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C Y FOUNDATION GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1182)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

The board of directors (the “Board”) of C Y Foundation Group Limited (the Company”) announces that the unaudited consolidated interim results (the “Announcement”) of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2011 (the “Period”) together with the comparative figures for the corresponding period are as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

		Six months ended	
		30 September	
		2011	2010
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Turnover	4	102,362	88,275
Cost of sales		(70,537)	(60,071)
		<hr/>	<hr/>
Gross profit		31,825	28,204
Other income		8,566	7,001
Selling and distribution costs		(2,043)	(5,142)
Administrative expenses		(44,428)	(71,845)
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Loss from operations		(6,080)	(41,782)
Exchange gains		1,962	285
Changes in fair value of investment properties		–	7,543
Changes in fair value of convertible note receivables		–	(356)
Finance costs	5	(119)	(578)
Share of results of associates		–	(224)
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Loss before tax	6	(4,237)	(35,112)
Income tax	7	(1,447)	(2,256)
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Loss for the period		(5,684)	(37,368)
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	Six months ended	
	30 September	
	2011	2010
	(Unaudited)	(Unaudited)
<i>Note</i>	HK\$'000	HK\$'000
Other comprehensive income:		
Change in fair value of owner-occupied properties when transferred to investment properties	13,122	–
Exchange differences on translating foreign operations	2,617	844
Income tax relating to components of other comprehensive income	(3,281)	–
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Other comprehensive income for the period, net of tax	12,458	844
	<hr/>	<hr/>
Total comprehensive income/(loss) for the period	6,774	(36,524)
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Loss for the period attributable to:		
Owners of the Company	(4,772)	(36,719)
Non-controlling interests	(912)	(649)
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	(5,684)	(37,368)
	<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	7,633	(35,879)
Non-controlling interests	(859)	(645)
	<hr/>	<hr/>
	6,774	(36,524)
	<hr/> <hr/>	<hr/> <hr/>
Loss per share		
Basic (HK cents per share)	(0.07)	(0.53)
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2011

	<i>Notes</i>	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
Non-current assets			
Investment properties		147,736	110,937
Property, plant and equipment		23,720	43,057
Intangible assets		339	333
Goodwill		55,931	55,931
		<u>227,726</u>	<u>210,258</u>
Current assets			
Inventories		22,726	29,796
Trade and other receivables	10	48,682	33,329
Due from a related party		–	1,185
Held-to-maturity investment		–	2,000
Current tax assets		–	295
Pledged bank deposits		–	2,428
Bank and cash balances		24,291	36,638
		<u>95,699</u>	<u>105,671</u>
Current liabilities			
Trade and other payables	11	28,838	37,585
Derivative financial instruments		–	46
Bank and other borrowings-secured		10,746	6,180
Current tax liabilities		1,146	–
		<u>40,730</u>	<u>43,811</u>
Net current assets		<u>54,969</u>	<u>61,860</u>
Total assets less current liabilities		<u>282,695</u>	<u>272,118</u>
Non-current liabilities			
Deferred tax liabilities		18,731	14,929
NET ASSETS		<u>263,964</u>	<u>257,189</u>
Capital and reserves			
Share capital		6,969	6,969
Reserves		255,555	247,921
Equity attributable to owners of the Company		262,524	254,890
Non-controlling interests		1,440	2,299
TOTAL EQUITY		<u>263,964</u>	<u>257,189</u>

NOTES:

1. GENERAL INFORMATION

C Y Foundation Group Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act. In the opinion of the directors of the Company (“the Directors”), the Company’s controlling shareholder is Luck Continent Limited (“Luck Continent”), a company incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and 3503B-5, 35/F., 148 Electric Road, North Point, Hong Kong, respectively. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and the trading in shares of the Company has been suspended since 31 August 2010. Trading in shares of the Company will remain suspended until further notice.

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (“Interim Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange.

The Interim Financial Statements do not include all the information and disclosures required in a full set of financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2011 (“2011 Annual Report”).

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the 2011 Annual Report.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 April 2011. HKFRSs comprise Hong Kong Financial Reporting Standards; HKASs and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior periods.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of those new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. SEGMENT INFORMATION

For management purpose, the Group has three operating and reportable segments 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

The Group’s reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Information regarding the above segment is reported below.

