



CULTURECOM HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 343)

2011 | 2012 Annual Report

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CORPORATE INFORMATION

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NON-EXECUTIVE DIRECTOR

Mr. Chu Bong Foo (*Chairman*)

EXECUTIVE DIRECTORS

Ms. Chow Lai Wah Livia (*Vice Chairman*)
 Mr. Kwan Kin Chung (*Managing Director*)
 Mr. Chung Billy
 Mr. Tang U Fai
 Mr. Tang Kwing Chuen Kenneth
 Mr. Chen Man Lung
 Mr. Wan Xiaolin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tsang Wai Wa
 Mr. Joseph Lee Chennault
 Mr. Lai Qiang

COMPANY SECRETARY

Mr. Tam Kam Biu William

CORPORATE GOVERNANCE COMMITTEE

Mr. Chen Yen Lung
 Ms. Chow Lai Wah Livia
 Mr. Tang Kwing Chuen Kenneth
 Ms. Mak Wing Shuen Jennie

AUDIT COMMITTEE

Mr. Tsang Wai Wa
 Mr. Joseph Lee Chennault
 Mr. Lai Qiang

REMUNERATION COMMITTEE

Mr. Tsang Wai Wa
 Mr. Wan Xiaolin
 Mr. Lai Qiang

NOMINATION COMMITTEE

Ms. Chow Lai Wah Livia
 Mr. Tsang Wai Wa
 Mr. Lai Qiang

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

SOLICITORS

Michael Li & Co.
 Appleby

AUDITOR

FTW & Partners CPA Limited

PUBLIC RELATION

PR Concepts Asia Limited

REGISTERED OFFICE

Canon's Court
 22 Victoria Street
 Hamilton HM 12
 Bermuda

PRINCIPAL OFFICE

Rm 3201, 32nd Floor,
 Singga Commercial Centre
 148 Connaught Road West
 Hong Kong

PRINCIPAL REGISTRAR

Butterfield Fund Services (Bermuda) Limited
 Rosebank Centre
 11 Bermudiana Road
 Pembroke
 Bermuda

BRANCH REGISTRAR

Computershare Hong Kong Investor Services Limited
 Shops 1712-1716, 17th Floor
 Hopewell Centre
 183 Queen's Road East
 Wan Chai
 Hong Kong

COMPANY WEBSITE

www.culturecom.com.hk

STOCK CODE

343

WARRANT CODE

824

CHAIRMAN'S STATEMENT

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RESULTS

The consolidated turnover of the Company and its subsidiaries for the year ended 31 March 2012 amounted to HK\$36,325,000 (2011: HK\$44,638,000) of which HK\$21,586,000 (2011: HK\$24,973,000) was attributable to the business of comics publication of the Group, HK\$4,899,000 (2011: HK\$6,832,000) was attributable to the crude oil exploration services of the Group, HK\$26,000 (2011: HK\$146,000) was attributable to the smart card business, HK\$5,141,000 (2011: HK\$4,167,000) was attributable to retailing and wholesales business, HK\$2,308,000 (2011: HK\$2,215,000) was attributable to other business and HK\$2,365,000 (2011: HK\$6,305,000) was attributable to the discontinued operations of investment properties. Loss for the year attributable to equity holders, taking into account taxation, was HK\$49,107,000 (profit for 2011: HK\$9,006,000). The loss per share was HK4.7 cents (earning per share for 2011: HK1.1 cent).

FINAL DIVIDEND

The Board of Directors has resolved not to declare any final dividend for the year ended 31 March 2012 (2011: Nil).

BUSINESS REVIEW

The aftershock of the global economic turmoil has affected many of our businesses. In order to ensure our Group was operating efficiently and effectively, we have set up preventive measures as much as we could, and have made provisions on investments that had lost value. At the same time, we have also refocused on our key areas of licensing and animation business, as well as extended our arms to online social music gaming platform. Although this development has resulted in additional cost, we have been able to offset this with the exciting arrival of a beta version in the second half of 2012, and a final version shortly after. Overall, it may appear that developmental costs and fair value changes in investments have been weighed in heavily on this year's earnings, nevertheless we have been able to maintain steady revenue on most recurring projects. We are excited that our Group has successfully persevered the storms; we are finally beginning to see the fruits of our hard work, and are convinced that full harvest is on its way.

With respect to the technology-business, our Group has secured suitable cooperative partners to enhance and further commercialize our existing technologies. In the comics business, our Group has fortified its licensing business with additional resources and business partners, actively pursued opportunities in animation and movie production, while continued to reach out to other media forms. One of the highly embraced ideals of Culturecom has always been about propelling Chinese culture to the mainstream; and in light of this, our Group is at the final stages of developing an Asian-flavored animation/comic creation interface that uses our very own Generating Engine technology. Our huge animation/comic image database, along with this Generating Engine, will allow the mass public to participate in the production process; lowering cost on one hand, while being able to appeal to a new generation of artists.

CHAIRMAN'S STATEMENT

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Aside from technology and comics, we have taken a prudent approach in the Group's petroleum extraction business. Against the backdrop of credit tightening and economic uncertainties in China, our Group has devoted much of its effort on fine-tuning the existing oil exploration facilities, and has left much of the new extraction work to be completed in the upcoming years. Some financial fluctuations during the process were unavoidable as a result, but our Group remains confident that once the oil extraction ventures in Shengli Oilfield and Chaoshui Basin pick up in the near future, our yields will dash off to highly promising results.

PROSPECTS

Looking ahead, our Group is excited about its future projects, and optimistic of its upcoming journey. We will continue to foster our relationships with the existing cooperative partners and business associates. Internet, an effective communication tool that bridges the gap between people residing in different parts of world, has been developing rapidly over the past few years, evident in the popularity of Facebook, Twitter and Youtube. Our Group currently believes strongly in the enormous potential of online social music gaming platform. Leveraging on the Group's IP database, animation generating engine and extensive business network in the Southeast Asia region, our Group will soon release—Ucan—an online social platform for gamers, animators, shoppers, developers, and music lovers to share their creative ideas to anyone they wish, even to those around the world. Furthermore, our Group will continue to make further inroads to our core business of animation and comics market in Asia, such as setting up educational programs and training grounds for artists and like-minded animators in China. Last but not the least, we are immensely grateful to our shareholders' continuing trust in us; we promise to, as we always have, look out for their best interests, and strive for the soundest investment strategies.

APPRECIATIONS

I would like to express my sincere thanks to the Board of Directors, our management and staff for their continued dedication in the past year, and to all our customers, suppliers, business partners and shareholders for their enthusiastic support of the Group.



Chu Bong Foo

Chairman

Hong Kong, 25 June 2012

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the year ended 31 March 2012, the Group's overall revenue from external customers decreased by 11.4% to HK\$33,960,000 of which approximately HK\$21,586,000, HK\$4,899,000, HK\$26,000, HK\$5,141,000 and HK\$2,308,000 (2011: HK\$24,973,000, HK\$6,832,000, HK\$146,000, HK\$4,167,000 and HK\$2,215,000) were attributable to our continuing business of publishing, crude oil exploration services, electronic card service, retailing and wholesales and others respectively.

The revenue from discontinued operations of investment properties decreased by 62.4% to HK\$2,365,000 and the disposal of the whole block of Culturecom Centre was completed on 23 September 2011, resulting in a total net gain of approximately HK\$54,096,000 (2011: HK\$78,406,000).

The Group's consolidated net loss attributable to the owners of the Company for the year was HK\$49,107,000 (2011: profit HK\$9,006,000), and the loss per share for the year was HK4.7 cents (2011: earnings per share HK1.1 cents). This decline in performance was largely due to fair value loss of financial assets at fair value through profit and loss of HK\$41,330,000, impairment of available-for-sale financial assets of HK\$5,000,000. Overall, by focusing on core comics operations and expanding into the online social music gaming platform, the Group has gradually progressed from its less-than-desirable position to a much more stable and hopeful present state. Therefore, the Group is optimistic of its future, as the steps taken so far have demonstrated that what is to come can only be better.

Also, as of 31 March 2012, the Group's net asset value was HK\$758,936,000 and net asset value per weighted average number of 1,035,758,000 shares of the Company was approximately HK\$0.73 (2011: HK\$0.96).

WARRANTS

On 7 March 2011, the Company entered into a placing agreement with an independent placing agent in relation to the private placing of 137,850,000 warrants (the "2013 Warrants") conferring rights to subscribe up to HK\$38,598,000 in aggregate for shares of the Company at an initial subscription price of HK\$0.28 per share, to not less than 300 placees who are independent third parties during the two years period from 3 May 2011 to 2 May 2013, both days inclusive. The placing of the 2013 Warrants was completed on 29 April 2011.

The net proceeds of the placing of approximately HK\$26,552,000 were used as general working capital of the Company.

During the year, registered holders of 5,710,000 units of the 2013 Warrants exercised their rights to subscribe for 5,710,000 shares in the Company at HK\$0.28 per share.

MANAGEMENT DISCUSSION AND ANALYSIS

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SUBSTANTIAL DISPOSAL

On 27 January 2011, the Group entered into a provisional agreement for sale and purchase with an independent third party on the disposal of the whole block of property located at 47 Hung To Road, Kwun Tong, Hong Kong (the "Disposal") at a consideration of HK\$286,000,000 (the "Consideration"). The Disposal was completed on 23 September 2011 and the Consideration was fully received by the Group. After the completion of the Disposal, the Group recorded a gain of approximately HK\$55,477,000 and the net proceeds will be used for future investments which may be in the principal line of business of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2012, the Group had bank and deposits with financial institutions balances in aggregate of approximately HK\$434,531,000 and financial assets at fair value through profit and loss of approximately HK\$50,911,000. The Group has no significant exposure to foreign exchange rate fluctuation.

As of 31 March 2012, the Group had a net current assets of approximately HK\$557,621,000 (2011: HK\$554,309,000) and a current ratio of 17.63 (2011: 16.02). The Group's total liabilities as of 31 March 2012 amounted to approximately HK\$62,963,000 and represented approximately 8.3% (2011: 8.8%) to shareholders' equity.

Upon consideration of the above, the Directors have no doubt that the Group will have sufficient liquidity to finance its daily operations, as reflected by its healthy financial status with a wealth of cash flow and other resources. As always, the Group will continue to follow prudent and disciplined cash management practices on any excess liquidity.

EMPLOYMENT AND REMUNERATION POLICIES

As of 31 March 2012, the Group had a total of 116 (2011: 120) employees. Total staff costs incurred during the year amounted to approximately HK\$19,669,000 (2011: HK\$22,163,000). Remuneration packages are maintained at competitive levels and reviewed by the management on a periodical basis. Discretionary bonuses and incentive share options are awarded to certain directors and employees according to the assessment of individual merit and performance.

DIRECTORS' REPORT

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The Directors present their annual report and the audited financial statements for the year ended 31 March 2012.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal associates and subsidiaries are set out in notes 18 and 41 to the consolidated financial statements respectively.

SUBSIDIARIES AND ASSOCIATES

Details of the Group's associates and of the Company's subsidiaries at 31 March 2012 are set out in notes 18 and 41 to the consolidated financial statements respectively.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover during the year attributable to the Group's five largest customers accounted for 65.69% of the Group's turnover, of which 26.62% was attributable to the largest customer.

The aggregate purchases during the year attributable to the Group's five largest suppliers accounted for 69.95% of the Group's total purchases, of which 47.56% was attributable to the largest supplier.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors own more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers or suppliers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2012 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 37 to 146.

DIVIDEND

No dividend was paid or proposed during the year of 2012, nor has any dividend been prepared since the end of the reporting period (2011: nil).

DIRECTORS' REPORT

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PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$2,977,000 on the acquisitions of property, plant and equipment.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL, WARRANTS AND SHARE OPTIONS

Details of movements during the year in the share capital, the warrants and the share option scheme of the Company are set out in notes 31, 33 and 34 to the consolidated financial statements respectively.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 32 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2012, the Company has no reserves available for distribution to shareholders.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on pages 147 and 148.

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Chairman and Non-Executive Director:

Mr. Chu Bong Foo

Executive Directors:

Ms. Chow Lai Wah Livia (*Vice Chairman*) (appointed as Executive Director on 17 May 2011 and re-designated as Vice Chairman on 26 March 2012)

Mr. Kwan Kin Chung (*Managing Director*)

Mr. Chung Billy

Mr. Tang U Fai

Mr. Tang Kwing Chuen Kenneth

Mr. Chen Man Lung

Mr. Wan Xiaolin

Independent Non-Executive Directors:

Mr. Tsang Wai Wa

Mr. Joseph Lee Chennault

Mr. Lai Qiang

The directors of the Company, including executive, non-executive and independent non-executive directors ("INEDs") are subject to retirement by rotation and re-election at the annual general meeting of the Company. In accordance with Clauses 101, 110(A) and 190(v) of the Company's Bye-Laws, Messrs. Chen Man Lung, Chu Bong Foo, Tang Kwing Chuen Kenneth and Lai Qiang will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The Company has received the annual confirmation of independence from each of the INEDs as required under Rule 3.13 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considered all INEDs to be independent.

DIRECTORS' REPORT

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BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Chairman and Non-Executive Director

Mr. Chu Bong Foo, aged 74, is currently the Chairman of the Group. Mr. Chu joined the Group in May 1999 and was appointed as Chairman and Non-Executive Director on 21 January 2011. He is responsible for the design and development of the Group's Chinese information infrastructure. Mr. Chu is the inventor of the Cangjie method, the most widely available Chinese input method and has engaged himself in the development of Chinese character generating technology for over 20 years. He is renowned for "the father of the modern Chinese computing".

Executive Directors

Ms. Chow Lai Wah Livia, aged 51, is the Vice Chairman of the Group. Ms. Chow joined the Group in April 2008; she was appointed as Executive Director on 17 May 2011 and was re-designated as Vice Chairman of the Group on 26 March 2012. She is also a member of our Corporate Governance Committee and the Nomination Committee. Ms. Chow is currently the Director of L&W Holding Limited which is one of the substantial shareholders of Culturecom Holdings Limited. Ms. Chow is presently responsible for the corporate management of the Group. Prior to joining the Company, Ms. Chow was the President of East Universal Investments Inc., based in the United States for over 9 years. She has more than 20 years of extensive experience in executive development and corporate management.

