C Y Foundation Group Limited

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

Interim Report **2010/11**

The unaudited condensed consolidated results of C Y Foundation Group Limited ("Company") and its subsidiaries ("Group") for the six months ended 30 September 2010 together with the comparative figures for the last corresponding period are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	NOTES	Six months ended 30 September 2010 HK$'000 (Unaudited)	2009 HK$'000 (Unaudited)
Turnover	4	**88,275**	56,344
Cost of sales		**(60,071)**	(32,543)
Gross profit		**28,204**	23,801
Other operating income		**7,001**	5,097
Selling and distribution costs		**(5,142)**	(1,874)
Administrative expenses		**(71,845)**	(60,476)
Loss from operations		**(41,782)**	(33,452)
Exchange gain		**285**	10,350
Changes in fair value of investment properties	10	**7,543**	7,588
Changes in fair value of convertible note receivables	14	**(356)**	3,096
Gain on disposal of subsidiaries	20	**–**	1,624
Impairment loss of intangible assets	12	**–**	(13,112)
Impairment loss of goodwill	13	**–**	(5,863)
Finance costs	6	**(578)**	(941)
Share of results of associates		**(224)**	5
Loss before income tax		**(35,112)**	(30,705)
Income tax expense	7	**(2,256)**	(2,876)
Loss for the period	5	**(37,368)**	(33,581)
Attributable to:			
Owners of the Company		**(36,719)**	(29,618)
Non-controlling interests		**(649)**	(3,963)
		(37,368)	(33,581)
Loss per share	8		
Basic		**HK(0.53) cents**	HK(0.47) cents
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Loss for the period	**(37,368)**	(33,581)
Exchange differences arising on translation of foreign operations	**844**	1,229
Total comprehensive income for the period	**(36,524)**	(32,352)
Total comprehensive income attributable to:		
Owners of the Company	**(35,879)**	(28,397)
Non-controlling interests	**(645)**	(3,955)
	(36,524)	(32,352)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2010

	NOTES	**As at 30 September 2010 HK$'000 (Unaudited)**	As at 31 March 2010 HK$'000 (Audited)
Non-current assets			
Investment properties	10	**70,713**	62,876
Property, plant and equipment	11	**43,274**	42,917
Prepaid lease payments		**76,066**	70,720
Intangible assets	12	**19,088**	19,580
Goodwill	13	**101,280**	101,280
Interests in associates		**24,809**	25,033
Convertible note receivables at fair value through profit and loss	14	**34,911**	48,616
Derivative financial instruments		**–**	193
Trade receivables	15	**9,827**	–
Held-to-maturity investments		**–**	2,000
		379,968	373,215
Current assets			
Inventories		**19,920**	28,774
Prepaid lease payments		**1,319**	1,153
Trade and other receivables	15	**62,442**	58,427
Deposits paid	16	**53,679**	23,576
Convertible note receivables at fair value through profit and loss	14	**26,301**	12,996
Amount due from a related company		**16**	20
Derivative financial instruments		**500**	1,149
Held-to-maturity investments		**2,000**	–
Income tax recoverable		**218**	214
Pledged bank deposits		**23,400**	22,050
Bank balances and cash		**49,235**	105,462
		239,030	253,821

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

AS AT 30 SEPTEMBER 2010

	NOTES	**As at 30 September 2010 HK$'000 (Unaudited)**	As at 31 March 2010 HK$'000 (Audited)
Current liabilities			
Trade and other payables	17	**31,267**	30,035
Amounts due to directors		**39**	39
Amounts due to related companies		**17**	15
Amounts due to minority shareholders		**255**	–
Derivative financial instruments		**4,533**	–
Obligation under finance lease, due within one year		**237**	356
Bank and other borrowings, due within one year		**29,424**	4,848
		65,772	35,293
Net current assets		**173,258**	218,528
Total assets less current liabilities		**553,226**	591,743
Capital and reserves			
Share capital	18	**6,969**	6,969
Reserves		**505,158**	540,935
Equity attributable to owners of the Company		**512,127**	547,904
Non-controlling interests		**619**	1,264
Total equity		**512,746**	549,168
Non-current liabilities			
Obligation under finance lease, due after one year		**–**	58
Bank and other borrowings, due after one year		**34,481**	38,708
Deferred taxation		**5,999**	3,809
		40,480	42,575
		553,226	591,743

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Assets revaluation reserve HK$'000	Other reserve HK$'000 (Note (c))	Capital reserve HK$'000 (Note (b))	Translation reserve HK$'000	Capital redemption reserve HK$'000	Reserve funds HK$'000 (Note (a))	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 April 2009 (audited)	4,853	772,513	2,027	684	(555)	3,729	23,342	1,190	135	(206,940)	600,978	3,955	604,933
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	1,221	–	–	–	1,221	8	1,229
Loss for the period	–	–	–	–	–	–	–	–	–	(29,618)	(29,618)	(3,963)	(33,581)
Total comprehensive income (expense) for the period	–	–	–	–	–	–	1,221	–	–	(29,618)	(28,397)	(3,955)	(32,352)
Issue of new shares, net of share issue expenses	2	3,063	–	–	–	–	–	–	–	–	3,065	–	3,065
Conversion of convertible notes	1,500	15,882	–	–	–	(3,729)	–	–	–	–	13,653	–	13,653
Recognition of equity-settled share-based payments	–	–	26	–	–	–	–	–	–	–	26	–	26
As at 30 September 2009 (unaudited)	6,355	791,458	2,053	684	(555)	–	24,563	1,190	135	(236,558)	589,325	–	589,325

