C Y Foundation Group Limited

(Incorporated in Bermuda with limited liability)

Stock code : 1182

Interim Report **2007/2008**

CONDENSED CONSOLIDATED INCOME STATEMENT

The unaudited condensed consolidated results of C Y Foundation Group Limited (the "Company") and its subsidiaries (the "Group") for the six months ended 30 September 2007 together with the comparative figures for the last corresponding period are as follows:

	Note	Six months ended 30 September 2007 HK$'000 (Unaudited)	2006 HK$'000 (Unaudited) (Restated)
Continuing Operations			
Turnover	4	**29,345**	36,514
Cost of sales		**(15,781)**	(18,480)
Gross profit		**13,564**	18,034
Other revenue		**19,366**	468
Selling and distribution costs		**(15,129)**	(16,338)
Administrative expenses		**(30,814)**	(8,018)
Loss from operations	5	**(13,013)**	(5,854)
Finance costs	6	**(1,158)**	(327)
Excess of net assets value over the consideration arising from acquisition of subsidiaries	18	**1,336**	–
Loss before income tax		**(12,835)**	(6,181)
Income tax	7	**-**	–
Loss from continuing operations		**(12,835)**	(6,181)
Discontinued operation			
Loss from discontinued operation	8	**-**	(14,830)
Loss for the period		**(12,835)**	(21,011)
Loss attributable to:			
Equity holders of the Company	9	**(12,605)**	(21,011)
Minority interest		**(230)**	–
		(12,835)	(21,011)
Loss per share	10		
Basic			
– Continuing operations		**(0.37) cent**	(7.07) cents
– Discontinued operation		**-**	(16.96) cents
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2007

	Note	**As at 30 September 2007 HK$'000 (Unaudited)**	As at 31 March 2007 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	**4,942**	730
Loan receivables	12	**17,098**	–
Licenses		**27,036**	–
		49,076	730
Current assets			
Inventories		**1,530**	17,206
Trade and other receivables	13	**28,465**	15,231
Pledged bank deposits		**-**	497
Bank fiduciary deposit	14	**557,200**	328,276
Cash and cash equivalents		**197,128**	460,573
		784,323	821,783
LIABILITIES			
Current liabilities			
Trade and other payables	15	**54,773**	745,830
Current portion of obligations 00.0 finance lease		**356**	–
Short term loan, secured		**-**	25,380
		55,129	771,210
Net current assets		**729,194**	50,573
Total assets less current liabilities		**778,270**	51,303

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

As at 30 September 2007

	Note	**As at 30 September 2007 HK$'000 (Unaudited)**	As at 31 March 2007 HK$'000 (Audited)
Non-current liabilities			
Obligations under finance lease		**948**	–
Convertible note	16	**18,891**	3,016
Provision for long service payments		**959**	959
		20,798	3,975
NET ASSETS		**757,472**	47,328
CAPITAL AND RESERVES			
Share capital	17	**3,687**	3,087
Reserves		**752,734**	44,241
Total equity attributable to equity shareholders of the Company		**756,421**	47,328
MINORITY INTEREST		**1,051**	–
TOTAL EQUITY		**757,472**	47,328

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2007

		Reserves									
	Share capital HK$'000 (Unaudited)	**Share premium** HK$'000 (Unaudited)	**Fair value reserve** HK$'000 (Unaudited) *(Note (a))*	**Capital reserve** HK$'000 (Unaudited)	**Translation reserve** HK$'000 (Unaudited)	**Capital redemption reserve** HK$'000 (Unaudited)	**Reserve funds** HK$'000 (Unaudited) *(Note (b))*	**Accumu-lated losses** HK$'000 (Unaudited)	**Total reserves** HK$'000 (Unaudited)	**Minority interest** HK$'000 (Unaudited)	**Total** HK$'000 (Unaudited)
As at 1 April 2006	1,748	709,633	(12,845)	-	-	1,190	135	(655,942)	42,171	-	43,919
Capital and share premium reduction *(Note 17(a))*	(1,661)	(709,633)	-	-	-	-	-	711,294	1,661	-	-
Reserve realised upon disposal of available-for-sale financial assets	-	-	12,845	-	-	-	-	-	12,845	-	12,845
Loss for the period	-	-	-	-	-	-	-	(21,011)	(21,011)	-	(21,011)
As at 30 September 2006	87	-	-	-	-	1,190	135	34,341	35,666	-	35,753
As at 1 April 2007	3,087	27,000	-	992	47	1,190	135	14,877	44,241	-	47,328
Issue of new shares *(Note 17(e))*	600	717,190	-	-	-	-	-	-	717,190	-	717,790
Share premium reduction *(Note (c))*	-	(15,208)	-	-	-	-	-	15,208	-	-	-
Equity component of convertible note issued *(Note 16)*	-	-	-	4,972	-	-	-	-	4,972	-	4,972
Acquisition of subsidiaries *(Note 18)*	-	-	-	-	-	-	-	-	-	1,281	1,281
Exchange realignment	-	-	-	-	(1,064)	-	-	-	(1,064)	-	(1,064)
Loss for the period	-	-	-	-	-	-	-	(12,605)	(12,605)	(230)	(12,835)
As at 30 September 2007	3,687	728,982	-	5,964	(1,017)	1,190	135	17,480	752,734	1,051	757,472

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

For the six months ended 30 September 2007

Notes:

(a) The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the balance sheet date and is dealt with in accordance with the Company's accounting policy.