Mr. Kwan Kin Chung, aged 43, joined the Group in 1998 and has been one of the Executive Directors since March 2008. Mr. Kwan is also the Managing Director of the Group and serves as the Director for several subsidiaries of the Group. He held the position of Vice President for the Group from 1998 to 2002 and was appointed as the acting Chief Executive Officer of the Company in April 2007. During the period serving as Vice President, Mr. Kwan was also the Vice Publisher of Tin Tin Daily News where he gained valuable experience in the media industry. Mr. Kwan holds the position of Managing Director of China Bio Cassava Holdings Limited whose shares are listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. Mr. Kwan has extensive experience in business restructuring and corporate investment. He holds a Bachelor degree of Arts in Economics from Sun Yat-Sen University (Zhongshan University) PRC.

DIRECTORS' REPORT

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BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Executive Directors (Continued)

Mr. Chung Billy, aged 37, joined the Group in June 2007 and has been one of the Executive Directors since November 2007. Mr. Chung is also the Chief Operating Officer of the Group and serves as the Director for several subsidiaries of the Group. He is responsible for the Group's overall operation and business development, as well as human resources and accounting related managerial activities. Mr. Chung holds a Bachelor degree of Arts in Accounting from the University of Waterloo, Canada and a Master degree of Business Administration from the University of Toronto, Canada. As a member of the Canadian Institute of Chartered Accountants, he has over 10 years of extensive experience in the fields of accounting, consulting and investment banking. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, Mr. Chung acted as senior Project Director at Opes Asia Development Limited, whose shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited.

Mr. Tang U Fai, aged 38, joined the Group as the Chief Technology Officer in May 2001 and has been one of the Executive Directors since March 2008. He is also a General Manager of Etown Online (Macau) Limited, a fully owned subsidiary of the Group. Mr. Tang has extensive experience in IT science and management. Mr. Tang holds a Bachelor degree of Science in Computer Science and Economics from the University of Victoria, Canada and a Master degree of Science in Software Engineering from the University of Macau.

Mr. Tang Kwing Chuen Kenneth, aged 34, joined the Group in October 2003 and has been one of the Executive Directors since December 2008. He is also a member of the Corporate Governance Committee of the Group. He was appointed as the Company Secretary of ViaGOLD Capital Limited in January 2007, a company whose shares are listed on Australian Stock Exchange. ViaGOLD Capital Limited is a controlled corporation of Harvest Smart Overseas Limited, which is one of the substantial shareholders of Culturecom Holdings Limited. Mr. Tang holds a Master degree of Commerce in Finance and a Bachelor degree of Science majoring in Information Systems from the University of New South Wales, Australia. He has extensive years of experience in the banking and finance industries.

Mr. Chen Man Lung, aged 46, was appointed as Executive Director of the Company in October 2009. Mr. Chen was an executive director of China Bio Cassava Holdings Limited till 18 June 2012 whose shares are listed on the GEM of the Stock Exchange. He was appointed as an independent non-executive director of Opes Asia Development Limited and Mobile Telecom Network Holdings Limited, both companies whose shares are listed on the Hong Kong Stock Exchange, and the chief financial officer of ViaGold Capital Limited, a company whose shares are listed on the Australian Stock Exchange. On public services, he currently serves as the Chairman of Academic Advisory Board of the Humanities program under Faculty of Arts of Hong Kong Baptist University, the director of the Hong Kong Baptist University Alumni Association Limited and founding member of the International Federation of Creative and Technology. He served as Academic Advisor of Visual Arts of Hong Kong Baptist University, the director of the Hong Kong Comics & Animation Federation Limited (HKCAF) and committee member of the Inbound Travel Agent Association Limited (HKITA). He was granted the Bachelor degree of Arts in Sociology and the Master degree of Arts in Chinese Studies from the Hong Kong Baptist University and the Hong Kong University of Science and Technology respectively. Mr. Chen has over 18 years of extensive experience in investment industry.

DIRECTORS' REPORT

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BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Executive Directors (Continued)

Mr. Wan Xiaolin, aged 54, joined the Group in January 2000 and has been one of the Executive Directors since July 2002. He is also a member of the Remuneration Committee of the Group and serves as the Director of several subsidiaries of the Group. Prior to joining the Group, Mr. Wan was the General Manager of China Merchants Transportation Group in the finance and accounting division. He is currently one of the Executive Directors of China Bio Cassava Holdings Limited, whose shares are listed on Growth Enterprise Market of the Stock Exchange of Hong Kong. Mr. Wan holds a Bachelor degree of Arts in Economics from Shanghai Maritime University, PRC.

Independent Non-Executive Directors

Mr. Tsang Wai Wa, aged 51, was appointed as an Independent Non-Executive Director of the Company in November 2009 and is also an independent non-executive director of China Bio Cassava Holdings Limited. Mr. Tsang served as an independent non-executive director of Opes Asia Development Limited from 7 April 2009 to 20 December 2011, all of their shares are listed on the Stock Exchange. Mr. Tsang is a Company Secretary of one of the listed companies in Hong Kong. Mr. Tsang holds the Bachelor degree in Finance and Accounting and a Master degree in Business Administration. He is a fellow member of the Chartered Association of Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He has extensive experience in auditing, accounting, company secretary and corporate finance.

Mr. Joseph Lee Chennault, aged 68, joined the Group in September 2004. Mr. Chennault is a member of the Audit Committee of the Group. He holds a Bachelor degree of Arts in Economics from University of San Francisco and a Master degree of Business Administration from Golden Gate University, both in the United States. He is a member of the California Society of Certified Public Accountants and has over 30 years of experience in accounting and auditing in listed companies.

DIRECTORS' REPORT

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BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Independent Non-Executive Directors (Continued)

Mr. Lai Qiang, aged 38, joined the Group in December 2008. Mr. Lai is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Group. He is an intermediate level economist. He holds a Bachelor degree in International Finance (Professional Economics) under the International Trading Finance Department, from Sun Yat-Sen University (Zhongshan University), PRC. Mr. Lai is currently the Officer of Financial Settlement Centre for Shenzhen Huaqiang Holdings Limited. It is a large investment holding company with high technology industries as its core business. It has continuously been chosen as the Most Advanced Enterprise in Quality and Efficiency in China and the Top Foreign Exchange-Earning Enterprise in China for many years. Mr. Lai has over 10 years of practical experience in group enterprise fund management and financial management.

Senior Management

Mr. Tam Kam Biu William, aged 56, joined the group in 2 March 2012. Mr. Tam is currently one of the Executive Directors of China Bio Cassava Holdings Limited whose shares are listed on the Growth Enterprise Market Board of the Stock Exchange of Hong Kong Limited. Mr. Tam obtained a Master degree in Business Administration from York University, Canada and became an associate member of the Hong Kong Institute of Certified Public Accountants in 1987 and an associate of the Association of Chartered Certified Accountants in 1988.

Mr. Yu Huaguo, aged 45, joined the Group in May 2008. Mr. Yu is presently the Chief Executive Officer of the Group. Prior to joining the Group, he was the Executive Director of Jiuzhou Development Company Limited, whose shares are listed on the Stock Exchange of Hong Kong. Mr. Yu had also served at Zhuhai Jiuzhou Port Group Corporation (a substantial shareholder of JDCL) as Deputy General Manager. Mr. Yu holds a Master degree of Business Administration from the Hong Kong Polytechnic University. He has over 20 years of experience in finance, capital securities and enterprise management.

Ms. Mak Wing Shuen Jennie ("Mrs. Lau"), aged 44, joined the Group in July 1997. Mrs. Lau is currently the Deputy Chief Executive Officer of the Group. She is also a member of the Corporate Governance Committee of the Group. Prior to joining the Group, she was responsible for administrative management and development in both local and global businesses of ViaGOLD Capital Limited, a company whose shares are listed on Australian Stock Exchange. ViaGold Capital Limited is a controlled corporation of Harvest Smart Overseas Limited, which is one of the substantial shareholders of Culturecom Holdings Limited. She has over 10 years of extensive experience in the travelling management business. She is also an associated member of the International Air Transport Association (IATA).

DIRECTORS' REPORT

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BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Senior Management (Continued)

Ms. Wong Eva, aged 36, joined the group in March 2012. Ms. Wong is the Vice President and the Head of Investor Relations. Prior to her appointment, Ms. Wong was the Vice President and Head of Investor Relations of China Solar Energy Holdings Limited, a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Prior to joining the Group, Ms. Wong has served as investor relations and corporate communications for several listed companies. Her investor relations experience includes funds, institutional sales and research analysts targeting, financial media relations, development of investor relations presentations and materials and participated in roadshows across U.S. Europe and Asia. Ms. Wong received her Bachelor degree in psychology from York University, Toronto, Canada.

Ms. Shen Hung Lien, aged 57, joined the Group in May 1998. Ms. Shen is the Chairman of Culturecom Technology (Macau) Limited, a wholly owned subsidiary of the Group. She is also the Chief Executive Officer of Chu Bong Foo Labs. She is responsible for the development of Chinese information infrastructure systems under the guidance of Mr. Chu Bong Foo. Ms. Shen graduated from the National Taiwan University with a Bachelor degree of Arts.

Mr. Hu Tian Bao, aged 49, joined the Group in 2000. Mr. Hu is the Deputy General Manager of Culturecom Technology (Macau) Limited, a wholly owned subsidiary of the Group and he serves as the Chief Engineer of Chu Bong Foo Labs. He is responsible for the development of intelligent graphic systems under the guidance of Mr. Chu Bong Foo. He graduated from Institute of Metal Research, Chinese Academy of Sciences with Bachelor Degree of Metal Physics.

Ms. Lee Yuk Ping, aged 44, joined the Group in September 1997. Ms. Lee was appointed as qualified accountant and company secretary of the Group in February 2008. In May 2010, Ms. Lee resigned as company secretary and was designated to solely concentrate on the Group's corporate finance and accounting affairs. Ms. Lee holds a Master degree of Professional Accounting. She is a fellow member of both the Chartered Association of Certified Accountants and the Hong Kong Institute of Certified Public Accountants. She has extensive experience in auditing, accounting and corporate finance.

Mr. Chau Ka Hang, aged 46, joined the Group in January 1999. Mr. Chau is the General Manager (Comic Publishing) of the Group. He is responsible for the overall business planning, development and marketing of comic publishing for the Group in Hong Kong and the mainland of China. Mr. Chau has over 16 years of experience in advertising business and comic publication management.

DIRECTORS' REPORT

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SHARE OPTION SCHEMES

The Company has adopted a share option scheme (the "2002 Scheme") on its 2002 Annual General Meeting held on 21 August 2002.

The number of shares available for issue under 2002 Scheme as at the date of the Annual Report is 158,681,050 which representing approximately 15.26% of the issued share capital of the Company as of that date.

Particulars of the Company's share option schemes are set out in note 34 to the consolidated financial statements.

Details of the movement of the share options granted to the Directors and employees of the Company under the 2002 Scheme during the year are as follows:

	Date of Grant	At 1 April 2011	Number of share options			Granted/ Exercised/ Cancelled during the year	At 31 March 2012	Exercise price per share (note 2) HK\$	Exercise period
			Transfer from other category during the year	Transfer to other category during the year	Lapsed during the year				
(a) Directors									
Ms. Chow Lai Wah Livia	7 July 2006	-	548,500 (note 1)	-	-	-	548,500	0.92	7 July 2006 to 6 July 2016
	29 June 2007	-	4,388,000 (note 1)	-	-	-	4,388,000	2.16	29 June 2007 to 28 June 2017
Mr. Kwan Kin Chung	(i) 7 July 2006	877,600	-	-	-	-	877,600	0.92	7 July 2006 to 6 July 2016
	(ii) 29 June 2007	109,700	-	-	-	-	109,700	2.16	29 June 2007 to 28 June 2017
	(iii) 6 November 2007	877,600	-	-	-	-	877,600	1.42	6 November 2007 to 5 November 2017
Mr. Tang U Fai	(i) 19 December 2003	109,700	-	-	-	-	109,700	2.42	19 December 2003 to 18 December 2013
	(ii) 24 March 2005	1,755,200	-	-	-	-	1,755,200	2.69	24 March 2005 to 23 March 2015
	(iii) 7 July 2006	109,700	-	-	-	-	109,700	0.92	7 July 2006 to 6 July 2016
Mr. Tang Kwing Chuen Kenneth	7 July 2006	54,850	-	-	-	-	54,850	0.92	7 July 2006 to 6 July 2016

DIRECTORS' REPORT

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SHARE OPTION SCHEMES (Continued)

		Date of Grant	Number of share options				At 31 March 2012	Exercise price per share (note 2)	Exercise period
			At 1 April 2011	Transfer from other category during the year	Transfer to other category during the year	Lapsed during the year			
							HK\$		
Mr. Chen Man Lung	(i)	24 March 2005	1,426,100	-	-	-	1,426,100	2.69	24 March 2005 to 23 March 2015
	(ii)	7 July 2006	713,050	-	-	-	713,050	0.92	7 July 2006 to 6 July 2016
	(iii)	29 June 2007	1,206,700	-	-	-	1,206,700	2.16	29 June 2007 to 28 June 2017
	(iv)	6 November 2007	1,645,500	-	-	-	1,645,500	1.42	6 November 2007 to 5 November 2017
Mr. Wan Xiaolin		19 December 2003	329,100	-	-	-	329,100	2.42	19 December 2003 to 18 December 2013
(b) Employees	(i)	19 December 2003	3,554,280	-	-	-	3,554,280	2.42	19 December 2003 to 18 December 2013
	(ii)	24 March 2005	4,388,000	-	-	-	4,388,000	2.69	24 March 2005 to 23 March 2015
	(iii)	7 July 2006	329,100	-	-	-	329,100	0.92	7 July 2006 to 6 July 2016
	(iv)	29 June 2007	10,476,350	-	-	-	10,476,350	2.16	29 June 2007 to 28 June 2017
	(v)	6 November 2007	12,286,400	-	-	-	12,286,400	1.42	6 November 2007 to 5 November 2017
(c) Others	(i)	19 December 2003	2,490,190	-	-	-	2,490,190	2.42	19 December 2003 to 18 December 2013
	(ii)	24 March 2005	21,994,850	-	-	-	21,994,850	2.69	24 March 2005 to 23 March 2015
	(iii)	3 October 2005	3,291,000	-	-	-	3,291,000	1.93	3 October 2005 to 2 October 2015
	(iv)	7 July 2006	12,823,930	-	(548,500) (note 1)	-	12,275,430	0.92	7 July 2006 to 6 July 2016
	(v)	29 June 2007	32,087,250	-	(4,388,000) (note 1)	-	27,699,250	2.16	29 June 2007 to 28 June 2017
	(vi)	6 November 2007	45,744,900	-	-	-	45,744,900	1.42	6 November 2007 to 5 November 2017