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Assets revaluation reserve HK$'000	Other reserve HK$'000 (Note (c))	Capital reserve HK$'000 (Note (b))	Translation reserve HK$'000	Capital redemption reserve HK$'000	Reserve funds HK$'000 (Note (a))	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 April 2010 (audited)	**6,969**	**799,811**	**324**	**684**	**(555)**	**-**	**24,879**	**1,190**	**135**	**(285,533)**	**547,904**	**1,264**	**549,168**
Exchange differences arising on translation of foreign operations	**-**	**-**	**-**	**-**	**-**	**-**	**840**	**-**	**-**	**-**	**840**	**4**	**844**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(36,719)**	**(36,719)**	**(649)**	**(37,368)**
Total comprehensive income (expense) for the period	**-**	**-**	**-**	**-**	**-**	**-**	**840**	**-**	**-**	**(36,719)**	**(35,879)**	**(645)**	**(36,524)**
Recognition of equity-settled share-based payments	**-**	**-**	**102**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**102**	**-**	**102**
Lapse of share options	**-**	**-**	**(417)**	**-**	**-**	**-**	**-**	**-**	**-**	**417**	**-**	**-**	**-**
As at 30 September 2010 (unaudited)	**6,969**	**799,811**	**9**	**684**	**(555)**	**-**	**25,719**	**1,190**	**135**	**(321,835)**	**512,127**	**619**	**512,746**

Notes:

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

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(44,897)**	(30,171)
NET CASH USED IN INVESTING ACTIVITIES	**(31,297)**	(50,160)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	**19,850**	(3,207)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(56,344)**	(83,538)
CASH AND CASH EQUIVALENTS AS AT 1 APRIL	**105,462**	251,109
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**117**	493
CASH AND CASH EQUIVALENTS AS AT 30 SEPTEMBER	**49,235**	168,064

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

1. GENERAL

The Company was incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The addresses of the registered office and principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and 17/F., 200 Gloucester Road, Wanchai, Hong Kong, respectively.

Other than those major subsidiaries established in the PRC which functional currency is Renminbi ("RMB"), the functional currency of the Group is Hong Kong dollar ("HK$"). The unaudited condensed consolidated interim financial information is presented in HK$ as its presentation currency because the Company is a public company with its shares listed on the Stock Exchange.

The principal activities of the Group are digital entertainment business, manufacture and sale of packaging products, watch trading and investment holding.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited condensed consolidated interim financial information do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2010.

3. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information has been prepared on the historical cost basis, except for certain financial instruments and investment properties, which are measured at fair values, as appropriate.

The accounting policies used in the unaudited condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2010.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

In the current period, the Group has applied, for the first time, a number of new and revised standards and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2010.

The adoption of the new and revised 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 had been required.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 9	Financial Instruments[4]
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Amendments that are effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 January 2011.
4 Effective for annual periods beginning on or after 1 January 2013.

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

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

4. SEGMENT INFORMATION

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

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

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

Principal activities are as follows:

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Group financing (including finance costs and finance revenue), exchange gain (loss), changes in fair value of investment properties, changes in fair value of convertible note receivables, gain on disposal of subsidiaries, share of results of associates and income tax expenses are managed on a group basis and are not allocated to operating segments.

Turnover represents amount received and receivable from sales to external customers during the period.

4. SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's turnover and results by operating segments for the period under review:

For the six months ended 30 September 2010

	Digital entertainment business HK$'000 (Unaudited)	Packaging products business HK$'000 (Unaudited)	Watch business HK$'000 (Unaudited)	Consolidated HK$'000 (Unaudited)
Turnover	891	77,066	10,318	88,275
Segment profit (loss)	(21,997)	10,535	821	(10,641)
Interest income				1,394
Unallocated income				5,607
Unallocated corporate expenses				(38,142)
Loss from operations				(41,782)
Exchange gain				285
Changes in fair value of investment properties				7,543
Changes in fair value of convertible note receivables				(356)
Finance costs				(578)
Share of results of associates				(224)
Loss before income tax				(35,112)
Income tax expense				(2,256)
Loss for the period				(37,368)

4. SEGMENT INFORMATION *(Continued)*

For the six months ended 30 September 2009

	Digital entertainment business HK$'000 (Unaudited)	Packaging products business HK$'000 (Unaudited)	Watch business HK$'000 (Unaudited)	Consolidated HK$'000 (Unaudited)
Turnover	1,556	51,406	3,382	56,344
Segment profit (loss)	(23,498)	7,989	435	(15,074)
Interest income				923
Unallocated income				3,979
Unallocated corporate expenses				(23,280)
Loss from operations				(33,452)
Exchange gain				10,350
Changes in fair value of investment properties				7,588
Changes in fair value of convertible note receivables				3,096
Gain on disposal of subsidiaries				1,624
Impairment loss of intangible assets	(13,112)	–	–	(13,112)
Impairment loss of goodwill	(5,863)	–	–	(5,863)
Finance costs				(941)
Share of results of associates				5
Loss before income tax				(30,705)
Income tax expense				(2,876)
Loss for the period				(33,581)

4. SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's assets by operating segments:

	As at 30 September 2010 HK$'000 (Unaudited)	As at 31 March 2010 HK$'000 (Audited)
– Digital entertainment business	**120,087**	98,596
– Packaging products business	**185,140**	159,114
– Watch business	**11,324**	4,116
Total segment assets	**316,551**	261,826
Interests in associates	**24,809**	25,033
Unallocated corporate assets	**277,638**	340,177
Total assets	**618,998**	627,036

Segment assets do not include convertible note receivables at fair value through profit and loss (HK$61,212,000), interests in associates (HK$24,809,000), derivative financial instruments (HK$500,000), amount due from a related company (HK$16,000), income tax recoverable (HK$218,000), held-to-maturity investments (HK$2,000,000), pledged bank deposits (HK$23,400,000) and cash and cash equivalents (HK$49,235,000) as these assets are managed on a group basis.

