C Y FOUNDATION GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1182)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

The unaudited condensed consolidated results of C Y Foundation Group Limited (the "Company") and its subsidiaries (the "Group") for the six months ended 30 September 2009 together with the comparative figures for the last corresponding period are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

	NOTES	**Six months ended 30 September 2009 HK$'000 (Unaudited)**	2008 HK$'000 (Unaudited)
Continuing operations			
Turnover	3	**56,344**	898
Cost of sales		**(32,543)**	(182)
Gross profit		**23,801**	716
Other operating income		**5,097**	14,226
Selling and distribution costs		**(1,874)**	–
Administrative expenses		**(60,476)**	(57,504)
Loss from operations		**(33,452)**	(42,562)
Exchange gain (loss)		**10,350**	(18,914)
Changes in fair value of investment properties		**7,588**	(34)
Changes in fair value of convertible note receivables		**3,096**	795
Gain on disposal of subsidiaries		**1,624**	–
Impairment loss of intangible assets		**(13,112)**	–
Impairment loss of goodwill		**(5,863)**	–
Finance costs	4	**(941)**	(1,064)
Share of results of an associate		**5**	–
Loss before income tax		**(30,705)**	(61,779)
Income tax expense	5	**(2,876)**	(14)
Loss for the period from continuing operations		**(33,581)**	(61,793)

	NOTES	Six months ended 30 September 2009 HK$'000 (Unaudited)	2008 HK$'000 (Unaudited)
Discontinued operation			
Loss for the period from discontinued operation		**–**	(2,955)
Loss for the period	6	**(33,581)**	(64,748)
Attributable to:			
Owners of the Company		**(29,618)**	(62,840)
Minority interests		**(3,963)**	(1,908)
		(33,581)	(64,748)
Loss per share	7		
Basic			
– Continuing operations		**HK(0.47) cents**	HK(1.35) cents
– Discontinued operation		**–**	HK(0.07) cents
		HK(0.47) cents	HK(1.42) cents
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

	Six months ended 30 September	
	2009	2008
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Loss for the period	**(33,581)**	(64,748)
Exchange differences arising on translation of foreign operations	**1,229**	8,245
Total comprehensive income for the period	**(32,352)**	(56,503)
Total comprehensive income attributable to:		
Owners of the Company	**(28,397)**	(55,067)
Minority interests	**(3,955)**	(1,436)
	(32,352)	(56,503)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2009

	NOTES	**As at 30 September 2009 HK$'000 (Unaudited)**	As at 31 March 2009 HK$'000 (Audited)
Non-current assets			
Investment properties		**57,318**	49,494
Property, plant and equipment		**60,367**	65,580
Prepaid lease payments		**71,269**	71,775
Intangible assets		**18,109**	31,685
Goodwill		**101,280**	107,130
Interest in an associate		**4,007**	4,002
Loan to minority shareholders of a subsidiary		**5,087**	3,955
Convertible note receivables at fair value through profit and loss		**43,081**	20,471
Deposits paid for acquisition of intangible assets		**12,788**	2,196
		373,306	356,288
Current assets			
Inventories		**30,633**	21,952
Trade and other receivables	8	**46,068**	41,608
Prepaid lease payments		**1,152**	1,150
Deposits paid for acquisition of property, plant and equipment		**23,534**	23,431
Deposits paid for subscription of convertible notes		**12,000**	–
Convertible note receivables at fair value through profit and loss		**–**	4,020
Derivative financial instrument		**274**	850
Bank fiduciary deposit		**–**	12,102
Pledged bank deposits		**24,050**	–
Cash and cash equivalents		**168,064**	251,109
		305,775	356,222

