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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 2012

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 2012 (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 2012

		Six months ended 30 September	
		2012	2011
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
REVENUE	4	36,065	106,303
Cost of sales		<u>(30,821)</u>	<u>(70,537)</u>
Gross profit		5,244	35,766
Other income		2,479	4,625
Selling and distribution costs		(792)	(2,043)
Administrative expenses		<u>(29,129)</u>	<u>(44,428)</u>
Loss from operations		(22,198)	(6,080)
Change in fair value of investment properties		4,896	–
Exchange (loss)/gain		(1,625)	1,962
Impairment of goodwill		(15,138)	–
Finance costs	5	<u>(719)</u>	<u>(119)</u>
Loss before tax	6	(34,784)	(4,237)
Income tax	7	<u>(1,302)</u>	<u>(1,447)</u>
Loss for the period		<u>(36,086)</u>	<u>(5,684)</u>

		Six months ended	
		30 September	
		2012	2011
		(Unaudited)	(Unaudited)
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive (loss)/income:			
	Change in fair value of owner-occupied properties when transferred to investment properties	–	13,122
	Exchange differences on translating foreign operations	(755)	2,617
	Income tax relating to components of other comprehensive income	–	(3,281)
		<u>–</u>	<u>(3,281)</u>
	Other comprehensive (loss)/income for the period, net of tax	(755)	12,458
		<u>(755)</u>	<u>12,458</u>
	Total comprehensive (loss)/income for the period	(36,841)	6,774
		<u>(36,841)</u>	<u>6,774</u>
Loss for the period attributable to:			
	Owners of the Company	(36,084)	(4,772)
	Non-controlling interests	(2)	(912)
		<u>(2)</u>	<u>(912)</u>
		<u>(36,086)</u>	<u>(5,684)</u>
	Total comprehensive (loss)/income for the period attributable to:		
	Owners of the Company	(36,833)	7,633
	Non-controlling interests	(8)	(859)
		<u>(8)</u>	<u>(859)</u>
		<u>(36,841)</u>	<u>6,774</u>
Loss per share			
	Basic and diluted (<i>HK cents per share</i>)	(5.18)	(0.68)
		<u>(5.18)</u>	<u>(0.68)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2012

		30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Investment properties		179,712	175,752
Property, plant and equipment		14,798	20,272
Intangible assets		332	338
Goodwill	<i>10</i>	–	15,138
		194,842	211,500
Current assets			
Inventories		13,793	13,661
Trade and other receivables	<i>11</i>	23,958	26,579
Current tax assets		689	–
Bank and cash balances		13,451	19,725
		51,891	59,965
Current liabilities			
Trade and other payables	<i>12</i>	33,176	30,473
Bank and other borrowings – secured		3,069	15,305
Convertible notes	<i>13</i>	18,358	–
Current tax liabilities		477	395
		55,080	46,173
Net current (liabilities)/assets		(3,189)	13,792
Total assets less current liabilities		191,653	225,292
Non-current liabilities			
Deferred tax liabilities		29,016	27,941
NET ASSETS		162,637	197,351
Capital and reserves			
Share capital		6,969	6,969
Reserves		154,570	189,276
Equity attributable to owners of the Company		161,539	196,245
Non-controlling interests		1,098	1,106
TOTAL EQUITY		162,637	197,351

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”).

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (“Interim Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) 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 2012 (“2012 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 2012 Annual Report of the Company.

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 2012. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards 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 and prior periods.

The Group has not applied 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:

- Packaging products business – Manufacture and sale of packaging products
- Digital entertainment business – Provision of internet café licenses, online game tournament services and online entertainment platforms
- Property investment – Generation of rental income

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.

The Group’s other operating segment represent the watch trading business. This segment doesn’t meet any of the quantitative thresholds for determining reportable segments. The information of this other operating segment is included in the “other” column.