(a) Segment revenue, results and assets

The following is an analysis of the Group’s revenue, results and assets by reportable segment:

	Revenue from external customers		Segment profit/(loss)		Segment assets	
	Six months ended 30 September 2011		Six months ended 30 September 2010		At 30 September 2011	At 31 March 2011
	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Audited) HK\$’000
– Digital entertainment business	1,977	891	(2,209)	(21,997)	152,832	136,283
– Packaging products business	100,038	77,066	10,908	10,535	136,484	127,793
– Watch business	347	10,318	(119)	821	523	815
	102,362	88,275	8,580	(10,641)	289,839	264,891

There are no intersegment revenue between the reportable segments for both six months ended 30 September 2010 and 2011.

(b) Reconciliation of reportable segment profit or loss

	Six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Total profit/(loss) of reportable segments	8,580	(10,641)
Other unallocated and corporate profit or loss	(14,264)	(33,690)
Unallocated amounts:		
Changes in fair value of investment properties	–	7,543
Changes in fair value of convertible note receivables	–	(356)
Share of results of associates	–	(224)
	<hr/>	<hr/>
Consolidated loss for the period	(5,684)	(37,368)

5. FINANCE COSTS

	Six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on borrowings wholly repayable within five years:		
– Bank borrowings	98	159
– Other borrowing	21	–
– Imputed interest on convertible loan notes	–	391
– Finance lease payables	–	28
	<hr/>	<hr/>
	119	578

6. LOSS BEFORE TAX

The Group's loss before tax for the period is stated after charging/(crediting):-

	Six months ended	
	30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<i>After charging:</i>		
Cost of inventories sold	70,537	60,071
Depreciation and amortisation	2,835	6,709
Loss on disposal of property, plant and equipment	29	256
Changes in fair value of derivative financial instruments	829	5,373
Property, plant and equipment written off	149	167
Operating lease rentals in respect of land and buildings	3,643	4,642
Directors' remuneration	3,250	5,156
Staff costs (including Directors' remuneration)	20,906	30,065
<i>And after crediting:</i>		
Reversal of impairment on other receivables	–	(570)
Interest income	(1,872)	(1,394)
Rental income	(3,948)	(3,064)
	<u> </u>	<u> </u>

7. INCOME TAX

	Six months ended	
	30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
– Hong Kong Profits Tax	1,369	85
– Enterprise Income Tax	78	3
	<u> </u>	<u> </u>
	1,447	88
Deferred tax	–	2,168
	<u> </u>	<u> </u>
	1,447	2,256
	<u> </u>	<u> </u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 September 2011 and 2010. Tax arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC is 25% for both periods.

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss for the six months ended 30 September 2011 attributable to owners of the Company of approximately HK\$4,772,000 (Six months ended 30 September 2010: HK\$36,719,000) and the weighted average number of 6,968,711,000 (Six months ended 30 September 2010: 6,968,711,000) ordinary shares in issue during the period.

(b) Diluted loss per share

No diluted loss per share is presented as there were no potential dilutive ordinary shares outstanding for both periods.

9. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2011 (Six months ended 30 September 2010: HK\$Nil).

10. TRADE AND OTHER RECEIVABLES

	As at 30 September 2011 (Unaudited) <i>HK\$'000</i>	As at 31 March 2011 (Audited) <i>HK\$'000</i>
Trade receivables	37,967	22,772
Other receivables	13,317	13,074
Less: Impairment loss	(12,223)	(12,223)
	<u>1,094</u>	<u>851</u>
Deposits and prepayments	21,493	21,578
Deposit paid for game software development and licenses	30,000	30,000
	<u>51,493</u>	<u>51,578</u>
Less: Impairment loss	(41,872)	(41,872)
	<u>9,621</u>	<u>9,706</u>
	<u>48,682</u>	<u>33,329</u>

- (a) The Group grants a credit period normally ranging from cash on delivery to 90 days (31 March 2011: cash on delivery to 90 days) to its trade customers. For those customers who have established good relationships with the Group, the credit period may be extended to 120 days.
- (b) At the end of the reporting period, the aging analysis of the trade receivables, based on invoice date, is as follows:

	As at 30 September 2011 (Unaudited) <i>HK\$'000</i>	As at 31 March 2011 (Audited) <i>HK\$'000</i>
Within 60 days	23,925	15,081
61-90 days	5,149	2,750
91-180 days	7,891	4,406
181-365 days	960	496
Over 365 days	42	39
	<u>37,967</u>	<u>22,772</u>

