



C Y FOUNDATION GROUP LIMITED
(Incorporated in Bermuda with limited liability)
(Stock code #1182)

FINAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2008

The audited consolidated results of C Y Foundation Group Limited (“Company”) and its subsidiaries (“Group”) for the year ended 31 March 2008 together with the comparative figures for the last corresponding year are as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	2008 HK\$'000	2007 HK\$'000
CONTINUING OPERATIONS			
Turnover	3	34,544	77,634
Cost of sales		(20,221)	(42,962)
Gross profit		14,323	34,672
Other operating income	4	40,736	1,658
Selling and distribution costs		(17,154)	(33,944)
Administrative expenses		(83,012)	(25,668)
Loss from operations	5	(45,107)	(23,282)
Finance costs	6	(2,429)	(869)
Gain on disposal of subsidiaries		3,440	-
Changes in fair value of investment properties		2,432	-
Discount on acquisition		1,389	-
Loss before income tax		(40,275)	(24,151)
Income tax	7	(608)	-
Loss from continuing operations		(40,883)	(24,151)
DISCONTINUED OPERATION			
Loss from discontinued operation		-	(16,324)
Loss for the year		(40,883)	(40,475)
Attributable to:			
Equity holders of the Company		(41,363)	(40,475)
Minority interests		480	-
		(40,883)	(40,475)

CONSOLIDATED INCOME STATEMENT (continued)

Loss per share	8		
Basic			
- Continuing operations		HK(1.12) cents	HK(4.16) cents
- Discontinued operation		<u>-</u>	<u>HK(2.81) cents</u>
		<u>HK(1.12) cents</u>	<u>HK(6.97) cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET

		As at 31 March	
		2008	2007
Notes		HK\$'000	HK\$'000
Non-current assets			
		35,601	-
	Investment properties		
	Property, plant and equipment	53,225	730
	Prepaid lease payments	69,527	-
	Intangible assets	29,321	-
	Goodwill	8,370	-
	Interest in an associate	-	-
		196,044	730
Current assets			
	Inventories	469	17,206
	Trade and other receivables	70,469	15,231
	Prepaid lease payments	1,081	-
	Loan to minority shareholders of a subsidiary	5,779	-
	Pledged bank deposits	-	497
	Held-to-maturity investments	213,444	-
	Bank fiduciary deposit	169,976	328,276
	Cash and cash equivalents	216,026	460,573
		677,244	821,783
Current liabilities			
	Trade and other payables	47,634	26,087
	Amount due to ultimate holding company	-	719,743
	Amounts due to directors	1,290	-
	Amounts due to related companies	186	-
	Obligation under finance lease, due within one year	356	-
	Bank and other borrowings, due within one year	9,929	25,380
		59,395	771,210
Net current assets		617,849	50,573
Total assets less current liabilities		813,893	51,303
Non-current liabilities			
	Obligation under finance lease, due after one year	770	-
	Bank and other borrowings, due after one year	29,484	-
	Convertible notes	18,138	3,016
	Provision for long service payments	-	959
	Deferred tax liability	755	-
		49,147	3,975
NET ASSETS		764,746	47,328

CONSOLIDATED BALANCE SHEET (continued)**Capital and reserves**

Share capital	3,893	3,087
Reserves	<u>754,852</u>	<u>44,241</u>
Equity attributable to equity holders of the Company	758,745	47,328
Minority interests	<u>6,001</u>	<u>-</u>
TOTAL EQUITY	<u>764,746</u>	<u>47,328</u>

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments and investment properties, which are measured at fair values.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS(s)”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

2. APPLICATION OF HKFRSs

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“New HKFRS(s)”) issued by the HKICPA which are either effective for accounting periods beginning on or after 1 April 2007. The adoption of the New HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised Hong Kong Accounting Standards (“HKAS(s)”), HKFRSs and interpretations (“HK(IFRIC)-INT(s)”) that have been issued but are not yet effective for accounting period beginning on 1 April 2007. The directors of the Company anticipate that the application of these HKASs, HKFRSs and HK(IFRIC)-INTs will have no material impact on the results and the financial position of the Group prepared and presented.

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

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 July 2009.

³ Effective for annual periods beginning on or after 1 January 2008.

⁴ Effective for annual periods beginning on or after 1 July 2008.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

The Group comprised the following main business segments:

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

In previous year, the Group also engaged in securities trading. This segment was discontinued on 21 March 2007.

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

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

	Continuing operations			Sub-total HK\$'000	Discontinued operation	Consolidated HK\$'000
	Online game tournament services HK\$'000	Apparel trading HK\$'000	Strategic investments and others HK\$'000		Securities trading HK\$'000	
For the year ended 31 March 2008						
Turnover	664	33,880	-	34,544	-	34,544
Segment results	(22,313)	(15,012)	-	(37,325)	-	(37,325)
Interest income				32,875		32,875
Unallocated income				7,744		7,744
Group overheads				(48,401)		(48,401)
Loss from operations				(45,107)		(45,107)
Finance costs				(2,429)		(2,429)
Changes in fair value of investment properties				2,432		2,432
Gain on disposal of subsidiaries				3,440		3,440
Discount on acquisition				1,389		1,389
Loss before income tax				(40,275)		(40,275)
Income tax				(608)		(608)
Loss from continuing operations				(40,883)		
Loss for the year						(40,883)