Information regarding the above segments 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:

	Packaging products business HK\$'000 (unaudited)	Digital entertainment business HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Other HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<i>Six months ended 30 September 2012:</i>					
Revenue from external customers	29,724	1,008	5,333	–	36,065
Segment results	(30,123)	(813)	3,331	–	(27,605)
<i>At 30 September 2012:</i>					
Segment assets	<u>51,472</u>	<u>6,203</u>	<u>174,887</u>	<u>468</u>	<u>233,030</u>
<i>Six months ended 30 September 2011:</i>					
Revenue from external customers	100,038	1,977	3,941	347	106,303
Segment results	10,908	(118)	1,445	(119)	12,116
<i>At 31 March 2012:</i>					
Segment assets – audited	<u>70,267</u>	<u>2,725</u>	<u>175,752</u>	<u>468</u>	<u>249,212</u>

There are no intersegment revenue between the reportable segments for both six months ended 30 September 2011 and 2012.

(b) Reconciliation of reportable segment profit or loss

	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Reconciliation of reportable segment profit or loss for the period:		
Total (loss)/profit of reportable segments	(27,605)	12,116
Other unallocated and corporate loss	<u>(8,481)</u>	<u>(17,800)</u>
Consolidated loss for the period	<u>(36,086)</u>	<u>(5,684)</u>

5. FINANCE COSTS

	Six months ended	
	30 September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest expenses on borrowings wholly repayable within five years:		
– Bank borrowings	57	98
– Other borrowing	177	21
– Convertible notes (<i>note 13</i>)	485	–
	<u>719</u>	<u>119</u>

6. LOSS BEFORE TAX

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

	Six months ended	
	30 September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<i>After charging:</i>		
Cost of inventories sold	30,090	69,855
Depreciation of property, plant and equipment and amortisation of intangible assets	1,699	2,835
Loss on disposal of property, plant and equipment	–	29
Changes in fair value of derivative financial instruments	–	829
Impairment of other receivables	176	–
Impairment of goodwill	15,138	–
Property, plant and equipment written off	–	149
Operating lease rentals in respect of land and buildings	2,778	3,643
Directors' remuneration	2,889	3,250
Staff costs (including Directors' remuneration)	14,236	20,906
<i>And after crediting:</i>		
Gain on disposal of property, plant and equipment	(1,789)	–
Change in fair value of investment properties	(4,896)	–
Interest income	(120)	(1,872)
Rental income on investment properties		
less direct operating expenses of HK\$694,000		
(Six months ended 30 September 2011: HK\$789,000)	<u>(4,639)</u>	<u>(3,152)</u>

7. INCOME TAX

	Six months ended	
	30 September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
– Hong Kong Profits Tax	–	1,369
– People's Republic of China ("PRC") Enterprise Income Tax	<u>78</u>	<u>78</u>
	78	1,447
Deferred tax	<u>1,224</u>	<u>–</u>
	<u><u>1,302</u></u>	<u><u>1,447</u></u>

No provision for Hong Kong profits tax is required since the Group has no assessable profit for the period. The amount provided for the six months period ended 30 September 2011 was calculated at 16.5% based on the assessable profit for that period. Tax arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC is 25% for both periods.

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$36,084,000 (Six months ended 30 September 2011: HK\$4,772,000) and the weighted average number of 696,871,032 (Six months ended 30 September 2011: 696,871,032, as adjusted to reflect the share consolidation in September 2012) ordinary shares in issue during the period.

(b) Diluted loss per share

Diluted loss per share for the six months ended 30 September 2012 was not presented as the impact of exercise of the convertible notes was anti-dilutive. There were no potential dilutive ordinary shares outstanding for the six months ended 30 September 2011.

9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2012 (Six months ended 30 September 2011: HK\$Nil).