DIRECTORS' REPORT

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SHARE OPTION SCHEMES (Continued)

Notes:

1. The option to Ms. Chow Lai Wah Livia and to her spouse were granted prior to her appointment as Executive Director of the Company on 17 May 2011.
2. The options exercise period is commenced from the date of grant for ten years. The options may be exercised at any time with the option period provided that the options have been vested. As at 31 March 2012, all options have been vested.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option holdings disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REPORT

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DISCLOSURE OF INTERESTS

(a) Interests of the Directors

As at 31 March 2012, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange:

Interests in the shares of the Company

Name of Director	Capacity	Nature of interest	Number of shares held	Approximate percentage of issued share capital
Ms. Chow Lai Wah Livia (note 1)	(i)	Beneficial owner	29,594,800	29.28%
	(ii)	Interests of a controlled corporation	93,588,600 (note 2)	
	(iii)	Interests of spouse	181,178,712 (note 3)	
Mr. Wan Xiaolin	Beneficial owner	Personal interest	50,000	0.01%
Mr. Tang Kwing Chuen Kenneth	Beneficial owner	Personal interest	135,000	0.01%

DIRECTORS' REPORT**19****DISCLOSURE OF INTERESTS (Continued)****(a) Interests of the Directors (Continued)***Interests in the shares of the Company (Continued)**Note:*

- 1 Ms. Chow Lai Wah Livia ("Ms. Chow") has appointed as Executive Director of the Company on 17 May 2011, and as Vice Chairman of the Board of Director of the Company on 26 March 2012.
- 2 Ms. Chow has controlling interests in L&W Holding Limited ("L&W"), L&W is beneficially interested in 93,588,600 shares in the Company. Accordingly, Ms. Chow is deemed to be interested in 93,588,600 shares in the Company under the SFO.
- 3 Harvest Smart Overseas Limited ("Harvest Smart") is beneficially interested in 173,718,712 shares. Therefore, Ms. Chow is deemed to be interested in 173,718,712 shares in the Company under the SFO.

Mr. Dizon Basilio ("Mr. Dizon"), the spouse of Ms. Chow, is beneficially interested in 7,460,000 shares, and Mr. Dizon has controlling interests 98.64% in Harvest Smart. Therefore, Ms. Chow is deemed to be interested in 181,178,712 shares in the Company under the SFO.

All interests stated above represent long positions.

DIRECTORS' REPORT

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DISCLOSURE OF INTERESTS (Continued)

(a) Interests of the Directors (Continued)

Interest in shares of associated corporation of the Company

Name of associated corporation	Name of Director	Capacity	Nature of interest	Number of shares held	% of total issued share capital of the associated corporation
China Bio Cassava Holdings Limited	Mr. Kwan Kin Chung	Beneficial owner	Personal interest	21,000,000 (note 1)	0.26%
	Mr. Chung Billy	Beneficial owner	Personal interest	3,200,000 (note 2)	0.04%
	Mr. Tang U Fai	Beneficial owner	Personal interest	4,000,000 (note 3)	0.05%
	Mr. Chen Man Lung	Beneficial owner	Personal interest	17,000,000 (note 4)	0.21%
	Mr. Wan Xiaolin	Beneficial owner	Personal interest	13,000,000 (note 5)	0.16%
	Mr. Tsang Wai Wa	Beneficial owner	Personal interest	3,505,420 (note 6)	0.04%

DIRECTORS' REPORT**DISCLOSURE OF INTERESTS (Continued)****(a) Interests of the Directors (Continued)**

*Interest in shares of associated corporation of the Company
(Continued)*

Notes:

1. Mr. Kwan Kin Chung is beneficially interested in 21,000,000 share options in China Bio Cassava Holdings Limited.
2. Mr. Chung Billy is beneficially interested in 1,200,000 ordinary shares and 2,000,000 share options in China Bio Cassava Holdings Limited.
3. Mr. Tang U Fai is beneficially interested in 4,000,000 share options in China Bio Cassava Holdings Limited.
4. Mr. Chen Man Lung is beneficially interested in 17,000,000 share options in China Bio Cassava Holdings Limited.
5. Mr. Wan Xiaolin is beneficially interested in 13,000,000 share options in China Bio Cassava Holdings Limited.
6. Mr. Tsang Wai Wa is beneficially interested in 2,505,420 ordinary shares and 1,000,000 share options in China Bio Cassava Holdings Limited.
7. As a result of share consolidation, pursuant to the terms of the Share Option Scheme adopted by China Bio Cassava Holdings Limited, the exercise price of the Share Options and the number of Shares to be allotted and issued upon full exercise of the subscription rights attaching to the 1,517,760,000 outstanding Share Options will be adjusted in the manner as disclosed in the Announcement of China Bio Cassava Holdings Limited dated 22 June 2012. The share consolidation is expected to become effective on 28 June 2012 upon the fulfillment of the conditions set out in the Announcement.

All interests stated above represent long positions.

DIRECTORS' REPORT

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DISCLOSURE OF INTERESTS (Continued)

(a) Interests of the Directors (Continued)

Interests in share options of the Company

Name of Director	Capacity	Nature of interest	Number of share options	Exercise price per share	Exercisable period	Approximate percentage of issued share capital	
				HK\$			
Ms. Chow Lai Wah Livia	(i)	Beneficial owner	Personal interest	548,500	0.92	7 July 2006 to 6 July 2016	0.47%
	(ii)	Interest of spouse	Family interest	4,388,000	2.16	29 June 2007 to 28 June 2017	
Mr. Kwan Kin Chung	(i)	Beneficial owner	Personal interest	877,600	0.92	7 July 2006 to 6 July 2016	0.18%
	(ii)	Beneficial owner	Personal interest	109,700	2.16	29 June 2007 to 28 June 2017	
	(iii)	Beneficial owner	Personal interest	877,600	1.42	6 November 2007 to 5 November 2017	
Mr. Tang U Fai	(i)	Beneficial owner	Personal interest	109,700	2.42	19 December 2003 to 18 December 2013	0.19%
	(ii)	Beneficial owner	Personal interest	1,755,200	2.69	24 March 2005 to 23 March 2015	
	(iii)	Beneficial owner	Personal interest	109,700	0.92	7 July 2006 to 6 July 2016	
Mr. Tang Kwing Chuen Kenneth		Beneficial owner	Personal interest	54,850	0.92	7 July 2006 to 6 July 2016	0.01%
Mr. Chen Man Lung	(i)	Beneficial owner	Personal interest	1,426,100	2.69	24 March 2005 to 23 March 2015	0.48%
	(ii)	Beneficial owner	Personal interest	713,050	0.92	7 July 2006 to 6 July 2016	
	(iii)	Beneficial owner	Personal interest	1,206,700	2.16	29 June 2007 to 28 June 2017	
	(iv)	Beneficial owner	Personal interest	1,645,500	1.42	6 November 2007 to 5 November 2017	
Mr. Wan Xiaolin		Beneficial owner	Personal interest	329,100	2.42	19 December 2003 to 18 December 2013	0.03%

Note: The options exercise period is commenced from the date of grant for ten years. The options may be exercised at any time with the option period provided that the options have been vested. As at 31 March 2012, all options have been vested.

All interests stated above represent long positions.

DIRECTORS' REPORT

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DISCLOSURE OF INTERESTS (Continued)

(a) Interests of the Directors (Continued)

Save as disclosed above, as at 31 March 2012, none of the Directors nor chief executive of the Company had interests or short positions in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

(b) Interests of Substantial Shareholders

As at 31 March 2012, so far as is known to any Director or chief executive of the Company, the following person had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO:

Interests in the shares of the Company

Name	Capacity	Number of shares held	Approximate percentage of issued share capital
L&W Holding Limited	Beneficial owner	93,588,600	9.00%
Harvest Smart Overseas Limited	Beneficial owner	173,718,712	16.71%
Mr. Dizon Basilio	Beneficial owner, interests in a controlled corporation and interests of spouse (<i>Note 1</i>)	304,362,112	29.28%

DIRECTORS' REPORT

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DISCLOSURE OF INTERESTS (Continued)

(b) Interests of Substantial Shareholders (Continued)

Interests in the shares of the Company (Continued)

Name	Capacity	Number of shares held	Approximate percentage of issued share capital
Ms. Chow Lai Wah Livia	Beneficial owner, interests in a controlled corporation and interests of spouse (<i>Note 2</i>)	304,362,112	29.28%
Mr. Li Di	Beneficial owner	59,251,000	5.70%

Notes:

1. Mr. Dizon Basilio ("Mr. Dizon") is beneficially interests in 7,460,000 shares and has controlling interests 65% and 98.64% in L&W Holding Limited ("L&W") and Harvest Smart Overseas Limited ("Harvest Smart") respectively. Ms. Chow Lai Wah Livia ("Ms. Chow"), the spouse of Mr. Dizon and the Director of the Company, is beneficially interested in 29,594,800 shares in the Company, therefore, Mr. Dizon is deemed to be interested in 304,362,112 shares in the Company under the SFO.
2. Ms. Chow Lai Wah Livia ("Ms. Chow") is beneficially interested in 29,594,800 shares in the Company. She is the spouse of Mr. Dizon and has controlling interests in L&W and Harvest Smart. Accordingly, Ms. Chow is deemed to be interested in 304,362,112 shares in the Company under the SFO.

All interests stated above represent long positions.

Save as disclosed above, as at 31 March 2012, the Directors and the chief executive of the Company were not aware of any person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO.

DIRECTORS' REPORT

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DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

During the year, the Company had carried on a connected and continuing connected transaction, the details of which are disclosed below in compliance with the requirements of Chapter 14A of the Listing Rules.

(a) Extension of Repayment

On 16 July 2007, the Sale and Purchase Agreement (the "S&P Agreement") was entered into between Success Dynasty Limited ("SDL"), a wholly owned subsidiary of the Company, and Wealthy Concept Holdings Limited ("WCHL"), pursuant to which SDL agreed to acquire the 100% interest in Raise Beauty Investments Limited ("RBIL") from WCHL.

Under the S&P Agreement, WCHL has guaranteed to SDL that the audited net profit of RBIL and its subsidiaries for the year ended 31 December 2008 (the "Audited Net Profit") shall in aggregate be not less than RMB19,000,000 (equivalent to approximately HK\$21,554,169) (the "Profit Guarantee"). Eventually, the Profit Guarantee has not been achieved. WCHL, under the S&P Agreement, shall pay SDL in cash an amount of HK\$20,924,800 (equivalent to approximately RMB18,445,211) which equal to the difference between the Audited Net Profit and the Profit Guarantee on a dollar to dollar basis.

WCHL has repaid HK\$18,270,000 (equivalent to approximately RMB16,105,005) to SDL and the remaining balance of HK\$2,654,800 (equivalent to approximately RMB2,340,206) shall be payable in cash on or before 31 July 2012.

Mr. Tai Pang ("Mr. Tai") and Mr. Liao Chang Yuan ("Mr. Liao") holds 30% and 40% of the shareholding in WCHL respectively and Mr. Tai and Mr. Liao are directors of subsidiaries of the Company. Accordingly, under Chapter 14A of the Listing Rules, WCHL is an associate of Mr. Tai and Mr. Liao and both of Mr. Tai and Mr. Liao being connected persons of the Company. The entering into of the Supplemental Agreement between SDL and WCHL was constituted a connected transaction of the Company.

The directors (including the independent non-executive directors) of the Company, considered that the terms of the Supplemental Agreement were fair and reasonable and in the best interests of the Company and the shareholders of the Company as a whole and the Supplemental Agreement was entered into on normal commercial terms.

DIRECTORS' REPORT

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DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Continued)

(b) Licensing Agreement with a Connected Person

On 29 June 2010, the Group entered into a licensing agreement ("Licensing Agreement") with Mutual Work Media Investment Fund Limited ("Mutual Work"), of which Mr. Chen Man Lung, an executive Director of the Company, is holding 100% of the interests of Mutual Work. Pursuant to the Licensing Agreement, the Group granted to Mutual Work certain rights to exploit a section of the properties selected by Mutual Work, including any copyright work, characters, appearance of character, story title of the story, theme, dialogues or action embodied therein, for the production of movies.

The Licensing Agreement lasts for 3 years commenced from 29 June 2010. Detail of the transaction was set out in the announcement of the Company dated 29 June 2010. The annual cap for the Licensing Agreement is based on the royalty payment and the share of bonus on the global box office result. No royalty income received during the year. The annual cap for this transaction for the years ended 31 March 2012 and 2013 are HK\$5,010,000.

Pursuant to Rule 14A.38 of the Listing Rules, the auditors have reported their factual findings on the continuing connected transaction of the Group to the Board of Directors.

The independent non-executive Directors of the Company has reviewed the continuing connected transaction for the year ended 31 March 2012 and confirm that the transaction has been entered into:

- (1) in the ordinary and usual course of business of the Group;
- (2) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third party;
- (3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Group as a whole; and
- (4) have not exceeded the relevant maximum amount capped in accordance to the waiver previously granted by the Stock Exchange.

DIRECTORS' REPORT

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DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Continued)

(b) Licensing Agreement with a Connected Person (Continued)

Save as the above disclosed, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors nor their respective associates had any business which competed or was likely to compete, either directly or indirectly, with the business of the Group at the end of the year or at any time during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries have repurchased, sold or redeemed any of the listed securities in the Company during the year ended 31 March 2012.

