C Y Foundation Group Limited

(Incorporated in Bermuda with limited liability)

Stock code : 1182

ANNUAL REPORT

2007/2008

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive:

CHENG Chee Tock Theodore *(Chairman)*
POH Po Lian
WOELM Samuel

Non-executive:

WU Chuang John
CAO Dongxin

Independent Non-executive:

SZE Tsai Ping Michael
CHOW Steven
WANG Shan Chuan

CHIEF EXECUTIVE OFFICER

SNEAH Kar Loon

AUDIT COMMITTEE

SZE Tsai Ping Michael *(chairman)*
CHOW Steven
WU Chuang John

REMUNERATION COMMITTEE

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

PRINCIPAL BANKERS

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

AUDITOR

SHINEWING (HK) CPA Limited

QUALIFIED ACCOUNTANT

MAK Suk Yin Cecily, *FCCA, CPA*

COMPANY SECRETARY

KWOK Oi Kuen Joan Elmond, *FCIS*

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

17/F Silver Base Centre
200 Gloucester Road
Wanchai
Hong Kong

REGISTRARS AND TRANSFER OFFICE (HONG KONG)

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

STOCK CODE

1182

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BUSINESS REVIEW AND OUTLOOK

Financial Review

For the financial year under review, the Group recorded a turnover of HK$34,544,000 as compared to HK$77,634,000 for the previous period. The decrease is due to the gradual phasing out of the apparel trading business as well as the Group's new focus on the online game tournament business, which is still in the development and roll out process. The Group also reported a net loss attributable to shareholders of HK$41,363,000 as compared to loss of HK$40,475,000 in the previous period. The loss is mainly attributable to the initial development costs for the online game tournament business, high operating costs and increased competition in the apparel trading business.

At the balance sheet date, the shareholders' equity of the Group was HK$758,745,000 as compared to HK$47,328,000 at the end of the previous corresponding period. The net increase is mainly due to the completion of the issue of 600,000,000 shares in the Company, raising cash proceeds of HK$768,000,000 during the financial year under review.

The current financial figures mainly reflect the apparel business operation, which is being phased out. The new business of online game tournaments is still in an early development stage and requires time to mature. The Company expects to see the benefits from the anticipated high growth in the online game tournament business begin to emerge in the next financial year and onwards.

Apparel Trading Business

At the beginning of the financial year under review, the Board determined to focus resources on the development of the new online game tournament business and has gradually shifted resources away from its apparel trading business. This business recorded a turnover of HK$33,880,000 (2007: HK$77,634,000) and a net loss of HK$11,731,000 (2007: HK$24,151,000) respectively for the financial year under review. The portfolio of the apparel trading business is expected to be scaled down in the forthcoming financial year.

Online Game Tournament Business

This business recorded a turnover of HK$664,000 and a net loss of HK$29,152,000 respectively for the financial year under review. In the financial year under review, there is no significant contribution in turnover from the online game tournament business since it is still in the development stage. The Group's core business is to organise and manage nationwide online game tournaments. Players from all over China will participate in the online game tournaments that will feature casual games such as mahjong, doudizhu, Texas Hold'em poker, tuolaji, and animated entertainment games.

During the financial year under review, the Group acquired T-Matrix Culture Company Limited ("T-Matrix") to speed up the roll out of the Group's online game tournament platform. T-Matrix has over 1,000 internet cafe franchisees and allied internet cafe partners in 12 provinces across China. Internet cafes in the T-Matrix group will form the base distribution channel of the Group's online game tournament platform to hold nationwide tournaments. The Group began operating online tournaments throughout the T-Matrix network in August 2007. The acquisition of T-Matrix has provided the Group with a short cut towards full establishment of its online game tournament business.

BUSINESS REVIEW AND OUTLOOK

The Group had been working closely with various internationally reputable technical partners from the gaming industry in developing the software, building the gaming platform, as well as promoting the business and establishing the market. Our technical partners come from a broad spectrum across North America, South East Asia and China.

In September 2007, the Group opened its first flagship entertainment centre "Enternet" in Shanghai. The groundbreaking entertainment centre has a total floor area of approximately 1,700 square meters. It offers an exceptional entertainment experience to players, where patrons can enjoy a spectrum of entertainment including a P2P tournament playing section, VIP rooms, digital cinema playing international films and live sports, internet café and a refreshment area. The Group is seeking to replicate this flagship entertainment centre in other major cities in China and thereby attract more online and offline players.

In order to establish the Group's permanent base in Hong Kong and China for the online game tournament business, the Group acquired a property with a total floor area of 7,388 square feet in Hong Kong as the principal office of the Group and a property in Beijing with a total floor area of 3,764 square meters as the principal China office of the Group in October 2007. In view of the Group's heavy operations in Hong Kong and Beijing and the increasing value of property in Hong Kong and Beijing, the Board of Directors believed that the self-owned office is more cost-efficient than leased office premises in these two territories.

In late 2007, the Group's first trial run of our online game tournament was launched in Wuxi, China, nearly 29,000 players signed up for this online game tournament. It proved that there was an enormous potential market of the online game tournament in China. Coming soon, the Group will organise more online game tournaments and exhibitions to more cities across the China.

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

Capital Resources and Currency Exposure

At the balance sheet date, the Group's total cash and cash equivalents plus bank fiduciary deposit recorded an aggregate of HK$386,002,000 as compared to HK$788,849,000 as at 31 March 2007. The decrease was mainly due to the application of funds for the acquisition and development of the online game tournament business and the investments in Hong Kong and Beijing properties. The aforesaid acquisitions were financed partly by the internal source of funding and partly by mortgage financing from the bank.

As majority of the held-to-maturity investments, bank fiduciary deposit and cash on hand of the Group are in US dollars, AUD dollars, Renminbi and Hong Kong dollars, the Group's exchange risk exposure will depend on the movement of the exchange rate of the aforesaid currencies. During the financial period under review, the Group converted a portion US dollars to AUD dollars and Renminbi in order to reduce the potential downward exchange risk exposure. The Group does not have any financial instruments for hedging purposes.

The gearing ratio of interest bearing borrowing (net of the zero coupon rate convertible notes) against the total equity at the balance sheet date was 5.2% versus 53.6% of the previous period. The Group's bank and other borrowings were denominated in Hong Kong dollars and were principally made on a floating rate basis.

Pledge of Assets

At the balance sheet date, the buildings and prepaid lease payments of the Group with carrying value of approximately HK$8,046,000 and HK$45,969,000 respectively was pledged for the bank loan.

At the balance sheet date, the issued share capital and the shareholder loan due from Reward Well Limited, Koltai International Limited and Goldgain Services Limited, wholly-owned subsidiaries of the Group, were pledged for other loan. The aggregate net asset (liabilities) value of these subsidiaries amounted to approximately HK$8,883,000 (2007: HK$(241,969,000)).

Capital Commitment

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

Events after Balance Sheet Date

On 25 April 2008, a Letter of Intent is signed between Suzhou C Y Foundation Entertainment and Investment Management Limited, a wholly owned subsidiary of the Group, and 蘇州彩德寶投資管理有限公司, a third party, to acquire a property located in Suzhou, PRC. A refundable earnest money of RMB18,000,000 has been paid.

The note-holders have converted the convertible notes in an aggregate principal amount of HK$2,000,000 and HK$5,000,000 into 200,000,000 and 500,000,000 ordinary shares of HK$0.001 each at a conversion price of HK$0.01 per share respectively on 5 May 2008 and 16 May 2008.

In May 2008, the Group subscribed 3-year convertible notes in an aggregate amount of USD1,000,000 in Lucky Belt Holdings Limited with interest rate of 8% per annum.

Contingent Liabilities

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 a sub-licence causing loss and damages to Orient Rise.

Up to the date of this report, based on the legal advice obtained, the directors believed that there is no ground for Orient Rise to make the claim and therefore, no provision has been made in the consolidated financial statements.

Prospects

The Board is highly positive on the growth potential of the business based on the market size of the online game industry in China and its fast growth rate. With the huge success in the organised tournaments, the Group is planning to roll out more tournament events in more cities. Aside from this, The Group also plans to work closely with its strategic partners to utilise its vast resources such as its 78,000,000 membership base to maximise the market position of its online tournament platform. Furthermore, the Group will not preclude the possibility of identifying and acquiring an online game company or business to realize immediate benefits, provide synergy and shorten development times.

SENIOR MANAGEMENT'S PROFILE

Executive Directors

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

POH Po Lian, aged 50, joined the Group as Director in February 2007. He has started his career as an entrepreneur in hospitality and leisure business in Singapore since 1977. Over the past 30 years, Dato Poh has acquired extensive knowledge in a number of gaming management roles in Asia, including Singapore, Malaysia, Vietnam, the Philippines and Cambodia. He has extensive experience in providing gaming machines solution in Cambodia, Vietnam and the Philippines. Dato Poh also participated in building the Rendang Beach Resort in Malaysia and the Hainan Wenchang Golf Club in Hainan Province of the PRC. He is also the founder and the chairman of a private company which is a manufacturer and distributor of slot machines, progressive jackpot link system, electronic table games and trilling games. Dato Poh participates in the development direction of the Group. He is a substantial shareholder of the Company.

WOELM Samuel, aged 41, joined the Group as Director in May 2007. He graduated Summa-Cum Laude Japanese and Chinese Studies from the University of Minnesota. Since 1991, Mr Woelm has been residing in Japan, Hong Kong and China fulfilling senior sales and marketing positions for international enterprises. He has acquired extensive experience in marketing and business development as well as developed corporate relationships with various international conglomerates. Mr Woelm has extensive hands on business experience in China and is proficient in Japanese and Chinese. Mr Woelm is responsible for the Group's business development.

Non-executive Directors

WU Chuang John, aged 59, joined the Group as Director in May 2007. He graduated with a Bachelor Degree in Business Administration with emphasis in Accounting and a Master Degree in International Economics from the University of San Francisco. Mr Wu has over 25 years experience in management and financing business in the United States, the PRC and Hong Kong. Currently, he is also a non-executive director of Sino Strategic International Limited, an Australian Stock Exchange listed company. Mr Wu is also a member of the Audit Committee of the Company.

CAO Dongxin, aged 57, joined the Group in July 2007. He graduated from the Politics stream of Shijiazhuang Senior Troops College of the People's Liberation Army of China. He had many years of participation in various divisions of the Communist Youth League of China. Currently, Mr Cao is an officer of Network Movie Centre of the Communist Youth League of China. He is also holding senior positions in various organizations and investment vehicles of the Communist Youth League of China, as well as the managing director and legal representative of C Y Foundation Culture Company Limited, an 80.2% variable interest entity of the Company established in China.