	NOTES	**As at 30 September 2009 HK$'000 (Unaudited)**	As at 31 March 2009 HK$'000 (Audited)
Current liabilities			
Trade and other payables	9	**27,009**	32,006
Amounts due to directors		**–**	6
Amounts due to related companies		**24**	24
Obligation under finance lease, due within one year		**356**	356
Derivative financial instrument		**324**	–
Bank and other borrowings, due within one year		**19,348**	24,751
Tax payable		**1,172**	583
		48,233	57,726
Net current assets		**257,542**	298,496
Total assets less current liabilities		**630,848**	654,784
Non-current liabilities			
Obligation under finance lease, due after one year		**237**	414
Bank and other borrowings, due after one year		**37,814**	34,556
Convertible notes		**–**	13,597
Deferred tax liability		**3,472**	1,284
		41,523	49,851
Net assets		**589,325**	604,933
Capital and reserves			
Share capital		**6,355**	4,853
Reserves		**582,970**	596,125
Equity attributable to owners of the Company		**589,325**	600,978
Minority interests		**–**	3,955
Total equity		**589,325**	604,933

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

1. 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 (the "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 2009.

2. 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 2009.

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 2009.

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 May 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs April 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 (Amendment)	Financial Instruments: Presentation – Classification of Rights Issues[3]
HKAS 39 (Amendment)	Eligible Hedged Items[4]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[4]
HKFRS 1 (Amendment)	First-time Adoption of HKFRSs[5]
HKFRS 2 (Amendment)	Share-based Payment – Group Cash-settled Share-based Payment Transactions[5]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[6]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[4]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[8]

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

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

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports on the components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to these segments and to assess their performance. 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, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation 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 is organized into business units based on their products and services, and has three (2008: two) reportable operating segments. The reportable operating segments and their principal activities are as follows:

(a) Digital entertainment business
(b) Manufacture and sale of packaging products
(c) Watch trading
(d) Apparel trading business (discontinued during the year ended 31 March 2009)

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) and income tax expense are managed on a group basis and are not allocated to operating segments.

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

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 2009

	Continuing operations			
	Digital entertainment business HK$'000 (Unaudited)	**Manufacture and sale of packaging products HK$'000 (Unaudited)**	**Watch trading HK$'000 (Unaudited)**	**Consolidated HK$'000 (Unaudited)**
Turnover	**1,556**	**51,406**	**3,382**	**56,344**
Segment results	**(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 an associate				**5**
Loss before income tax				**(30,705)**
Income tax expense				**(2,876)**
Loss for the period				**(33,581)**

For the six months ended 30 September 2008

	Continuing operations				Discontinued operation	
	Digital entertainment business HK$'000 (Unaudited)	Manufacture and sale of packaging products HK$'000 (Unaudited)	Watch trading HK$'000 (Unaudited)	Sub-total HK$'000 (Unaudited)	Apparel trading business HK$'000 (Unaudited)	Consolidated HK$'000 (Unaudited)
Turnover	898	–	–	898	–	898
Segment results	(31,756)	–	–	(31,756)	(4,305)	(36,061)
Interest income				13,796	6	13,802
Unallocated income				430	1,680	2,110
Unallocated corporate expenses				(25,032)	–	(25,032)
Loss from operations				(42,562)	(2,619)	(45,181)
Exchange loss				(18,914)	–	(18,914)
Changes in fair value of investment properties				(34)	–	(34)
Changes in fair value of convertible note receivables				795	–	795
Finance costs				(1,064)	(278)	(1,342)
Loss before income tax				(61,779)	(2,897)	(64,676)
Income tax expense				(14)	(58)	(72)
Loss for the period				(61,793)	(2,955)	(64,748)

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

	As at 30 September 2009 HK$'000 (Unaudited)	As at 31 March 2009 HK$'000 (Audited)
Continuing operations		
– Digital entertainment business	**98,045**	100,065
– Manufacture and sale of packaging products	**74,288**	68,731
– Watch trading	**3,176**	4,265
	175,509	173,061
Discontinued operation		
– Apparel trading business	**–**	–
Total segment assets	**175,509**	173,061
Interest in an associate	**4,007**	4,002
Unallocated corporate assets	**499,565**	535,447
Total assets	**679,081**	712,510

Segment assets do not include convertible note receivables at fair value through profit and loss (HK$43,081,000), interest in an associate (HK$4,007,000), goodwill (HK$101,280,000), deposits paid for acquisition of property, plant and equipment (HK$23,534,000), deposit paid for subscription of convertible note (HK$12,000,000), pledged bank deposits (HK$24,050,000) and cash and cash equivalents (HK$168,064,000) as these assets are managed on a group basis.