(b) Pursuant to the relevant laws and regulations in the People's Republic of China ("PRC"), a portion of the profit of the Group's subsidiaries in the PRC has been transferred to reserve funds which are restricted as to use.

(c) Pursuant to a resolution passed at the annual general meeting of the Company on 23 August 2007, it was resolved that, subject to compliance with section 46 (2) (b) of the Companies Act 1981 of Bermuda (as amended), the share premium account of the Company would be reduced by HK$ 15,208,000 and such amount be transferred to the contributed surplus account of the Company where it was utilised by the directors in accordance with the Bye-laws of the Company and all applicable laws to apply such amount to set off against the accumulated losses of the Company.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2007

	Six months ended 30 September	
	2007	2006
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	**(762,145)**	3,850
NET CASH USED IN INVESTING ACTIVITIES	**(213,950)**	(1,397)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	**713,714**	(63)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(262,381)**	2,390
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**460,573**	14,621
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(1,064)**	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**197,128**	17,011

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2007

1. GENERAL

The Company was incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Luck Continent Limited ("Luck Continent") (incorporated in the British Virgin Islands) on 31 March 2007. The addresses of the registered office and principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and 17/F., Silver Base Centre, 200 Gloucester Road, Wanchai, Hong Kong respectively.

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

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the "Group") are investment holding, apparel trading, strategic investments and provision of online game tournament services in the PRC.

The operations of the online game tournament services in the PRC were initially conducted through T-Matrix Culture Company Limited ("T-Matrix"), a limited liability company established in the PRC on 11 September 2003. T-Matrix is a wholly owned subsidiary of Beijing Horizon Trading Company Limited ("Beijing Horizon"), a limited liability company established in the PRC on 15 July 1999. Beijing Horizon is legally owned by certain individual owners, who are PRC citizens (the "Registered Shareholders").

1. GENERAL *(Continued)*

The PRC laws and regulations restrict foreign ownership of companies providing value-added telecommunications services, which included activities and services operated by T-Matrix. In order to enable certain foreign companies to make investments into the business of the Group, the Company established a subsidiary, 海南寶瀛實業有限公司 ("海南寶瀛"), which is a wholly foreign owned enterprise established in the PRC on 30 December 2006.

Certain contractual arrangements have been made among 海南寶瀛, Beijing Horizon and the Registered Shareholders so that the decision-making rights and operating and financing activities of Beijing Horizon are ultimately controlled by the Company. 海南寶瀛 are also entitled to substantially all of the operating profits and residual benefits generated by Beijing Horizon under these arrangements. In particular, the Registered Shareholders are required under their contractual arrangements with the Group to transfer these interests in Beijing Horizon to the Group or the Group's designee upon the Group's request at a pre-agreed consideration.

Further, pursuant to the contractual arrangements between 海南寶瀛 and Beijing Horizon, the Group owns the intellectual property developed by Beijing Horizon. It also receives the cash flow derived from the operations of Beijing Horizon through the levying of service and consultancy fees and sales of software. The ownership interests in Beijing Horizon have also been pledged by the Registered Shareholders to the Group. As a result, Beijing Horizon is accounted for as a special purpose entity and a subsidiary of the Group for accounting purposes. This approach was adopted because in the management's beliefs it best reflects the substance of the formation of the Group.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2007 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2007.

3. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention.

Except for those mentioned below, the accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2007. In particular, we have consolidated Beijing Horizon and its subsidiaries ("Beijing Horizon Group") into the financial statements of the Group notwithstanding the lack of legal equity ownership of Beijing Horizon, because in substance certain contractual arrangements enacted with Beijing Horizon give the Company control over Beijing Horizon by way of controlling more than one half of the voting rights of Beijing Horizon, governing its financial and operational policies and appointing or removing the majority of the members of its controlling authorities, and casting the majority of votes at meetings of such authorities. In addition, such contractual arrangements also transfer the risks and rewards of Beijing Horizon to the Company.

In the current period, the Group has applied, for the first time, a number of new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA which are effective for the financial year ending 31 March 2008.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2 - Group and Treasury Share Transactions

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

The Group has not early applied the following new/revised standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards and interpretations will have no material impact on the results and financial position of the Group.

HKAS 23 (Revised)	Borrowing Costs [1]
HKFRS 8	Operating Segments [1]
HK(IFRIC) – Int 12	Service Concession Arrangements [2]
HK(IFRIC) – Int 13	Customer Loyalty Programmes [3]
HK(IFRIC) – Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [2]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 January 2008
3 Effective for annual periods beginning on or after 1 July 2008

3. **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

(a) *Consolidation*

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Consolidation (Continued)

To comply with PRC laws and regulations that restrict foreign ownership of companies that operate online game tournament services and other restricted business, the Group operates and provides such restricted services in the PRC through a PRC domestic company whose equity interests are held by certain individual owners. The domestic company has entered into a business cooperation and technical service agreement with the Group, which makes it obligatory for the Group to absorb a substantial majority of the risk of losses from the PRC domestic company's activities and entitles the Group to receive a substantial majority of its residual returns. In addition, the Group has entered into certain agreements with those individual owners, including loan agreement for them to contribute paid-in capital to the domestic company, option agreement for the Group to acquire the equity in the PRC domestic company subject to compliance with PRC laws, pledge agreement over the equity interests of the PRC domestic company held by those individual owners, and proxy agreement irrevocably authorising individuals designated by the Group to exercise the equity owners' rights over the PRC domestic company, whichever is applicable. Based on these contractual agreements, the Group believes that, notwithstanding the lack of equity ownership, the contractual arrangements described above give the Group control over the PRC domestic company in substance. Accordingly, the financial position and operating results of the entity are included in the unaudited condensed consolidated interim financial statements.