SENIOR MANAGEMENT'S PROFILE

Independent Non-executive Directors

SZE Tsai Ping Michael, aged 63, joined the Group as Independent Non-executive Director in May 2007. Mr Sze has over 30 years of experience in the financial and securities field. He graduated with a Master of Laws (LLM) Degree from the University of Hong Kong. Mr Sze is currently a member of the Disciplinary Appeals Committee of the Hong Kong Stock Exchange and a member of the Market Misconduct Tribunal. He was a former council member, member of the Main Board Listing Committee of the Hong Kong Stock Exchange, member of the Cash Market Consultative Panel of the Hong Kong Exchanges & Clearing and member of the Securities & Futures Appeals Panel. He is a fellow of the Institute of Chartered Accountants in England and Wales, the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, as well as a fellow of the Hong Kong Institute of Directors. Currently, Mr Sze is the vice chairman of a local corporate finance advisory house. Mr Sze is also a member and the chairman of the Audit Committee and a member of the Remuneration Committee of the Company.

CHOW Steven, aged 63, joined the Group as Independent Non-executive Director in May 2007. Dr Chow has obtained a Bachelor Degree of Science from Bishop's University, a Master Degree in Business Administration and a PhD in Economics from Boston University. He is a licensed investment advisor and has over 30 years of experience in banking and investment. Currently, Dr Chow is a senior representative for an European bank as well as a managing director of its local company providing wealth management services for high net worth clients in Asia. Dr Chow is also a member of each of the Audit Committee and the Remuneration Committee of the Company.

WANG Shan Chuan, aged 63, joined the Group as Independent Non-executive Director in May 2007. Mr Wang holds a Bachelor Degree in English from Foreign Languages Institute of People's Liberation Army. He had served various commissions of the State Council, including as the director-general of Foreign Affairs Bureau of the State-owned Assets Supervision and Administration Commission, and the deputy director-general of Foreign Affairs Department of State Economic and Trade Commission.

Chief Executive Officer

Sneah Kar Loon, aged 51, appointed as Chief Executive Officer of the Group in November 2007. Mr Sneah received a bachelor degree in Asian Studies from Lawrence University, Wisconsin, USA and a Master of International Management from the American School of International Management (Thunderbird), Arizona, USA. Prior to joining the Group, Mr Sneah served senior management positions in a major international financial institution for over 20 years.

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES

The current principal activities of the Group are acting as an interactive media entertainment company focused on providing quality entertainment across China, and apparel trading.

RESULTS AND DIVIDEND

The results of the Group for the period ended the financial year under review are set out in the consolidated income statement on page 26 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 on page 90 of this Annual Report.

SHARE CAPITAL

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

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the financial year under review are set out in pages 29 to 30 to the consolidated financial statements.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme are set out in note 37 to the consolidated financial statements. As at the end of the financial year under review, no option has been granted under the share option scheme since its adoption.

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 note 16 and 17 to the consolidated financial statements respectively.

ISSUE OF SHARES AND CONVERTIBLE NOTE, AND USE OF PROCEEDS

1. On 22 December 2006, the Company announced for various issues, including subscription at par value by Super Bonus Management Limited ("Super Bonus"), a company wholly owned by Mr Cheng Chee Tock Theodore, the current Chairman of the Company, convertible note of total principal amount of HK$24,000,000 with conversion right to convert into ordinary shares of HK$0.001 each in the Company at HK$0.01 per share within 3 years from the date of issue.

   The latest closing price before the announcement of the above proposed issues was HK$0.63. The purpose of the above issues was to raise part of the funds to settle the repayment of a short-term loan and to improve the financial position of the Group. The net proceeds from this issue was estimated at about HK$24,000,000.

   On 21 March 2007 in the previous financial year, convertible note of principal amount of $4,000,000 was issued, and on 13 April 2007 in the financial year under review, convertible note of the balance principal amount of HK$20,000,000 was issued. The funds raised were applied as general working capital of the Group. As at the date of this Annual Report, out of these convertible notes, HK$2,000,000 was converted in the financial year under review on 5 November 2007, and HK$2,000,000 and HK$5,000,000 were converted after the balance sheet date on 5 May 2008 and 16 May 2008 respectively, and a total of 200,000,000 shares and 700,000,000 shares in the Company were issued in the financial year under review and after the balance sheet date respectively.

2. On 21 March 2007, the Company announced for, among other things, a proposed subscription of 600,000,000 top up ordinary shares in the Company at HK$1.28 each by Luck Continent Limited ("Luck Continent"). The net subscription money raised was estimated at about HK$720,000,000. The subscription constituted a connected transaction of the Company in view of Luck Continent (a company wholly owned by Dato Poh Po Lian, a substantial shareholder and Executive Director of the Company) being a connected person of the Company. The transaction was subject to shareholders' approval which was obtained in the financial year under review on 21 May 2007. The said top up shares was issued on 25 May 2007.

   The latest closing price of the Company's shares before the announcement of the above proposed issue was HK$2.50. The purpose of the issue of the new shares was to enlarge the Company's capital base, strengthen the Group's financial position and provide immediate additional funding to the Company to deploy its business plan.

   The fund raised was intended to be used as to HK$650,000,000 to finance the Company's plan to expand into online game and electronic tournament game market in the PRC and the remaining balance as general working capital of the Group.

3. On 6 June 2007, the Company announced for the acquisition of T-Matrix Culture Company, Limited, a company established in China engaging in operating and franchising of internet cafés, and organising of online gaming tournaments, at a total consideration of not more than Rmb 22,378,408 of which Rmb 15,000,000 (subject to downward adjustment) would be settled in 3 tranches by the issue of a total of maximum of 11,145,818 shares of HK$0.001 each in the Company at an issue price of HK$1.375. During the financial year under review, 5,572,909 shares in the Company were issued as the first tranche of the consideration.

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

CONNECTED TRANSACTION

During the financial year under review, the Company had completed a connected transaction as set out in item 2 under "Issue of shares and convertible note, and use of proceeds".

MAJOR CUSTOMERS AND SUPPLIERS

In the financial year under review, the Group's turnover attributable to the five largest customers accounted for less than 30% of the total turnover of the Group.

In the financial year under review, the Group's purchases attributed to the five largest suppliers accounted for less than 30% of the total purchases of the Group.

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)*	(appointed on 15 February 2007)
POH Po Lian	(appointed on 15 February 2007)
WOELM Samuel	(appointed on 9 May 2007)

Non-executive Directors:

WU Chuang John	(appointed on 9 May 2007 as Executive Director and re-designated on 1 June 2007 as Non-executive Director)
CAO Dongxin	(appointed on 6 July 2007)

Independent Non-executive Directors:

SZE Tsai Ping Michael	(appointed on 9 May 2007)
CHOW Steven	(appointed on 9 May 2007)
WANG Shan Chuan	(appointed on 9 May 2007)
CHU Kar Wing	(resigned on 9 May 2007)
CHOW King Wai	(resigned on 9 May 2007)
TANG Yiu Wing	(resigned on 9 May 2007)

In accordance with the terms of office of directorship, all Non-Executive Directors and 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 Woelm Samuel shall retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 42 to the consolidated financial statements, during the financial year under review, no Director had a material interest in any significant contract of the Group to which the Company or any of its subsidiaries was a party.

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:

1. Long position in the shares

Name	Capacity of interest	Number of shares Corporate interest	Shareholding
Poh Po Lian[a]	Interest of a controlled corporation	2,646,264,127	67.98%

2. Long position in the underlying shares – warrant

Name	Subscription period	Subscription price (HK$)	Amount of subscription right (HK$)	Number of underlying shares	Percentage to issued shares at end of financial year under review (%)
Poh Po Lian[a]	2007/01/31 – 2010/01/30	0.01	6,000,000	600,000,000	15.41%

3. Long position in the underlying shares – convertible note

Name	Conversion period	Conversion price (HK$)	Convertible amount (HK$)	Number of underlying shares	Percentage to issued shares at end of financial year under review (%)
Cheng Chee Tock Theodore[b]	2007/04/13 – 2010/04/12	0.01	20,000,000	2,000,000,000	51.37%

4. Notes

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

(b) The interest was held by Super Bonus which is wholly owned by Mr Cheng.

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:

1. Long positions in shares

Name	Capacity	Number of shares	Shareholding (%)
Luck Continent[a]	Beneficial owner	2,646,264,127	67.98
Playtech Software Limited ("Playtech")[b]	Beneficial owner	53,750,000	1.38
		2,700,014,127	69.36

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	15.41
Super Bonus[c]	Beneficial owner	Convertible note	2,000,000,000	51.37
Evermore Trading Limited ("Evermore")[d]	Interest in a controlled corporation	Convertible note	200,000,000	5.14
Playtech[d]	Beneficial owner	Convertible note	200,000,000	5.14

3. Note

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

(b) 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 shares details of which have been disclosed in the section headed "Directors' Interests" above.

(d) These refer to the same number of underlying shares under a convertible note. The interest was held 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.

DIRECTORS' REPORT

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 188 permanent employees, including 36 employees in Hong Kong and 152 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 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 each of the Non-executive Directors and the Independent Non-executive Directors was at a fixed annual/monthly payment.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes are set out in note 41 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 BALANCE SHEET DATE

Details of the significant events after balance sheet date of the Group are set out in note 44 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.

AUDITORS

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

On behalf of the Board
Cheng Chee Tock Theodore
Chairman

Hong Kong, 3 July 2008

CORPORATE GOVERNANCE REPORT

This corporate governance report ("CG Report") presents the corporate governance matters during the period from the beginning of the financial year commencing 1 April 2007 up to the date of the Annual Report, to which this CG Report is attached ("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.

CHANGES IN BOARD MEMBERS

Shortly after the beginning of the financial year under review, there were changes in the members of the Board subsequent to the change in the controlling shareholding which took place in early 2007. The changes caused replacement of all former Directors. Thus, some of the corporate governance matters were not met for a short period during the period under review as a result of the change of management members.

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 Securities Code had been taken as the Company's code of conduct regarding Directors' securities trading. The Board had also in writing made specific enquiry to each Director in respect of the due compliance of the rules and principles relevant to the Securities Code.

COMPLIANCE OF AND DEVIATION

During the CG Period, the CG Code and the Securities Code, or the CG Principles (whichever was/were in effect) had been duly complied with except for the deviations summarised as follows:

CG Code	Deviation
A.1.1 To hold at least 4 full board meetings a year at quarterly intervals	• Due to the change of the Board at the beginning of the financial year under review, the full Board meeting at the first quarter was not arranged. • Full Board meetings in the subsequent financial quarters had been arranged in accordance with the CG Code and/or the CG Principles.
A.2.1 Segregated roles of chairman and CEO	• Before 9 May 2007, the Group did not maintain a CEO and the Chairman assumed the general duties of a CEO. • On 9 May 2007, a CEO other than the Chairman was appointed.
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 being 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.