AUDIT COMMITTEE

The audit committee of the Company, with written terms of reference in line with the code provisions set out in the Code on Corporate Governance Practices (the "Code") as stipulated in Appendix 14 to the Listing Rules, currently comprises three independent non-executive Directors, namely Mr. Tsang Wai Wa, Mr. Joseph Lee Chennault and Mr. Lai Qiang. The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the audited financial statements for the year ended 31 March 2012.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out on pages 29 to 34 of the annual report.

DIRECTORS' REPORT

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COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors (the "Model Code"). Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard as set out in the Model Code during the year ended 31 March 2012.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

AUDITOR

During the year, BDO Limited ("BDO") resigned as auditors of the Company with effect from 22 March 2012, and FTW & Partners CPA Limited ("FTW") was appointed as auditors of the Group with effect from 30 March 2012 to fill the casual vacancy occasioned by the resignation of BDO. The reason for this change of auditors is that taking into account the availability of internal resources in the next few months and the level of fees, BDO decided to resign as auditors of the Company.

The financial statements of the Company for the year ended 31 March 2012 were audited by FTW, who will retire and a resolution to re-appoint FTW as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board



Chu Bong Foo

Chairman

Hong Kong, 25 June 2012

CORPORATE GOVERNANCE REPORT

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INTRODUCTION

The Group is committed to achieving high standards of corporate governance which is crucial to the development of the Group and safeguard the interests of the Company's shareholders. To accomplish this, the Group has adopted practices which meet the Code as set out in Appendix 14 to the Listing Rules. During the year, the Company has complied with the Code except the following deviations:

Code Provision A.4.1

Under the code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. The current independent non-executive Directors of the Company are not appointed for a specific term. However, all Directors (including executive, non-executive and independent non-executive directors) of the Company are subject to retirement by rotation at the annual general meeting in accordance with Bye-Law 110(A) and 190(v) of the Bye-Laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

Code Provision E.1.2

Under the code provision E.1.2, the Chairman of the board should attend the annual general meeting. The Chairman of the board, Mr. Chu Bong Foo, was unable to attend the annual general meeting of the Company held on 8 August 2011 as he was on business trip for other important business engagement. However, an Executive Director, present at the annual general meeting who then took the chair of that meeting in accordance with the Bye-Laws of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard as set out in the Model Code during the year ended 31 March 2012.

CORPORATE GOVERNANCE REPORT

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BOARD OF DIRECTORS

As at the date of this report, the Board comprises the non-executive Chairman, the Vice Chairman, the Managing Director, five executive Directors and three independent non-executive Directors. The Board of Directors is principally accountable to the shareholders and is responsible for the leadership and control of the Group including overseeing the Group's businesses, strategic directions, financial performance, setting objectives and business development plans, and monitoring the performance of the senior management.

The Board of Directors meets regularly throughout the year to formulate overall strategy, monitor business development as well as the financial performance of the Group and has formal procedures on matters for consideration and decision. The Board of Directors has delegated certain authorities to the senior management for the day-to-day management of the Group's operation. The attendance of Directors at the board meetings held during the year is as follows:

Directors	Attendance/ Number of Meetings
Non-executive Director	
Mr. Chu Bong Foo (Chairman)	14/14
Executive Directors	
Ms. Chow Lai Wah Livia (Vice Chairman) (appointed as Executive Director on 17 May 2011 and re-designated as Vice Chairman on 26 March 2012)	7/14
Mr. Kwan Kin Chung (Managing Director)	14/14
Mr. Chung Billy	14/14
Mr. Tang U Fai	11/14
Mr. Tang Kwing Chuen Kenneth	11/14
Mr. Chen Man Lung	11/14
Mr. Wan Xiaolin	13/14
Independent non-executive Directors	
Mr. Tsang Wai Wa	8/14
Mr. Joseph Lee Chennault	10/14
Mr. Lai Qiang	10/14

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

The Company has received the annual confirmation of independence from each of the independent non-executive Directors as required under Rule 3.13 of the Listing Rules. The Company considered all independent non-executive Directors to be independent.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference is aligned with the code provisions set out in the Code.

The Audit Committee meets at least twice a year for reviewing the reporting of annual and interim results and other information to the shareholders, and the effectiveness and objectivity of the audit process. Additional meetings may be held by the Audit Committee from time to time to discuss special projects or other issues which the Audit Committee considers necessary. The external auditors of the Company may request a meeting if they consider that one is necessary. The Audit Committee also provides an important link between the Board and the Company's auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors.

Currently, the Audit Committee comprised three independent non-executive Directors. The Audit Committee was chaired by Mr. Tsang Wai Wa.

During the year, the Audit Committee reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited financial statements and unaudited interim financial statements.

During the year, the members and attendance of the meetings of the Audit Committee are as follows:

Directors	Attendance/ Number of Meetings
Mr. Tsang Wai Wa	3/3
Mr. Joseph Lee Chennault	2/3
Mr. Lai Qiang	3/3

CORPORATE GOVERNANCE REPORT

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ROLES AND RESPONSIBILITIES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year, the roles of the Chairman and Chief Executive Officer (“CEO”) are segregated and performed by different persons. The Chairman, Mr. Chu Bong Foo, is primarily responsible for the management of the Board, while the CEO, Mr. Yu Huaguo, is primarily for the daily operation of the Group in accordance with the goals set up by the Board. He is also supported by other executive Directors and senior management.

TERMS OF NON-EXECUTIVE DIRECTORS

Under the code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. The current independent non-executive Directors of the Company are not appointed for a specific term. However, all Directors (including executive, non-executive and independent non-executive directors) of the Company are subject to retirement by rotation at the annual general meeting in accordance with Bye-Law 110(A) and 190(v) of the Bye-Laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the Code.

REMUNERATION COMMITTEE

The Remuneration Committee of the Group has been established in November 2005 with written terms of reference in line with the Code. The Remuneration Committee will meet as and when necessary or as requested by any Committee member to consider and recommend to the Board the Group’s remuneration policy and structure and to review and determine the remuneration packages of the executive Directors and senior management. The Directors are remunerated with reference to their respective duties and responsibility with the Company, the Company’s performance and current market situation.

Currently, the Remuneration Committee comprised two independent non-executive Directors and one executive Director. The Remuneration Committee was chaired by Mr. Tsang Wai Wa.

During the year, no meeting was held by the Remuneration Committee.

Details of emoluments of the Directors from the Group for the year are as disclosed in note 15 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

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NOMINATION COMMITTEE

According to the Bye-Laws of the Company, the Company established a Nomination Committee on 26 March 2012 with written terms of reference, to formulate nomination policy for the Board's consideration and implement the Board's approved nomination policy. The Board of Directors has the power from time to time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board of Directors. The nomination shall be taken in consideration of the nominee's qualification, ability and potential contribution to the Company.

According to the written terms of reference, the Nomination Committee shall consists of three Directors, a majority of whom shall be independent non-executive Directors appointed by the Board of Directors from time to time. Currently, the Nomination Committee comprises Ms. Chow Lai Wah Livia, and two independent non-executive Directors, namely Mr. Tsang Wai Wa and Mr. Lai Qiang.

CORPORATE GOVERNANCE COMMITTEE

According to the Bye-Laws of the Company, the Company established a Corporate Governance Committee (the "CGC") on 26 April 2010 with written terms of reference. The CGC obligates to advise upon any transaction of the Company which the Board is proposed to enter or transact for and on behalf of the Company, and give a collective opinion to the Board as to the propriety, feasibility and prudence of entering into such transactions.

According to the written terms of reference, the CGC comprised of 4 members. Currently, the CGC was chaired by Mr. Chen Yen Lung ("Mr. Chen"). Mr. Chen participates in international financial investment over 20 years and has a strong and long-term business relationships with a number of international financial institutions.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 March 2012, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CORPORATE GOVERNANCE REPORT

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ACCOUNTABILITY AND AUDIT (Continued)

Auditor's Responsibilities and Remuneration

During the year, the audit fee for the Group amounted to approximately HK\$860,000.

The statement of the auditor of the Company regarding their reporting responsibilities is set out in the Independent auditor's Report on pages 35 and 36.

Internal Control

During the year, the Company has adopted and reviewed the effectiveness of the Group's internal control which includes financial, operational and compliance controls and risk management functions for safeguarding the interests of the shareholders of the Company.

INDEPENDENT AUDITOR'S REPORT

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FTW & Partners CPA Limited 港駿會計師行有限公司



FTW & Partners CPA Limited
Rooms 1001-1003, 10/F.
Manulife Provident Funds Place
345 Nathan Road
Kowloon, Hong Kong

To the shareholders of Culturecom Holdings Limited *(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Culturecom Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 37 to 146, which comprise the consolidated and Company statements of financial position as at 31 March 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

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Auditor's responsibility (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

FTW & Partners CPA Limited

Certified Public Accountants

HO Cheung Kong

Practising Certificate Number: P05214

Hong Kong, 25 June 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2012

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	Notes	2012 HK\$'000	2011 HK\$'000
Continuing operations:			
Revenue	5	33,960	38,333
Cost of sales		(19,777)	(21,603)
Gross profit		14,183	16,730
Other income	6	10,018	2,449
Administrative expenses		(77,545)	(62,394)
Decrease in fair value of financial assets at fair value through profit or loss	9	(41,330)	(10,781)
Share of losses of associates	18	(7,221)	(1,496)
Impairment of goodwill	19	(12)	(2,617)
Impairment of available-for-sale financial assets	21	(5,000)	-
Impairment of intangible assets	20	-	(22,825)
Finance costs	8	(9)	(79)
Loss before income tax	9	(106,916)	(81,013)
Income tax credit	10	2,890	8,937
Loss after income tax from continuing operations		(104,026)	(72,076)
Discontinued operations:			
Profit for the year	11	54,096	78,406
(Loss)/Profit for the year		(49,930)	6,330
Other comprehensive income			
Exchange gain on translation of financial statements of foreign operations		3,735	8,990
Other comprehensive income for the year		3,735	8,990
Total comprehensive (loss)/income for the year		(46,195)	15,320

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2012

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	Notes	2012 HK\$'000	2011 HK\$'000
(Loss)/Profit for the year attributable to:			
Owners of the Company	12	(49,107)	9,006
Non-controlling interests		(823)	(2,676)
		<u>(49,930)</u>	<u>6,330</u>
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(45,372)	17,996
Non-controlling interests		(823)	(2,676)
		<u>(46,195)</u>	<u>15,320</u>
(Loss)/Earnings per share attributable to the owners of the Company during the year			
	14		
From continuing and discontinued operations			
Basic		<u>(HK4.7 cents)</u>	<u>HK1.1 cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>
From continuing operations			
Basic		<u>(HK10.0 cents)</u>	<u>(HK8.6 cents)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2012

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	Notes	2012 HK\$'000	2011 HK\$'000
Non-current assets			
Property, plant and equipment	16	68,043	73,324
Investment properties	17	-	-
Long-term deposits		2,441	2,375
Interests in associates	18	15,004	22,222
Goodwill	19	-	-
Intangible assets	20	130,257	138,385
Available-for-sale financial assets	21	15,000	20,000
		230,745	256,306
Current assets			
Inventories	22	35,027	2,852
Trade receivables	23	23,376	21,020
Other receivables, deposits and prepayments	24	47,237	20,431
Amounts due from associates	18	67	52
Tax recoverables		5	53
Financial assets at fair value through profit or loss	25	50,911	62,071
Bank balances and deposits with financial institutions	26	434,531	258,176
		591,154	364,655
Assets classified as held for sale	27	-	226,549
		591,154	591,204
Current liabilities			
Trade payables	28	5,371	6,737
Other payables and accrued charges		24,659	26,593
Amounts due to fellow subsidiaries of an associate	29	675	675
Amounts due to associates	18	-	1,144
Obligations under finance leases – due within one year	30	43	43
Tax payables		2,785	733
		33,533	35,925
Liabilities associated with assets classified as held for sale	27	-	970
		33,533	36,895

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2012

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	Notes	2012 HK\$'000	2011 HK\$'000
Net current assets		557,621	554,309
Total assets less current liabilities		788,366	810,615
EQUITY			
Equity attributable to owners of the Company			
Share capital	31	10,396	10,339
Reserves	32	748,540	767,988
		758,936	778,327
Non-controlling interests		-	823
Total equity		758,936	779,150
Non-current liabilities			
Obligations under finance leases			
- due after one year	30	7	50
Deferred tax liabilities	35	29,423	31,415
		29,430	31,465
		788,366	810,615

Chu Bong Foo
Director

Kwan Kin Chung
Director

STATEMENT OF FINANCIAL POSITION

as at 31 March 2012

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	Notes	2012 HK\$'000	2011 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	41	112,246	112,246
Current assets			
Amounts due from subsidiaries	41	427,244	478,652
Other receivables, deposits and prepayments	24	4	16
Bank balances		197,879	119,676
		625,127	598,344
Current liabilities			
Other payables and accrued charges		491	1,066
Net current assets		624,636	597,278
Net assets		736,882	709,524
EQUITY			
Share capital	31	10,396	10,339
Reserves	32	726,486	699,185
Total equity		736,882	709,524

Chu Bong Foo
Director

Kwan Kin Chung
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2012

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	2012 HK\$'000	2011 HK\$'000
Cash flows from operating activities of continuing and discontinued operations		
Profit/(Loss) before income tax		
Continuing operations	(106,916)	(81,013)
Discontinued operations (note 11)	54,138	61,007
Total	(52,778)	(20,006)
Adjustments for:		
Reversal of impairment loss on trade receivables	(18)	-
Amortisation of intangible assets	11,840	13,094
Decrease in fair value of financial assets at fair value through profit or loss	41,330	10,781
Depreciation of property, plant and equipment	8,097	9,304
Loss on disposals of property, plant and equipment	1,677	107
Gain on disposals of financial assets at fair value through profit or loss	(220)	(765)
Interest expense	9	79
Interest income	(2,526)	(610)
Impairment of goodwill	12	2,617
Impairment of intangible assets	-	22,825
Impairment of available-for-sale financial assets	5,000	-
Share of losses of associates	7,221	1,496
Valuation surplus on investment properties	-	(59,757)
Gain on disposal of properties	(55,477)	-
Operating loss before working capital changes	(35,833)	(20,835)
Increase in inventories	(32,175)	(883)
Increase in trade receivables	(2,338)	(8,327)
Increase in other receivables, deposits and prepayments	(26,686)	(985)
Increase in amounts due from associates	(15)	(4)
(Increase)/decrease in financial assets at fair value through profit or loss	(29,950)	14,291
(Decrease)/increase in trade payables	(1,366)	1,679
Increase in other payables and accrued charges	118	7,381
Decrease in amounts due to fellow subsidiaries of an associate	-	(499)
(Decrease)/increase in amounts due to associates	(1,144)	503
Net cash used in operations	(129,389)	(7,679)
Interest received	2,276	610
Tax paid	(21)	(29)
Net cash used in operating activities	(127,134)	(7,098)

