the opinion that, based on the business valuation report of Well Union as at 31 March 2010 issued by Avista Valuation Advisory Limited, an independent valuer not connected with the Group ("AVA"), the business value of Well Union exceeds its carrying amount in the consolidated statement of financial position and therefore, no impairment loss is necessary.

The recoverable amount of the cash generating unit is determined from the value-in-use approach calculation as extracted from AVA's valuation report for the recoverable amount as at 31 March 2010.The Group prepared cash flow forecast of Well Union derived from the most recent available financial budgets approved by management and extrapolated over five years. In preparing the forecasts, management made references to sales contracts signed with customers on the projects basis. The key assumptions for the value-in-use calculation were those regarding discount rates and anticipated changes to future selling prices, as follows:

– Projected cashflow forecasts are based on development plans of LCD video panels' projects are extrapolated using a steady 3% growth rate.

– Management used a discount rate which is derived as the Company's cost of capital, representing the expected return on the Company's capital, and assigned a discount of 23.2%.

Future selling prices were estimated with reference to existing and past selling prices in the outdoor LCD video panels industry in the PRC.

(e) Included in the cost of investments in associates is goodwill of approximately HK$15,871,000 (31 March 2009: HK$3,003,000) (1 April 2008: Nil) arising on acquisition of associates in prior years. The movement of goodwill is set out below:

	HK$'000
COST	
At 1 April 2008	–
Acquisition of an associate	3,003
At 31 March 2009	3,003
Acquisition of an associate	12,868
At 31 March 2010	15,871
Impairment loss	
At 1 April 2008 and 31 March 2009	–
Provided for the year	3,003
At 31 March 2010	3,003
CARRYING VALUE	
At 31 March 2010	12,868
At 31 March 2009	3,003
At 1 April 2008	–

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25. INTERESTS IN ASSOCIATES (Continued)

The summarised financial information in respect of the Group's associates as at the end of the reporting period is set out below:

	31.3.2010 HK$'000	31.3.2009 HK$'000
Total assets	112,206	4,061
Total liabilities	(62,370)	(65)
Net assets	49,836	3,996
Group's share of net assets of associates	12,165	999

	1.4.2009 to 31.3.2010 HK$'000	1.4.2008 to 31.3.2009 HK'000
Revenue	4,593	15
Profit for the year	143	9
Group's share of results of associates for the year	35	2
Impairment loss recognised in respect of interests in associates	(4,004)	–

25. INTERESTS IN ASSOCIATES (Continued)

At 31 March 2010 and 2009, the Group had interests in the following associates:

Name of entity	Place of establishment/ operation	Nominal value of issued ordinary share capital	Proportion equity interests held by the Group	Principal activity
Score Global Services Company Limited	British Virgin Islands/ The PRC	US$100	25%	On-line lottery distribution in the PRC
Well Union Investment Limited	Samoa	US$1,323	24.41%	Research, design, development and manufacturing of outdoor LCD video panels

26. CONVERTIBLE NOTE RECEIVABLES AT FAIR VALUE THROUGH PROFIT OR LOSS

Convertible note receivables designated as financial assets designated at fair value through profit and loss consisted of:

	Convertible Note 1	Convertible Note 2	Convertible Note 3	Convertible Note 4
Date of issue:	30.4.2009	30.4.2009	6.5.2008	3.12.2008
Coupon rate:	5% per annun	5% per annun	8% per annun	Nil
Maturity date	29.4.2012	29.4.2012	5.5.2011	2.12.2010
Principal amount	US$2,000,000	US$2,500,000	US$1,000,000	HK$12,000,000

	31.3.2010 HK$'000	31.3.2009 HK$'000	1.4.2008 HK$'000
Analysed for reporting purposes as follows:			
– Current assets	12,996	4,020	–
– Non-current assets	48,616	20,471	–
	61,612	24,491	–

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26. CONVERTIBLE NOTE RECEIVABLES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(a) During the year ended 31 March 2010, the Group subscribed for two (2009: three) convertible notes issued by two (2009: three) independent unlisted private companies and classified three (2009: three) convertible notes as financial assets designated at fair value through profit or loss.

(b) Fair values of these unlisted convertible note receivables have been determined with 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 13.01% (2009: 19%).

(c) A fair value gain of approximately HK$6,042,000 was recognised for the year ended 31 March 2010 (2009: HK$870,000).