11. TRADE AND OTHER PAYABLES

	As at 30 September 2011 (Unaudited) <i>HK\$'000</i>	As at 31 March 2011 (Audited) <i>HK\$'000</i>
Trade payables	7,583	9,493
Accrued expenses and other payables	21,255	28,092
	<u>28,838</u>	<u>37,585</u>

At the end of the reporting period, the aging analysis of the trade payables is as follows:

	As at 30 September 2011 (Unaudited) <i>HK\$'000</i>	As at 31 March 2011 (Audited) <i>HK\$'000</i>
Within 60 days	5,981	7,707
61-90 days	1,024	7
91-180 days	24	15
181-365 days	100	90
Over 365 days	454	1,674
	<u>7,583</u>	<u>9,493</u>

12. LITIGATIONS

(a) The Company against Mr. Cheng, Ms. Leonora Yung (“Ms. Yung”) and others

In connection with the payment in the sum of HK\$9,306,500 (the “Payment”) made to Ms. Yung, the wife of Mr. Cheng and a former employee of the Company, purportedly for legal fees and expenses incurred by Mr. Cheng and Ms. Yung in relation to (i) the investigation conducted by the Independent Commission Against Corruption (collectively “ICAC Investigation”), details of which were disclosed in the announcements of the Company dated 13 September 2010, 7 October 2010 and 7 March 2011; and (ii) petition under section 168A of the Hong Kong Companies Ordinance (“S168A Petition”), details of which were disclosed in the announcements of the Company dated 21 April 2010, 24 January 2011 and 27 January 2011. In relation to the Payment, on 14 April 2011, the Company, as plaintiff, has issued an originating summons in the Court of First Instance at the High Court against Mr. Cheng, Ms. Yung, Mr. Ng Pui Lung (“Mr. Ng”, a former Director), Mr. Wang Shanchuan (a former Director) and Mr. Ho Chi Chung Joseph (“Mr. Joseph Ho”, a former Director and the former acting chief executive officer of the Group). Details of this litigation were disclosed in 2011 Annual Report of the Company.

On 28 September 2011, Mr. Cheng, Ms. Yung, Mr. Ng and Mr. Joseph Ho relies on the facts and matters said in their Defence and pleaded in their counter-claims against the Company claiming that they acted in relation to the Company’s affairs in connection with the S168A Proceedings and/or ICAC Investigation and is entitled to be indemnified under Bye-law 166 of the Company’s Bye-laws against all costs, charges, losses, damages and expenses which they have or may incur or sustain by reason of their acts or omissions in connection with the above said proceedings.

Pursuant to a court order granted on 18 November 2011, a further hearing will be held on a day to be fixed by the court not earlier than 2 weeks after delivery of verdict in the criminal proceedings.

(b) The Company and Highsharp Investments Limited (“Highsharp”), as plaintiffs

On 5 May 2011, the Company and Highsharp, a wholly-owned subsidiary of the Company, as Plaintiffs, issued a writ of summons in the Court of First Instance against, among others, Mr. Cheng, Ms. Yung, the personal representatives of Mr. Kok Teng Nam (also known as Kenny Nam), deceased, Mr. Philip Yu and Augustus Investments Limited (collectively referred to as the “Defendants”). Details of this litigation were disclosed in the announcements of the Company dated 9 October 2007, 11 May 2011 and 2011 Annual Report of the Company, respectively.

On 15 September 2011, upon the joint application of the Company, Highsharp, Mr. Cheng, Ms. Yung and Mr. Philip Yu by way of Consent Summons, the proceeding be stayed pending the conclusion of the criminal proceedings in District Court No. 476 of 2011.

(c) The Company and Ace Precise International Limited (“Ace Precise”), as plaintiffs

On 6 May 2011, the Company and Ace Precise, a wholly-owned subsidiary of the Company, as Plaintiffs, issued a writ of summons in the Court of First Instance against Best Max Holdings Limited (“Best Max”), Mr. Lo Chun Cheong (also known as Ronald Lo) (sole director and registered shareholder of Best Max), Mr. Cheng, Mr. Joseph Ho and Mr. Yeung Tak Hung Arthur (“Mr. Arthur Yeung”, the former chief operating officer of the Group). Details of this litigation were disclosed in 2011 Annual Report of the Company.