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2012

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	2012 HK\$'000	2011 HK\$'000
Cash flows from investing activities of continuing and discontinued operations		
Acquisition of subsidiaries (note 36)	(132)	-
Purchases of property, plant and equipment	(2,977)	(4,775)
Proceeds from disposal of property, plant and equipment	18	87
Purchases of available-for-sale financial assets	-	(10,000)
Acquisition of an associate	(3)	-
Other interest income	250	-
Proceeds from disposal of investment properties	278,907	-
	<hr/>	<hr/>
<i>Net cash from/(used in) investing activities</i>	276,063	(14,688)
	<hr/>	<hr/>
Cash flows from financing activities of continuing and discontinued operations		
Proceeds from rights issue	-	120,620
Proceeds from warrants issue	27,570	-
Interest paid	(9)	(79)
Repayments of obligations under finance leases	(43)	(43)
Expenses incurred on capital reduction	-	(100)
Expenses incurred on rights issue	(21)	(2,590)
Exercise of warrants	1,599	-
Expenses incurred on warrants issue	(1,018)	-
	<hr/>	<hr/>
<i>Net cash from financing activities</i>	28,078	117,808
	<hr/>	<hr/>
Net increase in cash and cash equivalents	177,007	96,022
Cash and cash equivalents at 1 April	258,176	160,514
Effect of foreign exchange rate changes	(652)	1,640
	<hr/>	<hr/>
Cash and cash equivalents at 31 March	434,531	258,176
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the balances of cash and cash equivalents		
Bank balances and deposits with financial institutions	434,531	258,176
	<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2012

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	Attributable to owners of the Company									Non-controlling interests	Total equity	
	Share capital	Share premium	Contribution surplus	Other reserve	Capital redemption reserve	Translation reserve	Share option reserve	Investment property revaluation reserve	Accumulated losses			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2010	689,256	931,511	171,671	128	446	12,949	63,619	2,149	(1,229,328)	642,401	3,499	645,900
Rights issue (note 31)	3,446	117,174	-	-	-	-	-	-	-	120,620	-	120,620
Expenses incurred on rights issue	-	(2,590)	-	-	-	-	-	-	-	(2,590)	-	(2,590)
Transactions with owners	3,446	114,584	-	-	-	-	-	-	-	118,030	-	118,030
Capital reduction (note 31)	(682,363)	682,363	-	-	-	-	-	-	-	-	-	-
Expenses incurred on capital reduction	-	(100)	-	-	-	-	-	-	-	(100)	-	(100)
Profit for the year	-	-	-	-	-	-	-	-	9,006	9,006	(2,676)	6,330
Other comprehensive income												
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	-	8,990	-	-	-	8,990	-	8,990
Total comprehensive income for the year	-	-	-	-	-	8,990	-	-	9,006	17,996	(2,676)	15,320
At 31 March 2011	10,339	1,728,358	171,671	128	446	21,939	63,619	2,149	(1,220,322)	778,327	823	779,150

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2012

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	Attributable to owners of the Company									Non-controlling interests	Total equity	
	Share capital	Share premium	Contribution surplus	Other reserve	Capital			Investment				Total
					Redemption reserve	Translation reserve	Share option reserve	property revaluation reserve	Accumulated losses			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2011	10,339	1,728,358	171,671	128	446	21,939	63,619	2,149	(1,220,322)	778,327	823	779,150
Issue of warrants (note 31)	-	-	-	27,570	-	-	-	-	-	27,570	-	27,570
Exercise of warrants	57	1,542	-	-	-	-	-	-	-	1,599	-	1,599
Expenses incurred on warrants issue	-	-	-	(1,018)	-	-	-	-	-	(1,018)	-	(1,018)
Expenses incurred on right issue	-	(21)	-	-	-	-	-	-	-	(21)	-	(21)
Transfer from other reserve to share premium due to exercise of warrants	-	1,100	-	(1,100)	-	-	-	-	-	-	-	-
Transfer to gain on disposal of property	-	-	-	-	-	-	-	(2,149)	-	(2,149)	-	(2,149)
Transactions with owners	57	2,621	-	25,452	-	-	-	(2,149)	-	25,981	-	25,981
Loss for the year	-	-	-	-	-	-	-	-	(49,107)	(49,107)	(823)	(49,930)
Other comprehensive income												
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	-	3,735	-	-	-	3,735	-	3,735
Total comprehensive loss for the year	-	-	-	-	-	3,735	-	-	(49,107)	(45,372)	(823)	(46,195)
At 31 March 2012	10,396	1,730,979	171,671	25,580	446	25,674	63,619	-	(1,269,429)	758,936	-	758,936

Contribution surplus represents the difference between the nominal value of the share capital of the acquired subsidiaries and the nominal amount of the Company's share capital issued as consideration for the acquisition as at the date of the group reorganisation in prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2012

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1. GENERAL INFORMATION

Culturecom Holdings Limited (“the Company”) is a limited liability company incorporated in Bermuda. Its registered office address is Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business is Room 3201, 32th Floor, Singa Commercial Centre, 148 Connaught Road West, Hong Kong. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal activities of the Company and its subsidiaries (together the “Group”) comprise publishing, property investment which classified as discontinued operations in prior year, investment holding, exploration of crude oil services, Chinese information infrastructure and online social music gaming platform, electronic card service, retailing and wholesales and catering business. The Group’s principal places of the business are in Hong Kong and the People’s Republic of China (the “PRC”) and Macau.

On 27 January 2011, the Group entered into a provisional agreement for sales and purchase (“Provisional Agreement”) with an independent third party in relation to the disposal of all its investment properties, the whole block of Culturecom Centre, located at 47 Hung To Road, Kwun Tong, Kowloon (the “Disposal Property”) for a consideration of HK\$286,000,000 (the “Disposal”). The Disposal was approved at the special general meeting held on 23 March 2011 and the transaction was completed on 23 September 2011.

The financial statements are presented in Hong Kong Dollars (“HK\$”), which is also the functional currency of the Company and all values are rounded to the nearest thousand (“HK\$’000”) unless otherwise indicated.

The financial statements for the year ended 31 March 2012 were approved for issue by the board of directors on 25 June 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2012

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 37 to 146 have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standard ("HKASs") and Interpretations ("Int") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented, unless otherwise stated. The adoption of new or revised HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 3.

The financial statements have been prepared under historical cost convention except for financial assets at fair value through profit or loss, investment properties including in assets classified as held for sale and available-for-sale financial assets which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

2.2 Business combination and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2012

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Business combination and basis of consolidation (Continued)

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

2.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2012

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Associates

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which are neither subsidiaries nor investment in a joint venture.

In the consolidated financial statements, investment in associates is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate's profit or loss in which the investment is acquired.

Under the equity method, the Group's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated statement of comprehensive income includes the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on goodwill relating to the investment in associate recognised for the year.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Where unrealised losses on assets sales between the Group and its associates are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2012

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Associates (Continued)

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. At each reporting date, the Group determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (see note 2.19) of the associate and its carrying amount.

2.5 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2012

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation (Continued)

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK\$. Assets and liabilities have been translated into HK\$ at the closing rates at the reporting date. Income and expenses have been converted into HK\$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with in the translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation have been treated as assets and liabilities of the foreign operation and translated into HK\$ at the closing rate.

When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

2.6 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and any impairment losses. Exploration and production properties include the expenditures for wells and related facilities in the course of exploration and production activities. Exploration and evaluation expenditures are accounted for using the "successful efforts" method of accounting. Costs are accumulated on a field-by-field basis. Geological and geophysical costs are expensed as incurred. Costs directly associated with an exploration well, and exploration and property leasehold acquisition costs, are capitalised until the determination of reserves is evaluated. If it is determined that commercial discovery has not been achieved, these costs are charged to expense.

Depreciation is provided to write off the cost over their estimated useful lives, using the straight-line method, at the following rates per annum:

Buildings	Shorter of the lease term or 5%
Leasehold land	Over lease terms
Leasehold improvements	Shorter of the lease term or 10%
Plant and machinery	7% to 20%
Vehicles, furniture and equipment	15% to 20%
Exploration and production properties	5%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2012

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment (Continued)

The assets' estimated useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss arising on retirement or disposal is determined as the difference between the net sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss in the year in which they are incurred.

2.7 Leasehold land and land use rights

Upfront payments made to acquire land held under an operating lease were stated at cost less accumulated amortisation and any impairment losses. Amortisation was calculated on straight-line method over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

As part of improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. The Group concluded that the classification of such leases as operating leases is not appropriate and the leasehold interests will no longer be classified by the Group as operating leases as the Group considers that it is in a position economically similar to that of a purchaser. Accordingly, the Group has retrospectively reclassified the interests from "Leasehold land and land use rights" to "Property, plant and equipment". These amendments had no impact on the Group's retained profits and current year results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2012

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised in the statement of financial position reflect the prevailing market conditions at the reporting date.

Gains or losses arising from either changes in the fair value or the sale of an investment property are included in profit or loss for the period in which they arise.

For property occupied by the Group as an owner-occupied property which becomes an investment property, the Group accounts for such property in accordance with the policy of property up to the date of change in use, and any difference at that date between the carrying amount and fair value of the property is dealt with in asset revaluation reserve. On disposal of the property, the asset revaluation reserve is transferred to retained profits as a movement in reserves.

As described in note 1 to the consolidated financial statements, the Group's only investment property was disposed of during the year. The investment property constituted a core part of the Group's property investment business. In accordance with HKFRS 5, the Group reclassified the investment property, at the end of the previous reporting period as held for sale in the Group's consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2012

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities, and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Intangible assets (other than goodwill)

Intangible assets (other than goodwill)

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with indefinite useful lives are carried at cost less any impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. Intangible assets are tested for impairment as described below in note 2.19.

Intangible assets include exploration and production services rights in respect of the cooperation right of crude oil extraction which are recognised at fair value upon business combination and are amortised on straight-line method over the period of the related service contract.

Intangible assets also include computer software, licence, customer relationship and retailer contracts which are recognised upon business combination and are amortised on straight-line method over 5 years.

Accounting policies for impairment of intangible assets have been set out in note 2.19 below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets

Financial assets are classified into financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date, that is, the date that the Group commits to purchase or sell the asset. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

(i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are mainly financial assets held for trading and they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or
- the assets are part of a group of financial assets which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or
- the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's accounting policies in note 2.18 to these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2012

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(iii) *Available-for-sale financial assets*

These include non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised in other comprehensive income and accumulated separately in the available-for-sale financial assets revaluation reserve in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity would be reclassified to profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2012

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment. Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2012

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

Impairment of financial assets (Continued)

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised cost

A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the year in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the year in which the reversal occurs.

(ii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as an impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2012

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Available-for-sale financial assets (Continued)

Reversals of investment in equity instruments classified as available-for-sale and stated at fair value are not recognised in the profit or loss. The subsequent increase in fair value is recognised in other comprehensive income.

(iii) Financial assets carried at cost

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Financial assets other than financial assets at fair value through profit or loss and loans and receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of loans and receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of loans and receivables is remote, the amount considered irrecoverable is written off against loans and receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Impairment losses recognised in interim period in respect of unquoted equity securities carried at cost are not reversed in a subsequent period. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of an annual period, or in a subsequent period, the increase is recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2012

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and any applicable selling expenses.

When the inventories are sold, the carrying amount of those inventories is recognised as an expense in the year in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the year in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the year in which the reversal occurs.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value which are repayable on demand and form an integral part of the Group's cash management.

2.14 Financial liabilities

The Group's financial liabilities include trade payables, other payables and accrued charges, amounts due to associates, amounts due to fellow subsidiaries of an associate and obligations under finance leases.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 2.21).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Financial liabilities (Continued)

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Obligations under finance leases

These are measured at initial value less the capital element of lease repayments (see note 2.15).

Trade payables, other payables and accrued charges, amounts due to associates and amounts due to fellow subsidiaries of an associate

These are recognised initially at fair value and subsequently measured at amortised cost less settlement payments, using effective interest method.

2.15 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2012

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Leases (Continued)

(ii) *Assets acquired under finance leases*

Where the Group acquires the right to use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets is included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) *Operating lease charges as the lessee*

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss using straight-line method over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the year in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2012

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Leases (Continued)

(iv) Assets leased out under operating leases as the lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on straight-line method over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the year in which they are earned.

2.16 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Provisions, contingent liabilities and contingent assets (Continued)

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. These are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

2.17 Share capital

Ordinary shares are classified as equity. Share Capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

The consideration payable on repurchase or cancellation of the Company's ordinary share is deducted from equity. No gain or loss is recognised in profit or loss on the repurchase or cancellation of the Company's ordinary shares.

2.18 Revenue recognition

Revenue comprises the fair value for the sale of goods and services and the use by others of the Group's assets yielding interest and dividends, net of applicable value-added tax ("VAT"), rebate and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Exploration and production services income and management fee income are recognised when the related services are rendered.

Interest income is recognised on time-proportion basis using effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Revenue recognition (Continued)

Dividend is recognised when the right to receive the dividend is established.

Rental income (discontinued operations during the year) under operating leases is recognised in equal instalments over the periods covered by the lease term.

2.19 Impairment of non-financial assets

Goodwill, property, plant and equipment, interests in subsidiaries and associates and intangible assets are subject to impairment testing.