Inter-company transactions, balances and unrealised gains on transactions between the group companies are eliminated. Unrealised losses are also eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Intangible assets

Intangible asset includes licenses acquired from business combinations. They are initially recognised and measured at estimated fair value upon acquisition. Cost of licenses are being amortised on a straight-line basis over the licenses period.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business Segments

The Group comprised the following main business segments:

(a) Online game tournament services
(b) Apparel trading
(c) Strategic investments and others

The analysis of the Group's turnover and results for the six months ended 30 September 2007 and 2006 regarding business segments is as follows:

For the six months ended 30 September 2007

	Continuing operations				Discontinued operation	
	Online game tournament services	Apparel trading	Strategic investments and others	Sub-total	Securities trading	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover	131	29,214	-	29,345	-	29,345
Segment results	(1,548)	(8,553)	-	(10,101)	-	(10,101)
Interest income				19,007		19,007
Unallocated income				9		9
Group overheads				(21,928)		(21,928)
Loss from operations				(13,013)		(13,013)
Finance costs				(1,158)		(1,158)
Excess of net assets value over the consideration arising from acquisition of subsidiaries				1,336		1,336
Loss before income tax				(12,835)		(12,835)
Income tax				-		-
Loss from continuing operations				(12,835)		
Loss for the period						(12,835)

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business Segments *(Continued)*

For the six months ended 30 September 2006 (Restated)

	Continuing operations				Discontinued operation	
	Online game tournament services *HK$'000* (Unaudited)	Apparel trading *HK$'000* (Unaudited)	Strategic investments and others *HK$'000* (Unaudited)	Sub-total *HK$'000* (Unaudited)	Securities trading *HK$'000* (Unaudited)	Consolidated *HK$'000* (Unaudited)
Turnover	-	36,514	-	36,514	55	36,569
Segment results	-	(4,997)	-	(4,997)	(1,542)	(6,539)
Interest income				149		149
Group overheads				(1,006)		(1,006)
Loss from operations				(5,854)		(7,396)
Finance costs				(327)		(327)
Loss on disposal of available-for-sale financial assets				-	(13,288)	(13,288)
Loss before income tax				(6,181)		(21,011)
Income tax				-		-
Loss from continuing operations				(6,181)		
Loss for the period						(21,011)

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical segments

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

The analysis of the Group's turnover and results by geographical segment is as follows:

	Six months ended 30 September					
	Hong Kong		The PRC		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Segment revenue:						
Turnover						
– Continuing operations	**21,949**	24,744	**7,396**	11,770	**29,345**	36,514
– Discontinued operation	**-**	55	**-**	–	**-**	55
	21,949	24,799	**7,396**	11,770	**29,345**	36,569
Segment results						
– Continuing operations	**(13,608)**	(4,751)	**773**	(1,430)	**(12,835)**	(6,181)
– Discontinued operation	**-**	(14,830)	**-**	–	**-**	(14,830)
	(13,608)	(19,581)	**773**	(1,430)	**(12,835)**	(21,011)

5. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging/(crediting):

	Six months ended 30 September	
	2007	2006
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Continuing operations		
Cost of sales	**15,781**	18,480
Auditors' remuneration		
Non-audit fee	**280**	–
Depreciation	**830**	999
Loss on disposal/write-off of property, plant and equipment	**-**	451
Operating lease rentals in respect of land and buildings	**4,325**	909
Royalty expenses	**1,636**	–
Staff salaries and other benefits	**15,421**	3,395
Staff retirement benefits scheme contributions, net of forfeited contributions of HK$ Nil (Six months ended 30 September 2006: HK$ Nil)	**121**	–
Total staff costs including directors' emoluments	**15,542**	3,395
Discontinued operation		
Cost of sales	**-**	59
Depreciation	**-**	16
Operating lease rentals in respect of land and buildings	**-**	422
Staff salaries and other benefits	**-**	363
Staff retirement benefits scheme contributions, net of forfeited contributions of HK$ Nil (Six months ended 30 September 2006: HK$Nil)	**-**	–
Total staff costs including directors' emoluments	**-**	363

6. FINANCE COSTS

	Six months ended 30 September	
	2007	2006
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Continuing operations		
Interest on short term loan wholly repayable within five years	**311**	327
Imputed interest on convertible note *(Note 16)*	**847**	–
	1,158	327
Discontinued operation	**-**	–

7. INCOME TAX

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries had no assessable profits for the six months ended 30 September 2007 and 2006.