5. LOSS FOR THE PERIOD

Loss for the period has been arrived at:

	Six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
After charging:		
Total staff costs including directors' emoluments		
Staff salaries and other benefits	**29,136**	29,172
Equity settled share-based payments	**102**	26
Staff retirement benefits scheme contributions	**827**	438
	30,065	29,636
Depreciation and amortisation	**6,709**	7,882
Loss on disposal of property, plant and equipment	**256**	–
Changes in fair value of derivative financial instruments	**5,373**	900
Written off of property, plant and equipment	**167**	16
Operating lease rentals in respect of land and buildings	**4,642**	5,656
Cost of inventories recognised as expenses	**58,518**	30,995
And after crediting:		
Written back of impairment loss of other receivables	**570**	–
Interest income	**1,394**	923
Rental income	**3,064**	2,883

6. FINANCE COSTS

	Six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interests on bank and other borrowings wholly repayable within 5 years	**159**	451
Interests on bank and other borrowings not wholly repayable within 5 years	**391**	406
Imputed interest on convertible note	**–**	56
Finance leases	**28**	28
	578	941

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Income tax expense comprises:		
– Hong Kong Profits Tax	**85**	690
– PRC Enterprise Income Tax ("EIT")	**3**	8
	88	698
– Deferred tax	**2,168**	2,178
	2,256	2,876

(i) The provisions for Hong Kong Profits Tax for the six months ended 30 September 2010 are calculated at 16.5% (six months ended 30 September 2009: 16.5%) of the estimated assessable profits for the period.

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

(iii) Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC is 25% for the six months ended 30 September 2010 (six months ended 30 September 2009: 25%).

8. LOSS PER SHARE

(a) Basic loss per share

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

	Six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Loss for the period attributable to the owners of the Company	**36,719**	29,618

Weighted average number of ordinary shares

	Six months ended 30 September	
	2010	2009
	'000	'000
	(Unaudited)	(Unaudited)
Issued ordinary shares at the beginning of the period	**6,968,711**	4,853,482
Effect of conversion of convertible notes	**–**	1,385,245
Effect of issue of new shares	**–**	950
Weighted average number of ordinary shares at the end of the period	**6,968,711**	6,239,677

(b) Diluted loss per share

Diluted loss per share for the six months ended 30 September 2010 and 2009 has not been disclosed as the effect of the exercise of share options was anti-dilutive.

9. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 September 2010 and 2009, nor has any dividend been proposed since the end of interim reporting date.

10. INVESTMENT PROPERTIES

The fair value of the Group's investment properties as at 30 September 2010 have been arrived at by reference to a valuation carried out by an independent qualified professional valuer not connected with the Group. The valuer is a member of the Institute of Valuers, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties. There was an increase of approximately HK$7,543,000 has been recognised directly in profit or loss for the six months ended 30 September 2010 (six months ended 30 September 2009: increase of approximately HK$7,588,000 has been recognised directly in profit or loss).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2010, the Group's purchased property, plant and equipment amounted to approximately HK$6,081,000 (six months ended 30 September 2009: HK$1,341,000).

During the six months ended 30 September 2010, property, plant and equipment amounted to approximately HK$593,000 was disposed by the Group (six months ended 30 September 2009: nil).

During the six months ended 30 September 2010, property, plant and equipment with an aggregate carrying amount of approximately HK$167,000 was written off by the Group (six months ended 30 September 2009: HK$16,000).

As at 30 September 2010, the Group has pledged leasehold buildings having a net carrying amount of approximately HK$12,067,000 (as at 31 March 2010: HK$11,090,000) to secure general banking facilities granted to the Group.

12. INTANGIBLE ASSETS

For the purpose of impairment testing on the license as at 30 September 2010, the Group engaged an independent qualified professional valuer to assess the recoverable amount of the license, and determined that no impairment was necessary (six months ended 30 September 2009: HK$13,112,000). The recoverable amount of the license was determined from the cash flow projection based on financial budgets approved by senior management covering a period of ten years and the discount rate of 14.06% per annum was applied in the value-in-use model. The discount rate used in pre-tax and reflect specific risks relating to the industry. The main factor contributing to the impairment of the license was the decrease in the estimated cash flow generated in the future periods.

13. GOODWILL

	HK$'000
COST	
As at 1 April 2009 (audited)	113,563
Disposal of a subsidiary	(6,433)
Exchange realignment	35
As at 31 March 2010 and 1 April 2010 (audited)	107,165
Exchange realignment	25
As at 30 September 2010 (unaudited)	107,190
IMPAIRMENT	
As at 1 April 2009 (audited)	6,433
Impairment loss recognised during the year	5,868
Disposal of a subsidiary	(6,433)
Exchange realignment	17
As at 31 March 2010 and 1 April 2010 (audited)	5,885
Exchange realignment	25
As at 30 September 2010 (unaudited)	5,910
NET CARRYING VALUE	
As at 30 September 2010 (unaudited)	101,280
As at 31 March 2010	101,280

The carrying amounts of goodwill (net of accumulated impairment losses) as at 30 September 2010 allocated to the cash generated units ("CGUs") are as follows:

	As at 30 September 2010 HK$'000	As at 31 March 2010 HK$'000
Manufacture and sale of packaging products		
– Kingbox (Asia) Limited and its subsidiaries	**101,280**	101,280

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

	As at 30 September 2010 HK$'000 (Unaudited)	As at 31 March 2010 HK$'000 (Audited)
Mature over one year under non-current assets	**34,911**	48,616
Mature within one year under current assets	**26,301**	12,996
At the end of the period/year	**61,212**	61,612

During the six months ended 30 September 2010, the Group had not subscribed for any convertible notes (year ended 31 March 2010: two convertible notes issued by two independent unlisted private companies).

As at 30 September 2010, the Group held four (year ended 31 March 2010: four) convertible notes issued by three (year ended 31 March 2010: three) independent unlisted private companies and classified four (year ended 31 March 2010: four) convertible notes as financial assets designated at fair value through profit and loss.

The convertible notes are redeemable with coupon rates of Nil, 5% and 8% (year ended 31 March 2010: Nil, 5% and 8%) respectively and are repayable upon maturity which is ranging from 1 to 2 years (year ended 31 March 2010: 1 to 3 years) from the reporting date. The Group has the right to convert the convertible notes into ordinary shares of the issuers from the date of acquisition of the convertible notes to their maturity dates, subject to the conditions as set out in the respective convertible notes agreements.