Goodwill and intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level.

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for the year ended 31 March 2012

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Impairment of non-financial assets (Continued)

Goodwill in particular is allocated to those CGUs that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose. Impairment losses recognised for CGUs, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the CGU, except that the carrying amount of an asset will not be reduced below its individual fair value less cost to sell, or value-in-use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34 – Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit plan (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme.

The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme.

Contributions are recognised as expenses in profit or loss as employees rendered services during the year. The Group's obligations under these plans are limited to the fixed percentage contribution payable.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Employee benefits (Continued)

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Share-based employee compensation

All share-based payment arrangements granted after 7 November 2002 and had not vested on 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees, directors and in exchange for goods and services.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the equity instruments awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the share option reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately exercised than originally vested.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Employee benefits (Continued)

Share-based employee compensation (Continued)

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. After vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

Share options granted to suppliers/consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received. The fair value is measured at the date the Group obtains the goods or the counterparty renders service.

2.21 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time get ready for its intended use or sale. Other borrowing costs are expenses when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2012

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at the tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

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for the year ended 31 March 2012

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Accounting for income taxes (Continued)

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2012

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The Group has identified the following reportable segments:

- Publishing: Publication of comic books and royalty income from licensing comic books
- Crude oil exploration services: Crude oil exploration services in the People's Republic of China (the "PRC")
- Chinese information infrastructure and online social music gaming platform: Provision of server management, data warehousing services and development of online social music gaming platform
- Electronic card service: Electronic card payment services in convenience stores, supermarkets, fast-food restaurants, hotel, online shopping and other point-of-sale applications such as service stations and vending machines
- Retailing and wholesales: Retailing of clothes, cosmetics and ladies accessories and red wine in Hong Kong and Macau and wholesales of insulation materials in Japan
- Property investments (which were discontinued during the year)

Information about other business activities and operating segments that are not reportable are combined and disclosed in "Others". Others included catering services in Macau.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Segment reporting (Continued)

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except for fair value change in financial assets at fair value through profit or loss, impairment of available-for-sale financial assets, share of results of associates, finance costs, income tax and corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment.

Segment assets consist primarily of intangible assets, property, plant and equipment, inventories, receivables and operating cash, and mainly exclude interests in associates, available-for-sale financial asset, financial assets at fair value through profit or loss, assets of discontinued operations and amounts due from associates. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities exclude amounts due to fellow subsidiaries of an associate, amounts due to associates and liabilities of discontinued operations as well as corporate liabilities, which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include income tax payables.

2.24 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

- (a) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (b) the Group and the party are subject to common control;
- (c) the party is an associate of the Group or a joint venture in which the Group is a venturer;

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Related parties (Continued)

- (d) the party is a member of key management personnel of the Group, or is a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (e) the party is a close family member of a party referred to in (a) or is an entity under the control, joint control or significant influence of such individuals; or
- (f) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

2.25 Non-current assets held for sale and discontinued operations

(a) *Non-current assets held for sale*

Non-current assets are classified as held for sale when:

- (i) they are available for immediate sale;
- (ii) management is committed a plan to sell;
- (iii) it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- (iv) an active programme to locate a buyer has been initiated;
- (v) the asset is being marketed at a reasonable price in relation to its fair value; and
- (vi) a sale is expected to complete within 12 months from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy and fair value less costs to sell.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Non-current assets held for sale and discontinued operations (Continued)

(a) *Non-current assets held for sale (Continued)*

Following their classification as held for sale, non-current assets are not depreciated.

(b) *Discontinued operations*

A discontinued operation is a component of Group's business, operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned. Where an operation is classified as discontinued, a single amount is presented on the face of the statement of comprehensive income, which comprises:

- (i) the post-tax profit or loss of the discontinued operation; and
- (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal of the assets constituting the discontinued operation.

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3. CHANGE OF ACCOUNTING POLICIES AND ADOPTION OF NEW OR REVISED HKFRSs

(a) Adoption of new/revised HKFRSs – effective 1 April 2011

In the current year, the Group has applied, for the first time the following new standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 April 2011:

Amendments to HKFRSs HKAS 24 (as revised in 2009)	Improvements to HKFRSs issued in 2010 Related party disclosures
Amendments to HK(IFRIC) – INT 14	Prepayments of a minimum funding requirement
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments

The adoption of such amendments and interpretation to existing standards did not have any significant effect on results or financial position of the Group for the current year.

(b) New/Revised HKFRSs that have been issued but are not yet effective

At the date of authorisation of these financial statements, the following new/revised HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKFRSs Amendments to HKFRS 7	Annual improvements to HKFRSs 2009-2011 cycle ² Disclosures – Transfers of financial assets ¹ Disclosures – Offsetting financial assets and financial liabilities ²
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures ³
HKFRS 9	Financial instruments ³
HKFRS 10	Consolidated financial statements ²
HKFRS 11	Joint arrangements ²
HKFRS 12	Disclosure of interests in other entities ²
HKFRS 13	Fair value measurement ²

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3. CHANGE OF ACCOUNTING POLICIES AND ADOPTION OF NEW OR REVISED HKFRSS (Continued)

(b) New/Revised HKFRSSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 1	Presentation of items of other comprehensive income ⁵
Amendments to HKAS 12	Deferred tax — Recovery of underlying assets ⁴
HKAS 19 (as revised in 2011)	Employee benefits ²
HKAS 27 (as revised in 2011)	Separate financial statements ²
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures ²
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ⁶
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine ²

¹ Effective for annual periods beginning on or after 1 July 2011.

² Effective for annual periods beginning on or after 1 January 2013.

³ Effective for annual periods beginning on or after 1 January 2015.

⁴ Effective for annual periods beginning on or after 1 January 2012.

⁵ Effective for annual periods beginning on or after 1 July 2012.

⁶ Effective for annual periods beginning on or after 1 January 2014.

The Group did not early adopt any of these new or revised HKASs and HKFRSSs, amendments and interpretation to existing HKASs and HKFRSSs. Management is currently assessing the financial impact of these revisions to the Group's financial position and performance.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

Impairment of property, plant and equipment and intangible assets

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the directors take into consideration assumptions that are mainly based on market condition existing at the reporting dates and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

Assessment of impairment of goodwill

The Group tests annually whether goodwill has suffered impairment in accordance with the accounting policy stated in note 2.9. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flows, management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. Details of the estimates of the recoverable amounts of CGUs containing goodwill are disclosed in note 19.

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

Estimation of exploration and production service rights

Estimates of crude oil reserves are the important element in determining the fair value of the exploration and production service rights and testing for impairment. Proved plus probable reserves and unrisks prospective resources estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms and development plans. In general, changes in the technical maturity of oil reserves resulting from new information becoming available from development and production activities have tended to be the most significant cause of annual revisions.

Impairment of receivables

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers to make the required payments. The estimates are made with reference to the ageing of the accounts receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than the estimate.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of selling products of a similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management reassesses these estimations at the reporting date to ensure inventory is stated at the lower of cost and net realisable value.

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.2 Critical judgements in applying the entity's accounting policies

Deferred tax

As at 31 March 2012, deferred tax assets of HK\$3,910,000 (2011: HK\$5,754,000) in relation to unused tax losses have been recognised in the consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a reversal of the deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

Carrying value of available-for-sale financial assets and financial assets at fair value through profit or loss

Unlisted equity share investments

The Group's available-for-sale financial asset and financial assets at fair value through profit or loss include certain unlisted equity share investments that do not have a quoted market price in an active market and whose fair value, in the opinion of the directors, cannot be reliably measured. Accordingly, the Group has reflected these financial assets at cost less any impairment losses.

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.2 Critical judgements in applying the entity's accounting policies (Continued)

Carrying value of available-for-sale financial assets and financial assets at fair value through profit or loss (Continued)

Impairment on assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flows projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect net present value used in the impairment test.

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5. REVENUE

Revenue on continuing operations, which is also the Group's turnover, represents the net amount received and receivable for goods sold by the Group, less returns, trade discounts and allowances, exploration and production services income and is analysed as follows:

	2012 HK\$'000	2011 HK\$'000
Revenue on continuing operations		
Sales of goods	29,061	31,501
Exploration and production services income	4,899	6,832
	<u>33,960</u>	<u>38,333</u>

6. OTHER INCOME

	2012 HK\$'000	2011 HK\$'000
Gain on disposals of financial assets at fair value through profit or loss	220	765
Reversal of impairment loss on trade receivables	18	-
Interest income on bank deposits	2,276	610
Other interest income	250	-
Management fee income	1,748	53
Rental income	3,530	-
Sundry income	754	1,007
Dividend received from listed equity securities	38	14
Net foreign exchange gain	1,184	-
	<u>10,018</u>	<u>2,449</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2012

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7. SEGMENT INFORMATION

The executive directors have identified the Group's product and service lines as operating segments as further described in note 2.23. These operating segments are monitored and strategic decisions are made based on segment's performance.

As mentioned in note 1, the Group entered into the Provisional Agreement to dispose of the Disposal Property for a consideration of HK\$286,000,000 and such transaction was completed on 23 September 2011. In accordance with HKFRS 5, the Group's business of property investment is referred to as the Discontinued Operations for the years ended 31 March 2012 and 2011 in the Group's financial statements. Further details regarding the results of the Discontinued Operations are set out in note 11 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2012

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7. SEGMENT INFORMATION (Continued)

The Group's continuing operations are currently organised into five main business segments:

2012

	Continuing operations						Total HK\$'000
	Publishing HK\$'000	Crude oil exploration services HK\$'000	Chinese information infrastructure and online social music gaming platform HK\$'000	Electronic Card service HK\$'000	Retailing and wholesales HK\$'000	Others HK\$'000	
Revenue							
From external customers	21,586	4,899	-	26	5,141	2,308	33,960
From other segments	1	-	-	-	1,123	-	1,124
Reportable segment revenue	21,587	4,899	-	26	6,264	2,308	35,084
Reportable segment loss	(6,383)	(18,033)	(17,003)	(1,567)	(5,333)	(3,899)	(52,218)
Other information							
Amortisation of intangible assets	-	11,840	-	-	-	-	11,840
Impairment of available-for-sale financial assets	-	-	-	-	-	5,000	5,000
Bank interest income	-	(599)	(856)	-	-	(821)	(2,276)
Depreciation of property, plant and equipment	162	4,050	594	99	635	2,440	7,980
Reportable segment assets	24,328	234,773	97,269	3,982	48,690	9,921	418,963
Additions to non-current assets	877	134	685	-	226	1,055	2,977
Reportable segment liabilities	(8,307)	(7,424)	(1,468)	(3,747)	(9,517)	(72)	(30,535)

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7. SEGMENT INFORMATION (Continued)

2011

	Continuing operations						Total HK\$'000
	Publishing HK\$'000	Crude oil exploration services HK\$'000	Chinese information infrastructure HK\$'000	Electronic Card service HK\$'000	Retailing and wholesales HK\$'000	Others HK\$'000	
Revenue							
From external customers	24,973	6,832	-	146	4,167	2,215	38,333
From other segments	12	-	-	-	400	-	412
Reportable segment revenue	<u>24,985</u>	<u>6,832</u>	<u>-</u>	<u>146</u>	<u>4,567</u>	<u>2,215</u>	<u>38,745</u>
Reportable segment profit/(loss)	<u>3,132</u>	<u>(33,210)</u>	<u>(4,703)</u>	<u>(9,139)</u>	<u>(7,400)</u>	<u>(5,051)</u>	<u>(56,371)</u>
Other information							
Amortisation of intangible assets	-	11,974	-	1,120	-	-	13,094
Impairment of goodwill	-	-	-	2,617	-	-	2,617
Impairment of intangible assets	-	19,280	-	3,545	-	-	22,825
Bank interest income	-	(592)	(6)	(7)	(1)	(4)	(610)
Depreciation of property, plant and equipment	150	4,005	9	218	886	2,774	8,042
Reportable segment assets	<u>14,239</u>	<u>246,588</u>	<u>72,933</u>	<u>7,065</u>	<u>17,611</u>	<u>6,252</u>	<u>364,688</u>
Additions to non-current assets	230	2,425	77	10	-	1,095	3,837
Reportable segment liabilities	<u>(8,665)</u>	<u>(9,226)</u>	<u>(414)</u>	<u>(5,313)</u>	<u>(563)</u>	<u>(49)</u>	<u>(24,230)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2012

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7. SEGMENT INFORMATION (Continued)

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements are as follows:

	2012 HK\$'000	2011 HK\$'000
Reportable segment revenue	35,084	38,745
Elimination of inter segment revenue	(1,124)	(412)
Revenue from continuing operations	<u>33,960</u>	<u>38,333</u>
Loss before income tax expenses and discontinued operations		
Reportable segment loss	(52,218)	(56,371)
Decrease in fair value of financial assets at fair value through profit or loss	(41,330)	(10,781)
Impairment of available-for-sale financial assets	(5,000)	-
Share of losses of associates	(7,221)	(1,496)
Unallocated corporate expenses	(1,138)	(12,286)
Finance costs	(9)	(79)
Loss before income tax credit from continuing operations	<u>(106,916)</u>	<u>(81,013)</u>
Reportable segment assets	418,963	364,688
Interests in associates	15,004	22,222
Available-for-sale financial asset	15,000	20,000
Amounts due from associates	67	52
Financial assets at fair value through profit or loss	50,911	62,071
Assets of discontinued operations	-	226,549
Other corporate assets	321,954	151,928
Group assets	<u>821,899</u>	<u>847,510</u>
Reportable segment liabilities	30,535	24,230
Amounts due to fellow subsidiaries of an associate	675	675
Amounts due to associates	-	1,144
Liabilities of discontinued operations	-	970
Other corporate liabilities	31,753	41,341
Group liabilities	<u>62,963</u>	<u>68,360</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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7. SEGMENT INFORMATION (Continued)

Valuation surplus on investment properties have been reclassified to profit from discontinued operations as at 31 March 2011.