(d) Included in convertible note receivables at fair value through profit or loss in the consolidated statement of financial position are mainly the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	31.3.2010 ’000	31.3.2009 ’000	1.4.2008 ’000
US$	**5,500**	1,500	–

27. DERIVATIVE FINANCIAL INSTRUMENTS

	31.3.2010 HK$’000	31.3.2009 HK$’000	1.4.2008 HK$’000
Derivatives not under hedge accounting consists of the fair value of foreign currency forward contracts and are analysed for reporting purposed as follows:			
Current	**1,149**	850	–
Non-current	**193**	–	–
	1,342	850	–

The derivatives are measured with reference to exchange rates from financial instruments for equivalent instruments.

The Group has entered into forward contract denominated in US$, HK$ and RMB. The major terms of the foreign contracts outstanding at the end of the reporting period are as follows:

Notional amount	Maturity	Exchange rates
Sell US$ 700,000	16 November 2011	US$ 1: HK$7.80
Sell US$ 500,000	8 April 2011	US$ 1: RMB 6.74

The profit arising from changes in fair value of foreign currency contracts for the year ended 31 March 2010 was approximately HK$1,342,000 (2009: HK$636,000).

28. HELD-TO-MATURITY INVESTMENTS

	31.3.2010 HK$'000	31.3.2009 HK$'000 (Restated)	1.4.2008 HK$'000
Held-to-maturity investments consists of:			
– structured deposits	**2,000**	2,000	–
– unlisted bonds	**–**	–	213,444
	2,000	2,000	213,444
Analysed for reporting purposes as follows:			
Current assets	**–**	–	213,444
Non-current assets	**2,000**	2,000	–
	2,000	2,000	213,444

At 31 March 2010, held-to-maturity investment represents a structured deposit which has a maturity of three years with a nominal amount of HK$2,000,000 (2009: HK$2,000,000).

At 1 April 2008, the unlisted bonds products were issued by banks and other financial institutions are carried at fixed interest rates and maturing within one year.

29. INVENTORIES

	31.3.2010 HK$'000	31.3.2009 HK$'000	1.4.2008 HK$'000
Raw materials	**11,470**	10,916	–
Work-in-progress	**5,659**	4,587	–
Finished goods	**11,645**	6,449	469
	28,774	21,952	469

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30. TRADE AND OTHER RECEIVABLES

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

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

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

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

30. TRADE AND OTHER RECEIVABLES (Continued)

(c) The movements in the impairment losses of trade receivables are as follows:

	31.3.2010 HK$'000	31.3.2009 HK$'000	1.4.2008 HK$'000
At 1 April	9,116	11,427	11,427
Disposal of subsidiaries	(9,116)	(2,311)	–
At 31 March	–	9,116	11,427

At 31 March 2009, included in the impairment loss of trade receivables are individually impaired trade receivables with an aggregate balance of HK$9,116,000 (2010:Nil) which are due to long outstanding. The Group does not hold any collateral over these balances.

(d) The movements in impairment losses of other receivables are as follows:

	31.3.2010 HK$'000	31.3.2009 HK$'000	1.4.2008 HK$'000
At 1 April	29,462	4,375	4,300
Exchange realignment	144	209	124
Disposal of subsidiaries	(3,924)	(451)	(49)
Recognised during the year	3,000	25,329	–
Reversal during the year	(5,330)	–	–
At 31 March	23,352	29,462	4,375

Included in the impairment loss of other receivables are individually impaired other receivables with an aggregate balance of approximately HK$23,352,000 (2009: HK$29,462,000) which are due to long outstanding. The Group does not hold any collateral over these balances.

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

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

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30. TRADE AND OTHER RECEIVABLES (Continued)

(e) (Continued)

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

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(f) At 31 March 2009, deposits and prepayments included an amount HK$3,000,000 which represented the earnest money paid for the subscription of shares in an unlisted private company incorporated in Hong Kong, Profit Grow (Hong Kong) Limited ("Profit Grow"). Following the announcement made by the company dated 7 April 2009, the subscription was terminated as one of the conditions to the agreement could not be fulfilled. Despite repeated demands in writing by the Group for repayment of the earnest money, the earnest money remained unrepaid. The Group is currently considering to proceed with legal proceedings to recover the earnest money of the amount as at 31 March 2010. In light of the long outstanding, the directors of the Company have made fully impairment for the amount during the year.

(g) At 31 March 2010, the earnest money of HK$12,000,000 paid as deposit for the subscription of convertible notes in a company listed on the Stock Exchange was fully refunded on 16 April 2010 with interest charges of approximately HK$252,000 following the subscription being voted down by the shareholders in a special general meeting held on 31 December 2009. Details of the transaction are set out in the Company's announcement dated 31 December 2009.