Save for the above, the Company has been in compliance with the CG Code, the Securities Code and the CG Principles (whichever was/were in effect) throughout the CG Period.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

Details of the composition of the Board during the CG Period is 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 Executive Directors ("ED(s)"). Commencing from 9 May 2007, matters involving nomination and removal of Directors has 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 5 physical full Board meetings. Out of the above 5 full Board meetings, 4 of them were held to discuss and/or approve the annual and the interim financial performance/results of the Group and 1 meeting to discuss a proposed connected transaction of the Company.

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

Director	Capacity	Attendance
Current		
CHENG Chee Tock Theodore	ED & Chairman	5/5
POH Po Lian	ED	5/5
WOELM Samuel	ED	5/5
WU Chuang John	NED	5/5
CAO Dongxin	NED	3/5
SZE Tsai Ping Michael	INED	3/5
CHOW Steven	INED	5/5
WANG Shan Chuan	INED	5/5
Resigned		
CHU Kar Wing	INED	0/0
CHOW King Wai	INED	0/0
TANG Yiu Wing	INED	0/0

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 NEDs and INEDs are subject to retirement and re-election every year at every next annual general meeting of the Company.

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

REMUNERATION COMMITTEE

Throughout the CG Period, the Company had maintained a Remuneration Committee as required under the CG Code, except during the period from 9 May 2007 to 31 May 2007, the Remuneration Committee was not composed of a majority of INEDs following the resignation of all the former INEDs from the Board and the Remuneration Committee subsequent to the change in the controlling shareholding.

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 3 physical meetings 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	Date of appointment/ resignation to the committee	Attendance
Current		
CHENG Chee Tock Theodore *(chairman of committee)*	appointed on 28 February 2007	3/3
SZE Tsai Ping Michael	appointed on 1 June 2007	2/3
CHOW Steven	appointed on 1 June 2007	3/3
Resigned		
CHU Kar Wing	resigned on 9 May 2007	0/0
CHOW King Wai	resigned on 9 May 2007	0/0

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

- endorsement to the remuneration policy for the Directors;
- adoption of revised terms of reference of the Remuneration Committee; and
- review and approval of the remuneration package of each Director including benefits in kind, pension right, bonus payment and compensation payable.

CORPORATE GOVERNANCE REPORT

DIRECTORS' REMUNERATION

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

NOMINATION OF DIRECTORS

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

The Board has not set up a nomination committee. Since 9 May 2007, the functions of nomination and removal of Directors have 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.

During the CG Period, 3 meeting were held by the Directors in resolving for the acceptance of the resignation of ex-Director(s) and the appointment of new Director(s). The attendances of the Directors were as follows:

Director	Capacity	Attendance
Current		
CHENG Chee Tock Theodore	ED & Chairman	3/3
POH Po Lian	ED	2/3
WOELM Samuel	ED	2/2
WU Chuang John	NED	0/0
CAO Dongxin	NED	0/0
SZE Tsai Ping Michael	INED	0/0
CHOW Steven	INED	0/0
WANG Shan Chuan	INED	0/0
Resigned		
CHU Kar Wing	INED	0/0
CHOW King Wai	INED	0/0
TANG Yiu Wing	INED	0/0

AUDIT COMMITTEE

Throughout the CG Period, the Company had maintained an Audit Committee as required under the Listing Rules, except during the period from 9 May 2007 to 31 May 2007, the Audit Committee was vacated following the resignation of all the former INEDs from the Board and the Audit Committee subsequent to the change in the controlling shareholding.

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

- to consider the appointment of the external auditors, the audit fees and any questions of resignation or dismissal of the external auditors of the Group;
- to discuss with the external auditors the nature and scope of the audit;
- to review the interim and annual financial statements before submission to the Board;
- to discuss problems and reservations arising from the interim review and final audit, and any matters the external auditors may wish to discuss;
- to review the external auditors' management letters and management's response;
- to review the Group's internal control systems; and
- to consider the major findings of internal investigations.

During the CG Period, the Audit Committee had held 4 physical meetings for discussing and/or approving the periodic financial results of the Group.

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

Member	Date of appointment/ resignation to the committee	Attendance
Current		
SZE Tsai Ping Michael *(chairman of committee)*	appointed on 1 June 2007	3/4
CHOW Steven	appointed on 1 June 2007	4/4
WU Chuang John	appointed on 1 June 2007	4/4
Resigned		
CHU Kar Wing *(chairman of committee)*	resigned on 9 May 2007	0/0
CHOW King Wai	resigned on 9 May 2007	0/0
TANG Yiu Wing	resigned on 9 May 2007	0/0

CORPORATE GOVERNANCE REPORT

For the financial year ended 31 March 2008, the Audit Committee had performed the following duties:

- reviewed and commented on the half yearly and the annual financial report of the Group of the financial year under review before submission to the Board for adoption and publication;
- considered the revised terms of reference of the Audit Committee;
- met with the Auditor to discuss the financial matters of the Group that arose during the course of the audit process, and reviewed the findings, recommendations and representations of the Auditor;
- reviewed and approved of the remuneration and the terms of engagement of the Auditor for both audit 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;
- adopted the revised terms of reference of the Audit Committee;
- recommended to the Board for the approval of the audited financial statements of the financial year under review together with the Auditor's Report there attached, before the announcement of the annual results; and
- recommended to the Board for the proposal for the re-appointment of SHINEWING (HK) CPA Limited as the Auditor of the Company for the ensuing year in the forthcoming annual general meeting of the Company.

AUDITORS' REMUNERATION

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

	HK$'000
Audit service	876
Non-audit service	
– Other advisory service	168
Total	1,044

Apart from the provision of annual audit services, a PRC affiliated company of SHINEWING (HK) CPA Limited was engaged into the review of the financial and accounting system of the Group's subsidiaries in the PRC.

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.

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, 3 July 2008

INDEPENDENT AUDITOR'S REPORT

信永中和
ShineWing

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

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

We have audited the consolidated financial statements of C Y Foundation Group Limited (the "Company") and its subsidiaries (collectively referred as the "Group") set out on pages 26 to 89, which comprise the consolidated balance sheet as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, 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 judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Hong Kong
3 July 2008

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2008

	Notes	2008 HK$'000	2007 HK$'000
Continuing operations			
Turnover	7	34,544	77,634
Cost of sales		(20,221)	(42,962)
Gross profit		14,323	34,672
Other operating income	9	40,736	1,658
Selling and distribution costs		(17,154)	(33,944)
Administrative expenses		(83,012)	(25,668)
Loss from operations	10	(45,107)	(23,282)
Finance costs	11	(2,429)	(869)
Gain on disposal of subsidiaries		3,440	–
Changes in fair value of investment properties		2,432	–
Discount on acquisition		1,389	–
Loss before income tax		(40,275)	(24,151)
Income tax	13	(608)	–
Loss from continuing operations		(40,883)	(24,151)
Discontinued operation			
Loss from discontinued operation	14	–	(16,324)
Loss for the year		(40,883)	(40,475)
Attributable to:			
Equity holders of the Company		(41,363)	(40,475)
Minority interests		480	–
		(40,883)	(40,475)
Loss per share	15		
Basic			
– Continuing operations		HK(1.12) cents	HK(4.16) cents
– Discontinued operation		–	HK(2.81) cents
		HK(1.12) cents	HK(6.97) cents
Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Investment properties	16	35,601	–
Property, plant and equipment	17	53,225	730
Prepaid lease payments	18	69,527	–
Intangible assets	19	29,321	–
Goodwill	20	8,370	–
Interest in an associate	21	–	–
		196,044	730
Current assets			
Inventories	22	469	17,206
Trade and other receivables	23	70,469	15,231
Prepaid lease payments	18	1,081	–
Loan to minority shareholders of a subsidiary	30	5,779	–
Pledged bank deposits	24	–	497
Held-to-maturity investments	25	213,444	–
Bank fiduciary deposit	26	169,976	328,276
Cash and cash equivalents	27	216,026	460,573
		677,244	821,783
Current liabilities			
Trade and other payables	28	47,634	26,087
Amount due to ultimate holding company	29	–	719,743
Amounts due to directors	30	1,290	–
Amounts due to related companies	30	186	–
Obligation under finance lease, due within one year	31	356	–
Bank and other borrowings, due within one year	32	9,929	25,380
		59,395	771,210
Net current assets		617,849	50,573
Total assets less current liabilities		813,893	51,303

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current liabilities			
Obligation under finance lease, due after one year	31	770	–
Bank and other borrowings, due after one year	32	29,484	–
Convertible notes	33	18,138	3,016
Provision for long service payments	34	–	959
Deferred tax liability	35	755	–
		49,147	3,975
Net assets		764,746	47,328
Capital and reserves			
Share capital	36	3,893	3,087
Reserves		754,852	44,241
Equity attributable to equity holders of the Company		758,745	47,328
Minority interests		6,001	–
Total equity		764,746	47,328

The consolidated financial statements on pages 26 to 89 were approved and authorised for issue by the Board of Directors on 3 July 2008 and are signed on its behalf by:

CHENG CHEE TOCK THEODORE
Director

POH PO LIAN
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2008

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	Fair value reserve HK$'000 Note (a)	Capital reserve HK$'000 Note (33)	Translation reserve HK$'000	Capital redemption reserve HK$'000	Reserve funds HK$'000 Note (b)	Retained earnings/ (Accumulated losses) HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
As at 1 April 2006	1,748	709,633	(12,845)	–	–	1,190	135	(655,942)	43,919	–	43,919
Reserve realised upon disposal of available-for-sale financial assets	–	–	12,845	–	–	–	–	–	12,845	–	12,845
Exchange differences arising on translation of foreign operations	–	–	–	–	47	–	–	–	47	–	47
Net income recognised directly in equity	–	–	12,845	–	47	–	–	–	12,892	–	12,892
Loss for the year	–	–	–	–	–	–	–	(40,475)	(40,475)	–	(40,475)
Total recognised income and expense for the year	–	–	12,845	–	47	–	–	(40,475)	(27,583)	–	(27,583)
Capital and share premium reduction *(Note 36 (a))*	(1,661)	(709,633)	–	–	–	–	–	711,294	–	–	–
Issue of new shares *(Note 36 (c))*	3,000	27,000	–	–	–	–	–	–	30,000	–	30,000
Equity component of convertible note issued *(Note 33)*	–	–	–	992	–	–	–	–	992	–	992
As at 31 March 2007 and 1 April 2007	3,087	27,000	–	992	47	1,190	135	14,877	47,328	–	47,328
Exchange differences arising on translation of foreign operations	–	–	–	–	18,811	–	–	–	18,811	30	18,841
Net income recognised directly in equity	–	–	–	–	18,811	–	–	–	18,811	30	18,841
Profit/(loss) for the year	–	–	–	–	–	–	–	(41,363)	(41,363)	480	(40,883)
Total recognised income and expense for the year	–	–	–	–	18,811	–	–	(41,363)	(22,552)	510	(22,042)
Share premium reduction *(Note (c))*	–	(15,208)	–	–	–	–	–	15,208	–	–	–
Issue of new shares *(Note 36 (c))*	606	775,057	–	–	–	–	–	–	775,663	–	775,663
Share issue expenses	–	(48,264)	–	–	–	–	–	–	(48,264)	–	(48,264)
Issue of share on conversion of convertible notes	200	1,894	–	(496)	–	–	–	–	1,598	–	1,598
Equity component of convertible note issued *(Note 33)*	–	–	–	4,972	–	–	–	–	4,972	–	4,972
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	1,288	1,288
Capital contribution from minority shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	4,203	4,203
As at 31 March 2008	3,893	740,479	–	5,468	18,858	1,190	135	(11,278)	758,745	6,001	764,746