Fair values of these unlisted convertible note receivables have been determined by reference to the valuation performed by independent qualified professional valuers not connected with the Group. The valuations have been carried out by adopting the discounted cash flow technique based on the maturity dates of the convertible note receivables and the discount rate of 10.78% (year ended 31 March 2010: 13.01%).

The decrease in fair value of approximately HK$356,000 was recognised for the six months ended 30 September 2010 (six months ended 30 September 2009: increase in fair value of HK$3,096,000).

15. TRADE AND OTHER RECEIVABLES

	As at 30 September 2010 HK$'000 (Unaudited)	As at 31 March 2010 HK$'000 (Audited)
Trade receivables (Note i)	**47,793**	23,768
Less: Impairment loss recognised	**–**	–
	47,793	23,768
Other receivables	**25,964**	30,709
Less: Impairment loss recognised	**(22,871)**	(23,352)
	3,093	7,357
Deposits and prepayments	**21,383**	15,302
Deposit paid for acquisition of convertible note receivable (Note ii)	**–**	12,000
	21,383	27,302
	72,269	58,427

Notes:

(i) As at 30 September 2010, trade receivables are classified into:

	HK$'000 (Unaudited)
Non-current assets	9,827
Current assets	37,966
	47,793

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

15. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group grants a credit period normally ranging from cash on delivery to 90 days (year ended 31 March 2010: cash on delivery to 90 days) to its trade customers. For those customers who have established good relationships with the Group, the credit period may further extend up to two years based on the financial strengths of individual customers.

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

	As at 30 September 2010 HK$'000 (Unaudited)	As at 31 March 2010 HK$'000 (Audited)
Within 60 days	**34,785**	11,811
61-90 days	**6,619**	3,817
91-180 days	**3,980**	5,154
181-365 days	**2,380**	2,764
Over 365 days	**29**	222
	47,793	23,768

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

	As at 30 September 2010 HK$'000 (Unaudited)	As at 31 March 2010 HK$'000 (Audited)
Balance at beginning of the period/year	**–**	9,116
Disposal of subsidiaries	**–**	(9,116)
Balance at end of the period/year	**–**	–

15. TRADE AND OTHER RECEIVABLES *(Continued)*

The movements in the impairment losses of other receivables are as follows:

	As at 30 September 2010 HK$'000 (Unaudited)	As at 31 March 2010 HK$'000 (Audited)
Balance at beginning of the period/year	**23,352**	29,462
Recognised during the period/year	**–**	3,000
Reversal during the period/year	**(570)**	(5,330)
Disposal of subsidiaries	**–**	(3,924)
Exchange realignment	**89**	144
Balance at end of the period/year	**22,871**	23,352

Included in the impairment loss of other receivables are individually impaired other receivables with an aggregate balance of approximately HK$22,871,000 (31 March 2010: HK$23,352,000) which are due to long outstanding. The Group does not hold any collateral over these balances.

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

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

16. DEPOSITS PAID

	As at 30 September 2010 HK$'000 (Unaudited)	As at 31 March 2010 HK$'000 (Audited)
Deposits paid for Bingo and digital arcade game software development and license (Note i)	**30,000**	–
Deposit paid for acquisition for property, plant and equipment (Note ii)	**23,679**	23,576
	53,679	23,576

Notes:

(i) The balance as at 30 September 2010 represented the deposits of HK$30,000,000 paid for the software development and license for Bingo and digital arcade games.

(ii) Following the expiry of the letter of intent and the supplemental letters of intent dated 25 April 2008, 8 January 2009, 16 June 2009 and 27 July 2010 respectively, the Group entered into the fourth supplemental letters of intent for the acquisition of certain leasehold land and buildings in Suzhou, the PRC from an independent third party with a long stop date on 31 December 2010. The proposed acquisition is mainly for the expansion of the Group's digital entertainment business.

17. TRADE AND OTHER PAYABLES

An aged analysis of trade payables presented based on the invoice date at the end of the reporting period included in trade and other payables is as follows:

	As at 30 September 2010 HK$'000 (Unaudited)	As at 31 March 2010 HK$'000 (Audited)
Within 60 days	**6,034**	6,145
61-90 days	**1,235**	613
91-180 days	**37**	545
181-365 days	**917**	443
Over 365 days	**1,256**	917
	9,479	8,663
Accrued expenses and other payables	**21,788**	21,372
	31,267	30,035

18. SHARE CAPITAL

	Number of shares '000	HK$'000
Authorised:		
As at 31 March 2010 and 30 September 2010		
Ordinary shares of HK$0.001 each	300,000,000	300,000
Issued and fully paid:		
As at 1 April 2009 (audited)	4,853,482	4,853
Issue of shares upon		
– conversion of convertible notes	1,500,000	1,500
– settlement of consideration in respect of acquisition of subsidiaries	2,229	3
– exercise of share options	13,000	13
– exercise of warrant subscription rights	600,000	600
As at 31 March 2010 and 1 April 2010 (audited)	6,968,711	6,969
As at 30 September 2010 (unaudited)	6,968,711	6,969

19. EQUITY SETTLED SHARE-BASED PAYMENT TRANSACTIONS

The Company has a share option scheme for eligible person of the Group. Details of the share options outstanding during the current period are as follows:

	Number of share options '000
Outstanding at 1 April 2010	7,905
Lapsed during the period	(7,630)
Outstanding at 30 September 2010	275

The following assumptions were used to calculate the fair values of share options:

	Share option granted on 30 April 2009
Grant date share price	HK$0.0797
Exercise price	HK$0.52
Expected volatility	109.71%
Option life	2.83 years
Risk-free rate	0.964%
Expected dividend yield	0%

The Black-Scholes-Merton Option Pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

The Group recognised total expense of approximately HK$102,000 for the six months ended 30 September 2010 (six months ended 30 September 2009: HK$26,000) in relation to the fair value of the share options granted by the Company and vested during the period.