10. GOODWILL

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
Cost:		
At beginning of the reporting period	107,467	107,416
Exchange realignment	–	220
Disposal of a subsidiary	–	(169)
	107,467	107,467
Impairments:		
At beginning of the reporting period	92,329	51,485
Exchange realignment	–	220
Impairment loss	15,138	40,793
Elimination on disposal of a subsidiary	–	(169)
	107,467	92,329
Carrying amounts:	–	15,138

The Company's subsidiary, Kingbox (Asia) Limited ("Kingbox") engages in the manufacture and sale of packaging products business (the "Segment"). Due to the difficult operating environment of the Segment as a result of global economic downturn, the profitability of the Segment would unlikely be improved significantly. The directors of the Company consider that the carrying amount of the remaining goodwill of approximately HK\$15,138,000, arising from the acquisition of Kingbox, was fully impaired during the six months ended 30 September 2012.

11. TRADE AND OTHER RECEIVABLES

	30 September 2012 <i>HK\$'000</i> (Unaudited)	31 March 2012 <i>HK\$'000</i> (Audited)
Trade receivables	<u>16,331</u>	<u>19,981</u>
Other receivables	8,766	6,356
<i>Less: Impairment loss</i>	<u>(4,106)</u>	<u>(4,112)</u>
	<u>4,660</u>	<u>2,244</u>
Deposits and prepayments	13,156	14,543
Deposit paid for game software development and licenses	<u>30,000</u>	<u>30,000</u>
	43,156	44,543
<i>Less: Impairment loss</i>	<u>(40,189)</u>	<u>(40,189)</u>
	<u>2,967</u>	<u>4,354</u>
	<u>23,958</u>	<u>26,579</u>

- (a) The Group grants a credit period normally ranging from cash on delivery to 90 days (year ended 31 March 2012: 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:

	30 September 2012 <i>HK\$'000</i> (Unaudited)	31 March 2012 <i>HK\$'000</i> (Audited)
Within 60 days	9,583	7,259
61-90 days	602	1,789
91-180 days	6,146	5,701
181-365 days	<u>–</u>	<u>5,232</u>
	<u>16,331</u>	<u>19,981</u>

12. TRADE AND OTHER PAYABLES

	30 September 2012 <i>HK\$'000</i> (Unaudited)	31 March 2012 <i>HK\$'000</i> (Audited)
Trade payables	4,467	2,995
Accrued expenses and other payables	<u>28,709</u>	<u>27,478</u>
	<u>33,176</u>	<u>30,473</u>

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

	30 September 2012 <i>HK\$'000</i> (Unaudited)	31 March 2012 <i>HK\$'000</i> (Audited)
Within 60 days	2,112	2,250
61-90 days	1,461	33
91-180 days	894	157
181-365 days	–	35
Over 365 days	<u>–</u>	<u>520</u>
	<u>4,467</u>	<u>2,995</u>

13. CONVERTIBLE NOTES

The convertible notes (the “Notes”), with the principal amount of HK\$20,000,000, were issued to Idea Sino Limited on 27 July 2012. The Notes are convertible into ordinary shares of the Company at any time between the date of issue of the Notes and their settlement date. The Notes were initially convertible to 349,040,140 ordinary shares of the Company at HK\$0.0573 per share. As a result of the share consolidation effective in September 2012, the conversion price of the outstanding Notes was adjusted from HK\$0.0573 to HK\$0.573 per share, and the aggregate number of ordinary shares of the Company falling to be issued upon exercise of the conversion rights attached to the Notes in full was adjusted from 349,040,140 to 34,904,013 ordinary shares of the Company.

Effective from 8 November 2012, being the day immediately after the record date of the open offer as set out in the prospectus of the Company dated 9 November, 2012 (the “Prospectus”), the conversion price of outstanding Notes was further adjusted to HK\$0.5073 per share. The aggregate number of ordinary shares of the Company falling to be issued upon exercise of the conversion right attached to the Notes was further adjusted to 39,424,403 ordinary shares of the Company.