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2008

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.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2008

	2008 *HK$'000*	2007 *HK$'000*
OPERATING ACTIVITIES		
Loss from continuing and discontinued operations before income tax	**(40,275)**	(40,475)
Adjustments for:		
Depreciation and amortisation	**4,159**	2,007
Interest income	**(32,875)**	(786)
Interest expenses	**737**	859
Gain on disposal of subsidiaries	**(3,440)**	–
Loss on disposal of property, plant and equipment	**149**	474
Changes in fair value of investment properties	**(2,432)**	–
Reversal of impairment loss for bad and doubtful debts, net	**–**	(262)
Impairment loss for bad and doubtful debts, net	**124**	–
Write down of inventories to net realisable value	**–**	2,967
Loss on disposal of available-for-sale financial assets	**–**	13,288
Discount on acquisition	**(1,389)**	–
Imputed interest on convertible notes	**1,692**	8
Operating cash flows before movements in working capital	**(73,550)**	(21,920)
Decrease in inventories	**16,760**	17,900
Increase in trade and other receivables	**(45,095)**	(1,680)
Decrease in held-for-trading investments	**–**	44
(Decrease)/Increase in trade and other payables	**(2,505)**	7,058
Increase in amount due to ultimate holding company	**–**	719,743
Increase in amounts due to directors	**1,290**	–
Decrease in provision for long-service payments	**(959)**	–
Cash (used in)/generated from operations	**(104,059)**	721,145
Interest paid	**(737)**	(859)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	**(104,796)**	720,286

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2008

	2008 *HK$'000*	2007 *HK$'000*
INVESTING ACTIVITIES		
Purchase of held-to-maturity investments	(213,444)	–
Purchase of investment properties	(33,028)	–
Purchase of property, plant and equipment	(29,993)	(802)
Purchase of land use rights	(24,869)	–
Net cash outflow in respect of the acquisition of subsidiaries	(18,924)	–
Net cash outflow in respect of the disposal of subsidiaries	(286)	–
Decrease/(Increase) in bank fiduciary deposit	158,300	(328,276)
Interest received	32,875	786
Decrease in pledged bank deposits	497	1,239
Loan to minority shareholders of a subsidiary	(5,779)	–
Proceeds from disposal of property, plant and equipment	–	50
Proceeds from disposal of a subsidiary attributable to discontinued operation	–	321
Acquisition of available-for-sale financial assets	–	(1,566)
Proceeds from disposal of available-for-sale financial assets	–	3,930
NET CASH USED IN INVESTING ACTIVITIES	(134,651)	(324,318)
FINANCING ACTIVITIES		
Repayment of loans from related companies	(57,758)	–
Repayment of bank and other borrowings	(27,890)	(2,123)
Repayment of obligation under finance lease	(296)	–
New bank and other borrowings	41,923	18,060
Proceeds from issue of convertible notes	20,000	4,000
Capital contribution from minority shareholders of a subsidiary	4,203	–
Proceeds from issue of ordinary shares	–	30,000
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(19,818)	49,937
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(259,265)	445,905
CASH AND CASH EQUIVALENTS AS AT 1 APRIL	460,573	14,621
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	14,718	47
CASH AND CASH EQUIVALENTS AS AT 31 MARCH	216,026	460,573

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) at 31 March 2008. 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 the same as the functional currency of the Company.

The principal activities of the Company and its subsidiaries (the "Group") are online game tournament services, investment holding, apparel trading and strategic investments. The Group was also engaged in securities trading, which was discontinued during the year ended 31 March 2007 (Note 14).

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

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are either effective for accounting periods beginning on or after 1 April 2007. 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 and revised Hong Kong Accounting Standards ("HKASs"), HKFRSs and interpretations ("HK(IFRIC)-INTs") that have been issued but are not yet effective for accounting period beginning on 1 April 2007. The directors of the Company anticipate that the application of these HKASs, HKFRSs and HK(IFRIC)-INTs will have no material impact on the results and the financial position of the Group prepared and presented.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellation[1]
HKFRS 3 (Revised)	Business Combination[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – INT 12	Service Concession Arrangements[3]
HK(IFRIC) – INT 13	Customer Loyalty Programmes[4]
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

[1] Effective for annual periods beginning on or after 1 January 2009.
[2] Effective for annual periods beginning on or after 1 July 2009.
[3] Effective for annual periods beginning on or after 1 January 2008.
[4] Effective for annual periods beginning on or after 1 July 2008.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments and investment properties, which are measured at fair values as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

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

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

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

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

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

(b) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combinations *(Continued)*

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

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

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

On subsequent disposal of subsidiaries, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Investments in associates

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

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

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

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) 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 any accumulated impairment losses.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) 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 stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties using the straight-line method.

(g) Prepaid lease payments

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

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

(h) Intangible assets acquired in a business combination

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

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

(i) Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments *(Continued)*

Financial assets

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

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in income statement. Any impairment losses on available-for-sale financial assets are recognised in income statement. Impairment losses on available-for-sale equity investments will not reverse in income statement in subsequent periods.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. At each balance sheet 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).

Effective interest method

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

Income is recognised on effective interest basis for the debt instruments.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments *(Continued)*

Impairment loss on financial assets

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

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

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

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

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

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

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

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

Financial liabilities and equity

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments *(Continued)*

Other financial liabilities

Other financial liabilities including trade and other payables, amount due to ultimate holding company, amounts due to directors, amounts due to related companies and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

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.

Equity instruments

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

Convertible notes

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments *(Continued)*

Derecognition

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

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

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value is determined on the basis of anticipated sales proceeds less estimated cost of completion and estimated selling expenses.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, 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.

(l) Cash and cash equivalents

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

(m) Revenue recognition

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Revenue recognition *(Continued)*

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

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

Royalty income is recognised on a time proportion basis in accordance with the terms and condition of the royalty agreement.

Service income is recognised when services are rendered.

(n) Income tax

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and 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 is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged to or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the year in which they arise, except for exchange differences arising on monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

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 at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the year in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

(p) 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 lessee

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Leasing *(Continued)*

The Group as lessee (Continued)

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the terms of the relevant leases. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

(q) Employee benefits

Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Retirement benefits costs

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

(r) Borrowing costs

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Useful lives and impairment assessment of property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and identified impairment losses. The estimation of useful lives impacts the level of annual depreciation expenses recorded. Property, plant and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount of the write-down is charged against the consolidated income statement.

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

(b) Useful lives and impairment assessment of intangible assets

Intangible assets are initially recognised at their fair value at the acquisition date and subsequently carried at costs less accumulated amortisation and identified impairment losses. The estimation of useful lives impacts the level of annual amortisation expenses recorded. Intangible assets are evaluated for possible impairment on a specific intangible asset basis. This process requires management's estimate of future cash flows generated by each intangible asset. For any instance where this evaluation process indicates impairment, the relevant intangible asset's carrying amount is written down to the recoverable amount and the amount of the write-down is charged against the consolidated income statement.

(c) Impairment loss for bad and doubtful debts

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

(d) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

(e) Impairment of held-to-maturity investments

The Group follows the guidance of HKAS 39 in determining when an investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, change in technology and operational and financing cash flow.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Categories of financial instruments

	2008 *HK$'000*	2007 *HK$'000*
Financial assets		
– Loans and receivables (including bank fiduciary deposit, pledged bank deposits and cash equivalents)	**462,250**	804,577
– Held-to-maturity investments	**213,444**	–
	675,694	804,577
Financial liabilities		
– Other financial liabilities, at amortised costs	**89,649**	772,169
– Convertible notes, at amortised costs	**18,138**	3,016
	107,787	775,185

The Group's major financial instruments include trade and other receivables, held-to-maturity investments, bank fiduciary deposit, cash held at financial institutions, pledged bank deposits and bank balances, trade and other payables, amounts due to ultimate holding company, directors and related companies, bank and other borrowings, obligation under finance lease and convertible notes. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Exposure to currency, credit, liquidity, interest rate and foreign exchange risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Currency risk

Currency risk refers to the risk that movement in foreign currency rate will affect the Group's financial results and its cashflow. The management considers the Group does not expose to significant foreign currency risk as majority of its operations and transactions are denominated in the functional currencies of the group entity. 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 arises.

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

(b) Liquidity risk

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

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

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

	Weighted average interest rate	On demand or within one year *HK$'000*	More than one year less than two years *HK$'000*	More than two years less than five years *HK$'000*	More than five years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
2007							
Financial liabilities							
Trade and other payables	N/A	26,087	–	–	–	26,087	26,087
Bank and other borrowings	5.75%	25,606	–	–	–	25,606	25,380
Amount due to ultimate holding company	N/A	719,743	–	–	–	719,743	719,743
Convertible notes	9.97%	–	–	4,000	–	4,000	3,016
Provision for long service payments	N/A	–	–	–	959	959	959
		771,436	–	4,000	959	776,395	775,185

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

(c) Interest rate risk

The Group's fair value interest rate risk relates primarily to the Group's bank deposits, cash held at a financial institution, convertible bonds, bank and other borrowings and obligation under finance lease.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this Note. Bank and other borrowings were issued at fixed rates expose the Group to fair value interest-rate risk. The Group historically has not used any financial instruments to hedge potential fluctuations in interest rates.

Sensitivity analysis

As of 31 March 2008, it is estimated that a general 50 basis point increase or decrease in interest rates, with all other variables held constant, would increase or decrease the Group's loss for the year and accumulated losses by approximately HK$2,531,000 (2007: HK$3,179,000).

The above sensitivity analysis has been determined assuming that a change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis was performed on the same basis for 2007.