20. DISPOSAL OF SUBSIDIARIES

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

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

21. PLEDGE OF ASSETS

As at 30 September 2010, the Group had pledged the following assets to secure the banking facilities granted by the financial institutions:

	As at 30 September 2010 HK$'000 (Unaudited)	As at 31 March 2010 HK$'000 (Audited)
Property, plant and equipment	**12,067**	11,090
Prepaid lease payments	**61,646**	55,966
Held-to-maturity investments	**2,000**	2,000
Pledged bank deposits	**23,400**	22,050
	99,113	91,106

22. COMMITMENTS

(a) Capital commitment

As at 30 September 2010, there was no material capital expenditure contracted for but not provided for in the unaudited condensed consolidated interim financial information.

As at 31 March 2010, the Group had capital expenditure contracted for but not provided in respect of the acquisition of property, plant and equipment of approximately HK$319,000 and acquisition of intangible assets of approximately HK$432,000.

(b) Other commitment

As at 30 September 2010, the licensing arrangement is contracted for a term up to three years. Pursuant to the licensing arrangement, subject to the condition of obtaining certain online game licenses and starting of open beta service, the Group has to pay the licensor, a non-refundable minimum guarantee in the total sum of US$5 million, payable by three annual installments.

23. RELATED PARTY TRANSACTIONS

(a) Related party transactions

Save as disclosed in elsewhere in the unaudited condensed consolidated interim financial information, the Group had the following material transactions with related parties:

		Six months ended 30 September	
		2010	2009
		HK$'000	HK$'000
Name of related party	**Nature of transaction**	**(Unaudited)**	(Unaudited)
Bersett International (HK) Limited (Note i)	Consultancy fee paid	**500**	360
Horizon Structured Solutions Limited (Note ii)	Rent received	**60**	75
Shanghai Heng Po Watch Company Limited (Note iii)	Purchase of watches	**169**	2,383

23. RELATED PARTY TRANSACTIONS *(Continued)*

(a) Related party transactions *(Continued)*

Notes:

(i) Mr Wu Chuang John is a common director of the Company and Bersett International (HK) Limited

(ii) Mr Cheng Chee Tock Theodore ("Mr Cheng") and Mr Wu Chuang John are the common directors of the Company and Horizon Structured Solutions Limited and Mr Cheng also has beneficial interest in the related company.

(iii) Ms Leonora Yung is a director of a subsidiary of the Company, Kingbox (Asia) Limited and the legal representative of Shanghai Heng Po Watch Company Limited.

(b) Compensation of key management personnel

The remuneration of directors and other key management personnel during the period were as follows:

	Six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Fees	**1,103**	679
Salaries and other allowances	**4,035**	1,957
Retirement benefits scheme contributions	**18**	15
	5,156	2,651

24. CONTINGENT LIABILITIES

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

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

Subsequent to the delivery of the products, it was noted that the functionality and performance of the Weike Machines were not in conformity with the Company's specification. Despite the various rounds of efforts of the technical teams of both sides in solving the problems, the Company's specifications remained unmatched. Furthermore, the Weike Machines were confiscated by the public security bureau of Shanghai ("PRC Police") on 13 June 2010 for not having obtained the endorsement of the Shanghai Municipal Administration of Culture Radio Film & TV. In this respect, a wholly own subsidiary of the Company thereby instructed lawyers to submit to Shanghai No.2 Intermediate People's Court a claim against Weike. Details of the claim were disclosed in the section headed "Litigation" below.

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

24. CONTINGENT LIABILITIES *(Continued)*

2. Litigation

On 14 April 2010, Luck Continent Limited ("Luck Continent"), a substantial shareholder of the Company, as Petitioner, filed a petition ("Petition") to the court against various parties including Mr Cheng, the chairman of the Company, Ms Leonora Yung ("Ms Yung"), the spouse of Mr Cheng, 6 corporate shareholders of the Company interested by Ms Yung ("Yung Companies", and altogether with Mr Cheng and Ms Yung, as "Private Parties"), and the Company. In the Petition, Luck Continent raised various allegations against the Private Parties and/or the Company and intended to seek for (1) an order for revising the articles of the Company to effect that (a) removal of director(s) of the Company shall be made effective by an ordinary resolution instead of a special resolution, and (b) shareholders in general meeting of the Company may fill or authorise the board of directors to fill any vacancy in the number left unfilled at any general meeting; (2) an injunction restraining Ms Yung and the Yung Companies to vote at the special general meeting of the Company held on 30 April 2010 (which has been spent); (3) an order that the Company shall cause a subsidiary of the Company not to proceed with a project in relation to a transaction at a Suzhou site and to demand for the repayment of the earnest money having been paid; (4) a declaration that the appointment of 3 executive directors of the Company made on 16 November 2009 be invalid and of no effect; and (5) the appointment of a receiver and/or manager, and/or such person(s) for the purpose of conducting an independent investigation and/or audit of the matters complained of in the Petition. On 20 April 2010 and 27 April 2010, Luck Continent further issued via its lawyer 2 letters ("Legal Letters") for the attention of the Private Parties and/or the Company raising various other concerns and allegations relating to the Group's investments and the reason for the resignation of the Company's auditor. On 30 April 2010, Luck Continent also filed a summons ("First Summons") to Court to seek for, inter alia, an independent investigation accountant ("IIA") to look into various matters alleged by Luck Continent in the Petition.