(h) Included in trade and other receivables in the consolidated statement of financial position are mainly the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	31.3.2010 '000	31.3.2009 '000	1.4.2008 '000
RMB	632	469	–
HK$	3,558	5,592	–
US$	321	131	–
GBP	60	140	–

31. DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

Following the expiry of the first and the second letter of intent dated 25 April 2008 and 8 January 2009 respectively, the Group on 27 July 2010 entered into a third supplementary letter of intention for the acquisition of certain leasehold land and buildings in Suzhou, the PRC from an independent third party for the long stop date to 31 October 2010. The proposed acquisition is mainly for the expansion of the Group's digital entertainment business.

32. LOANS TO MINORITY SHAREHOLDERS OF A SUBSIDIARY

The amount was unsecured, non-interest bearing and was fully impaired during the year. At the end of each reporting period, the directors of the Company would assess the recoverability of the loans to minority shareholders of a subsidiary. Pursuant to a shareholders' agreement dated 14 February 2007 entered into among shareholders of a subsidiary, CY Foundation Culture Company Limited ("CYFCC"), the paid up capital of CYFCC shall be fully paid and advanced by the Group. The advanced amounts were expected to be repaid by dividends paid out of CYFCC within the 2 years immediately after the initial 3 years of operation which commenced on the date of the shareholders' agreement. However, as the development progress of CYFCC was not satisfactory, dividend payments were not yet able to be distributed immediately after the initial 3 year period. According to the shareholders' agreement, in the event such advancement could not be fully repaid within the said 2 year period, such requirement of repayment would be considered as waived. Therefore, the directors of the Company considered the advancement is irrecoverable and was fully impaired during the year.

The movement in impairment losses of loans to minority shareholders of a subsidiary are as follows:

	31.3.2010 HK'000	31.3.2009 HK'000	1.4.2008 HK'000
At 1 April	**–**	–	–
Exchange realignment	**13**	–	–
Recognised during the year	**4,197**	–	–
At 31 March	**4,210**	–	–

33. AMOUNT DUE FROM A RELATED COMPANY

Particulars of amount due from a related company, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

		Maximum amount outstanding during the year					
Name	**Interested directors**	**31.3.2010 HK$'000**	31.3.2009 HK$'000	1.4.2008 HK$'000	**31.3.2010 HK$'000**	31.3.2009 HK$'000	1.4.2008 HK$'000
Horizon Structured Solutions Limited ("Horizon")	Mr. Wu and Mr. Cheng	**20**	–	–	**20**	–	–

The amount was unsecured, non-interest bearing and repayable on demand.

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34. BANK FIDUCIARY DEPOSIT

(a) At 31 March 2009, the Group's bank fiduciary deposit 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 (2010: Nil).

(b) 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.

(c) The deposit carries fixed interest rate ranging from 0.25% to 3% per annum (2009: 0.25% to 3% per annum).

(d) Included in bank fiduciary deposit in the consolidated statement of financial position are mainly the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	31.3.2010 **'000**	31.3.2009 '000	1.4.2008 '000
US$	–	1,115	1,955
AUD	–	653	21,666

35. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

(a) The Group's bank deposits of approximately HK$22,050,000 (2009: HK$18,051,000) were pledged as security for the banking facilities to the Group.

(b) At 31 March 2010, bank balances and cash comprise of cash held by the Group and short-term bank deposits of approximately HK$105,462,000 (2009: HK$231,058,000) with and original maturity of three months or less.

(c) Bank balance and pledged deposits carried interest at market rates ranging from 0.01% to 12.5% per annum (2009: 0.01% to 0.36% per annum).

(d) Included in pledged bank deposits and bank balances and cash in the consolidated statement of financial position are mainly the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	31.3.2010 '000	31.3.2009 '000	1.4.2008 '000
AUD	3,502	5,585	5
GBP	140	41	–
HK$	23,064	5,520	–
RMB	1,410	652	–
US$	1,957	18,144	7,186

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36. TRADE AND OTHER PAYABLES

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

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

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

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

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

(d) Included in trade and other payables in the consolidated statement of financial position are mainly the following amounts denominated in a currency other than the financial currency of the entity to which they related:

	31.3.2010 '000	31.3.2009 '000	1.4.2008 '000
RMB	4,676	1,656	–
HK$	8,118	3,772	–
US$	356	167	1,108
GBP	6	7	–

37. AMOUNTS DUE TO DIRECTORS/RELATED COMPANIES

The amounts are unsecured, non-interest bearing and repayable on demand.

38. OBLIGATIONS UNDER FINANCE LEASE

The Group leases certain of its motor vehicles under finance lease. The average lease term of these leases is three years (2009: three years).