(d) Foreign exchange risk

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

Sensitivity analysis

As of 31 March 2008, if HK$ had strengthened/weakened 5% against Australian dollars ("AUD") and RMB, and 0.5% against United States dollars ("USD"), with all other variables held constant, loss for the year would have been approximately HK$14,671,000 (2007: HK$3,811,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of USD, AUD and RMB denominated bank and cash balances.

(e) Credit risk

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

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2008 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. At the balance sheet date, the Group has concentration of credit risk as approximately 89% of the total financial assets were placed in foreign banks and financial institutions. The directors consider that the credit risk on liquid funds is limited as the majority of the counterparties are banks and financial institutions with good reputation.

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

(f) Fair value

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

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

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

The directors consider that the fair values of financial assets and financial liabilities reported in the consolidated balance sheet approximate their carrying amounts.

(g) Capital risk management

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

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

7. TURNOVER

	2008 ***HK$'000***	2007 *HK$'000*
Continuing operations		
Online game tournament services	**664**	–
Apparel trading	**33,880**	77,634
	34,544	77,634
Discontinued operation *(Note 14)*		
Securities trading	**–**	55
	34,544	77,689

8. 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

In previous year, the Group also engaged in securities trading. This segment was discontinued on 21 March 2007. Further details of the discontinued operation under the securities trading segment are set out in Note 14 to the consolidated financial statements.

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

An analysis of the Group's turnover, contribution to loss from operations for the years ended 31 March 2008 and 2007 and certain assets, liabilities and expenditure information regarding business segments are as follows:

	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*
For the year ended 31 March 2008						
Turnover	664	33,880	–	34,544	–	34,544
Segment results	(22,313)	(15,012)	–	(37,325)	–	(37,325)
Interest income				32,875		32,875
Unallocated income				7,744		7,744
Group overheads				(48,401)		(48,401)
Loss from operations				(45,107)		(45,107)
Finance costs				(2,429)		(2,429)
Changes in fair value of investment properties				2,432		2,432
Gain on disposal of subsidiaries				3,440		3,440
Discount on acquisition				1,389		1,389
Loss before income tax				(40,275)		(40,275)
Income tax				(608)		(608)
Loss from continuing operations				(40,883)		
Loss for the year						(40,883)

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

	Continuing operations				Discontinued operation	
	Online game tournament services *HK$'000*	Apparel trading *HK$'000*	Strategic investments and others *HK$'000*	Sub-total *HK$'000*	Securities trading *HK$'000*	Consolidated *HK$'000*
As at 31 March 2008						
ASSETS						
Segment assets	225,258	32,825	–	258,083	–	258,083
Unallocated corporate assets						615,205
Consolidated total assets						873,288
LIABILITIES						
Segment liabilities	14,693	31,808	–	46,501	–	46,501
Unallocated corporate liabilities						62,041
Consolidated total liabilities						108,542
OTHER INFORMATION						
Capital expenditure	24,656	275	–	24,931	–	24,931
Unallocated capital expenditure						6,484
						31,415
Depreciation and amortisation	2,466	611	–	3,077	–	3,077
Unallocated depreciation and amortisation						1,082
						4,159
Impairment loss for bad and doubtful debts, net	–	124	–	124	–	124
Loss on disposal of property, plant and equipment	2	147	–	149	–	149

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

	Continuing operations				Discontinued operation	
	Online game tournament services *HK$'000*	Apparel trading *HK$'000*	Strategic investments and others *HK$'000*	Sub-total *HK$'000*	Securities trading *HK$'000*	Consolidated *HK$'000*
For the year ended 31 March 2007						
Turnover	–	77,634	–	77,634	55	77,689
Segment results	–	(11,628)	–	(11,628)	(3,036)	(14,664)
Interest income				786		786
Unallocated income				–		–
Group overheads				(12,440)		(12,440)
Loss from operations				(23,282)	(3,036)	(26,318)
Finance costs				(869)		(869)
Loss on disposal of available-for-sale financial assets				–	(13,288)	(13,288)
Loss before income tax				(24,151)		(40,475)
Income tax				–		–
Loss from continuing operations				(24,151)		
Loss for the year						(40,475)

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

	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*
As at 31 March 2007						
ASSETS						
Segment assets	–	57,523	321	57,844	–	57,844
Unallocated corporate assets						764,669
Consolidated total assets						822,513
LIABILITIES						
Segment liabilities	–	16,894	–	16,894	–	16,894
Unallocated corporate liabilities						758,291
Consolidated total liabilities						775,185
OTHER INFORMATION						
Capital expenditure	–	780	5	785	17	802
Unallocated capital expenditure						–
						802
Depreciation and amortisation	–	1,972	–	1,972	35	2,007
Unallocated depreciation and amortisation						–
						2,007
Write down of inventories to net realisable value	–	2,967	–	2,967	–	2,967
Reversal of impairment loss for bad and doubtful debts, net	–	(262)	–	(262)	–	(262)
Loss on disposal of property, plant and equipment	–	474	–	474	–	474

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical segments

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

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

Turnover by geographical market

	2008			2007		
	Continuing operations *HK$'000*	Discontinued operation *HK$'000*	Consolidated *HK$'000*	Continuing operations *HK$'000*	Discontinued operation *HK$'000*	Consolidated *HK$'000*
The PRC	8,769	–	8,769	23,574	–	23,574
Hong Kong	25,775	–	25,775	54,060	55	54,115
	34,544	–	34,544	77,634	55	77,689

Contribution to loss from operations

	2008			2007		
	Continuing operations *HK$'000*	Discontinued operation *HK$'000*	Consolidated *HK$'000*	Continuing operations *HK$'000*	Discontinued operation *HK$'000*	Consolidated *HK$'000*
The PRC	(25,179)	–	(25,179)	9,477	–	9,477
Hong Kong	(12,146)	–	(12,146)	(21,105)	(3,036)	(24,141)
	(37,325)	–	(37,325)	(11,628)	(3,036)	(14,664)
Interest income			32,875			786
Unallocated income			7,744			–
Group overheads			(48,401)			(12,440)
Loss from operations			(45,107)			(26,318)

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical segments *(Continued)*

An analysis of the carrying amount of segment assets and additions to property, plant and equipment by geographical areas is as follows:

Carrying amount of segment assets

	2008			2007		
	Continuing operations *HK$'000*	Discontinued operation *HK$'000*	Consolidated *HK$'000*	Continuing operations *HK$'000*	Discontinued operation *HK$'000*	Consolidated *HK$'000*
The PRC	314,801	–	314,801	24,649	–	24,649
Hong Kong	558,487	–	558,487	797,864	–	797,864
	873,288	–	873,288	822,513	–	822,513

Additions to property, plant and equipment

	2008			2007		
	Continuing operations *HK$'000*	Discontinued operation *HK$'000*	Consolidated *HK$'000*	Continuing operations *HK$'000*	Discontinued operation *HK$'000*	Consolidated *HK$'000*
The PRC	24,694	–	24,694	774	–	774
Hong Kong	6,721	–	6,721	11	17	28
	31,415	–	31,415	785	17	802

9. OTHER OPERATING INCOME

	2008 *HK$'000*	2007 *HK$'000*
Continuing operations		
Interest income from held-to-maturity investments	29,168	–
Other interest income	3,707	786
Sundry income	143	368
Exchange gain	7,718	242
Reversal of impairment loss for bad and doubtful debts of trade receivables, net	–	262
	40,736	1,658

10. LOSS FROM OPERATIONS

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

	2008 HK$'000	2007 HK$'000
Continuing operations		
Cost of sales		
Online game tournament services	217	–
Apparel trading	20,004	39,995
Write down of inventories to net realisable value	–	2,967
	20,221	42,962
Auditors' remuneration		
Audit fee		
Current year	909	503
Over provision for prior years	–	(5)
	909	498
Total staff costs including directors' emoluments		
Staff salaries and other benefits	31,065	13,792
Severance payment	1,145	–
Staff retirement benefits scheme contributions	548	786
	32,758	14,578
Impairment loss for bad and doubtful debts of other receivables, net	124	–
Depreciation and amortisation	4,159	1,972
Loss on disposal of property, plant and equipment	149	474
Operating lease rentals in respect of land and buildings	11,799	6,666
Royalty expenses	3,272	3,272
Discontinued operation		
Cost of sales		
Securities trading	–	59
Depreciation and amortisation	–	35
Operating lease rentals in respect of land and buildings	–	773
Staff salaries and other benefits	–	734

11. FINANCE COSTS

	2008 *HK$'000*	2007 *HK$'000*
Continuing operations		
Interests on bank and other borrowings wholly repayable within 5 years	650	859
Imputed interest on convertible note *(Note 33)*	1,692	8
Finance leases	42	–
Other finance charges	45	2
	2,429	869

12. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

(a) Directors' emoluments

The remuneration of each director of the Company for the years ended 31 March 2008 and 2007, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is analysed as follows:

	Directors' fee		Salaries and other allowances		Retirement benefits scheme contribution		Total	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Executive directors								
Cheng Chee Tock Theodore	173	–	1,969	–	7	–	2,149	–
Poh Po Lian	173	–	–	–	9	–	182	–
Woelm Samuel Mesker	–	–	1,224	–	8	–	1,232	–
Wong Ching Ping Alex	–	55	–	562	–	–	–	617
Lim Direk	–	58	–	–	–	–	–	58
Independent non-executive directors								
Sze Tsai Ping Michael	179	–	–	–	–	–	179	–
Wang Shan Chuan	179	–	–	–	–	–	179	–
Chow Steven	179	–	–	–	–	–	179	–
Chu Kar Wing	6	60	–	–	–	–	6	60
Chow King Wai	6	60	–	–	–	–	6	60
Tang Yiu Wing	6	60	–	–	–	–	6	60
Non-executive directors								
Wu Chuang John	179	–	–	–	–	–	179	–
Cao Dongxin	148	–	–	–	–	–	148	–
	1,228	293	3,193	562	24	–	4,445	855

During the year, no emolument or incentive payments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2007: Nil). None of the directors has waived any emoluments during the year.

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

(b) Employees' emoluments

The five highest paid individuals of the Group include two (2007: one) director(s), details of whose emoluments are set out in note (a) above. The total amount of the emoluments of the remaining three (2007: four) individuals during the year are as follows:

	2008	2007
	HK$'000	*HK$'000*
Salaries and other allowances	**4,212**	2,610
Retirement benefits scheme contributions	**27**	48
	4,239	2,658

The emoluments of the remaining three (2007: four) individuals fell within the following bands:

	2008	2007
Emolument band		
Nil – HK$1,000,000	**–**	4
HK$1,000,000 to HK$2,000,000	**3**	–

During the year, no emolument or incentive payments were paid or payable to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2007: Nil).