24. CONTINGENT LIABILITIES *(Continued)*

2. Litigation *(Continued)*

The Board had thoroughly reviewed and looked into each of the concerns raised by Luck Continent in the Petition and the Legal Letters. The Board noticed that some of the allegations were wrong and is of the opinion that there is no valid grounds for any other concern raised which should render such concern for action that Luck Continent is now seeking. In response to the Petition and the First Summons, (1) on 14 May 2010, the Audit Committee resolved to engage Ernst and Young Transactions Limited ("EY") as the IIA. On 15 July 2010, EY issued the IIA report ("IIA Report") for the attention of the Audit Committee. (2) on 24 June 2010, the Company filed an affirmation to Court to rebut and/or explain Luck Continent's allegations/concerns in the Petition as well as the Legal Letters as far as the Company is concerned. On 24 June 2010, Luck Continent, being in disagreement on the appointment of EY as the IIA, filed summons ("Second Summons") to the Court to restore the First Summons with modification of (1) including 2 executives of Ferrier Hodgson Limited as a choice as the IIA; and (2) revoking the appointment of EY as the IIA. The Board is of the view that (1) it is the Company's contention that the Court has no jurisdiction to make an order for the appointment of an IIA as Luck Continent wishes; and (2) there being no ground or justification for EY not being suitable to be appointed as IIA while the investigation work of EY had completed. Accordingly, the Board anticipates that the order sought by Luck Continent in the Second Summons would not be granted by Court. A hearing in respect of the appointment of IIA is fixed to be heard on 4 January 2011 and 5 January 2011. Details of this litigation were disclosed in the announcements of the Company dated 21 April 2010, 4 May 2010, 12 May 2010 and 14 May 2010 respectively.

24. CONTINGENT LIABILITIES *(Continued)*

2. Litigation *(Continued)*

On 29 October 2008, Billion Cosmos Investment Limited (a wholly owned subsidiary of the Company) as purchaser and Weike(S) Pte Limited (a company owned as to 50% equity interest by Mr Poh, the then director and a current ultimate shareholder of the Company) as vendor, entered into an agreement relating to acquisition of Weike Machines at the total consideration of HK$9,893,000. On 13 June 2010, the Weike Machines were confiscated by the public security bureau of Shanghai for not having obtained the endorsement of the Shanghai Municipal Administration of Culture Radio Film & TV. Pursuant to the Agreement, the vendor is responsible for obtaining the endorsement. A wholly own subsidiary of the Company thereby instructed lawyers to submit to Shanghai No.2 Intermediate People's Court a claim against the vendor, in which the subsidiary sought orders for (i) refund of RMB 8,704,851 (being the full consideration in RMB for the purchase of the Weike Machines), (ii) damages of amount provisionally assessed at RMB 5,000,000, (iii) vendor's delivery to the subsidiary materials in relation to the Weike Machines in respect of customs, commodity inspection and tax, and (iv) all costs of the claim to be borne by the vendor. On 26 July 2010, the Court issued to the subsidiary a notice of acceptance of lawsuit confirming its acceptance of the filing of the claim. Details of this litigation were disclosed in the announcements of the Company dated 29 October 2008, 28 June 2010 and 4 August 2010 respectively.

On 15 September 2010 the Company was served with the summons issued against, inter alia, the Company by Luck Continent, in which Luck Continent is seeking for the Court to order, among other things, until determination of the action or further order of the Court (i) Mr Lai Kar Yan and Mr Yeung Lui Ming, both of Messrs Deloitte Touche Tohmatsu or (ii) alternatively, Mr Roderick John Sutton and Mr Fok Hei Yu, both of FTI Consulting (formerly known as Ferrier Hodgson Limited and FS Asia Advisory Limited respectively) be appointed as joint and several receivers and managers ("Receivers") of the Group for the proper management and the preservation of assets of the Group and the protection of its interests. In this respect, the Company has served affirmations in opposition. The hearing for the appointment of Receivers has been fixed on 6 April 2011 and 7 April 2011. Details of this litigation were disclosed in the announcements of the Company dated 16 September 2010, 21 September 2010 and 18 October 2010 respectively.

25. EVENTS AFTER THE END OF THE REPORTING PERIOD

In September 2010, the Group entered into a sales and purchase agreement for the disposal of a property in Hong Kong at a consideration of approximately HK$70.9 million. This transaction will be completed on or before 28 December 2010. Details of the transaction were disclosed in the announcement of the Company dated 17 September 2010.

On 27 October 2010, the Company was served with a summons ("AGM Summons") by Luck Continent as plaintiff against the Company alleging that the Company has breached the relevant bye-laws as a result of not convening the annual general meeting of the Company for the financial year ended 31 March 2010 ("2010 AGM") within the time limit prescribed under the bye-laws of the Company. Luck Continent also seeks an order from the Court against the Company to give notice of the 2010 AGM to be held on a date not more than 25 days from the notice of the 2010 AGM for the purpose of transacting the businesses including to receive and consider the audited financial accounts of the Company for the year ended 31 March 2010; to nominate, appoint and vote on the directors to fill vacancies arising from the retirement by rotation; and to appoint the auditor for the Company and to fix its remuneration ("Orders"). On 10 November 2010, the Company was served with a summons by Luck Continent, in which Luck Continent is seeking for the final judgment of the Court against the Company for, among other things, the Orders. The Company is seeking legal advice in respect of the AGM Summons. Details of this litigation were disclosed in the announcements of the Company dated 27 October 2010 and 11 November 2010 respectively.

In November 2010, the Group entered into a provisional sales and purchase agreement for the disposal of a property in Hong Kong at a consideration of HK$7.8 million. This transaction will be completed on or before 1 March 2011.

DIVIDEND

The Board recommended that no interim dividend be paid for the six months ended 30 September 2010 (2009: Nil).

REVIEW AND OUTLOOK

Business Review

For the six months ended 30 September 2010 ("Period"), C Y Foundation Group Limited was pleased to announce that its turnover significantly increased 56.7% to HK$88.3 million. During the Period, the manufacturing and sales of packaging products business ("Packaging Products") business grew by 49.9% and the watch trading business represented a 205.1% increase. Loss attributable to shareholders amounted to HK$36.7 million. During the Period, both the watch trading and Packaging Products businesses generated profits and the digital entertainment business is still at a loss.

Digital Entertainment Business

The Group has always been aiming to become a leading interactive digital entertainment company to provide quality entertainment content across China. During the Period, the business continues to record loss since the Group's online games are still under final testing and pre-launch stage incurring high R&D and marketing expenses, although sales from other business has increased. The Group expects the revenue from digital entertainment business will soon be improved after the new product launches in the market.