Pursuant to a notice dated 7 March 2005 issued by Shanghai Local Tax Bureau Xu Hui Branch, 上海歐裝貿易有限公司 ("上海歐裝"), a subsidiary of the Group, is exempted from PRC enterprise income tax ("EIT") for the period from 1 May 2004 to 31 December 2006. No provision has been made for 上海歐裝 for the six months ended 30 September 2007 as 上海歐裝 sustained a loss for taxation purpose during the period.

No provision for EIT has been made for other subsidiaries operating in the PRC as they did not generate any assessable profits during the six months ended 30 September 2007 and 2006.

8. DISCONTINUED OPERATION

On 21 March 2007, the Group disposed of the entire equity interest in a subsidiary, Gold Venture Corporation Limited ("Gold Venture"), and the amount due from Gold Venture to the Group at a total consideration of approximately HK$321,000. Gold Venture was principally engaged in securities trading.

The loss from the discontinued operation is analysed as follows:

	Six months ended 30 September	
	2007	2006
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited) (Restated)
Gain on disposal	**-**	–
Loss from operation of Gold Venture	**-**	(14,830)
	-	(14,830)

8. DISCONTINUED OPERATION *(Continued)*

The results of Gold Venture were as follows:

	Six months ended 30 September	
	2007	2006
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited) (Restated)
Turnover	-	55
Cost of sales	-	(59)
Gross loss	-	(4)
Administrative expenses	-	(1,538)
Loss from operation	-	(1,542)
Loss on disposal of available-for-sale financial assets	-	(13,288)
Loss before income tax	-	(14,830)
Income tax	-	–
Loss for the period	-	(14,830)

9. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the unaudited condensed consolidated interim financial statements of the Company to the extent of HK$12,605,000 (Six months ended 30 September 2006: HK$21,011,000).

10. LOSS PER SHARE

(a) Basic loss per share

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

	Six months ended 30 September	
	2007	2006
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited) (Restated)
Loss		
Loss for the purpose of the basic loss per share		
Continuing operations	**(12,835)**	(6,181)
Discontinued operation	**-**	(14,830)
Continuing and discontinued operations	**(12,835)**	(21,011)
Weighted average number of ordinary shares		
	'000	*'000*
Issued ordinary shares at beginning of period	**3,087,422**	1,748,433
Effect of share consolidation *(Note 17(b))*	**-**	(1,661,011)
Effect of issue of new shares *(Note 17(e))*	**422,951**	–
Weighted average number of ordinary shares at end of period	**3,510,373**	87,422
Basic loss per share		
Continuing operations	**(0.37) cent**	(7.07) cents
Discontinued operation	**-**	(16.96) cents
Continuing and discontinued operations	**(0.37) cent**	(24.03) cents

10. LOSS PER SHARE *(Continued)*

(b) Diluted loss per share

Diluted loss per share for the six months ended 30 September 2007 has not been disclosed as the potential ordinary shares outstanding during the period had an anti-dilutive effect on the basic loss for the period. Diluted loss per share was not presented for the six months ended 30 September 2006 as there were no dilutive potential shares in issue during the period.

11. PROPERTY, PLANT AND EQUIPMENT

	HK$'000
	(Unaudited)
Net book value as at 1 April 2007	730
Additions	2,778
Acquisition of subsidiaries *(Note 18)*	2,264
Depreciation	(830)
Net book value as at 30 September 2007	4,942

12. LOAN RECEIVABLES

The amounts were unsecured and bearing interest at 0.5% to 1% per annum. In the opinion of directors, the carrying value of loan receivables approximates their fair value.

13. TRADE AND OTHER RECEIVABLES

	As at 30 September 2007 HK$'000 (Unaudited)	As at 31 March 2007 HK$'000 (Audited)
Trade receivables *(Note (a))*	**2,396**	6,822
Other receivables	**4,177**	3,121
Deposits and prepayments	**19,626**	5,288
Due from a director	**206**	–
Due from minority shareholders of a subsidiary	**2,060**	–
	28,465	15,231

Note:

(a) An ageing analysis of trade receivables, net of provision for impairment loss for bad and doubtful debts is as follows:

	As at 30 September 2007 HK$'000 (Unaudited)	As at 31 March 2007 HK$'000 (Audited)
0 – 60 days	**2,114**	6,820
61 – 90 days	**33**	–
91 – 180 days	**138**	–
181 – 365 days	**109**	–
Over 1 year	**2**	2
	2,396	6,822

The Group allows a credit period normally ranging from cash on delivery to 60 days (At 31 March 2007: 60 days) to its trade customers.

14. BANK FIDUCIARY DEPOSIT

	As at 30 September 2007 *HK$'000* (Unaudited)	As at 31 March 2007 *HK$'000* (Audited)
Balance as at period/year end	**557,200**	328,276

The Group's bank fiduciary deposit represents the cash deposit in LGT Bank 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 its discretion and act as the agent of the Company.