At the end of the reporting period, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments			Present value of minimum lease payments		
	31.3.2010	31.3.2009	1.4.2008	**31.3.2010**	31.3.2009	1.4.2008
	HK$'000	HK$'000	HK$'000	**HK$'000**	HK$'000	HK$'000
Amounts payable under finance lease:						
Within one year	**412**	412	412	**356**	356	356
More than one year, but not exceeding two years	**69**	412	412	**58**	356	356
More than two years, but not more than five years	**–**	69	481	**–**	58	414
	481	893	1,305	**414**	770	1,126
Less: Future finance charges	**(66)**	(123)	(179)	**–**	–	–
Present value of lease obligations	**415**	770	1,126	**414**	770	1,126
Less: Amount due within one year shown under current liabilities				**(356)**	(356)	(356)
Amounts due after one year				**58**	414	770

All obligations under finance leases of the Group bear interest at fixed interest rates. The effective interest rate of these obligations under finance leases was 3.98% (2009: 3.98%) per annum. The Group's obligations under finance lease are secured by the lessor's charge over the leased assets.

All obligations under finance leases are denominated in HK$.

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39. BANK BORROWINGS

	31.3.2010 HK$'000	31.3.2009 HK$'000	1.4.2008 HK$'000
Bank loans	43,556	37,337	31,359
Trust receipt loans	–	21,970	–
Other loans	–	–	8,054
	43,556	59,307	39,413
Secured	34,556	59,307	39,413
Unsecured	9,000	–	–
	43,556	59,307	39,413
Bank borrowings repayable:			
On demand or within one year	4,848	24,751	9,929
More than one year but not exceeding two years	4,912	2,844	1,919
More than two years but not more than five years	14,122	12,411	3,977
More than five years	19,674	19,301	23,588
	43,556	59,307	39,413
Less: Amounts due within one year shown under current liabilities	(4,848)	(24,751)	(9,929)
Amounts due after one year	38,708	34,556	29,484

(a) At 31 March 2010 and 2009, bank loans carried interest at floating rates of exchange ranging from the best lending rate less 2.1% to the best lending rate less 2.9% per annum.

(b) During the year ended 31 March 2010, the trust receipt loans carried interest at 6.10% per annum (2009: 6.10%).

(c) During the year ended 31 March 2010, the Group obtained new borrowings of approximately HK$9,000,000 (2009: HK$71,318,000) to finance its working capital.

(d) The bank loans and trust receipt loans are secured by the leasehold buildings and prepaid lease payments and pledged bank deposits as set out in Notes 21, 22 and 35, respectively.

(e) Included in bank borrowings in the consolidated statement of financial position are mainly the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	31.3.2010 '000	31.3.2009 '000	1.4.2008 '000
HK$	16,033	12,182	–
US$	–	179	–

40. CONVERTIBLE LOAN NOTES

(a) On 29 January 2007, a resolution was passed at a special general meeting of the Company pursuant to which a zero-coupon convertible loan notes in an aggregate principal amount of HK$24,000,000 ("Convertible Note") would be issued to Super Bonus Management Limited ("Super Bonus") in which Ms. Yung Leonora ("Ms. Yung", the spouse of Mr. Cheng, 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.

(b) 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. The First Convertible Note has a maturity date of 20 March 2010.

(c) 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.

(d) The convertible notes recognised in the consolidated statement of financial position are calculated as follows:

	31.3.2010 **HK$'000**	31.3.2009 HK$'000	1.4.2008 HK$'000
At 1 April	**13,597**	18,138	18,044
Converted into shares	**(13,653)**	(5,829)	(1,598)
Imputed interest expense *(Note 12)*	**56**	1,288	1,692
At 31 March	**–**	13,597	18,138

(e) Interest expense on the convertible loan notes is calculated using the effective interest method by applying the effective interest rates of 10% (2009: 10%) per annum to the liability component of the convertible loan notes.

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41. DEFERRED TAXATION

The movements in deferred tax liabilities (assets) of the Group during the year are as follows:

	Change in fair value of investment properties HK$'000	Revaluation of properties HK$'000	Tax losses HK$'000	Total HK$'000
At 1 April 2008	755	–	–	755
Exchange realignment	16	–	–	16
Charged to consolidated statement of comprehensive income	346	–	–	346
Effect of change in tax rate	(60)	–	–	(60)
Change to other comprehensive income for the year	–	227	–	227
At 31 March 2009	1,057	227	–	1,284
Exchange realignment	18	–	(2)	16
Charged to consolidated statement of comprehensive income	3,820	–	(1,311)	2,509
At 31 March 2010	4,895	227	(1,313)	3,809

At the end of the reporting period, the Group has unused tax losses at 25% of approximately HK$73,192,000 (2009: HK$61,436,000). A deferred tax asset has been recognised in respect of approximately HK$5,252,000 (2009: Nil) of such losses. No deferred tax assets have been recognised in respect of the tax losses of approximately HK$67,940,000 (2009: HK$61,436,000) due to the unpredictability of future income stream. At 31 March 2010, approximately HK$27,712,000 (2009: HK$14,515,000) included in the above unused tax losses that will expire after five years from the year of assessment they relate to. The remaining balances may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$56,366,000 (2009: HK$38,578,000). 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.