4. FINANCE COSTS

	Continuing operations		Discontinued operation		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Interests on bank and other borrowings wholly repayable within 5 years	**451**	364	**–**	278	**451**	642
Interests on bank and other borrowings not wholly repayable within 5 years	**406**	–	**–**	–	**406**	–
Imputed interest on convertible note	**56**	672	**–**	–	**56**	672
Finance leases	**28**	28	**–**	–	**28**	28
	941	1,064	**–**	278	**941**	1,342

5. INCOME TAX EXPENSE

	Continuing operations		Discontinued operation		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Income tax expense comprises:						
– Hong Kong Profits Tax	**690**	3	**–**	58	**690**	61
– PRC Enterprise Income Tax ("EIT")	**8**	–	**–**	–	**8**	–
	698	3	**–**	58	**698**	61
– Deferred tax	**2,178**	11	**–**	–	**2,178**	11
	2,876	14	**–**	58	**2,876**	72

The provisions for Hong Kong Profits Tax for the six months ended 30 September 2009 are calculated at 16.5% (six months ended 30 September 2008: 16.5%) of the estimated assessable profits for the period.

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

The subsidiaries established in the PRC are subject to the PRC EIT at rate of 25% (2008: 33%). No provision for EIT has been made for these subsidiaries established in the PRC as they did not generate any assessable profits during the period ended 30 September 2008.

On 16 March 2007, the PRC promulgated the Law of the PRC on EIT (the "Tax Law") by Order No.63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the Tax Law. Under the Tax Law and Implementation Regulation, the EIT rate of the Group's subsidiaries in the PRC reduced from 33% to 25% from 1 January 2008 onwards.

6. LOSS FOR THE PERIOD

Loss for the period has been arrived at:

	Continuing operations		Discontinued operation		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
After charging:						
Total staff costs including directors' emoluments						
Staff salaries and other benefits	**29,172**	21,170	**–**	826	**29,172**	21,996
Equity settled share-based payments	**26**	–	**–**	–	**26**	–
Staff retirement benefits scheme contributions	**438**	325	**–**	51	**438**	376
	29,636	21,495	**–**	877	**29,636**	22,372
Depreciation and amortisation	**7,882**	4,726	**–**	36	**7,882**	4,762
Loss on disposal of property, plant and equipment	**–**	20	**–**	6	**–**	26
Changes in fair value of derivative financial instrument	**900**	–	**–**	–	**900**	–
Written off of property, plant and equipment	**16**	5,685	**–**	–	**16**	5,685
Operating lease rentals in respect of land and buildings	**5,656**	4,766	**–**	37	**5,656**	4,803
Cost of inventories recognized as expenses	**30,995**	–	**–**	–	**30,995**	–
Royalty expenses	**–**	–	**–**	1,636	**–**	1,636
And after crediting:						
Interest income	**923**	13,796	**–**	6	**923**	13,802
Rental income	**2,883**	644	**–**	–	**2,883**	644

7. LOSS PER SHARE

(a) Basic loss per share

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

Weighted average number of ordinary shares

	Six months ended 30 September	
	2009	2008
	'000	'000
	(Unaudited)	(Unaudited)
Issued ordinary shares at the beginning of the period	**4,853,482**	3,892,995
Effect of conversion of convertible notes	**1,385,245**	539,891
Effect of issue of new shares	**950**	1,187
Weighted average number of ordinary shares at the end of the period	**6,239,677**	4,434,073

(i) From continuing and discontinued operations

The calculation of basic loss per share is based on the loss attributable to the owners of the Company of approximately HK$29,618,000 (six months ended 30 September 2008: HK$62,840,000) and the weighted average number of 6,239,677,000 ordinary shares (six months ended 30 September 2008: 4,434,073,000 ordinary shares) in issue during the period.