The management is pleased to announce that during the Period, the Group was granted approval by both the Ministry of Culture ("MoC") and General Administration of Press and Publication ("GAPP") to operate massive multiplayer online role playing games ("MMORPG") Rohan, which is believed to be the Group's new source of revenue, is currently undergoing a closed beta test run. This is a major step toward the Company's turnaround and full launch of the game in the China market.

Certain marketing campaigns for Rohan have been rolled out and perceived very encouraging feedback from the target players. In July 2010, the Group promoted Rohan heavily in the China Digital Entertainment Expo & Conference ("Chinajoy") and received overwhelming response. The event provided a good opportunity for Rohan's target players to get acquaintance and form their own community, which laid a solid foundation for the pre-launch test for "guild", an organization formed by players for team playing which would lead to a stable and long term user base.

For the e-sport business, during the Period, the Group co-organized the first E-sport National Team Trial in China. The trial was titled as 'T-Matrix Cup', the name of a wholly owned subsidiary of the Group. The T-Matrix Cup was hosted by the General Administration of Sports of the PRC (國家體育總局) and organized by China Sport Industry Group. The China Sport Industry Group is the only listed company controlled by General Administration of Sports and is the largest sports company in China. The co-organization was another milestone for the Group's e-sport business as well as an opportunity to develop ties with key industry partners. Meanwhile, the Group co-operated with the Communist Youth League of China in the International E-sport Festival ("IEF") 2010 final this year from 28 October to 30 October. The festival was a huge success and attracted 100,000 participants from 13 countries. The Group has co-organized this event since 2008.

REVIEW AND OUTLOOK *(Continued)*

Business Review *(Continued)*

Digital Entertainment Business (Continued)

During the Period, the Group signed a bingo and digital arcade games software development and license agreements with BG Global Gaming Limited and Winning Asia Technology Limited respectively. The deposits of HK$30 million were paid by the Group for the development of online bingo and digital arcade games. The Group believes the new software development will strengthen the competitiveness of its product platform.

Packaging Products business

Since the acquisition of Kingbox (Asia) Limited ("Kingbox") in the fiscal year 2008/09, it has been a stable source of income for the Group. During the Period, the Packaging Products business delivered satisfactory performance.

During the Period, Kingbox continued to target the medium to high-end markets for its customers based in Europe, the USA and Southeast Asian regions for its packaging product business, with revenue amounting to HK$77.1 million, representing a 49.9% surge compared to the same period last year (For the six months ended 30 September 2009: HK$51.4 million). The increase in turnover was mainly due to the increases in sales and appreciation of Euros and GBP. The increase in sales mainly came from the gradual recovery of business from the financial crisis and the continuing active new market expansion.

In order to capture more business opportunities in the PRC, during the Period, Kingbox successfully transformed one of its factories in the PRC into a foreign investment enterprise and was granted the right to directly sell its products in the PRC market and also acquired a new warehouse in Hong Kong for future business expansion.

Watch Trading Business

During the Period, watch trading business received significant increase in sales performance. Thanks to the continuous efforts put into marketing and branding activities, revenue from the watch trading business increased by 205.1%. The management believes that leveraging on the unique history of the 'Shanghai Watch' brand will bolster the continuous expansion of the watch trading business.

REVIEW AND OUTLOOK *(Continued)*

Prospects

Looking forward, the Group will continue to put more effort into the digital entertainment business. The promotional and marketing activities of Rohan marked a major milestone for the Group's digital entertainment business in China. The game forms the cornerstone of the Group's strategy to expand and accelerate the development of online game across the country. With licenses obtained and open beta testing underway, the game is on the right track to the full launch. Rohan, which received overwhelming response in its previous beta testing, is expected to generate impressive revenue for the Group after its grand launch into market.

On the other hand, we believe that the Packaging Products and watch trading businesses will continue to improve in the future due to the global market recovery. With solid businesses in different regions such as Europe, the United States and Southeast Asia, the management will continue to explore and develop the PRC market and is confident that the Group will benefit from the rapid economic growth of the PRC market in the coming years.

Financial Review

Results

During the Period, the Group's turnover surged 56.7% to HK$88.3 million (For the six months ended 30 September 2009: HK$56.3 million). The significant increase was mainly due to the promising performance of the Packaging Products and watch trading businesses.

Loss attributable to shareholders amounted to HK$36.7 million, compared to HK$29.6 million for the same period last year. During the Period, the increases in loss was mainly due to the increase in selling and distribution costs, administrative expenses (mainly the consultancy fees and legal and professional fees) and loss on change in fair value of the derivative financial instruments in spite of the increases in turnovers and change in fair value of investment properties of the Group.

Subsequent to the full provision of the debt due from 江蘇東海華宇實業有限公司 ("Huayu"), up to the date of this Interim Report, Huayu repaid a total of RMB5.2 million in which RMB0.5 million was treated as write back of other receivable and income of the Group during the Period.

The Group develops and produces super high brightness LED-backlit LCD monitors through Well Union Investment Ltd ("Well Union"), an associated company of the Group. During the Period, the sales of Well Union record improvement, however it still record lost due to increase in material cost. The revenue of Well Union is expected to keep improving and turnaround during the next period.

REVIEW AND OUTLOOK *(Continued)*

Financial Review *(Continued)*

Significant Acquisitions and disposals of subsidiaries and associated companies

There was no significant acquisitions and disposals of subsidiaries or associated companies during the Period.

Capital Resources and Currency Exposure

As at 30 September 2010, the bank and cash balances (including pledged bank deposits) of the Group amounted to approximately HK$72.6 million. The Group's bank loans were approximately HK$63.9 million, of which HK$29.4 million were payable within one year. The Group's bank loans are mainly denominated in Hong Kong dollars and Euros and granted on a floating rate basis.