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

15. TRADE AND OTHER PAYABLES

	As at 30 September 2007 HK$'000 (Unaudited)	As at 31 March 2007 *HK$'000* (Audited)
Trade payables *(Note (a))*	**1,244**	1,427
Bills payable	**9**	336
Deposits received	**909**	4,539
Accruals and other payables	**51,902**	19,785
Due to a director	**709**	–
Due to the ultimate holding company	**-**	719,743
	54,773	745,830

Note:

(a) An ageing analysis of trade payables is as follows:

	As at 30 September 2007 HK$'000 (Unaudited)	As at 31 March 2007 *HK$'000* (Audited)
0 – 60 days	**-**	183
61 – 90 days	**-**	–
91 – 180 days	**-**	–
181 – 365 days	**-**	–
Over 1 year	**1,244**	1,244
	1,244	1,427

16. CONVERTIBLE NOTE

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

On 21 March 2007, the Company issued a 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, a company wholly owned by Mr. Cheng Chee Tock Theodore. The First Convertible Note has a maturity date of 20 March 2010 and had not been converted during the six months ended 30 September 2007.

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

The convertible notes were split into liability and equity components of HK$18,036,000 and HK$5,964,000, respectively upon initial recognition by recognising the liability component at its fair value and attributing to the equity component the residual amount. The liability component is subsequently carried at amortised cost and the equity component is recognised in the capital reserve.

16. CONVERTIBLE NOTE *(Continued)*

The movements of the liability component of the Convertible Note for the period/year is as follows:

	As at 30 September 2007 ***HK$'000*** **(Unaudited)**	As at 31 March 2007 *HK$'000* (Audited)
Liability component at beginning of period/year	**3,016**	–
Principal amount of Convertible Note issued	**20,000**	4,000
Equity component	**(4,972)**	(992)
Interest expense *(Note 6)*	**847**	8
Liability component at end of period/year	**18,891**	3,016

Interest expense on the Convertible Note is calculated using the effective interest method by applying the effective interest rate of 9.97% and 10% per annum to the liability component of the First Convertible Note and Second Convertible Note respectively.

17. SHARE CAPITAL

	Number of shares *'000*	*HK$'000*
Authorised:		
As at 30 September 2006 and 30 September 2007:		
Ordinary shares of HK$0.001 each	300,000,000	300,000
Issued and fully paid:		
As at 1 April 2006	1,748,433	1,748
Capital reduction *(Note (a))*	–	(1,661)
Share consolidation *(Note (b))*	(1,661,011)	–
As at 30 September 2006	87,422	87
As at 1 April 2007	3,087,422	3,087
Issue of new shares *(Note (e))*	600,000	600
At 30 September 2007	3,687,422	3,687

Notes:

(a) Capital and share premium reduction

On 26 April 2006, the issued capital of the Company was reduced by HK$0.00095 per issued share by cancelling an equivalent amount of paid-up capital per issued share so that the nominal value of each issued share was reduced from HK$0.001 to HK$0.00005. Accordingly, based upon 1,748,433,048 shares in issue as at the date of the announcement, the issued share capital of the Company of HK$1,748,000 would be reduced by HK$1,661,000 to HK$87,000.

On the same date, the share premium of the Company of HK$709,633,000 was cancelled. The credit arising from the capital reduction and the share premium reduction respectively was transferred to the contributed surplus account of the Company where it was utilised by the directors in accordance with the Bye-laws of the Company and all applicable laws to apply such credit to set-off against the accumulated losses of the Company.

17. SHARE CAPITAL *(Continued)*

Notes: (Continued)

(b) Share consolidation

On 26 April 2006, the share consolidation was implemented whereby every 20 shares of HK$0.00005 each resulting from the capital reduction as mentioned in note 17(a) above were consolidated into one consolidated share of HK$0.001.

(c) Issue of new shares

On 31 January 2007, 3,000,000,000 new shares of HK$0.001 each in the Company was subscribed by Luck Continent at a subscription price of HK$0.01 per share. The new shares rank pari passu in all respects with the then existing shares in the Company. The premium arose from the issue of the new shares of HK$27,000,000 was credited to the share premium account. The Company used the net proceeds as general working capital of the Group.

(d) Issue of warrant

After considering the number of shares to be subscribed by Luck Continent as mentioned in note 17(c) above, on 31 January 2007, the Company issued by way of bonus to Luck Continent an unlisted warrant ("Warrant") which confers rights to subscribe up to HK$6,000,000 in aggregate in cash for shares in the Company at an initial subscription price of HK$0.01 per share, subject to adjustment.

The subscription rights attaching to the Warrant may be exercised in whole or in part within the period from the date of the issue of the Warrant to the third anniversary of the date of the issue of the Warrant. Up to the date of the report, no warrant has been exercised.

17. SHARE CAPITAL *(Continued)*

Notes: (Continued)

(e) Issue of new shares

On 25 May 2007, 600,000,000 new shares of HK$0.001 each in the Company was subscribed by Luck Continent at a subscription price of HK$1.28 per share. The new shares rank pari passu in all respects with the then existing shares in the Company. The premium arose from the issue of the new shares of HK$767,400,000 and after net of share issue expenses of HK$50,210,000 was credited to the share premium account. The net proceeds were expected to be used to finance the Group's plan to expand into online game and electronic tournament game market in the PRC.