13. INCOME TAX

	2008	2007
	HK$'000	*HK$'000*
The tax charge comprises:		
– current	**–**	–
– deferred tax	**608**	–
	608	–

13. INCOME TAX *(Continued)*

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries had no assessable profits for the current and prior years.

No provision for Enterprise Income Tax has been made for other subsidiaries operating in the PRC as they did not generate any assessable profits during the year.

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law ("the New Corporate Income Tax Law") was approved and will become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the enterprise unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. The Company and certain subsidiaries which are enjoying the tax holiday will continue until expiry while the preferential tax rates disclosed above will continue after the New Corporate Income Tax Law.

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

	2008 *HK$'000*	2007 *HK$'000*
Loss from continuing and discontinued operations before income tax	**(40,275)**	(40,475)
Tax credit at domestic income tax rate of 17.5% (2007: 17.5%)	**(7,048)**	(7,083)
Tax effect of estimated tax losses not recognised	**6,186**	2,905
Tax effect of income not taxable for tax purpose	**(1,125)**	(28)
Tax effect of expenses not deductible for tax purpose	**2,526**	4,206
Effect of different tax rates of subsidiaries operating in other jurisdictions	**69**	–
Income tax	**608**	–

14. 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. No gain or loss arising from the disposal of Gold Venture.

The results of Gold Venture are as follows:

	1.4.2006 to 21.3.2007 *HK$'000*
Turnover	55
Cost of sales	(59)
Gross loss	(4)
Administrative expenses	(3,032)
Loss from operations	(3,036)
Loss on disposal of available-for-sale financial assets	(13,288)
Loss before income tax	(16,324)
Income tax	–
Loss for the period	(16,324)

During the period from 1 April 2006 to 21 March 2007, Gold Venture contributed to the Group's net operating cash inflows by HK$3,443,000 and investing activities outflows by HK$2,348,000. No tax charge arose on the disposal of Gold Venture.

15. LOSS PER SHARE

(a) Basic loss per share

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

Weighted average number of ordinary shares

	2008 *'000*	2007 *'000*
Issued ordinary shares at 1 April	**3,087,422**	1,748,433
Effect of share consolidation *(Note 36(b))*	**–**	(1,661,011)
Effect of conversion of convertible notes	**80,874**	–
Effect of issue of new shares *(Note 36(c))*	**513,059**	493,150
Weighted average number of ordinary shares at 31 March	**3,681,355**	580,572

(i) *From continuing and discontinued operations*

The calculation of basic loss per share is based on the loss of HK$41,363,000 (2007: HK$40,475,000) and the weighted average number of 3,681,355,000 ordinary shares (2007: 580,572,000 ordinary shares) in issue during the year.

(ii) *From continuing operations*

The calculation of basic loss per share is based on the loss of HK$41,363,000 (2007: HK$24,151,000) and the weighted average number of 3,681,355,000 ordinary shares (2007: 580,572,000 ordinary shares) in issue during the year.

(iii) *From discontinued operation*

The calculation of basic loss per share is based on the loss of Nil (2007: HK$16,324,000) and the weighted average number of 3,681,355,000 ordinary shares (2007: 580,572,000 ordinary shares) in issue during the year.

(b) Diluted loss per share

Diluted loss per share for the years ended 31 March 2008 and 2007 has not been disclosed as the potential ordinary shares outstanding had an anti-dilutive effect on the basic loss for the years.

16. INVESTMENT PROPERTIES

	2008 *HK$'000*	2007 *HK$'000*
FAIR VALUE		
As at 1 April	–	–
Additions	33,028	–
Fair value adjustment	2,432	–
Exchange realignment	141	–
As at 31 March	35,601	–

The fair value of the Group's investment properties at 31 March 2008 have been arrived at on the basis of a valuation carried out on that date by an independent qualified professional valuer not connected with the Group. The valuer is a member of the Institute of Valuers, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. During the year ended 31 March 2008, no rental income was generated from the above investment properties. The Group's interests in investment properties were held in the PRC with lease period between 10 to 50 years.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computer software HK$'000	Motor vehicles HK$'000	Total HK$'000
COST							
As at 1 April 2006	–	4,481	156	661	–	–	5,298
Additions	–	776	25	1	–	–	802
Disposal of a subsidiary	–	(45)	(16)	(56)	–	–	(117)
Disposals	–	(957)	–	–	–	–	(957)
As at 31 March 2007 and 1 April 2007	–	4,255	165	606	–	–	5,026
Acquisition of subsidiaries	8,100	10,634	103	4,965	232	998	25,032
Additions	13,853	3,843	543	6,299	4,334	2,543	31,415
Disposals	–	(4,263)	(163)	(623)	–	–	(5,049)
Exchange realignment	–	674	13	689	211	123	1,710
As at 31 March 2008	21,953	15,143	661	11,936	4,777	3,664	58,134
ACCUMULATED DEPRECIATION							
As at 1 April 2006	–	2,412	57	295	–	–	2,764
Charge for the year	–	1,813	26	168	–	–	2,007
Disposal of a subsidiary	–	(16)	(4)	(22)	–	–	(42)
Eliminated on disposals	–	(433)	–	–	–	–	(433)
As at 31 March 2007 and 1 April 2007	–	3,776	79	441	–	–	4,296
Acquisition of subsidiaries	–	514	11	1,185	49	108	1,867
Charge for the year	175	1,290	68	834	391	678	3,436
Eliminated on disposals	–	(4,253)	(96)	(551)	–	–	(4,900)
Exchange realignment	7	26	1	127	21	28	210
As at 31 March 2008	182	1,353	63	2,036	461	814	4,909
NET CARRYING VALUE							
As at 31 March 2008	21,771	13,790	598	9,900	4,316	2,850	53,225
As at 31 March 2007	–	479	86	165	–	–	730

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

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%
Computer software	20% – 33%
Motor vehicles	10% – 20%

As at 31 March 2008, net carrying value of motor vehicles of approximately HK$1,273,000 (2007: Nil) was held under finance leases.

The Group has pledged buildings having a net carrying value of approximately HK$8,046,000 (2007: Nil) to secure general banking facilities granted to the Group.

18. PREPAID LEASE PAYMENTS

	HK$'000
COST	
As at 1 April 2006, 31 March 2007 and 1 April 2007	–
Additions through acquisition of subsidiaries	46,100
Additions	24,869
As at 31 March 2008	70,969
ACCUMULATED AMORTISATION	
As at 1 April 2006, 31 March 2007 and 1 April 2007	–
Provided for the year	348
Exchange realignment	13
As at 31 March 2008	361
NET CARRYING VALUE	
As at 31 March 2008	70,608
As at 31 March 2007	–

18. PREPAID LEASE PAYMENTS *(Continued)*

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

	HK$'000
Leasehold land in the PRC	
Medium-term lease	24,639
Leasehold land in Hong Kong	
Long-term lease	45,969
	70,608
Current assets	1,081
Non-current assets	69,527
	70,608

The Group has pledged prepaid lease payments having a net carrying value of approximately HK$45,969,000 (2007: Nil) to secure general banking facilities granted to the Group.

19. INTANGIBLE ASSETS

	License *HK$'000*
COST	
As at 1 April 2006, 31 March 2007 and 1 April 2007	–
Acquired through acquisition of subsidiaries	27,683
Exchange realignment	2,035
As at 31 March 2008	29,718
ACCUMULATED AMORTISATION	
As at 1 April 2006, 31 March 2007 and 1 April 2007	–
Amortised during the year	375
Exchange realignment	22
As at 31 March 2008	397
NET CARRYING VALUE	
As at 31 March 2008	29,321
As at 31 March 2007	–

License has an useful life of 50 years and was originally amortised on a straight-line basis over 50 years.

20. GOODWILL

	HK$'000
COST	
As at 1 April 2006, 31 March 2007 and 1 April 2007	6,433
Acquisition of subsidiaries	8,370
As at 31 March 2008	14,803
IMPAIRMENT	
As at 1 April 2006, 31 March 2007, 1 April 2007 and 31 March 2008	6,433
NET CARRYING VALUE	
As at 31 March 2008	8,370
As at 31 March 2007	–

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

Goodwill arising during the year ended 31 March 2008 has been allocated to three subsidiaries, 上海好彩投資管理有限公司 ("上海好彩"), 深圳市萬德豐投資管理有限公司 ("深圳萬德豐") and Sincere Land Holdings Limited being the cash generating units for impairment testing of goodwill. During the year, the Group assessed the recoverable amount of goodwill and determined that goodwill associated with these subsidiaries.

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

20. GOODWILL *(Continued)*

The Group prepares five-year cash flow forecasts (the "Forecasts") derived from the respective CGU's financial budgets for 2008 to 2012, of which are approved by the management of the CGUs. The rate used to discount the Forecasts is 15% per annum. The Group considers that the Forecasts covering a period of 5 years and an average growth rate of 10% per annum are appropriate for the impairment test review.

The results for the reviews undertaken as at 31 March 2008 indicated that no impairment loss was necessary for the year ended 31 March 2008.

21. INTEREST IN AN ASSOCIATE

On 31 March 2007, the Group disposed of the Group's entire interest in Global Institute, Inc to an independent third party for a consideration of HK$8, resulting in a gain on disposal of HK$8 which represented the difference between the net proceeds of HK$8 and the attributable share of net assets disposed of nil. The Group's share of loss of Global Institute for the year ended 31 March 2007 amounted to HK$36,000.

22. INVENTORIES

	2008 *HK$'000*	2007 *HK$'000*
Finished goods, at cost	469	17,206

23. TRADE AND OTHER RECEIVABLES

	2008 *HK$'000*	2007 *HK$'000*
Trade receivables	14,032	18,249
Less: Provision for impairment losses	(11,427)	(11,427)
	2,605	6,822
Other receivables	40,304	7,421
Less: Provision for impairment losses	(4,375)	(4,300)
	35,929	3,121
Deposits and prepayments	31,935	5,288
	70,469	15,231

23. TRADE AND OTHER RECEIVABLES *(Continued)*

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

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

	2008	2007
	HK$'000	*HK$'000*
Current to 60 days	**2,605**	6,822

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

	2008	2007
	HK$'000	*HK$'000*
Balance at beginning of the year	**11,427**	11,689
Reversal of impairment loss recognised in profit or loss	**–**	(262)
Balance at end of the year	**11,427**	11,427

The movement in the impairment losses for bad and doubtful debts for other receivables is as follows:

	2008	2007
	HK$'000	*HK$'000*
Balance at beginning of the year	**4,300**	21,100
Impairment loss recognised in profit or loss	**124**	–
Disposal of subsidiaries	**(49)**	(16,800)
Balance at end of the year	**4,375**	4,300

At each of the balance sheet dates, the Group's trade debtors were individually determined to be impaired. The individually impaired receivables are recognised based on credit history of its customers, such as financial difficulties or default in payments, and current market conditions. The Group does not hold any collateral over these balances.