The gearing ratio of interest bearing loans (net of the zero coupon rate convertible notes) against the total equity as at 30 September 2010 was 12.5%. As the majority of bank deposits and cash on hand were denominated in Australian dollars, US dollars, Renminbi, Euros, British pounds and Hong Kong dollars, the Group's exchange risk exposure depended on the movement of the exchange rate of the aforesaid currencies. Moreover, the trading receipt of foreign currencies would also be used to settle loans advanced in the same foreign currencies.

Pledge of Assets

As at 30 September 2010, the building and prepaid lease payments of the Group with carrying value of approximately HK$12.1 million and HK$61.6 million respectively were pledged for bank loans. In addition, the Group's banking facilities were secured by pledged bank deposits and held-to-maturity investments of approximately HK$23.4 million and HK$2 million respectively.

Capital and Other Commitments

Details of commitments of the Group are set out in Note 22 to the unaudited condensed consolidated interim financial information.

REVIEW AND OUTLOOK *(Continued)*

Financial Review *(Continued)*

Employee Information

The Group had 1,986 employees as at 30 September 2010, including 69 employees stationed in Hong Kong and 1,917 in the PRC. The Group continued to review remuneration policies with reference to the level and composition of pay, market conditions and both individual and company performances. Staff benefits include contribution to the Mandatory Provident Fund Scheme and year-end bonus, share option scheme, group medical allowance, group travel insurance scheme and housing benefit.

Contingent Liabilities

Details of contingent liabilities of the Group are set out in Note 24 to the unaudited condensed consolidated interim financial information.

Events After The End of The Reporting Period

Details of the events after the end of the reporting period of the Group are set out in Note 25 to the unaudited condensed consolidated interim financial information.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2010, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares, and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO, or otherwise as required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

Long positions in shares

Name	Capacity	Number of Shares	Shareholding (%)
CHENG Chee Tock Theodore ("Mr Cheng") [(a)]	Interest of controlled corporation	1,757,142,856	25.21
HO Chi Chung Joseph	Beneficial owner	600,000	0.01
WU Chuang John	Beneficial owner	10,000,000	0.16
NG Pui Lung	Beneficial owner	1,140,000	0.02
		1,768,882,856	25.40

Note:

(a) The interest was held by Super Bonus Management Limited ("Super Bonus"), Treasure Bay Assets Limited ("Treasure Bay"), Pacific Equity Development Corp. ("Pacific Equity"), Super Mark Profits Corp. ("Super Mark"), Golden View Worldwide Limited ("Golden View") and Super Crown Venture Inc. ("Super Crown"). Each of Super Bonus, Treasure Bay, Pacific Equity, Super Mark and Golden View was wholly owned by Ms YUNG Leonora (the spouse of Mr Cheng), whereas Super Crown was owned as to 50% by Ms YUNG Leonora. Mr Cheng was deemed to be interested in all these Shares, details of which have been disclosed in the section headed "Substantial Shareholders" below.

Save as disclosed above, as at 30 September 2010, none of the Directors, chief executive or their associates had any personal, family, corporate or other beneficial interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or otherwise as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2010, the persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the shares and underlying shares in the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register of the Company were as follows:

Long positions in shares

Name	Capacity	Number of Shares	Shareholding (%)
Mr Cheng [(a)]	Interest of controlled corporation	1,757,142,856	25.21
YUNG Leonora [(a)]	Interest of controlled corporation	1,757,142,856	25.21
Super Bonus Management Limited [(a)]	Beneficial owner	1,500,000,000	23.61
POH Po Lian	Interest of controlled corporation	3,246,264,127	51.08
Luck Continent Limited	Beneficial owner	3,246,264,127	46.61

Note:

(a) Pursuant to the SFO, Mr Cheng, the Chairman, was deemed to be interested in these Shares, details of which have been disclosed in the section headed “Directors’ Interests” above.

Save as disclosed above, as at 30 September 2010, no other person/company, other than a Director or chief executive of the Company, had any personal, family, corporate or other beneficial interests or short positions in the shares or underlying shares in the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register of the Company.

SHARE OPTIONS

Pursuant to the share option scheme adopted by the Company on 30 August 2002 and came into effect on 26 September 2002 ("Scheme"), there were options of 275,000 outstanding as at 30 September 2010.

During the Period, the movements of the options which have been granted under the Scheme are as follows:

	Options to subscribe for Shares of the Company							
Category of grantees	Balance as at 1 April 2010	Granted during the Period	Exercised during the Period	Lapsed during the Period	Balance as at 30 September 2010	Date of Grant	Exercise period	Exercise price per Share
Employees of the Group	3,000,000	–	–	3,000,000	–	10.12.2008	10.12.2010-09.12.2018	HK$0.10
	3,000,000	–	–	3,000,000	–	10.12.2008	10.12.2011-09.12.2018	HK$0.10
	476,250	–	–	407,500	68,750	30.04.2009	28.02.2010-28.02.2012	HK$0.52
	476,250	–	–	407,500	68,750	30.04.2009	28.08.2010-28.02.2012	HK$0.52
	476,250	–	–	407,500	68,750	30.04.2009	28.02.2011-28.02.2012	HK$0.52
	476,250	–	–	407,500	68,750	30.04.2009	28.08.2011-28.02.2012	HK$0.52
	7,905,000	-	-	7,630,000	275,000			

CORPORATE GOVERNANCE

The Board is committed to ensuring high standards of corporate governance practices as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix I4 of the Listing Rules. The Company has fully complied with the CG Code throughout the Period.

COMPLIANCE WITH THE MODEL CODE

Throughout the Period, the Model Code had been taken as the Company's code of conduct regarding Directors' securities trading. All Directors have confirmed, following specific enquiry by the Company, that they had fully complied with the Model Code throughout the Period.

REVIEW OF RESULTS

The Group's unaudited condensed consolidated results for the Period have been reviewed by the Audit Committee of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board
Cheng Chee Tock Theodore
Chairman

Hong Kong, 29 November 2010