On 28 October 2011, Mr. Cheng, Mr. Joseph Ho and Mr. Arthur Yeung relies on the facts and matters said in their defences and pleaded in their counter-claims against the Company that they acted in relation to the Company’s affairs and is entitled to be indemnified under Bye-law 166 of the Company’s Bye-laws against all costs, charges, losses, damages and expenses which they have or may incur or sustain by reason of his acts or omissions in connection with the above proceedings.

(d) Subsidiaries of the Company against Mr. Cheng

On 11 June 2011, the Company, together with certain of its wholly-owned subsidiaries, namely CYC Investments Limited, Sincere Land Holdings Limited, Hainan Treasure Way Enterprises Limited (“Treasure Way”), Hainan Jiaying Internet Technology Company Limited (“Jiaying”), Suzhou C Y Foundation Entertainment and Investment Management Limited (“Suzhou C Y Foundation”), CYC Investment Consultancy (Wuxi) Limited (“CYC Wuxi”), and Longpin Investment Consultancy (Shanghai) Company Limited (“Longpin”), as plaintiffs, issued an originating summons in the Court of First Instance to claim against Mr. Cheng. Details of this litigation were disclosed in 2011 Annual Report of the Company.

On 23 September 2011, the Company was served with an affirmation by Mr. Cheng as defendant alleging that (i) the Court of First Instance should not exercise any jurisdiction it may have, or, an order staying the present proceedings and (ii) an order for security for costs against Treasure Way, Jiaying, Suzhou C Y Foundation, CYC Wuxi and Longpin.

The Board had thoroughly reviewed and looked into each of the concerns raised by Mr. Cheng in his Affirmation. In response to the Affirmation without admitting any of the allegations and contentions made in the said Affirmation of Mr. Cheng and without prejudice to the Plaintiff’s position in these proceedings in any respect, the claims of Treasure Way, Jiaying, Suzhou C Y Foundation, CYC Wuxi and Longpin in these proceedings be stayed pending the determination of the proceedings taken out or to be taken out by each of the aforesaid companies as plaintiffs against the defendant Mr. Cheng in the PRC.

(e) The Company against former management and employees

On 3 June 2011, the Company, as Plaintiff, issued a writ of summons in the High Court against, among others, Mr. Cheng, Ms. Yung, Mr. Joseph Ho, Mr. Arthur Yeung, Ms. Kwok Pui Hung (“Ms. Stella Kwok”, a former director of human resources of the Group), Mr. Tsang Heung Yip (“Mr. Wallace Tsang”, a former financial controller of

the Group) and other 6 former employees (collectively referred to as the “Defendants”). Details of this litigation were disclosed in 2011 Annual Report of the Company.

On 22 September 2011, the 6 former employees mentioned above filed their defence. On 24 September 2011, Mr. Cheng, Ms. Yung, Mr. Joseph Ho, Mr. Arthur Yeung, Ms. Stella Kwok, Mr. Wallace Tsang filed their defence. Mr. Cheng, Ms. Yung and Mr. Joseph Ho relies on the facts and matters pleaded in their defence and commence counterclaim against the Company claiming (i) they at all material times acted lawfully in the affairs of the Company in connection with the payment of the staff bonuses; (ii) they are entitled to be indemnified under Bye-law 166 of the Company’s Bye-laws against all costs, charges, losses, damages and expenses which they have or may incur or sustain (including the costs of the present proceedings) by reason of their acts or omissions done in connection with the payment of the staff bonuses; and (iii) an order of indemnity under Bye-law 166 by the Company for the costs, charges, losses, damages and expenses they have or may incur in connection with the present proceedings.

On 3 November 2011, the Company filed and served its Reply to the Defence of the 6 former employees. On 9 November 2011, the Company filed and served its Reply to the Defence and Counterclaim of Mr. Cheng, Ms. Yung and Mr. Joseph Ho as well as Reply to the Defence of Mr. Arthur Yeung, Ms. Stella Kwok and Mr. Wallace Tsang. The Company denied each and every allegation in the Counterclaim of Mr. Cheng, Ms. Yung and Mr. Joseph Ho.