(ii) From continuing operations

The calculation of basic loss per share is based on the loss attributable to the owners of the Company of HK$29,618,000 (six months ended 30 September 2008: HK$59,885,000) and the weighted average number of 6,239,677,000 ordinary shares (six months ended 30 September 2008: 4,434,073,000 ordinary shares) in issue during the period.

(iii) From discontinued operation

The calculation of basic loss per share is based on the loss attributable to the owners of the Company of Nil (six months ended 30 September 2008: HK$2,955,000) and the weighted average number of 6,239,677,000 ordinary shares (six months ended 30 September 2008: 4,434,073,000 ordinary shares) in issue during the period.

(b) **Diluted loss per share**

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

Diluted loss per share for the six months ended 30 September 2008 has not been disclosed as the effect of the exercise of the Company's outstanding convertible notes would result in a decrease in loss per share.

8. TRADE AND OTHER RECEIVABLES

	As at 30 September 2009 HK$'000 (Unaudited)	As at 31 March 2009 HK$'000 (Audited)
Trade receivables	**31,898**	38,863
Less: Provision for impairment losses	**–**	(9,116)
	31,898	29,747
Other receivables	**26,650**	32,880
Less: Provision for impairment losses	**(25,651)**	(29,462)
	999	3,418
Deposits and prepayments	**13,171**	8,443
	46,068	41,608

The Group allows a credit period normally ranging from cash on delivery to 90 days (year ended 31 March 2009: 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 extend to 120 days.

An ageing analysis of trade receivables, net of impairment losses, is as follows:

	As at 30 September 2009 HK$'000 (Unaudited)	As at 31 March 2009 HK$'000 (Audited)
Within 60 days	**17,529**	19,002
61 – 90 days	**2,399**	4,494
91 – 180 days	**6,008**	2,480
181 – 365 days	**5,501**	3,771
Over 365 days	**461**	–
	31,898	29,747

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

	As at 30 September 2009 HK$'000 (Unaudited)	As at 31 March 2009 HK$'000 (Audited)
Balance at the beginning of the period/year	**9,116**	11,427
Disposal of subsidiaries	**(9,116)**	(2,311)
Balance at the end of the period/year	**–**	9,116

The movement in the impairment losses of other receivables is as follows:

	As at 30 September 2009 HK$'000 (Unaudited)	As at 31 March 2009 HK$'000 (Audited)
Balance at the beginning of the period/year	**29,462**	4,375
Impairment loss recognized during the period/year	**–**	25,329
Disposal of subsidiaries	**(3,924)**	(451)
Exchange realignment	**113**	209
Balance at the end of the period/year	**25,651**	29,462

As at 30 September 2009, the Group's other receivables were individually determined to be impaired. The individually impaired receivables as at 30 September 2009 of approximately HK$25,651,000 (31 March 2009: HK$29,462,000) are recognized based on credit history of its debtors, such as financial difficulties or default in payments, and current market conditions. The Group does not hold any collateral over these balances.

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

9. TRADE AND OTHER PAYABLES

An ageing analysis of trade payables included in trade and other payables is as follows:

	As at 30 September 2009 HK$'000 (Unaudited)	As at 31 March 2009 HK$'000 (Audited)
Within 60 days	**4,560**	2,978
61-90 days	**930**	74
91-180 days	**341**	282
181-365 days	**329**	1,109
Over 365 days	**914**	–
	7,074	4,443
Other payables	**19,935**	27,563
	27,009	32,006

10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current period's presentations.

DIVIDEND

The Board recommended that no interim dividend be paid for the six months ended 30 September 2009 (2008: Nil).

REVIEW AND OUTLOOK

Business Review

During the six months ended 30 September 2009 ("Period"), the Group continued to make efforts to improve the digital entertainment industry across different business segments in the PRC. During the Period, the revenue of the Group amounted to HK$56.3 million, representing an increase of 62 times as compared to HK$0.9 million for the same period last year. 3% of the revenue was generated from the Group's digital entertainment business and 97% was from Kingbox (Asia) Limited ("Kingbox").