18. BUSINESS COMBINATION

Acquisition of 100% controlling interest in Beijing Horizon Group

On 1 August 2007, the Group acquired 100% controlling interest in Beijing Horizon Group through certain contractual arrangements among 海南寶瀛, Beijing Horizon and the Registered Shareholders (as described in note 1, note 2 and note 3 above) at a zero consideration. Notwithstanding the Group lacks equity ownership in Beijing Horizon, such contractual arrangements in substance give the Group control over Beijing Horizon Group by way of controlling all the voting rights of Beijing Horizon, governing its financial and operational policies and appointing or removing the majority of the members of its controlling authorities, and casting the majority of votes at meetings of such authorities. In addition, such contractual arrangements also transfer the risks and rewards of Beijing Horizon Group to the Group. As a result, Beijing Horizon is accounted for as a special purpose entity and thus a subsidiary of the Group for accounting purpose. This acquisition has been accounted for using the purchase method of accounting. The excess of the fair value of the net assets of Beijing Horizon Group over the cost of acquisition was approximately HK$1,336,000 and recognised in the unaudited condensed consolidated income statement for the six months ended 30 September 2007.

18. BUSINESS COMBINATION *(Continued)*

The details of net assets of Beijing Horizon Group at the date of acquisition are as follows:

	Pre-acquisition carrying amount	Fair value adjustments	Recognised values on acquisition
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Property, plant and equipment *(Note 11)*	2,264	–	2,264
Licenses	27,036	–	27,036
Trade and other receivables	5,958	–	5,958
Cash and cash equivalents	18,591	–	18,591
Trade and other payables	(26,499)	–	(26,499)
Loans to a related company	(24,733)	–	(24,733)
Minority interest	(1,281)	–	(1,281)
Net assets	1,336	–	1,336
Total consideration			–
Excess of net assets value over the consideration			1,336

In the opinion of directors, the carrying amounts of net assets of Beijing Horizon Group at the date of acquisition approximate their fair value.

19. CONTINGENT LIABILITIES

Litigation

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

Up to the date of this report, the directors believed that there is no ground for Orient Rise to make the claim and therefore, no provision has been made in the unaudited condensed consolidated interim financial statements.

20. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances disclosed elsewhere in the unaudited condensed consolidated interim financial statements, the Group did not have any significant related party transaction during the period.

(b) The key management compensation for the six months ended 30 September 2007 and 2006 is detailed as follows:

	As at 30 September 2007 *HK$'000* (Unaudited)	As at 30 September 2006 *HK$'000* (Unaudited)
Fees	**784**	150
Salaries and other allowances	**710**	304
Contributions to retirement benefit schemes	**-**	–
	1,494	454

21. EVENTS AFTER BALANCE SHEET DATE

(a) On 9 October, 2007, the Group entered into a letter of intent with an independent third party for the acquisition of a property located in Beijing at a total consideration of approximately HK$64,592,000.

(b) On 9 October 2007, the Group entered into a sale & purchase agreement with an independent third party for the acquisition of the entire issued share capital of and the shareholder loan advanced to Mansion Gains Holdings Limited whose sole underlying asset is the property located in Hong Kong, at a total consideration of approximately HK$53,500,000.

(c) On 5 November 2007, the note-holders have converted the Convertible Note in an aggregate principal amount of HK$2,000,000 into 200,000,000 ordinary shares of HK$0.001 each at a conversion price of HK$0.01 per share.

22. COMPARATIVE FIGURES

Certain comparative figures have been restated or re-classified as a result of the presentation of discontinued operation and conformation with the current period's presentation.

DIVIDEND

The Board did not recommend any interim dividend for the underlying period (2006: Nil).

REVIEW AND OUTLOOK

Financial Review

Operating results

For the six months ended 30 September 2007, the Group recorded a turnover of HK$29.3 million as compared to HK$36.5 million for the last corresponding period. The decrease was due to the gradual phasing out of the apparel trading business as well as the Group's new focus on its new business development in online game tournaments. The Group also reported a net loss of HK$12.8 million as compared to a loss of HK21.0 million in the last corresponding period. The loss was mainly attributable to the loss from the gradually discontinued operation - apparel trading business and the establishing cost for the online game tournament business.

As the new business of online game tournaments is still at its early development stage and takes time to establish, the current financial figures reflect mainly the being phased out apparel business operation. The benefits from the anticipated high growth in online game tournaments is expected to emerge from the next financial year and onwards.

Business Review – Old Business

At the beginning of the period under review, the Board had determined to focus on the development of the new online game tournaments business and has gradually shifted the resources away from its apparel business. This business recorded a turnover of HK$29.2 million and a net loss of HK$8.9 million for the period under review. The portfolio of the apparel trading is expected to be scaled down in the forthcoming financial year.

REVIEW AND OUTLOOK *(Continued)*

New Course – Online Game Tournaments

The revenue from the new business started to accrue to the Group from August 2007. During two months' period, the revenue generated from the new business of the Group amounted to approximately HK$0.13 million and the net loss for this period was approximately HK$3.9 million. The Group's core business is to organize and manage nationwide online game tournaments. Players from all over China will participate in online tournaments that will feature casual games such as mahjong, doudizhu, Texas Hold'em poker, tuolaji, and animated entertainment games.

Tournaments

The Group operates online P2P (player to player) game tournaments for prizes all across China. The Group is the company dedicated to the online tournament market in China and sees enormous potential in a country where the online gaming market is estimated to comprise more than 45 million players (2006) and is growing at more than 39% per year.