If the Notes have not been converted, they will be redeemed at par on 26 July 2013 (the “Maturity Date”). The Notes shall bear interest from the date of its issue at the rate of 3% per annum on the outstanding principal amount thereof. Interest shall be accrued daily on a 365 days basis and is payable in arrears on the Maturity Date.

The net proceeds received from the issue of the Notes have been split between the liability element and an equity component, as follows:

	Liability portion	Equity portion	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
Issue of the Notes	17,873	2,127	20,000
Interest (<i>note</i>)	485	–	485
	<hr/>	<hr/>	<hr/>
At 30 September 2012	<u>18,358</u>	<u>2,127</u>	<u>20,485</u>

Note: The interest charged for the period is calculated by applying an effective interest rate of 15.26% per annum to the liability component. The basis of the effective interest rate is determined by the directors with reference to the market value.

14. 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 spouse 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 ICAC Investigation, details of which were disclosed in the announcements of the Company dated 13 September 2010, 7 October 2010, 7 March 2011 and 6 October 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, 27 January 2011, 27 April 2012 and 11 May 2012. 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 of Hong Kong (the “High Court”) against Mr. Cheng, Ms. Yung, Mr. Ng Pui Lung (being a former Director), Mr. Wang Shanchuan (being a former Director) and Mr. Ho Chi Chung Joseph (being a former Director and the former acting chief executive officer of the Group).

Pursuant to a court order granted on 22 November 2012, the directions hearing scheduled to be held on 23 November 2012 has been vacated. A further hearing will be held on a day to be fixed by the court.

(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 High Court against, among others, Mr. Cheng, Ms. Yung, the personal representatives of Mr. Kok Teng Nam (deceased), Mr. Philip Yu and Agustus Investments Limited “Agustus”).

Pursuant to a court order granted on 12 November 2012, the directions hearing scheduled to be held on 13 November 2012 has been vacated. A further hearing will be held on a day to be fixed by the court. Both parties are now preparing for the relevant documents to be filed to the court.

(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 High Court against Best Max Holdings Limited (“Best Max”), Mr. Lo Chun Cheong (being the sole director and registered shareholder of Best Max) (“Mr. Lo”), Mr. Cheng, Mr. Joseph Ho and Mr. Yeung Tak Hung Arthur (being the former chief operating officer of the Group).

By the court order granted on 23 November 2011, the time for Mr. Lo to comply with unless order dated 28 October 2011 for filing and service of Defence was extended until two weeks after disposal of Mr. Lo’s summons for striking out. The hearing of Mr. Lo’s striking out summons was heard on 7 February 2012 and the Company is now awaiting court judgment.

(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 (“CYC Investments”), Sincere Land Holdings Limited (“Sincere Land”), Hainan Treasure Way Enterprises Limited, Hainan Jiaying Internet Technology Company Limited, Suzhou C Y Foundation Entertainment and Investment Management Limited, CYC Investment Consultancy (Wuxi) Limited and Longpin Investment Consultancy (Shanghai) Company Limited, as plaintiffs, issued an originating summons in the High Court to claim against Mr. Cheng.

The hearing of Mr. Cheng’s summons dated 19 December 2011 for striking out was heard on 15 May 2012. Pursuant to the judgment and a court order dated 18 July 2012, an Amended Statements of Claim of the Company, CYC Investments and Sincere Land was filed on 1 September 2012. Both parties are now preparing for the relevant documents to be filed to the court.

(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 (being a former director of human resources of the Group), Mr. Tsang Heung Yip (being a former financial controller of the Group) and other six former employees (collectively referred to as the “Defendants”). A mediation notice was filed by the Company on 12 January 2012 to attempt mediation to resolve all of its disputes with the Defendants. All the Defendants agree with the mediation and the first joint mediation session was held on 19 July 2012.

After the mediation session, both the Company and the Defendants are not able to reach an agreement to settle the dispute, the mediation was therefore concluded on 19 July 2012. Both parties are now preparing for exchanging witness statements and the relevant documents to be filed to the court. A hearing of the second Case Management Conference is scheduled to be held on 16 January 2013.