Under the EIT Law of the PRC, withholding tax is imposed on dividends in respect of profits earned by the Group's PRC subsidiaries from 1 April 2008 onwards (the "Post-2008 Earnings"). Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the Post-2008 Earnings as no Post-2008 Earnings was noted for the years ended 31 March 2009 and 2010.

42. SHARE CAPITAL

Ordinary shares of HK$0.001 each	Number of shares '000	HK$'000
Authorised		
At 1 April 2008, 31 March 2009 and 31 March 2010	300,000,000	300,000
At 1 April 2008	3,892,995	3,893
Issue of shares upon		
– conversion of convertible loan notes *(Note (a))*	700,000	700
– settlement of consideration in respect of acquisition of subsidiaries *(Note (b))*	3,344	3
– settlement of consideration in respect of acquisition of subsidiaries *(Note (c))*	257,143	257
At 31 March 2009	4,853,482	4,853
Issue of shares upon		
– conversion of convertible loan notes *(Note (d))*	1,500,000	1,500
– settlement of consideration in respect of acquisition of subsidiaries *(Note (b))*	2,229	3
– exercise of share options *(Note (e))*	13,000	13
– exercise of warrant subscription rights *(Note (f))*	600,000	600
At 31 March 2010	6,968,711	6,969

Notes:

(a) For the year ended 31 March 2009, the convertible loan notes holder converted the convertible loan notes issued by the Company with an aggregate principal amount of HK$7,000,000 into 700,000,000 ordinary shares of HK$0.001 in the Company at a conversion price of HK$0.01 per share.

(b) On 28 July 2008 and 15 July 2009, 3,343,745 ordinary shares and 2,229,164 ordinary shares of HK$0.001 each, respectively was issued as part settlement in relation to the acquisition of T-Matrix Culture Company Limited at a contract price of HK$1.375 per share.

(c) On 20 October 2008 and 13 November 2008, 228,571,428 ordinary shares and 28,571,428 ordinary share of HK$0.001 each, respectively was issued as part of consideration for the acquisition of Kingbox (Asia) Limited at a quoted market price of HK$0.081 per share at the date of completion of the acquisition.

(d) On 15 April 2009, the convertible loan note holder converted the convertible loan notes issued by the Company with an aggregate principal amount of HK$15,000,000 into 1,500,000,000 ordinary shares of HK$0.001 in the Company at a conversion price of HK$0.01 per share.

(e) For the year ended 31 March 2010, the share options holders exercised 3,000,000 share options and 10,000,000 share options at HK$ 0.10 and HK$ 0.09, respectively.

(f) Pursuant to an ordinary resolution passed on 29 January 2007, 600,000,000 units of warrants were issued on 31 January 2007 to the shareholders of the Company to subscribe for shares of HK$0.01 each of the Company at an initial subscription price of HK$0.01 per shares. On 18 December 2009, warrants carrying subscription rights of HK$6,000,000 were exercised.

(g) All new shares issued ranked pari passu in all respects with the then existing shares in the Company.

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43. EQUITY SETTLED 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 maximum number of shares 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.

At 31 March 2010, the number of shares of the Company in respect of which options had remained outstanding under the Share Option Scheme of the Company was 438,633,830 (2009: HK$ 440,633,830), representing 6% (2009: 9%) of the shares of the Company in issue at that date.

The subscription price will be determined by the directors of the Company 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 consecutive 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 Share Option Scheme will remain in force for a period of ten years commencing on 26 September 2002.

During the year ended 31 March 2010, 2,000,000 (2009: 19,000,000) share options were granted under the Share Option Scheme to eligible participants of the Company

First phase:

On 3 November 2008, options were granted to subscribe for an aggregate of 10,000,000 shares of the Company, with an exercise price calculated in accordance with the provisions of the Share Option Scheme at HK$0.09 per share. The closing price of the Company on the day immediately preceding the offer of grant was HK$0.09 per share. Those who were granted with the options can exercise their rights from 3 November 2008 to any time before expiry date on 2 November 2018.