23. TRADE AND OTHER RECEIVABLES *(Continued)*

Trade receivables of approximately HK$2,605,000 (2007: approximately HK$6,685,000) were neither past due nor impaired. All trade receivables are aged within 60 days and related to a wide range of customers for whom there was no recent history of default. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

24. PLEDGED BANK DEPOSITS

The amounts were pledged to banks for banking facilities granted to the Group.

The pledged bank deposits carried fixed interest rate of 5.25% (2007: Nil).

25. HELD-TO-MATURITY INVESTMENTS

	2008 ***HK$'000***	2007 *HK$'000*
Unlisted bonds products included in current assets	**213,444**	–

As at 31 March 2008, the unlisted bonds products were issued by banks and other financial institutions and carried fixed interest rates and maturing within one year. The annual interest rates on the bonds products ranged from 7.5% to 10%. The fair value of the unlisted bonds at 31 March 2008 approximates their carrying amounts.

26. BANK FIDUCIARY DEPOSIT

	2008 ***HK$'000***	2007 *HK$'000*
Balance as at year end	**169,976**	328,276

The Group's bank fiduciary deposit at 31 March 2008 represents the cash deposit in LGT Bank in Liechtenstein AG ("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 AA or AAA-rated foreign banks. LGT Bank shall act at its discretion and act as the agent of the Company.

26. BANK FIDUCIARY DEPOSIT *(Continued)*

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

The deposit carries fixed interest rate ranging from 2.92% to 7% per annum (2007: 5.25% per annum).

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

	2008	2007
	'000	*'000*
United States Dollars	**USD1,955**	USD42,087
Australian Dollars	**AUD21,666**	–

27. CASH AND CASH EQUIVALENTS

	2008	2007
	HK$'000	*HK$'000*
Cash and bank balance	**177,123**	147,272
Short-term bank deposit	**38,903**	313,301
	216,026	460,573

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

	2008	2007
	'000	*'000*
United States Dollars	**USD7,186**	USD50,107

28. TRADE AND OTHER PAYABLES

	2008 *HK$'000*	2007 *HK$'000*
Trade and bills payables		
Current to 60 days	–	519
61 to 90 days	–	–
91 to 180 days	–	–
181 to 365 days	–	–
Over 1 year	–	1,244
	–	1,763
Value added tax payables	**9,178**	8,671
Other payables	**38,456**	15,653
	47,634	26,087

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

	2008 *'000*	2007 *'000*
United States Dollars	**USD1,108**	–

29. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount due to ultimate holding company was unsecured, interest-free and repayable on demand. On 25 May 2007, the balance was settled by the issue of 600,000,000 shares of the Company at HK$1.28 each to the ultimate holding company.

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

The amounts due to directors and related companies and loan to minority shareholders of a subsidiary are unsecured, interest-free and repayable on demand.

31. OBLIGATION UNDER FINANCE LEASE

	Minimum lease payments		Present value of minimum lease payments	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Amounts payable under finance lease:				
Within one year	412	–	356	–
More than one year, but not exceeding two years	412	–	356	–
More than two years, but not exceeding five years	481	–	414	–
	1,305	–	1,126	–
Less: Future finance charges	(179)	–	N/A	N/A
Present value of lease obligation	1,126	–	1,126	–
Less: Amount due within one year shown under current liabilities			(356)	–
Amount due after one year			770	–

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

It is the Group's policy to lease certain of its motor vehicles under finance lease. The lease term is 4 years. For the year ended 31 March 2008, the effective borrowing rate was 7.44% per annum (2007: Nil). Interest rate is fixed at the contract date. The lease is on a fixed repayment basis and no arrangements has been entered into for contingent rental payments. The lease was denominated in functional currency of the Group.

32. BANK AND OTHER BORROWINGS

	2008 HK$'000	2007 HK$'000
Bank loans, secured	31,359	–
Other loans, secured	8,054	25,380
	39,413	25,380

32. BANK AND OTHER BORROWINGS *(Continued)*

The above bank and other borrowings are repayable as follows:

	2008 *HK$'000*	2007 *HK$'000*
Bank loans:		
On demand or within one year	1,875	–
More than one year but not exceeding two years	1,919	–
More than two years but not exceeding five years	3,977	–
More than five years	23,588	–
	31,359	–
Other loans:		
On demand or within one year	8,054	25,380
Total bank and other borrowings	39,413	25,380
Less: Amount due within one year shown under current liabilities	(9,929)	(25,380)
Amount due after one year	29,484	–

As at 31 March 2008, bank loans are interest bearing at 2.9% (2007: Nil) per annum below (2007: N/A) the Bank of China's best lending rate. The bank loans are secured by the leasehold land and buildings of the Group with aggregate carrying value of approximately HK$45,969,000 and HK$8,046,000 respectively.

Pursuant to a loan agreement entered into between Hamlet Profits Limited, a wholly-owned subsidiary of the Group, and an independent third party on 11 March 2008, a loan of HK$10,000,000 was granted by Sound Business Limited to Hamlet Profits Limited. As at 31 March 2008, other loans are interest bearing at 5% (2007: 2%) per annum above (2007: below) the HSBC's best lending rate. The loans are secured by a pledge of all the issued share capital in and the shareholder loan due from Reward Well Limited, Koltai International Limited and Goldgain Services Limited (2007: Full Ahead Limited), wholly-owned subsidiaries of the Group. As at 31 March 2008, the aggregate net assets value of these subsidiaries amounted to approximately HK$8,883,000 (2007: net liabilities of approximately HK$241,969,000).

33. CONVERTIBLE NOTES

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

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

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

The convertible note issued during the year was split into liability and equity components of HK$15,028,000 (2007: HK$3,008,000) and HK$4,972,000 (2007: HK$992,000), 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.

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

	2008 *HK$'000*	2007 *HK$'000*
Principal amount of Convertible Note issued on 21 March 2007	**–**	4,000
Principal amount of Convertible Note issued on 13 April 2007	**20,000**	–
Equity component	**(4,972)**	(992)
Liability component on initial recognition	**15,028**	3,008
Liability component at 1 April	**3,016**	–
Converted into shares	**(1,598)**	–
Imputed interest expense *(Note 11)*	**1,692**	8
Liability component at 31 March	**18,138**	3,016

33. CONVERTIBLE NOTES *(Continued)*

Interest expense on the convertible notes is calculated using the effective interest method by applying the effective interest rates of 9.97% to 10.00% (2007: 9.97%) per annum to the liability component of the convertible notes.

34. PROVISION FOR LONG SERVICE PAYMENTS

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

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

	2008 *HK$'000*	2007 *HK$'000*
As at 1 April	959	959
Provision utilised during the year	(959)	–
As at 31 March	–	959

35. DEFERRED TAXATION

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

	Accelerated tax depreciation *HK$'000*
As at 1 April 2006, 31 March 2007 and 1 April 2007	–
Additions through acquisition of subsidiaries	112
Charge to consolidated income statement for the year	608
Exchange realignment	35
As at 31 March 2008	755

35. DEFERRED TAXATION *(Continued)*

As at the balance sheet date, the following unused tax losses have not been recognised as deferred tax assets:

	2008 *HK$'000*	2007 *HK$'000*
Unused tax losses	**99,081**	61,430

Deferred tax assets have not been recognised in respect of the above items because it is not probable that future taxable profits will be available against which the Group and the Company can utilise the benefits. Included in the above unused tax losses are losses of HK$39,464,000 (2007: HK$4,348,000) that will expire after five years from the year of assessment they relate to. Other unused tax losses may be carried forward indefinitely.

36. SHARE CAPITAL

	Number of shares *'000*	*HK$'000*
Authorised:		
As at 31 March 2007 and 2008:		
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)
Consolidation of every twenty shares into one share *(Note (b))*	(1,661,011)	–
Issue of new shares *(Note (c))*	3,000,000	3,000
As at 31 March 2007 and 1 April 2007	**3,087,422**	**3,087**
Conversion of Convertible Notes	**200,000**	**200**
Issue of new shares *(Note (c))*	**605,573**	**606**
As at 31 March 2008	**3,892,995**	**3,893**

36. SHARE CAPITAL *(Continued)*

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.

(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 were consolidated into one consolidated share of HK$0.001.

(c) Issue of new shares

On 31 January 2007, 3,000,000,000 new share 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.

On 25 May 2007, 600,000,000 new share of HK$0.001 each in the Company was subscribed by Luck Continent at a subscription price of HK$1.28 per share. The new shares rank pari passu in all respects with the then existing shares in the Company. The premium arose from the issue of the new shares of HK$767,400,000 and after net of share issue expenses of HK$48,264,000 was credited to the share premium account. The Company used the net proceeds as general working capital of the Group.

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

36. SHARE CAPITAL *(Continued)*

Notes: (Continued)

(d) Issue of warrant

After considering the number of shares to be subscribed by Luck Continent as mentioned in note (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.

37. SHARE OPTION SCHEME

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

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

The Share Option Scheme became effective for a period of ten years commenced on 26 September 2002. No option under the Share Option Scheme had been granted to any person since its adoption and up to 31 March 2008.

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

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

On 22 October 2007, the Group acquired 100% of the equity interests in 深圳萬德豐. The acquisition has been accounted for using the purchase method. 深圳萬德豐 did not contribute revenue and contributed loss of approximately HK$1,684,000 to the Group from 22 October 2007 to 31 March 2008.

On 1 December 2007, the Group acquired 100% of the equity interests in Sincere Land Holdings Limited. The acquisition has been accounted for using the purchase method. Sincere Land Holdings Limited did not contribute revenue and contributed loss of approximately HK$103,000 to the Group from 1 December 2007 to 31 March 2008.

On 1 December 2007, the Group acquired 100% of the equity interests in Mansion Gains Holdings Limited. The acquisition has been accounted for using the purchase method. Mansion Gains Holdings Limited did not contribute revenue and contributed loss of approximately HK$810,000 to the Group from 1 December 2007 to 31 March 2008.

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

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(a) Acquisition of subsidiaries during the year ended 31 March 2008

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

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

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(a) Acquisition of subsidiaries during the year ended 31 March 2008 *(Continued)*

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

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

There is no acquisition of subsidiaries during the year ended 31 March 2007.