Digital Entertainment Business

With the efforts of management and staff, the Group's business was transformed, successfully entered the digital entertainment market, and developed the payment system, product platform and points exchange platform. The digital entertainment products offered currently include MMORPG games, casual games and interactive arcade games that are spread throughout the i-café distribution network and its online distribution platform. The Group also hosts a worldwide e-sport tournament and its qualifier events in the PRC and Hong Kong.

In the Period, the digital entertainment business contributed HK$1.5 million to the Group's revenue as compared to HK$0.9 million in the same period last year. Since the digital entertainment businesses are still at the investment and development stage, it is believed that this revenue will gradually improve after the launch of the online platform and new games.

Product Platform

The online product platform delivers the Group's products to the target market without time limitations or geographical constraints. In the future, the product platform will continue to host different casual games tournaments online, allowing players to enjoy entertainment and participate in e-sport games 24 hours per day.

During the financial year 2008/09, the Group entered into an exclusive license and distribution agreement with YNK Korea Inc. for an exclusive right to distribute and market the "Rohan" MMORPG in the PRC. The game is currently under technical localization and will be launched after obtaining the government approvals, which is expected to become a new revenue stream for the Group.

E-sport Tournament

During the Period, the Group successfully hosted the qualifier e-sport tournament in the PRC and Hong Kong for the 2009 International E-sport Festival ("IEF"). The IEF event is a high profile international e-sport games event supported by the PRC and Korean governments. The Hong Kong qualifier event was hosted from 26 September to 27 September. The winners and the winning team were granted the honor of representing the Hong Kong SAR to compete against participants from 17 different countries and regions at the international finals in Suwon, Korea.

Kingbox

Kingbox, which the Group acquired in fiscal year 2008/09, is principally engaged in the manufacture, sale of packaging products, as well as in the watch trade.

For the Period, the turnover of Kingbox amounted to HK$54.8 million. Kingbox, targeting at the medium to high end markets and with its customer base in Europe, the United State of America and Southeast Asia regions. During the Period, Kingbox received packaging orders from various world's recognized brands. HK$51.4 million of revenue was generated by the manufacture and sale of packaging products and HK$3.4 million by watch trading.

In spite of the economic downturn in the Period, the profit of Kingbox amounted to HK$10.1 million. There were signs that the worldwide economy is recovering and the Group believes Kingbox will continue to provide a stable source of revenue and profit to the Group in the future. In addition, leveraging on the business relationship with clients established by Kingbox, the Group can procure gifts at comparatively lower costs in the future which can reduce its operating costs of the e-sport business in the PRC.

Prospects

Going forward, the Group will remain strategically focused in the digital entertainment businesses. In spite of the global economic downturn, it is believed that the PRC online games market will continue to have considerable room for growth and development. Leveraging on the successful hosting of the e-sport tournament in the PRC and Hong Kong, the Group will continue to bring quality digital entertainment to players. In the future, the Group will also be engaged in the strategic investment projects, including cultural property. After the launch of the "Rohan" MMORPG games, and with the stable profit contribution from Kingbox, management believes the performance of the Group will steadily improve.

Financial Review

Results

For the six months ended 30 September 2009, the Group's unaudited consolidated turnover amounted to HK$56.3 million, representing a 62 times increase compared to HK$0.9 million in the same period last year. Loss attributable to shareholders amounted to HK$29.6 million as compared to HK$62.8 million in the same period last year. The loss for the period decreased as compared to the same Period last year due to the profit contribution from Kingbox, the foreign exchange gain from the appreciation of AUD and increase in the market value of the investment properties in Beijing.

Share Options and Convertible Notes

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

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

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

In August 2009, the Group signed a subscription agreement for convertible notes due 24 months issued by Paradise Entertainment Limited in an aggregate principal amount of HK$20 million with an option to subscribe for the additional notes in an aggregate principal amount of HK$20 million ("Subscription"). During the Period, the Group has paid a sum of HK$12 million as an earnest money. The details of the Subscription were set out in the circular of the Company dated 20 October 2009. The Subscription is subject to the approval of the shareholders of the Company.