Second phase:

On 10 December 2008, options were granted to subscribe for an aggregate of 9,000,000 shares of the Company, with an exercise price calculated in accordance with the provisions of the Share Option Scheme at HK$0.10 per share. The closing price of the Company on the day immediately preceding the offer of grant was HK$0.l0 per share. Those who were granted with the options can exercise their rights in multiple periods starting from 10 December 2009 to 9 December 2018 as follows:

From 10 December 2009 to 9 December 2018	–	approximately 3,000,000 shares
From 10 December 2010 to 9 December 2018	–	approximately 3,000,000 shares
From 10 December 2011 to 9 December 2018	–	approximately 3,000,000 shares

43. EQUITY SETTLED SHARE–BASED PAYMENT TRANSACTIONS (Continued)

Third phase:

On 30 April 2009, options were granted to subscribe for an aggregate of 2,000,000 shares of the Company, with an exercise price calculated in accordance with the provisions of the Share Option Scheme at HK$0.52 per share. The closing price of the Company on the day immediately preceding the offer of grant was HK$0.079 per share. Those who were granted with the options can exercise their rights in multiple periods starting from 28 February 2010 to 28 February 2012 as follows:

From 28 February 2010 to 28 February 2012 – 500,000 shares
From 28 August 2010 to 28 February 2012 – 500,000 shares
From 28 February 2011 to 28 February 2012 – 500,000 shares
From 28 August 2011 to 28 February 2012 – 500,000 shares

Movements of the Company's share options during the year are set out below.

	Date of grant	Outstanding at 1 April 2008	Granted during the year	Outstanding at 31 March 2009	Number of share options Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 March 2010	Exercise price per share HK$
Employees	10 December 2008	–	9,000,000	9,000,000	–	(3,000,000)	–	6,000,000	0.10
	30 April 2009	–	–	–	2,000,000	–	(95,000)	1,905,000	0.52
Other eligible participants – business associates	3 November 2008	–	10,000,000	10,000,000	–	(10,000,000)	–	–	0.09
		–	19,000,000	19,000,000	2,000,000	(13,000,000)	(95,000)	7,905,000	
Exercisable at the end of the reporting period				10,000,000				476,250	
Weighted average exercise price (HK$)		–	0.095	0.095	0.52	0.092	0.52	0.52	

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43. EQUITY SETTLED SHARE–BASED PAYMENT TRANSACTIONS (Continued)

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$0.176.

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	30 April 2009
Grant date share price	0.164	0.164	0.0797
Exercise price	0.09	0.10	0.52
Expected volatility	94.31%	113.25%	109.71%
Option life	10 years	4 years	2.83 years
Risk-free rate	2.424%	1.49%	0.964%
Expected dividend yield	0%	0%	0%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous one year.

The Group recognised the total expense of approximately HK$65,000 for the year ended 31 March 2010 (2009: HK$2,027,000) in relation to the fair value of the share options granted by the Company.

The estimated fair value of the 2,000,000 (2009: 19,000,000 share options granted during the year was approximately HK$48,000. (2009: HK$1,617,000)

44. ACQUISITION OF SUBSIDIARIES

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 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 (collectively known as "Kingbox Group") 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. The goodwill was attributable to the anticipated profitability from the acquired business.

44. ACQUISITION OF SUBSIDIARIES (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	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 instruments	214	–	214
Bank balances and cash	13,972	–	13,972
Trade and other payables	(23,567)	–	(23,567)
Income tax payables	(666)	–	(666)
Bank borrowings	(37,960)	–	(37,960)
Net assets (liabilities) acquired	30,027	(343)	29,684
Goodwill *(Note 24)*			101,280
			130,964
Satisfied by:			
Cash consideration paid			108,000
Share consideration paid *(Note 42(c))*			20,829
			128,829
Directs cost relating to the acquisition			2,135
			130,964

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 costs relating to the acquisition	(2,135)
Bank balances and cash acquired	13,972
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(96,163)

If the above acquisition had been completed on 1 April 2008, the 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.

44. ACQUISITION OF SUBSIDIARIES (Continued)

Pursuant to the sale and purchase agreement dated 11 July 2008 between the Group and the former shareholders of Kingbox Group (the "Former Shareholders"), the Former Shareholders had guaranteed the Group a minimum profit generated by Kingbox Group of HK$16,000,000 for the twelve months 30 June 2008, HK$8,000,000 for the six months ended 31 December 2008 and HK$16,000,000 for the twelve months ending 31 December 2009, subject to adjustments. (the "Profit Guarantee"). If Kingbox Group 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, six months ended 31 December 2008 and twelve months ended 31 December 2009.