(f) A subsidiary of the Company against Ms. Yung

Ms. Yung and Kingbox (Asia) Limited (“Kingbox”) (a wholly-owned subsidiary of the Company) entered into supplemental agreement dated 4 January 2010 (the “Supplemental Agreement”) which provides that Kingbox would pay to Ms. Yung upon her termination of employment a remunerative payment which equaled her annual salary income multiplied by two years (the total amount should not exceed 28 months’ salary). On 17 August 2011, Kingbox, as Plaintiff, commenced a legal proceeding in the High Court against Ms. Yung, as Defendant, in respect of the Supplemental Agreement. Details of this litigation were disclosed in 2011 Annual Report of the Company.

On 28 October 2011, Ms. Yung filed her Defence and Counterclaim in the above action, claiming that, among others, (i) the Supplemental Agreement is valid, binding and enforceable by herself against Kingbox; and (ii) damages for breach of contract. After discreet consideration, Kingbox decides to deny each and every allegation in the Counterclaim of Ms. Yung.

(g) The Company and Billion Cosmos Investment Limited (“Billion Cosmos”), as plaintiffs

On 29 October 2008, Billion Cosmos (a wholly-owned subsidiary of the Company) as purchaser and Weike(S) Pte Limited (“Weike”, a company owned as to 50% equity interest by Mr. Poh Po Lian (“Mr. Poh”), the then director and a controlling shareholder of the Company) as vendor, entered into an agreement relating to acquisition of gaming machines from Weike (collectively “Weike Machines”) at the total consideration of HK\$9,893,000. On 7 March 2011, a writ of summons was issued in the Court of First

Instance at the High Court of Hong Kong by the Company as 1st plaintiff and Billion Cosmos as 2nd plaintiff claiming against Weike as 1st defendant and Mr. Poh as 2nd defendant. Details of this litigation were disclosed in 2011 Annual Report of the Company.

Being mutually agreed by all parties, the Company had leave to discontinue the action against the defendant in September 2011.

(h) Section 168A Petition (Luck Continent against Mr. Cheng and the Company)

On 14 April 2010, the Company was served with a petition issued pursuant to S168A Petition by Luck Continent, a substantial shareholder of the Company (the “Petitioner”). Under the S168A Petition, the Petitioner is seeking from the court, among other things, (i) an order against the Company requiring it to amend its Bye-law 86(4) such that the Company may by ordinary resolution remove a director at any time before the expiration of his period of office provided that a statement of the intention to remove a director be served on such director 14 days before the meeting; (ii) an order against the Company requiring it to amend its Bye-law 86(1) such that the members in general meeting may themselves fill or, authorize the board to fill any vacancy in their number left unfilled at any general meeting; (iii) injunction restraining the respondents from voting against the resolution to amend Bye-law 86(4) at the special general meeting of the Company held on 30 April 2010 or any adjournment thereof; (iv) an order that the Company do cause Suzhou C Y Foundation not to proceed with the Suzhou Caidebao Transaction and to demand the repayment of the earnest money; (v) a declaration that the purported appointment of Messrs. Joseph Ho, Yu Ping, Zhang Yiwei and Tang Ming as executive directors with effect from 16 November 2009 was invalid and of no effect; and (vi) an order for the appointment of a receiver and/or manager for the purposes of conducting an independent investigation and/or audit of the matters complained of in the S168A Petition.

On 15 September 2010, the Company was served with the summons (the “Summons”) issued against, inter alia, the Company by the Petitioner. Under the Summons, the Petitioner 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 be appointed as joint and several receivers and managers of the Company and its subsidiaries for the proper management and the preservation of assets of the Group and the protection of its interests.

On 19 January 2011, the Petitioner issued a summons to seek the relief for restraining Mr. Cheng and the Company from procuring or taking any steps to procure T-Matrix for certain acts. On 26 January 2011, being the returnable date of the summons, the High Court granted an interim injunction order against the Company in respect of the summons.

In March 2011, the Petitioner has rescinded all the above-mentioned orders except the petition for the amendment of Bye-law 86(4) of the Company such that the Company may by ordinary resolution remove a director. Last hearing was completed on 18 April 2011 and the Company is currently awaiting court judgment.

13. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, there are certain updates on the Group's outstanding litigations. Details of which are disclosed in note 12 to this Announcement.

14. CONTINGENT LIABILITIES

As at 30 September 2011, the Group and the Company did not have any significant contingent liabilities (31 March 2011: Nil).