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

Ms. Yung and Kingbox (Asia) Limited (“Kingbox”) (an indirect wholly-owned subsidiary of the Company) purportedly 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). Ms. Yung had made a claim against Kingbox for arrears of wages and the remunerative payment under the Supplemental Agreement after her resignation. 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.

Both Kingbox and Ms. Yung agreed for mediation. The first joint mediation session was held on 30 April 2012 but ended on 7 May 2012, as Kingbox and Ms. Yung were not able to reach an agreement to settle the dispute. Pursuant to the court order granted on 26 November 2012, an amended statement of claim was filed by Kingbox on 27 November 2012. Each party is preparing relevant documents and affirmations for court submissions and the hearing of the second Case Management Conference is currently scheduled to be held on 30 January 2013.

- (g) **A subsidiary of the Company against Lucky Belt Holdings Limited (“Lucky Belt”), Mr. Shek Hiu Hung (Mr. Shek), BG Global Gaming Limited (“BG Global”), Winning Beauty Investments Limited (“Winning Beauty”) and Mr. Leung Chung Yuen Ronald (“Mr. Leung”)**

On 11 May 2012, Lucky Zone Holdings Limited, a subsidiary of the Company issued three writs of summons in the High Court, respectively against Lucky Belt, Mr. Shek, BG Global, Winning Beauty and Mr. Leung (collectively referred to as the “Defendants”) in respect of the convertible notes and deposit paid for software development and license agreement (Bingo) relating to sums of USD3.0 million and USD2.5 million for the convertible notes; and HK\$15 million for the deposit, together with the related interests, costs and further and/or other relief.

Acknowledgements of Service of Writ of Summons were filed by all Defendants on 25 May 2012 and 7 June 2012 respectively. Defendants acknowledged services and defense statements filed. The call hearing of the application for summary judgement has been fixed on 29 January 2013.

More details of the above litigations were disclosed in the 2011 to 2012 Annual Report and Interim Report of the Company, the Company will issue further announcements to update the status of the above outstanding litigations when appropriate.

15. EVENTS AFTER THE REPORTING PERIOD

- (a) Subsequent to the end of the reporting period, on 26 October 2012, an indirect wholly-owned subsidiary of the Company completed a disposal of a leasehold land and building at a consideration of approximately HK\$17,500,000. This transaction will contribute to the Group a gain on disposal of approximately HK\$9,600,000.
- (b) As set out in the Prospectus, the Company conducted an open offer on the basis of one offer share for every two shares held on the open offer record date by the qualifying shareholders (the “Open Offer”). A total of 348,435,516 offer shares shall be allotted and issued by the Company to the qualifying shareholders at the offer price of HK\$0.1 for each offer share and the gross proceeds raised via the issue of the offer shares will be approximately HK\$34,840,000. Details of the results of the Open Offer were disclosed in the announcement of the Company dated 28 November 2012.

16. CONTINGENT LIABILITIES

As at 30 September 2012, the Group and the Company did not have any significant contingent liabilities (At 31 March 2012: HK\$Nil).

REVIEW AND OUTLOOK

Trading Resumption

Trading in the shares in the Company (the “Shares”) on the Stock Exchange was suspended at the request of the Company since 31 August 2010. Certain conditions on the resumption of the trading of the Shares on the Stock Exchange (the “Resumption”) were imposed by the Stock Exchange on 6 April 2011 and 25 June 2012 respectively.

The management of the Company, since assuming management control on 8 April 2011, had worked proactively on the Resumption and the Company has subsequently made various announcements and submissions for the Resumption. On 13 July 2012, all the Resumption conditions have been satisfied and fulfilled and trading of the Shares on the Stock Exchange resumed on 17 July 2012.