45. DISPOSAL OF SUBSIDIARIES

a) On 29 June 2009, the Group completely disposed of its entire equity interests in Hamlet Group together with their shareholder's loans to an independent third party at a consideration of HK$2. There was no goodwill attached with the disposal of Hamlet Group. The net liabilities of Hamlet Group at the date of disposal were as follows:

	Hamlet Group HK$'000
Net liabilities disposed of:	
Trade and other receivables	2,617
Bank balances and cash	187
Trade and other payables	(4,428)
Amount due to the Group	(316,652)
	(318,276)
Assignment of amounts due to the Group	316,652
Gain on disposal	1,624
Total consideration	–
Net cash outflow arising on disposal of subsidiaries:	
Cash consideration received	–
Bank balance and cash disposed of	(187)
	(187)

The subsidiaries disposed during the year ended 31 March 2010 had no significant impact on the turnover and results of the Group.

45. DISPOSAL OF SUBSIDIARIES (Continued)

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

	Villaway HK$'000	Koltai HK$'000	Goldgain 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
Bank balances and cash	–	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
Bank balances and cash disposed of	–	(67)	(1,933)	(2,000)
	1,766	230	(7)	1,989

The subsidiaries disposed during the year ended 31 March 2009 had no significant impact on the turnover and results of the Group.

46. DISSOLUTION OF SUBSIDIARIES

For the year ended 31 March 2009, Shenzhen Wandefeng was dissolved and an amount of approximately HK$2,635,000 in relation to the goodwill arising from the acquisition of Shenzhen Wandefeng has been accounted for as a loss on dissolution of a subsidiary. Save as elsewhere in the consolidated financial statements, Shenzhen Wandefeng has no other assets or liabilities at the date of dissolution.

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47. COMMITMENTS

At the end of the reporting period, the Group had the following commitments:

(a) Commitments under operating leases

The Group as lessor

Property rental income earned during the year was approximately HK$5,748,000 (2009: HK$2,406,000), Properties held at the end of reporting period are expected to generate rental yields of 7.89% (2009: 3.92%) on an ongoing basis. The investment properties held have committed tenants to the next two years (2009: two years).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2010 HK$'000	2009 HK$'000
Within one year	4,867	5,356
In the second to fifth years, inclusive	1,299	6,086
	6,166	11,442

The Group as lessee

The Group leases certain of its office properties and staff quarters under operating lease arrangements. Leases are negotiated for a term ranging from one to five years (2009: one to three years). The Group does not have an option to purchase the leased asset at the expiry of the leased period.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which are payable as follows:

	2010 HK$'000	2009 HK$'000
Within one year	5,739	7,475
In the second to fifth year, inclusive	7,520	5,381
	13,259	12,856

47. COMMITMENTS (Continued)

(b) Capital commitments

	2010 HK$'000	2009 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statement in respect of:		
Acquisition of property, plant and equipment	319	–
Acquisition of intangible asset	432	1,526
	751	1,526

(c) Other commitments in respect licensing payments

At 31 March 2010, the licensing arrangement is contracted for a term up of three years. Pursuant to the licensing arrangement, subject to the condition of obtaining certain online game licenses, the Group has to pay the licensor, a non-refundable minimum guarantee in the total sum of US$5,000,000, payable by three annual installments.

48. CONTINGENT LIABILITIES

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

On 29 October 2008, the Company announced that gaming machines and the applicable software (collectively referred to as the "Weike Machines") would be acquired from Weike (S) Pte Limited ("Weike"), a company owned as to 50% by Mr. Poh, an ex-director of the Company and the beneficial shareholder of the Petitioner at a consideration of HK$9,893,000.

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

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

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

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49. RELATED PARTY TRANSACTIONS

(a) In addition to the balances detailed in the consolidated financial statements and Notes 32, 33 and 37, respectively, the Group entered into the following significant transactions with related parties during the year:

	Notes	**2010** **HK$'000**	2009 HK$'000
Rental income received in respect of renting properties office to Horizon	*(i), (iv)*	**158**	135
Tournament fee paid to China Entertainment Holdings Ltd ("China Entertainment")	*(ii), (iv)*	**–**	105
Consultancy fee paid to Bersett International (HK) Ltd ("Bersett")	*(ii), (v)*	**833**	420
Purchase of watches from Shanghai Heng Po Watch Company Limited ("Shanghai Heng Po") 上海恒保鐘錶有限公司*	*(vii)*	**6,176**	20
Acquisition of gaming machines from Weike	*(iii), (vi)*	**–**	9,893

* The English names are for identification only.

Notes:

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 terms mutually agreed between the involved parties.

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

iv) Mr. Wu and Mr. Cheng are the common directors of the Company, Horizon and China Entertainment.

v) Mr. Wu is the common director of the Company and Bersett.

vi) Mr. Poh is the common director of the Company and Weike.

vii) Ms. Yung is a director of a subsidiary, Kingbox and the legal representative of Shanghai Heng Po.