The online tournament market in China is new. The Group maintains a first mover advantage and is developing unique tournament formats suitable for multiple market segments. The Group's online tournaments will feature hugely popular card games such as Doudizhu and Texas Hold'em.

Distribution Channel

The Group's main distribution channel is internet cafes; there are over 120,000 licensed internet cafes nationwide with 27 million visitors per day. Through Network Media Center, the Group has access to a wide range of resources to accelerate the roll out and popularity of our online tournament platform, including a network of 20,000 internet cafes.

REVIEW AND OUTLOOK *(Continued)*

New Course – Online Game Tournaments *(Continued)*

Tournament Platform

The Group will accelerate roll out of tournaments to a large network of internet cafes by developing a proprietary tournament platform. The platform will contain a full suite of services that will offer players a seamless and exciting game-user experience. This will include membership, payment, prize distribution and tournament statistics services.

Enternet

The online tournaments will gain further support and exposure through our high-end flagship entertainment centers, located in the major cities across China. The entertainment centers feature a full spectrum of entertainment including P2P tournament playing section, VIP rooms, digital cinemas playing international films and live sports, internet cafe and a refreshment area. Our first entertainment center opened on 14 September 2007 in Shanghai. Future locations to be open soon include Shenzhen and Beijing.

Acquisition

During the period, the Group acquired T-Matrix Culture Company Limited to speed up the roll out of the Group's online tournament platform. T-Matrix has over 1,000 internet cafe franchisees and allied internet cafe partners in over 9 provinces across China. T-Matrix is one of only 7 active license owners authorised by the PRC's Minsitry of Culture to franchise internet cafes nationwide in China. Internet cafes in this T-Matrix group will become the Group's online tournament platform and hold nationwide tournaments. The acquisition of T-Matrix had expedited the establishment of marketing channels in promoting the online game tournaments. The Group began operating online tournaments throughout the T-Matrix network since early August 2007.

REVIEW AND OUTLOOK *(Continued)*

New Course – Online Game Tournaments *(Continued)*

Rolling out of tournaments

Various electronic tournaments have been launched since mid of the year. The latest one named China Youth Electronic Tournament or CYET was launched in October 2007 and had proved a huge success with nearly 29,000 players signing up for the tournament. Since then, CYET has been launched in over 230 internet cafes in Wuxi, China.

The entertainment centre and the tournaments took the Group a great step forward towards our objective of establishing a sizeable online gaming community. The Group looks forward to rolling out more tournament via its proprietary platform to more cities across China and the growth of our player base as well as the geographical reach.

Capital resources and currency exposure

As at 30 September 2007, the cash and cash equivalents (including bank fiduciary deposit) of the Group amounted to approximately HK$754.3 million and there was no bank borrowing. The gearing ratio of interest bearing borrowing (net of the zero coupon rate convertible notes) against the total equity at 31 March 2007 was 53.6%. As majority of the cash on hand is in US currency, the Group's exchange risk exposure is mainly in the downward trend of US currency. Therefore, the Group has planned to convert a portion of the US currency on hand to other major currencies in order to reduce the potential exchange fluctuations.

Capital commitment

As at 30 September 2007, the Group has not committed nor had any plan to commit for any material investment or capital assets.

Subsequent event

Subsequent to the period under review, the Group announced the acquisition of a property in Hong Kong and a property in Beijing for office use. The consideration was and will be financed partly by the internal source of funding of the Group and partly by mortgage financing from bank.

REVIEW AND OUTLOOK *(Continued)*

Prospects

The Board is highly positive on the growth potential of the new business based on the market size of China's online game players and its fast growth rate. With the huge success of CYET in Wuxi, the Group is planning to roll out more tournament events in more cities including Zhengzhou, Chengdu, Guangzhou, Wuhan and Shanghai over the next few months. The Group expects to see a huge increase in the growth of its player base as the brand expands across China. The next major tournament will culminate with a 1 million Renminbi final to be held in Shanghai at the end of April 2008.

Aside from this, The Group plans to work closely with its strategic partner to utilise its vast resources such as its 75 million membership base and relationships with over 20,000 internet cafes across China to maximize the market position of its online tournament platform.

EMPLOYEE INFORMATION

At the end of the underlying period, the Group employed 106 permanent employees, including 23 employees in Hong Kong and 83 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.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2007, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares, and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO, or otherwise as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

1. Long positions in shares

		Number of shares		
Name	Capacity	Personal interest	Corporate interest	Shareholding
				(%)
Poh Po Lian [(a)]	Interest in a controlled corporation	-	2,646,264,127	71.76

2. Long positions in underlying shares – warrant

Name	Date of issue	Exercise period	Amount of warrant	Exercise price per share	Number of exercisable shares	Percentage to issued shares
			(HK$)	*(HK$)*		*(%)*
Poh Po Lian [(a)]	2007-01-31	2007-01-31 to 2010-01-30	6,000,000	0.01	600,000,000	16.28

DIRECTORS' INTERESTS IN SECURITIES *(Continued)*

3. Long positions in underlying shares – convertible note

Name	Date of issue	Conversion period	Amount of convertible note (HK$)	Conversion price per share (HK$)	Number of convertible shares	Percentage to issued shares (%)
Cheng Chee Tock Theodore [(b)]	2007-04-13	2007-04-13 to 2010-04-12	20,000,000	0.01	2,000,000,000	54.24