Material disposals of subsidiaries

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

Capital Resources and Currency Exposure

In April 2009, the convertible notes holder had converted the convertible note issued by the Company in an aggregate principal amount of HK$15 million into 1,500 million ordinary shares of HK$0.001 in the Company at a conversion price of HK$0.01 per share.

As at 30 September 2009, the cash and cash equivalents (including pledged bank deposits) of the Group amounted to approximately HK$192.1 million. The Group's bank borrowing was approximately HK$57.2 million, approximately HK$19.3 million of which was payable within one year. The Group's bank borrowing is mainly denominated in HK$, Euro and GBP and made on a floating rate basis.

The gearing ratio of interest bearing borrowing (net of the zero coupon rate convertible notes) against the total equity as at 30 September 2009 was 9.7%. As the majority of bank fiduciary deposits and cash on hand are in AUD, US$, RMB, Euro, GBP and HK$ during the Period, the Group's exchange risk exposure depends on the movement of the exchange rate of the aforesaid currencies. During the Period, the Group has exchange gain of HK$10.4 million which is mainly due to appreciation of AUD. Moreover, the trading receipt of foreign currencies will also be used to settle the loans advanced in the same foreign currencies.

Pledge of Assets

As at 30 September 2009, the buildings and prepaid lease payments of the Group with carrying value of approximately HK$11.2 million and HK$56.3 million respectively were pledged for the bank borrowing. In addition, the Group's banking facilities were secured by pledged bank deposits of HK$24.1 million.

Capital and other Commitments

As at 30 September 2009, the total capital expenditure contracted for but not provided in the condensed consolidated financial information in respect of the subscription of convertible notes amounted to HK$15.5 million.

As at 30 September 2009, the Group had entered into certain licensing arrangements for a term up to 31 December 2012. The future minimum licensing payments committed by the Group amounted to approximately HK$52.7 million, of which HK$19.1 million is payable within one year and HK$33.6 million is payable from the second to fifth year inclusively.

Pursuant to the licensing arrangement, the Group has to pay the licensor, a non-refundable minimum guarantee in the total sum of US$5 million, payable by 3 annual installments.

Contingent Liabilities

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

In August 2008 and June 2009, the Group disposed 100% equity interest in French Trade and 100% equity interest in Prime Axis Limited respectively through the disposal of 100% equity interest in Goldgain (the holding company of French Trade) and 100% equity interests in Hamlet Profits Limited (the holding company of Prime Axis Limited) respectively.

As at 30 September 2009, there was no material contingent liability in the Group.

Employee Information

The Group had approximately 1,963 employees as at 30 September 2009, including 71 employees stationed in Hong Kong and 1,892 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. Employee 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.

Litigation

In April 2009, a subsidiary of the Company instituted an arbitration proceeding against 江蘇東海華宇實業有限公司 ("Debtor") in Beijing claiming for recovery of an amount of RMB27.1 million together with interest, penalties and costs. The parties have agreed to settle the case in mid-September 2009 whereby the Debtor has agreed to pay RMB24 million by several installments in full and final settlement of the case. Following the default of the Debtor to make the first installment payment on the due date, legal proceedings were instituted in the PRC for execution of the conciliation statement made by the Beijing Arbitration Commission. The legal proceedings are ongoing.

Events after Balance Sheet Date

Subsequent to 30 September 2009, the Group paid approximately US$2 million for subscription of convertible notes in two private companies.

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 auditors and 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, 21 December 2009

As at the date hereof, the Board comprises Mr. CHENG Chee Tock Theodore (Chairman), Mr. WOELM Samuel, Mr. WU Chuang John, Mr. CAO Dongxin, Mr. HO Chi Chung Joseph, Mr. YU Ping, Mr. ZHANG Yiwei, Mr. TANG Ming, and Mr. HU Xichang as executive directors; Mr. WANG Shan Chuan and Mr. NG Pui Lung as independent non-executive directors.