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Disposal of subsidiaries

(i) Disposal of subsidiaries during the year ended 31 March 2008:

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

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

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Disposal of subsidiaries *(Continued)*

(ii) Disposal of subsidiaries during the year ended 31 March 2007:

The net assets/(liabilities) disposed in the transaction are as follows:

	Continuing operations *HK$'000*	Discontinued operation *HK$'000*
Net liabilities disposed of:		
Property, plant and equipment *(Note 17)*	–	75
Trade and other receivables	–	246
Amount due to the Group	(23,669)	(57,976)
	(23,669)	(57,655)
Assignment of amount due from a subsidiary	23,669	57,976
	–	321
Gain on disposal of a subsidiary attributable to discontinued operation	–	–
Total consideration	–	321
Satisfied by:		
Cash consideration received	–	321
Net inflow of cash and cash equivalents arising on the disposal of a subsidiary attributed to discontinued operation:		
Cash consideration received	–	321
Cash and cash equivalents disposed of	–	–
	–	321

The results of the subsidiaries disposed of during the years ended 31 March 2008 and 2007 have no significant impact on the Group's turnover or loss from operations before income tax for the years ended 31 March 2008 and 2007.

39. COMMITMENTS

(a) Operating lease commitments

At 31 March 2008, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of leased premises which fall due as follows:

	2008 *HK$'000*	2007 *HK$'000*
Within one year	**7,709**	2,553
In the second to fifth year inclusive	**15,245**	659
	22,954	3,212

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

(b) Capital commitments

The Group had no significant capital commitments as at the balance sheet date.

(c) Other commitments

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

	2008 *HK$'000*	2007 *HK$'000*
Licensing arrangement		
Within one year	**2,468**	3,610
In the second to fifth year inclusive	**–**	1,560
	2,468	5,170

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

40. CONTINGENT LIABILITIES

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, based on the legal advice obtained, the directors believed that there is no ground for Orient Rise to make the claim and therefore, no provision has been made in the financial statements.

41. RETIREMENT BENEFITS SCHEMES

Hong Kong

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

The PRC

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

42. RELATED PARTY TRANSACTIONS

The Group did not have any significant related party transaction during the year.

Remuneration for key management personnel of the Company paid during the year is disclosed in Note 12 to the financial statements.

43. MAJOR NON-CASH TRANSACTIONS

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

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

43. MAJOR NON-CASH TRANSACTIONS *(Continued)*

(c) During the year ended 31 March 2008, the Group issued 5,572,909 new ordinary shares of par value of HK$0.001 to Zhuming (Beijing) Enterprise Management Limited and Beijing Yinhe Matrix Network Technology Limited at the issue price of HK$1.375 per share, for a total of HK$7,656,000, as part of the settlement of the consideration payable by a subsidiary for acquisition of a company's subsidiary, T-Matrix Culture Company Limited. The unpaid consideration of HK$7,500,000 is included in other payables as at 31 March 2008.

44. EVENTS AFTER BALANCE SHEET DATE

(a) On 25 April 2008, a Letter of Intent is signed between Suzhou C Y Foundation Entertainment and Investment Management Limited, a wholly owned subsidiary of the Group, and 蘇州彩德寶投資管理有限公司, a third party, to acquire a property located in Suzhou, PRC. A refundable earnest money of RMB18,000,000 is paid.

(b) The note-holders have converted the Convertible Notes in an aggregate principal amount of HK$2,000,000 and HK$5,000,000 into 200,000,000 and 500,000,000 ordinary shares of HK$0.001 each at a conversion price of HK$0.01 per share respectively on 5 May 2008 and 16 May 2008.

(c) In May 2008, the Group subscribed 3-year convertible notes in an aggregate amount of USD1 million in Lucky Belt Holdings Limited with an interest rate of 8% per annum.

45. PRINCIPAL SUBSIDIARIES

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

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Group 2008	2007	Principal activities
Interests held directly:					
Hamlet Profits Limited	British Virgins Islands	US$1	**100%**	100%	Investment holding
Interests held indirectly:					
Beijing Horizon Trading Company Limited	The PRC*	RMB1,000,000	**100%**	–	Online game tournament services
C Y Foundation Culture Company Limited	The PRC*	RMB30,300,000	**80.2%**	–	Online game tournament services
Century Lead Limited	Hong Kong	HK$2	**100%**	100%	Apparel trading
Gold Stock Resources Limited	Samoa	US$1	**100%**	100%	Apparel trading

45. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Group 2008	2007	Principal activities
Interests held indirectly: *(continued)*					
Koltai International Limited (formerly Mutual Gain Investment Limited)	Hong Kong	HK$2	**100%**	100%	Apparel trading
Prime Axis Limited (formerly Euro Fashion Trading Company Limited)	Hong Kong	HK$1	**100%**	100%	Apparel trading
Sino Joy Holdings Limited	Hong Kong	HK$100	**100%**	–	Property holding
Suzhou C Y Foundation Entertainment and Investment Management Limited	The PRC**	US$2,500,000	**100%**	–	Investment holding
T-Matrix Culture Company Limited	The PRC*	RMB97,000,000	**100%**	–	Online game tournament services
Welloff Group Limited	British Virgins Islands	US$1	**100%**	100%	Apparel trading
上海好彩投資管理有限公司	The PRC*	RMB6,000,000	**100%**	–	Online game tournament services
上海歐裝貿易有限公司	The PRC*	RMB500,000	**100%**	100%	Apparel trading
上海基豐投資管理有限公司	The PRC*	RMB171,206,300	**100%**	–	Investment holding
深圳市萬德豐投資管理有限公司	The PRC*	RMB13,000,000	**100%**	–	Online game tournament services
海南寶瀛實業有限公司	The PRC**	US$25,000,000	**100%**	100%	Investment holding
廣州歐裝貿易有限公司	The PRC*	RMB500,000	**100%**	100%	Apparel trading

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.

* private limited liability company

** wholly foreign owned enterprise

46. BALANCE SHEET OF THE COMPANY

	2008 *HK$'000*	2007 *HK$'000*
Non-current assets		
Property, plant and equipment	5,667	–
Investments in subsidiaries	–	–
	5,667	–
Current assets		
Other receivables	16,130	1,217
Amount due from group companies	320,674	–
Held-to-maturity investments	213,444	–
Bank fiduciary deposit	169,976	328,276
Cash and cash equivalents	49,549	417,469
	769,773	746,962
Current liabilities		
Other payables	2,026	7,141
Amount due to ultimate holding company	–	719,743
Amounts due to related companies	175	–
Amounts due to directors	1,290	–
Obligation under finance lease, due within one year	356	–
	3,847	726,884
Net current assets	765,926	20,078
Total assets less current liabilities	771,593	20,078
Non-current liabilities		
Obligation under finance lease, due after one year	770	–
Convertible notes	18,138	3,016
	18,908	3,016
	752,685	17,062
Capital and reserves		
Share capital	3,893	3,087
Share premium	740,479	27,000
Capital reserve	5,468	992
Capital redemption reserve	1,190	1,190
Retained earnings/(Accumulated losses)	1,655	(15,207)
	752,685	17,062

FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 March

	2008		2007		2006		2005		2004	
	Continuing operations *HK$'000*	Discontinued operation *HK$'000*	Continuing operations *HK$'000*	Discontinued operation *HK$'000*	Continuing operations *HK$'000* (Restated)	Discontinued operation *HK$'000* (Restated)	Continuing operations *HK$'000* (Restated)	Discontinued operation *HK$'000* (Restated)	Continuing operations *HK$'000* (Restated)	Discontinued operation *HK$'000* (Restated)
Turnover	34,544	–	77,634	55	86,887	5,004	90,948	63,004	76,008	47,514
(Loss)/Profit from operations	(45,107)	–	(23,282)	(3,036)	(20,734)	(2,524)	(11,056)	(3,234)	(18,631)	862
Finance costs	(2,429)	–	(869)	–	(1,924)	(5)	(1,230)	(12)	(4,876)	(2)
Gain on disposal of subsidiaries	3,440	–	–	–	–	–	–	21,574	–	–
Changes in fair value of investment properties	2,432	–	–	–	–	–	–	–	–	–
Discount on acquisition	1,389	–	–	–	–	–	–	–	–	–
Share of results of associates	–	–	–	–	–	–	14	–	135	–
Loss on disposal of available-for-sale financial assets	–	–	–	(13,288)	–	–	–	–	–	–
Other non-operating items	–	–	–	–	2,327	73	(1,423)	–	18,189	(22)
(Loss)/Profit before income tax	(40,275)	–	(24,151)	(16,324)	(20,331)	(2,456)	(13,695)	18,328	(5,183)	838
Income tax	(608)	–	–	–	–	–	–	–	(53)	(603)
(Loss)/Profit before minority interests	(40,883)	–	(24,151)	(16,324)	(20,331)	(2,456)	(13,695)	18,328	(5,236)	235
Minority interests	(480)	–	–	–	–	–	–	(35)	–	(42)
Net (loss)/profit attributable to equity holders of the Company	(41,363)	–	(24,151)	(16,324)	(20,331)	(2,456)	(13,695)	18,293	(5,236)	193

FIVE YEAR FINANCIAL SUMMARY

	As at 31 March									
	2008		2007		2006		2005		2004	
	Continuing operations *HK$'000*	Discontinued operation *HK$'000*	Continuing operations *HK$'000*	Discontinued operation *HK$'000*	Continuing operations *HK$'000* (Restated)	Discontinued operation *HK$'000* (Restated)	Continuing operations *HK$'000* (Restated)	Discontinued operation *HK$'000* (Restated)	Continuing operations *HK$'000*	Discontinued operation *HK$'000*
Total assets	**873,288**	–	822,513	–	68,949	4,401	83,882	2,188	101,130	76,244
Total liabilities	**(108,542)**	–	(775,185)	–	(29,429)	(2)	(35,865)	–	(77,046)	(46,540)
Minority interests	**(6,001)**	–	–	–	–	–	–	–	–	5,683
Shareholders' equity	**758,745**	–	47,328	–	39,520	4,399	48,017	2,188	24,084	35,387

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of C Y Foundation Group Limited ("Company") will be held at 22/F Silver Base Centre, 200 Gloucester Road, Wanchai, Hong Kong on 12 August 2008, Tuesday, at 11:00 am for the following purposes:

1. To receive and consider the consolidated financial statements, the directors' report and the auditor's report of the Company for the year ended 31 March 2008.

2. To re-elect the retiring directors of the Company ("Directors") for the ensuing year, to determine 12 as the maximum number of Directors, to authorise the Directors to appoint additional Directors up to the maximum number and to authorise the board of Directors to fix the Directors' remuneration.

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

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

   (A) **THAT**

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

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

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

   (d) for the purposes of this resolution:

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

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

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

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

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

(B) THAT

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

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

(c) for the purposes of this resolution:

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

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

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

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

By order of the board
Kwok Oi Kuen Joan Elmond
Company Secretary

Hong Kong, 16 July 2008

Notes:

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

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

3. The biographical details of all retiring Directors proposed to be re-elected at the forthcoming annual general meeting, are provided in the circular of the Company dated 16 July 2008.