Business and Financial Review

For the six months ended 30 September 2012, the Group turnover has significantly decreased by 66% from HK\$106.3 million to HK\$36.1 million. During the period, the manufacturing and sales of packaging products business contributed HK\$29.7 million (2011: HK\$100 million) and the digital entertainment business and property investment business generated HK\$1 million (2011: HK\$2 million) and HK\$5.3 million (2011: HK\$3.9 million) respectively. During the period, the property investment business generated profits and the packaging product business and digital entertainment business were at a loss.

Packaging product business

The Group’s packaging business is carried out by Kingbox and its subsidiaries (collectively referred herein as the “Kingbox Group”). During the period, the Kingbox Group continued to target the medium to high-end segments of the gift box markets in Europe, the United States of America (“USA”) and Southeast Asia. The economic downturns in Europe and the United States, which accounted for over 80% of the Kingbox Group’s business, continued to affect our packaging business negatively. During the period, we saw a few key customers significantly reduced their purchase orders and product prices. The depreciation of the euro further dampened the profit margins of the Kingbox Group’s exports to the euro zone. Faced with the reduced demand and increasing price pressure, the Kingbox Group is proactively exploring business opportunities in China and Asian regions in order to reduce the reliance on the US and the Europe markets.

The manufacturing facilities of the Kingbox Group comprised three factories in Shenzhen and Huizhou area. During the period, we continued to face the challenges of rising wages and various production costs, coupled with the appreciation of Renminbi. The management has and will continue to implement severe cost control measures to improve the profitability of the Kingbox Group. The management is also looking into various alternatives to improve the production efficiency and to automate the production process in order to reduce the reliance on labor.

Other segments business

The Group's investment properties located in Beijing were leased out during the period for the generation of stable rental income.

Our digital entertainment division continued to generate stable income through the provision of internet café services. We will continue to impose cost-control measures to further improve the profitability of the internet café business.

Financial Results and Outlook

The first six months of the financial year 2012/13 has been a challenging and difficult time due to the prolong euro zone crisis and anemic growth of the U.S. economy. During the period, the Group turnover decreased by 66% to HK\$36.1 million (for the six months ended 30 September 2011: HK\$106.3 million). The loss attributable to owners of the Company amounted to HK\$36.1 million (for the six months ended 30 September 2011: HK\$4.8 million). The Group has been facing an intense competitive business environment in China with rising labour cost and appreciation of Renminbi. Another factor that hindered the Group's performance was an impairment of HK\$15.1 million resulting from a decline in value of the goodwill of the Group's packaging business.

To address the difficulties, the Group sought to restructure the production by automating its production facilities, enhancing the production efficiency and lessening the reliance on manual procedures. In the meantime, the Group also imposed a series of stringent cost control measures.

Moving forward, it is anticipated that the global economic conditions will remain challenging, the management will continue to take measures to control our cost in the Group's manufacturing business and to further enhance the production efficiency. In the meantime, the management will continue to look for attractive investment opportunities so as to maximize the value of the shareholders of the Company.

Liquidity, Financial Resources and Foreign Currency Exposure

As at 30 September 2012, the bank and cash balances of the Group amounted to approximately HK\$13.5 million. The Group had total outstanding borrowings of approximately HK\$21.5 million, comprising secured bank loan of approximately HK\$3.1 million and liability component of the unsecured convertible notes of approximately HK\$18.4 million. All the Group's borrowings are denominated in Hong Kong dollars. The bank loan is granted on a floating interest rate while the convertible notes is granted at 3% interest per annum.

The gearing ratio of interest bearing loans against the total equity as at 30 September 2012 was 13.2%. As the majority of bank deposits and cash on hand were denominated in Renminbi, Euros and Hong Kong dollars, the Group's exchange risk exposure depended on the movement of the exchange rate of the aforesaid currencies.

Convertible notes

On 27 July 2012, the Company issued the Notes to Idea Sino Limited with the principal amount of HK\$20,000,000 in a term of 1 year. Further details are set out in Note 13 to the unaudited condensed consolidated interim financial information.