49. RELATED PARTY TRANSACTIONS (Continued)

(b) Key management compensation

The key management personnel of the Group comprise all the directors of the Company and the five highest paid individuals. Details of compensation of directors and the five highest paid individuals are included in Note 16.

50. 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 Mark 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 44, 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) 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 of HK$0.001 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.

(c) During the year ended 31 March 2009, the Group received management services from the minority shareholders of a subsidiary amounting to approximately HK$1,824,000 which remained unsettled during the year.

(d) During the year ended 31 March 2010, the Group issued 2,229,164 new ordinary shares to Zhuming (Beijing) Enterprise Management Limited and Beijing Yinhe Matrix Network Technology Limited of HK$0.001 at the price of HK$1.375 per share, for a total of approximately HK$3,065,000, as final settlement of the consideration payables by a subsidiary for the acquisition of T-Matrix Culture Company Limited.

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51. PRINCIPAL SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 March 2010 and 31 March 2009:

Name of subsidiary	Place of incorporation/ registration/ operations	Nominal value of issued ordinary share/registered capital	Percentage of equity interest attributable to the Company		Principal activities
			direct	indirect	
Highsharp Investments Ltd.	BVI	US$1	100%	–	Investment holding
Beijing Horizon Trading Company Limited *(Note 1)*	The PRC	RMB1,000,000	–	100%	Online game tournament services
C Y Foundation Culture Company Limited *(Note 1)*	The PRC	RMB30,300,000	–	80.2%	Online game tournament services
Sino Joy Holdings Limited	Hong Kong	HK$100	–	100%	Property holding
Kingbox (Asia) Limited	Hong Kong	HK$5,000,000	–	100%	Manufacture and sale of packaging products
Horizon Worldwide Ltd	Hong Kong	HK$500,000	–	100%	Watch trading
Suzhou C Y Foundation Entertainment and Investment Management Limited *(Note 2)*	The PRC	US$2,500,000	–	100%	Investment holding
T-Matrix Culture Company Limited *(Note 1)*	The PRC	RMB97,000,000	–	100%	Online game tournament services
Shanghai Haocai *(Note 1)*	The PRC	RMB6,000,000	–	100%	Online game tournament services
Shanghai Jifeng Investment Management Co., Ltd* 上海基豐投資管理有限公司 *(Note 1)*	The PRC	RMB171,206,300	–	100%	Investment holding
Hainan Baoyin Industrial Co., Ltd* 海南寶瀛實業有限公司 *(Note 2)*	The PRC	US$25,000,000	–	100%	Investment holding

* The English names are for identification only.

51. PRINCIPAL SUBSIDIARIES (Continued)

Notes:

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.

(i) private limited liability company

(ii) wholly-owned foreign enterprise

52. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) On 14 April 2010, Luck Continent Limited (the "Petitioner"), a substantial shareholder of the Company, filed a petition ("Petition") to the court against various parties including Mr. Cheng (the chairman of the Company), Ms. Yung, the spouse of Mr. Cheng, 6 corporate shareholders of the Company interested by Ms. Yung ("Yung Companies", and altogether with Mr. Cheng and Ms. Yung, as "Private Parties"), and the Company. In the Petition, the Petitioner raised various allegations against the Private Parties and/or the Company and intended to seek for (1) an order for revising the articles of the Company to effect that (a) removal of director(s) of the Company shall be made effective by an ordinary resolution instead of a special resolution, and (b) shareholders in general meeting of the Company may fill or authorise the board of directors to fill any vacancy in the number left unfilled at any general meeting; (2) an injunction restraining Ms. Yung and the Yung Companies to vote at the special general meeting of the Company held on 30 April 2010 (which has been spent); (3) an order that the Company shall cause a subsidiary of the Company not to proceed with a project in relation to a transaction at a Suzhou site and to demand for the repayment of the earnest money having been paid as set out in Note 31; (4) a declaration that the appointment of 3 executive directors of the Company made on 16 November 2009 be invalid and of no effect; and (5) the appointment of a receiver and/or manager, and/or such person(s) for the purpose of conducting an independent investigation and/or audit of the matters complained of in the Petition.

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

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

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

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

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

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52. EVENTS AFTER THE END OF THE REPORTING PERIOD (Continued)

(a) (Continued)

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

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

(b) On 3 May 2010, the Group entered into a temporary sales and purchase agreement with an independent third party for the acquisition of a property in Hong Kong to be used as a warehouse for the Group's packaging business for a consideration of approximately HK$6,880,000. The transaction was completed on 20 May 2010 following the successful transfer of legal title to the property.

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

53. COMPARATIVE INFORMATION

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

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

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