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

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

	Continuing operations			Discontinued operation	Consolidated HK\$'000	
	Online game tournament services HK\$'000	Apparel trading HK\$'000	Strategic investments and others HK\$'000	Sub-total HK\$'000		Securities trading HK\$'000
As at 31 March 2007						
ASSETS						
Segment assets	-	57,523	321	57,844	-	57,844
Unallocated corporate assets						<u>764,669</u>
Consolidated total assets						<u><u>822,513</u></u>
LIABILITIES						
Segment liabilities	-	16,894	-	16,894	-	16,894
Unallocated corporate liabilities						<u>758,291</u>
Consolidated total liabilities						<u><u>775,185</u></u>
OTHER INFORMATION						
Capital expenditure	-	780	5	785	17	802
Unallocated capital expenditure						<u>-</u>
						<u><u>802</u></u>
Depreciation and amortisation	-	1,972	-	1,972	35	2,007
Unallocated depreciation and amortisation						<u>-</u>
						<u><u>2,007</u></u>
Write down of inventories to net realisable value	-	2,967	-	2,967	-	<u><u>2,967</u></u>
Reversal of impairment loss for bad and doubtful debts, net	-	(262)	-	(262)	-	<u><u>(262)</u></u>
Loss on disposal of property, plant and equipment	-	474	-	474	-	<u><u>474</u></u>

Geographical segments

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

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

Turnover by geographical market

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

Contribution to loss from operations

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

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

Carrying amount of segment assets

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

Additions to property, plant and equipment

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

4. OTHER OPERATING INCOME

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

5. LOSS FROM OPERATIONS

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

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

6. FINANCE COSTS

	2008 HK\$'000	2007 HK\$'000
Continuing operations		
Interests on bank and other borrowings wholly repayable within 5 years	650	859
Imputed interest on convertible notes	1,692	8
Finance leases	42	-
Other finance charges	45	2
	<u>2,429</u>	<u>869</u>

7. INCOME TAX

	2008 HK\$'000	2007 HK\$'000
The tax charge comprises:		
Current	-	-
Deferred tax	608	-
	<u>608</u>	<u>-</u>

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

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

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

8. LOSS PER SHARE

(a) Basic loss per share

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

Weighted average number of ordinary shares

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

(i) From continuing and discontinued operations

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

(ii) From continuing operations

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

(iii) From discontinued operation

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

(b) Diluted loss per share

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

9. TRADE AND OTHER RECEIVABLES

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

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

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

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

10. TRADE AND OTHER PAYABLES

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

11. DIVIDEND

The Board recommended that no final dividend be paid for the year (2007: Nil).

BUSINESS REVIEW AND OUTLOOK

Financial Review

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

At the balance sheet date, the shareholders' equity of the Group was HK\$758,745,000 as compared to HK\$47,328,000 at the end of the previous corresponding period. The net increase is mainly due to the completion of the issue of 600,000,000 shares in the Company, raising cash proceeds of approximately HK\$767,000,000 during the financial period under review.

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

Apparel Trading Business

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

Online Game Tournament Business

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

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

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

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

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

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

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

Capital Resources and Currency Exposure

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

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

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

Pledge of Assets

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

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

Capital Commitment

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

Events after Balance Sheet Date

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

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

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

Contingent Liabilities

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

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

Prospects

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

EMPLOYEE INFORMATION

At the end of the financial year under review, the Group employed 188 permanent employees, including 36 employees in Hong Kong and 152 in the PRC. The Group continued to review the remuneration packages of employees with reference to the level and composition of pay, general market condition and individual performance. Staff benefits include contribution to Mandatory Provident Fund Scheme and discretionary bonus, share option scheme, medical allowance and hospitalisation scheme and housing allowance.

CORPORATE GOVERNANCE

Throughout the financial year under review, the Code on Corporate Governance Practices (“CG Code”) of the Listing Rules had been duly complied with except for the deviations summarised as follows:

CG Code	Deviation
A.1.1 To hold at least 4 full board meetings a year at quarterly intervals	<ul style="list-style-type: none">Due to the change of the Board at the beginning of the financial year under review, the full Board meeting at the first quarter was not arranged.Full Board meetings in the subsequent financial quarters had been arranged in accordance with CG Code.
A.2.1 Segregated roles of chairman and CEO	<ul style="list-style-type: none">Before 9 May 2007, the Group did not maintain a CEO and the Chairman assumed the general duties of a CEO.On 9 May 2007, a CEO other than the Chairman was appointed.
A.4.1 Non-executive directors should be appointed for a specific term, subject to re-election	<ul style="list-style-type: none">Before 9 May 2007, all Independent Non-executive Directors (“INED(s)”) were not appointed for a specific term but were subject to retirement by rotation at the annual general meeting in accordance with the Company’s Bye-laws.With effect from 9 May 2007, all INEDs and Non-executive Directors shall retire but be eligible for re-election at every annual general meeting of the Company.
B.1.1 A remuneration committee should be set up with majority members being INEDs	<ul style="list-style-type: none">During the period from 9 May 2007 until 31 May 2007, the Remuneration Committee was not composed of a majority of INEDs due to the resignation of all former INEDs from the Board and/or the Remuneration Committee.On 1 June 2007, 2 new INEDs were appointed as the new members of the Remuneration Committee fulfilling the requirement.

REVIEW OF RESULTS

The above consolidated financial statements have been reviewed by the Audit Committee of the Company.

SCOPE OF WORK OF AUDITORS

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 March 2008 have been agreed by the Group’s auditors, SHINEWING (HK) CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 March 2008. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the financial year under review, neither our Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board
Cheng Chee Tock Theodore
Chairman

Hong Kong, 3 July 2008

As at the date hereof, the executive directors of the Company are Mr Cheng Chee Tock Theodore (Chairman), Dato Poh Po Lian, and Mr Woelm Samuel; non-executive directors are Mr Wu Chuang John and Mr Cao Dongxin; and the independent non-executive directors are Mr Sze Tsai Ping Michael, Dr Chow Steven, and Mr Wang Shan Chuan.