The Group's revenues from external customers and its non-current assets (other than financial instruments) are divided into the following geographical areas:

	Revenue from customers (including continuing and discontinued operations)		Non-current assets	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Hong Kong (place of domicile)	25,244	31,798	21,723	29,384
The PRC	5,263	6,978	191,984	202,258
Macau	2,527	4,173	1,952	4,562
Japan	3,291	1,689	86	102
	36,325	44,638	215,745	236,306

The geographical location of customers is based on the location at which the services are provided or the goods are delivered. The geographical location of non-current assets is based on the physical location of the asset.

During the year, there was no revenue from external customers attributed to Bermuda (domicile) and no non-current assets were located in Bermuda (2011: Nil). The country of domicile is the country where the Company was incorporated for the purpose of the disclosures as required by HKFRS 8 "Operating Segments".

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7. SEGMENT INFORMATION (Continued)

During the year, there were three (2011: three) customers with whom transactions of each have exceeded 10% of the Group's revenue. Total revenue from these three (2011: three) customers accounted for 27% (2011: 29%), 17% (2011: 18%) and 13% (2011: 16%) of the Group's revenue for the year respectively. As at the reporting date, total trade receivables due from these three (2011: three) customers accounted for 4% (2011: 9%), 15% (2011: 7%), 76% (2011: 71%) of such balances respectively. Sales to these customers have been included in the segment of publishing and crude oil exploration services.

8. FINANCE COSTS

	2012 HK\$'000	2011 HK\$'000
Continuing operations		
Interest charges on:		
Finance leases	9	9
Other borrowings wholly repayable within five years	-	70
	<u>9</u>	<u>79</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2012

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9. LOSS BEFORE INCOME TAX

	2012 HK\$'000	2011 HK\$'000
Continuing operations		
Loss before income tax has been arrived at after charging/(crediting):		
Staff costs		
Directors' emoluments (note 15)	4,625	6,606
Other staff costs:		
– Retirement benefits schemes contributions	271	249
– Salaries and other benefits	14,773	15,308
	19,669	22,163
Auditor's remuneration	860	880
Amortisation of intangible assets	11,840	13,094
Depreciation of property, plant and equipment		
– Owned assets	7,948	8,010
– Assets held under finance leases	32	32
	7,980	8,042
Cost of inventories recognised as expenses	16,546	17,604
Operating lease rentals in respect of rented premises	4,288	4,909
Loss on disposals of property, plant and equipment	1,754	107
Decrease in fair value of financial assets at fair value through profit or loss	41,330	10,781
Impairment of available-for-sale financial assets	5,000	–
Dividend income	(38)	(14)
Reversal of impairment loss on trade receivables	(18)	–
Net foreign exchange (gain)/loss	(1,184)	23

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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10. INCOME TAX CREDIT

Pursuant to the rules and regulations of Bermuda, the Group is not subject to any income tax in Bermuda during the year (2011: Nil).

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the year. PRC Enterprise Income Tax ("EIT") has been provided at 25% (2011: 25%) on the estimated assessable profits in the PRC for the year.

	2012		2011	
	Continuing operations HK\$'000	Discontinued operations HK\$'000	Continuing operations HK\$'000	Discontinued operations HK\$'000
Income tax credit comprises:				
Current tax expenses				
- Hong Kong profits tax	48	-	42	-
- PRC EIT	21	-	-	-
	<u>69</u>	<u>-</u>	<u>42</u>	<u>-</u>
Deferred tax				
- Deferred tax (credit)/expenses	(2,959)	42	(8,979)	(17,399)
Income tax (credit)/expenses	<u>(2,890)</u>	<u>42</u>	<u>(8,937)</u>	<u>(17,399)</u>

Details of deferred tax are set out in note 35.

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for the year ended 31 March 2012

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10. INCOME TAX CREDIT (Continued)

Reconciliation between income tax credit and accounting (loss)/profit at applicable tax rates:

	2012		2011	
	Continuing operations HK\$'000	Discontinued operations HK\$'000	Continuing operations HK\$'000	Discontinued operations HK\$'000
(Loss)/Profit before income tax	<u>(106,916)</u>	<u>54,138</u>	<u>(81,013)</u>	<u>61,007</u>
Notional tax on (loss)/profit calculated at the rates applicable to profits in the jurisdiction concerned	(16,593)	8,933	(14,647)	10,066
Effect on non-taxable income	(1,203)	(7,090)	(660)	-
Effect of non tax deductible expenses	7,064	37	1,882	123
Tax effect of unused tax losses not recognised	8,450	-	5,483	-
Utilisation of deferred tax assets previously not recognised	-	(1,845)	(739)	(245)
Tax effect on temporary difference not recognised	(608)	7	(256)	(83)
Tax effect of change in expected manner of recovery of the assets classified as held for sale	-	-	-	(27,260)
Total income tax (credit)/expenses	<u>(2,890)</u>	<u>42</u>	<u>(8,937)</u>	<u>(17,399)</u>

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11. DISCONTINUED OPERATIONS – GROUP

The Group entered into the Provisional Agreement with an independent third party in relation to the Disposal of the Disposal Property for a consideration of HK\$286,000,000. The transaction was completed on 23 September 2011. In accordance with HKFRS 5, the Group's business of property investment is classified as the Discontinued Operations, the analysis of the results of which for the years ended 31 March 2012 and 2011 is as follows:

	2012 HK\$'000	2011 HK\$'000
Revenue	2,365	6,305
Cost of sales	(405)	(695)
Gross profit	1,960	5,610
Other income	1	-
Administrative expenses	(3,300)	(4,360)
Valuation surplus on investment properties (note 17)	-	59,757
Gain on disposal of properties	55,477	-
Profit before income tax	54,138	61,007
Income tax (expense)/credit	(42)	17,399
Profit for the year	54,096	78,406
Operating cash inflows	277,666	2,158
Net cash inflows	277,666	2,158

Property rental income under operating leases, net of direct outgoings of the Discontinued Operations for the year amounting to approximately HK\$1,960,000 (2011: HK\$5,610,000) included net direct outgoings of approximately HK\$405,000 (2011: HK\$695,000).

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11. DISCONTINUED OPERATIONS – GROUP (Continued)

Depreciation expense of the Discontinued Operations for the year amounting approximately to HK\$117,000 (2011: HK\$1,262,000) has been included in administrative expenses.

Details of the assets and liabilities associated with the Discontinued Operations as at 31 March 2012 and 2011 are shown in note 27 to the consolidated financial statements.

12. (LOSS)/ PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated loss attributable to the owners of the Company of HK\$49,107,000 (2011: profit of HK\$9,006,000), a loss of HK\$772,000 (2011: HK\$18,143,000) has been dealt with in the financial statements of the Company.

13. DIVIDENDS

No dividend was paid or proposed during the year of 2012, nor has any dividend been proposed since the end of reporting period (2011: nil).

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14. (LOSS)/EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company is based on the following data:

(Loss)/Earnings	2012 HK\$'000	2011 HK\$'000
(Loss)/Profit attributable to the owners of the Company for the purpose of basic earnings per share:		
Continuing operations	(103,203)	(69,400)
Discontinued operations	54,096	78,406
Total (loss)/profit from continuing and discontinued operations	(49,107)	9,006
Number of shares	2012 Number of shares '000	2011 Number of shares '000
Weighted average number of shares for the purpose of basic earnings per share	1,035,758	809,219

No diluted earnings per share has been presented for both years because the exercise prices of the Company's share options were higher than the average market price of the Company's shares during the year.

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15. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Emoluments of directors

	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
2012				
Non-executive director				
Chu Bong Foo	-	547	-	547
Executive directors				
Chow Lai Wah Livia (appointed on 17 May 2011)	110	286	12	408
Kwan Kin Chung	120	725	12	857
Chung Billy	120	684	12	816
Tang U Fai	-	341	-	341
Tang Kwing Chuen Kenneth	120	158	5	283
Chen Man Lung	120	-	5	125
Wan Xiaolin	120	636	12	768
Independent non-executive directors				
Tsang Wai Wa	120	-	-	120
Joseph Lee Chennault	240	-	-	240
Lai Qiang	120	-	-	120
Total for 2012	<u>1,190</u>	<u>3,377</u>	<u>58</u>	<u>4,625</u>

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15. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Emoluments of directors (Continued)

	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
2011				
Non-executive director				
Chu Bong Foo (re-designated as a non-executive director on 21 January 2011)	-	542	-	542
Executive directors				
Cheung Wai Tung (resigned on 1 January 2011)	90	2,190	9	2,289
Kwan Kin Chung	120	725	12	857
Chung Billy	120	684	12	816
Tang U Fai	-	341	-	341
Tang Kwing Chuen Kenneth	120	61	-	181
Chen Man Lung	120	-	-	120
Wan Xiaolin	120	693	12	825
Henry Chang Manayan (retired on 13 September 2010)	-	155	-	155
Independent non-executive directors				
Tsang Wai Wa	120	-	-	120
Joseph Lee Chennault	240	-	-	240
Lai Qiang	120	-	-	120
Total for 2011	<u>1,170</u>	<u>5,391</u>	<u>45</u>	<u>6,606</u>

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15. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Emoluments of directors (Continued)

During the year, no emoluments were paid by the Group to the directors as a discretionary bonus or an inducement to join or upon joining the Group or as a compensation for loss of office. (2011: HK\$1,200,000)

There was no arrangement under which a director had waived or agreed to waive any remuneration (2011: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest emoluments in the Group for the year included four (2011: four) directors whose emoluments are included in the disclosure in note 15(a) above. Emoluments payable to the remaining one (2011: one) individual during the year were as follows:

	2012 HK\$'000	2011 HK\$'000
Salaries and other benefits	578	600
Retirement benefits scheme contributions	11	12
	<u>589</u>	<u>612</u>

The emoluments of the above employees all fell within the band of nil to HK\$1,000,000 during each of the years ended 31 March 2012 and 2011.

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16. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Leasehold land HK\$'000	Exploration and production properties HK\$'000	Buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Vehicles, furniture and equipment HK\$'000	Total HK\$'000
At 31 March 2010							
Cost	20,514	64,427	13,163	40,848	15,601	53,059	207,612
Accumulated depreciation	(6,275)	(4,677)	(10,805)	(35,590)	(14,538)	(44,620)	(116,505)
Net carrying amount	14,239	59,750	2,358	5,258	1,063	8,439	91,107
Year ended 31 March 2011							
Opening net carrying amount	14,239	59,750	2,358	5,258	1,063	8,439	91,107
Additions	-	2,415	-	1,305	-	1,055	4,775
Reclassification to non- current assets held for sale	(13,857)	-	(1,699)	-	-	-	(15,556)
Disposals	-	-	-	(186)	-	(8)	(194)
Depreciation charge	(382)	(3,573)	(659)	(2,771)	(140)	(1,779)	(9,304)
Exchange realignment	-	2,390	-	-	39	67	2,496
Closing net carrying amount	-	60,982	-	3,606	962	7,774	73,324
At 31 March 2011							
Cost	-	69,420	-	40,021	15,647	53,088	178,176
Accumulated depreciation	-	(8,438)	-	(36,415)	(14,685)	(45,314)	(104,852)
Net carrying amount	-	60,982	-	3,606	962	7,774	73,324

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16. PROPERTY, PLANT AND EQUIPMENT – GROUP (Continued)

	Leasehold land HK\$'000	Exploration and production properties HK\$'000	Buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Vehicles, furniture and equipment HK\$'000	Total HK\$'000
Year ended							
31 March 2012							
Opening net carrying amount	-	60,982	-	3,606	962	7,774	73,324
Additions	-	134	-	77	17	2,749	2,977
Disposals and written off	-	-	-	(1,530)	-	(165)	(1,695)
Depreciation charge	-	(3,689)	-	(1,945)	(66)	(2,397)	(8,097)
Exchange realignment	-	1,461	-	-	45	28	1,534
Closing net carrying amount	-	58,888	-	208	958	7,989	68,043
At 31 March 2012							
Cost	-	71,253	-	8,000	1,572	38,833	119,658
Accumulated depreciation	-	(12,365)	-	(7,792)	(614)	(30,844)	(51,615)
Net carrying amount	-	58,888	-	208	958	7,989	68,043

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16. PROPERTY, PLANT AND EQUIPMENT – GROUP (Continued)

As mentioned in note 1 to the consolidated financial statements, on 27 January 2011, the Group entered the Provisional Agreement to dispose of the Disposal Property for a consideration of HK\$286,000,000. It was approved by independent shareholders by way of poll of the special general meeting held on 21 March 2011. The transaction was completed on 23 September 2011.

Leasehold land and buildings of the Group at 31 March 2010 were situated in Hong Kong and were situated on land held under medium-term leases.

At the reporting date, included in vehicles, furniture and equipment are assets held under finance leases with an aggregate net carrying amount of HK\$94,000 (2011: HK\$126,000).

17. INVESTMENT PROPERTIES – GROUP

	2012 HK\$'000	2011 HK\$'000
Balance at the beginning of the year	-	151,236
Valuation surplus recognised in profit or loss	-	59,757
Transfer to assets classified as held for sale (note 27)	-	(210,993)
Balance at the end of the year	-	-

As described in note 1 to the consolidated financial statements, all investment properties were disposed of during the year. In accordance with HKFRS 5, the Group had reclassified the investment properties as asset held for sale in the Group's consolidated statements of financial position as at 31 March 2011.

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18. INTERESTS IN ASSOCIATES – GROUP

	2012 HK\$'000	2011 HK\$'000
Cost of investment in associates		
Listed in Hong Kong	75,493	75,493
Unlisted	162	159
Share of post-acquisition losses	(31,077)	(23,856)
	<u>44,578</u>	<u>51,796</u>
Less: Impairment losses	(29,574)	(29,574)
	<u>15,004</u>	<u>22,222</u>
Market value of listed investments	<u>123,811</u>	<u>98,629</u>

Amounts due from/(to) associates are interest free, unsecured and are due within one year. The amounts due from associates are analysed as follows:

	2012 HK\$'000	2011 HK\$'000
Amounts due from associates	5,754	5,739
Less: Allowances for amounts due from associates	(5,687)	(5,687)
	<u>67</u>	<u>52</u>

Allowance for the above amounts 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 current account of respective associates directly.