Material Acquisitions, Disposals and Significant Investment

The Company did not have any material acquisition, disposal and significant investment in subsidiaries and affiliated companies during the Period except for the followings:

- (i) a disposal of the property at Flat H, 32/F of Tower 5 of Manhattan Hill, No. 1 Po Lun Street, Kowloon, Hong Kong at a consideration of HK\$6,980,000 was completed on 28 May 2012 by Kingbox (Asia) Limited, a wholly-owned subsidiary of the Company; and
- (ii) a disposal of the property at Unit D, 5/F, Dragon Industrial Building, Cheung Sha Wan, Kowloon, Hong Kong by Kingbox (Asia) Limited, a wholly-owned subsidiary of the Company, at a consideration of HK\$17,500,000 was completed on 26 October 2012.

Pledge of Assets

As at 30 September 2012, the leasehold land and building of the Group with carrying amounts of approximately HK\$7.9 million were pledged to secure for bank loans of the Group.

Capital and Other Commitments

As at 30 September 2012, there was no material capital expenditure contracted for but not provided in the Notes to the unaudited condensed consolidated interim financial information.

Contingent Liabilities and Litigations

The Group's contingent liabilities are disclosed in Note 16 to the unaudited condensed consolidated interim financial information. The Group has a number of pending litigations and in the opinion of the legal counsel, it is premature to predict the outcome. Details of litigations are disclosed in Note 14 to the unaudited condensed consolidated interim financial information.

Employees and Remuneration Policy

The Group employed 932 permanent employees as at 30 September 2012, including 36 employees in Hong Kong and 896 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.

DIVIDEND

The Board recommended that no interim dividend be paid for the six months ended 30 September 2012 (Six months ended 30 September 2011: Nil).

ADOPTION OF CORPORATE GOVERNANCE PRINCIPLES

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 except for the following deviation:

Code Provision A.4.1

Code Provision A.4.1 provides, inter alia, that non-executive Directors should be appointed for a specific term and subject to re-election.

Non-executive Directors of the Company are not appointed for a specific term. However, they are subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the Company's Bye-laws and the Listing Rules.

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 had fully complied with the Model Code throughout the Period.

AUDIT COMMITTEE

Throughout the CG Period, the Company had maintained an Audit Committee as required under the Listing Rules. The Audit Committee is composed of three Independent Non-executive Directors and chaired by LAI Hock Meng. The Audit Committee is responsible for considering the appointment of external auditor, review the interim and annual financial statements before submission to the Board and the Group's internal control systems. The terms of reference of the Audit Committee are available and accessible on the Company's website at <http://www.cyfoundation.com/doc/341e.pdf>.

REMUNERATION COMMITTEE

Throughout the CG Period, the Company had maintained a Remuneration Committee as required under the CG Code. The Remuneration Committee is composed of three INEDs and chaired by Mr. IO Rudy Cheok Kei. The Remuneration Committee is responsible for reviewing and determining the remuneration, compensation and benefits of Directors and senior management. The terms of reference of the Remuneration Committee are available and accessible on the Company's website at <http://www.cyfoundation.com/doc/343e.pdf>.

NOMINATION COMMITTEE

The Company established a Nomination Committee on 12 March 2012 as required under the CG Code. The Nomination Committee is composed of three INEDs and chaired by Mr. IO Rudy Cheok Kei. The Nomination Committee is responsible for making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors. The terms of reference of the Nomination Committee are available and accessible on the Company's website at <http://www.cyfoundation.com/doc/342e.pdf>.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements of the Group have been reviewed by the Company's auditor, ANDA CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The auditor's independent review report will be included in the Interim Report to shareholders. The Interim Financial Statements of the Group have also 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.

By Order of the Board
Sneah Kar Loon
Chairman

Hong Kong, 30 November 2012

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