REVIEW AND OUTLOOK

Business Review

For the six months ended 30 September 2011 (“Period”), the turnover of the Company increased by 16% to HK\$102.4 million (Six months ended 30 September 2010: HK\$88.3 million). During the Period, the manufacturing and sales of packaging products business (“Packaging Products”) grew by 29.8%. Loss for the Period attributable to owners of the Company amounted to HK\$4.8 million (Six months ended 30 September 2010: loss HK\$36.7 million). During the Period, Packaging Products business generated profits and both watch trading and digital entertainment businesses produced a loss.

During the Period, the Company’s principal activity continued to be investment holding whilst its major subsidiaries were mainly engaged in manufacturing and sale of packaging products, operating digital entertainment business and watch trading.

The management is working aggressively on the resumption of trading of the Company’s shares on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). If the resumption is successful, the Group will consider acquiring additional capital to strengthen its financial base.

The management will continue to put its best effort to explore ways to expand and/or turnaround the Group’s existing businesses so as to enhance the value of the Group. The management will also keep operating expenses to a minimum level and to conserve resources for future developments.

Financial Review

Results

During the Period, the Group’s turnover increased 16% to HK\$102.4 million (Six months ended 30 September 2010: HK\$88.3 million).

Loss for the Period attributable to owners of the Company amounted to HK\$4.8 million, compared to HK\$36.7 million for the same period last year. The significant decrease in loss of the Group for the Period was mainly attributable to measures adopted by the new management since April 2011 which have drastically reduced management and administrative expenses.

Liquidity, Financial Resources and Foreign Currency Exposure

As at 30 September 2011, the bank and cash balances of the Group amounted to HK\$24.3 million. The Group's bank and other borrowings were HK\$10.7 million, all are payable within one year or contain a repayment on demand clause. The Group's bank borrowings are mainly denominated in Hong Kong dollars and granted with interest bearing at a floating rate basis. The other borrowing is interest bearing at a rate of 5% per annum.

The gearing ratio of loans against the total equity as at 30 September 2011 was 4.1%. As the majority of bank deposits and cash on hand were denominated in Hong Kong dollars, Renminbi, US dollars and Euros, the Group's exchange risk exposure depended on the movement of the exchange rate of the aforesaid currencies.

Material Acquisitions, Disposals and Significant Investment

The Company did not make any material acquisition, disposal and significant investment in subsidiaries and affiliated companies during the Period.

Pledge of Assets

As at 30 September 2011, the leasehold land and building of the Group with carrying amounts of HK\$13.3 million were pledged to secure for bank borrowings of the Group. The Group's other borrowing is secured by a share charge over the entire issued share capital of a wholly-owned subsidiary of the Company.

Capital and Other Commitments

As at 30 September 2011, there was no material capital expenditure contracted for but not provided in the Interim Financial Statements.

As at 30 September 2011, the licensing arrangement for Rohan online game was initially contracted for a term of three years. Pursuant to the licensing arrangement, subject to the condition of obtaining certain online game licenses and 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. As the respective condition of obtaining the online game licenses had not been fulfilled, there were no related commitments outstanding at the end of the current reporting period.

Employees and Remuneration Policy

The Group employed 1,754 permanent employees as at 30 September 2011, including 44 employees in Hong Kong and 1,710 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 hospitalization scheme and housing allowance.

Contingent Liabilities and Litigations

The Group has a number of pending litigations and in the opinion of the legal counsel, it is premature to predict the outcomes. Details of litigations are disclosed in note 12 to this Announcement. The Group's contingent liabilities are disclosed in note 14 to this Announcement.

DIVIDEND

The Board recommended that no interim dividend be paid for the six months ended 30 September 2011 (Six months ended 30 September 2010: Nil).

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 14 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. Having made specific enquiries to all Directors and to the best knowledge of the Board, the Directors have fully complied with the Model Code throughout the Period.

REVIEW OF RESULTS

The Group's unaudited consolidated interim 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
SNEAH Kar Loon
Chairman

Hong Kong, 25 November 2011

As at the date of this announcement, the executive Directors of the Company are Mr. SNEAH Kar Loon and Mr. SIK Siu Kwan, the non-executive Director is Mr. NG Kwok Lun, the independent non-executive Directors are Mr. LAI Hock Meng, Mr. LAW Chiu William, Mr. BALAKRISHNAN Narayanan, Mr. YONG Peng Tak and Mr. IO Rudy Cheok Kei.