4. Aggregate long positions in shares and underlying shares

Name	Number of shares	Number of underlying shares	Aggregate in number	Percentage to issued shares (%)
Cheng Chee Tock Theodore [(b)]	–	2,000,000,000	2,000,000,000	54.24
Poh Po Lian [(a)]	2,646,264,127	600,000,000	3,246,264,127	88.04
	2,646,264,127	2,600,000,000	5,246,264,127	[(c)] 142.28

5. Notes:

(a) The shares were held by Luck Continent Limited ("Luck Continent") which was wholly owned by Dato Poh. Dato Poh was deemed to be interested in all these shares which are also disclosed in the section headed "Substantial Shareholders" below.

(b) The underlying shares were held by Super Bonus Management Limited ("Super Bonus") which was wholly owned by Mr Cheng. Mr Cheng was deemed to be interested in all these shares which are also disclosed in the section headed "Substantial Shareholders" below.

(c) The figure is distorted to above 100% as dilution upon issue of the underlying shares is not taken into consideration in accordance with the applicable rules for the disclosure requirement hereof.

DIRECTORS' INTERESTS IN SECURITIES *(Continued)*

Save as disclosed above, as at 30 September 2007, none of the Directors, chief executive or their associates had any personal, family, corporate or other beneficial interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or otherwise as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2007, the persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the shares and underlying shares in the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register of the Company were as follows:

1. Long positions in shares

Name	Capacity	Number of shares	Shareholding (%)
Luck Continent [(a)]	Beneficial owner	2,646,264,127	71.76
Playtech Software Limited ("Playtech") [(b)]	Beneficial owner	53,750,000	1.46
		2,700,014,127	73.22

SUBSTANTIAL SHAREHOLDERS *(Continued)*

2. Long positions in underlying shares

Name	Capacity	Financial instrument	Number of underlying shares	Percentage to issued shares (%)
Luck Continent [(a)]	Beneficial owner	Warrant	600,000,000	16.28
Super Bonus [(c)]	Beneficial owner	Convertible note	2,000,000,000	54.24
Copernicus Trading Limited ("Copernicus") [(d)]	Beneficial owner	Convertible note	400,000,000	10.85
Emphasis Services Limited ("ESL") [(d)]	Interest in a controlled corporation	Convertible note	400,000,000	10.85
TSLIB Limited ("TSLIB") [(d)]	Interest in a controlled corporation	Convertible note	400,000,000	10.85
Hall Thomas Alexej ("Hall") [(d)]	Interest in a controlled corporation	Convertible note	400,000,000	10.85
Evermore Trading Limited ("Evermore") [(d)]	Interest in a controlled corporation	Convertible note	400,000,000	10.85
Playtech [(d)]	Interest in a controlled corporation	Convertible note	400,000,000	10.85

SUBSTANTIAL SHAREHOLDERS *(Continued)*

3. *Notes:*

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

(b) Playtech was recorded in the underlying register in view of its total interest upon aggregating its interest in the underlying shares.

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

(d) These refer to the same number of 400,000,000 underlying shares under a convertible note. These shares were held by Copernicus which was held as to (a) 31.25% by ESL which was in turn held as to 33.45% by TSLIB (wholly owned by Hall) and 4.95% by Hall; and (b) 50% by Evermore which was in turn wholly owned by Playtech. Each underlying share under the convertible note may be issued at a conversion price of HK$0.01 with conversion period up to 20 March 2010.

Save as disclosed above, as at 30 September 2007, 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.

CORPORATE GOVERNANCE

The summary of the major areas of deviations from the Code on Corporate Governance Practices ("CG Code") during the underlying period is as follows.

CG Code		Deviation
A.2.1	Segregated roles of chairman and CEO	• Before 9 May 2007, the Group did not maintain a CEO in the Board and the Chairman assumed the general duties of a CEO. • On 9 May 2007, a CEO was appointed to the Board.
A.4.1	Non-executive directors should be appointed for a specific term, subject to re-election	• Before 9 May 2007, all Independent Non-executive Directors ("INED(s)") were not appointed for a specific term but were subject to retirement by rotation at the annual general meeting in accordance with the Company's Bye-laws. • With effect from 9 May 2007, all INEDs and Non-executive Directors ("NED(s)") shall retire but be eligible for re-election at every annual general meeting of the Company.
B.1.1	A remuneration committee should be set up with majority members to be INEDs	• During the period from 9 May 2007 until 31 May 2007, the Remuneration Committee was not composed of a majority of INEDs due to the resignation of all former INEDs from the Board and/or the Remuneration Committee. • On 1 June 2007, 2 new INEDs were appointed as the new members of the Remuneration Committee fulfilling the requirement.

All of the above deviations have been remedied and complied with before the end of the underlying period as stated above.

COMPLIANCE WITH THE MODEL CODE

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

REVIEW OF RESULTS

The Group's unaudited condensed consolidated results for the six months ended 30 September 2007 have been reviewed by the auditors and the Audit Committee of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 September 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board
Cheng Chee Tock Theodore
Chairman

Hong Kong, 19 December 2007