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18. INTERESTS IN ASSOCIATES – GROUP (Continued)

Particulars of the Group's principal associates as at 31 March 2012 are as follows:

Name	Form of business structure	Place of incorporation/ operation	Class of shares held	Proportion of nominal value of issued share capital held by the Group %	Principal activities
Chinese2 Linux (Holdings) Limited ("C2L")	Incorporated	British Virgin Islands ("BVI")/Hong Kong	Ordinary	41% (2011: 41%)	Development of Chinese language computer operating system
China Bio Cassava Holdings Limited ("Bio Cassava") (note)	Incorporated	Cayman Islands/ Hong Kong	Ordinary	26% (2011: 26%)	Development, packing and retailing of Chinese language encryption software

Note: The shares of Bio Cassava are listed on the Growth Enterprise Market of the Stock Exchange.

The above table lists the associates of the Group which principally affect the results of the Group or form a substantial portion of the Group's interests in associates.

The financial year end date of Bio Cassava is 31 December and is not co-terminus with that of the Group.

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18. INTERESTS IN ASSOCIATES – GROUP (Continued)

The financial information in respect of the Group's associates is summarised below:

	2012 HK\$'000	2011 HK\$'000
Total assets	11,509	20,399
Total liabilities	(9,080)	(9,062)
Net assets	2,429	11,337
Group's share of net assets of associates	2,521	4,795
Revenue	4,793	6,513
Loss for the year	(28,247)	(5,855)
Group's share of losses of associates for the year	(7,221)	(1,496)

The Group has discontinued recognition of its share of losses of certain associates. The amounts of unrecognised share of those associates, extracted from the relevant management accounts of associates, both for the year and cumulatively, are as follows:

	2012 HK\$'000	2011 HK\$'000
Unrecognised share of losses of associates for the year	8	2
Accumulated unrecognised share of losses of associates	46,091	46,083

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19. GOODWILL – GROUP

	2012 HK\$'000	2011 HK\$'000
Net carrying amount at 1 April	-	-
Acquisition of subsidiaries (note 36)	12	2,617
Less: Impairment losses	(12)	(2,617)
Net carrying amount at 31 March	-	-

As at 31 March 2012, goodwill arising from the acquisition of China Mahjong Super League Group Limited and China Super Mahjong League Group Limited had been fully impaired due to the uncertain market conditions.

As at 31 March 2011, goodwill arising from the acquisition of 上海旅聯信息服務有限公司 (“上海旅聯”) had been fully impaired in light of prevailing market conditions, the business plan of this business was suspended which led to a significant decrease in the projected cash flow and hence an insignificant recoverable amount. Thus, the balance was fully written off in prior year.

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20. INTANGIBLE ASSETS – GROUP

	Exploration and production services right HK\$'000	Club memberships HK\$'000	Computer software HK\$'000	Licence HK\$'000	Customer relationship HK\$'000	Retailer contracts HK\$'000	Total HK\$'000
At 1 April 2010							
Cost	222,025	1,385	1,454	1,098	422	2,406	228,790
Accumulated amortisation and impairment	(60,025)	-	(242)	(182)	(70)	(401)	(60,920)
Net carrying amount	<u>162,000</u>	<u>1,385</u>	<u>1,212</u>	<u>916</u>	<u>352</u>	<u>2,005</u>	<u>167,870</u>
Year ended 31 March 2011							
Opening net carrying amount	162,000	1,385	1,212	916	352	2,005	167,870
Amortisation	(11,974)	-	(303)	(229)	(88)	(500)	(13,094)
Impairment loss	(19,280)	-	(958)	(724)	(278)	(1,585)	(22,825)
Exchange realignment	6,254	-	49	37	14	80	6,434
Closing net carrying amount	<u>137,000</u>	<u>1,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>138,385</u>
At 31 March 2011							
Cost	230,911	1,385	1,513	1,143	439	2,502	237,893
Accumulated amortisation and impairment	(93,911)	-	(1,513)	(1,143)	(439)	(2,502)	(99,508)
Net carrying amount	<u>137,000</u>	<u>1,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>138,385</u>
Year ended 31 March 2012							
Opening net carrying amount	137,000	1,385	-	-	-	-	138,385
Amortisation	(11,840)	-	-	-	-	-	(11,840)
Exchange realignment	3,712	-	-	-	-	-	3,712
Closing net carrying amount	<u>128,872</u>	<u>1,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>130,257</u>
At 31 March 2012							
Cost	237,452	1,385	1,556	1,175	451	2,573	244,592
Accumulated amortisation and impairment	(108,580)	-	(1,556)	(1,175)	(451)	(2,573)	(114,335)
Net carrying amount	<u>128,872</u>	<u>1,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>130,257</u>

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20. INTANGIBLE ASSETS – GROUP (Continued)

Club memberships are life corporate club memberships in recreational clubs. As the club memberships are considered by management of the Company as having an indefinite useful life, the membership are not amortised until their useful lives are determined to be finite. The directors of the Company are of the opinion that there is no impairment of the club memberships after considering the prices quoted in the second hand market.

Exploration and production services rights (the "Cooperation right") are the cooperation right of crude oil extraction of the Group, and represents the fair value of the rights under the cooperation agreement with Shengli Oilfield Da Ming Petroleum and Gas Exploration Development Company Limited (the "Da Ming Agreement"), in respect of the extraction and exploration of oil resources within the area of Yi Dong Oilfield in Shangdong Province, PRC.

The fair value of the Cooperation right at the acquisition date was arrived at on the basis of a valuation carried out by BMI Appraisals Limited, an independent qualified professional valuer not connected with the Group and with appropriate qualification and experience in the valuation of similar assets in the relevant industry. The valuation conformed to the general guidance as stated in HKAS 38 on determining the fair values of intangible assets acquired in business combinations. The fair value of the Cooperation right as at the acquisition date was determined under income approach valuation methodology. The impairment loss recognised in prior year was mainly due to the reduction of the projected sale revenue as a result of slowdown in exploration.

The amortisation period of the Cooperation right was 20 years, in accordance with the terms of the Da Ming agreement. At 31 March 2012, the remaining amortisation period of the Cooperation right was 14.25 years.

The computer software, licence, customer relationship and retailer contracts are intangible assets acquired on 31 May 2009 through the acquisition of 上海旅聯. The fair values of these intangible assets were carried out by Ascent Partners, an independent qualified professional valuer, not connected with the Group and with appropriate qualification and experience in the valuation of similar assets in the relevant industry. They were recognised at fair value on business combination and were amortised on straight-line method over their estimated useful lives of 4 years.

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20. INTANGIBLE ASSETS – GROUP (Continued)

The impairment loss recognised in prior year was in light of prevailing market conditions, the business plan of this business was suspended which led to a significant decrease in projected cash flow and hence an insignificant recoverable amount. Thus, the balance was fully written off in prior year.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	2012 HK\$'000	2011 HK\$'000
Unlisted equity shares:		
Overseas, at cost	20,000	20,000
Less: Impairment loss	(5,000)	–
	<u>15,000</u>	<u>20,000</u>

An impairment loss amounting to HK\$5,000,000 was recognised during the year due to uncertain market conditions.

22. INVENTORIES – GROUP

These are all finished goods at the reporting dates.

23. TRADE RECEIVABLES – GROUP

	2012 HK\$'000	2011 HK\$'000
Trade receivables	24,668	22,330
Less: Impairment of trade receivables	(1,292)	(1,310)
	<u>23,376</u>	<u>21,020</u>

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23. TRADE RECEIVABLES – GROUP (Continued)

The following is the ageing analysis (based on invoice date) of trade receivables at the reporting date:

	2012 HK\$'000	2011 HK\$'000
0 – 60 days	3,762	7,112
61 – 90 days	1,868	9,795
91 – 180 days	1,532	228
Over 180 days	16,214	3,885
	23,376	21,020

Credit periods granted to customers of publishing, crude oil exploration services, electronic card service and retailing and wholesales are normally 30 to 90 days, 180 to 360 days, 0 to 60 days and 0 to 60 days respectively (2011: 30 to 90 days, 180 to 360 days, 0 to 60 days and 0 to 60 days).

Ageing analysis of trade receivables, based on the due dates, that are neither individually nor collectively considered to be impaired as at the reporting date is as follows:

	2012 HK\$'000	2011 HK\$'000
Not yet past due nor impaired	9,860	16,031
Past due but not considered impaired		
0 – 60 days	479	1,019
61 – 90 days	-	-
91- 180 days	85	3,970
over 180 days	12,952	-
	23,376	21,020

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23. TRADE RECEIVABLES – GROUP (Continued)

Trade receivables that were not yet past due relate to a wide range of customers for whom there was no recent history of default. Trade receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Trade receivables that were past due over 180 days but not impaired related to an independent customer and amounting to approximately HK\$13,000,000 as at 31 March 2012. The management has taken legal action for collecting the debts and the PRC lawyer charged with pursuing the matter is of the opinion that the debts can be recovered. With the exception of the above, and base on past experience, management believes that no additional impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Impairment losses in respect of trade 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 receivables directly. Movements in the provision for impairment of trade receivables are as follows:

	2012 HK\$'000	2011 HK\$'000
At 1 April	1,310	2,927
Recovery of impairment loss previously recognised	-	60
Reversal of impairment loss previously recognised	(18)	-
Bad debts written off	-	(1,677)
At 31 March	<u>1,292</u>	<u>1,310</u>

Ageing analysis of impaired trade receivables was as follows:

	2012 HK\$'000	2011 HK\$'000
181 – 360 days	-	1
Over 360 days	1,292	1,309
	<u>1,292</u>	<u>1,310</u>

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23. TRADE RECEIVABLES – GROUP (Continued)

At each reporting date, the Group assesses whether objective evidence of impairment exists individually for trade receivables that are individually significant, and individually or collectively for trade receivables that are not individually significant. The Group also assesses collectively for trade receivables with similar credit risk characteristics for impairment. As at 31 March 2012, the Group has determined trade receivables of HK\$1,292,000 (2011: HK\$1,310,000) as individually impaired. Based on this assessment, impairment loss of HK\$1,292,000 (2011: HK\$1,310,000) has been recognised. The impaired receivables are recognised based on the credit history of the customers, such as financial difficulties or default in payments, and current market conditions.

The Group allows an average credit period ranging from 30 to 360 days depending on the business segments. In general, trade receivables that are aged below 180 days are not considered impaired based on management's historical experience and the Group would consider impairment provision for trade receivables which are aged 180 days or above.

Trade receivables are interest-free and unsecured. The directors consider that the carrying amounts of trade receivables approximate to their fair values.

As at 31 March 2011, the Group's trade receivables included an amount of approximately HK\$130,000 due from Mutual Work Media Investment Fund Limited, as detailed in note 38, a company of which Mr. Chen Man Lung, the executive director of the Group, is the sole shareholder. The balance was aged within 30 days as of the reporting date. The amounts due are unsecured, interest-free and repayable within 30 days.

24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Other receivables	19,467	13,415	-	-
Deposits and prepayments	27,770	7,016	4	16
	47,237	20,431	4	16

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24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Included in other receivables of the Group is the balance arising from the gain on the acquisition of the Raise Beauty Investment Limited and its subsidiaries (the "Raise Beauty Group") amounting to HK\$2,655,000 (2011: HK\$2,655,000) from a connected party, Wealth Concept Holdings Limited, as a consequence of the failure in meeting the profit guarantee for the year ended 31 December 2009. In prior years, an amount of HK\$18,270,000 was received. The directors are of the opinion that the remaining balance of HK\$2,655,000 can be fully recovered. Details are stated in note 44 to the consolidated financial statements.

In addition, included in deposits and prepayments of the Group amounting to approximately HK\$24,834,000 is the balance arising from the deposits paid for the development of online social music gaming platform.

Save as disclosed above, other receivables, deposits and prepayments are interest-free and unsecured. The directors consider that the carrying amounts of other receivables approximate to their fair values.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – GROUP

	2012 HK\$'000	2011 HK\$'000
Listed equity shares, at fair value:		
Hong Kong	46,112	52,186
Overseas	4,799	9,885
	<u>50,911</u>	<u>62,071</u>
Unlisted equity shares:		
Overseas, at cost less impairment loss:		
At cost	19,418	19,418
Less: Accumulated impairment	(19,418)	(19,418)
	<u>-</u>	<u>-</u>
	<u>50,911</u>	<u>62,071</u>

The fair values of the listed equity shares are determined based on the quoted market bid prices available on the relevant stock exchanges.

The unlisted other investments in PRC were fully impaired in prior year.

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25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – GROUP (Continued)

The market value of all listed securities at 25 June 2012 was approximately HK\$43,058,000.

26. BANK BALANCES AND DEPOSITS WITH FINANCIAL INSTITUTIONS

Bank balances and deposits with financial institutions are short term bank deposits carrying interest at an average market rate of 1.0% (2011: 1.0%) per annum and are readily convertible into known amounts of cash.

Included in bank and cash balances of the Group are approximately HK\$52,324,000 (2011: HK\$28,815,000) of bank balances denominated in Renminbi ("RMB") placed with the banks in the PRC and Hong Kong. RMB is not a freely convertible currency. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

27. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES CLASSIFIED AS HELD FOR SALE – GROUP

	2012 HK\$'000	2011 HK\$'000
Assets classified as held for sale:		
Buildings (note 16)	-	1,699
Leasehold land (note 16)	-	13,857
Investment properties (note 17)	-	210,993
	<u>-</u>	<u>226,549</u>
Liabilities associated with assets classified as held for sale:		
Other payables and accruals	-	(970)
	<u>-</u>	<u>(970)</u>

The balance relates to the Disposal Property (note 1) which is situated in Hong Kong and is held under medium term leases.

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28. TRADE PAYABLES – GROUP

Ageing analysis of trade payables at the reporting dates, based on the invoice dates, is as follows:

	2012	2011
	HK\$'000	HK\$'000
0 – 60 days	1,174	2,681
61- 90 days	1,251	610
Over 90 days	2,946	3,446
	5,371	6,737

The balances as at the reporting date are interest-free and are expected to be settled within one year. The directors consider that the carrying amounts of trade payables approximate to their fair values.

29. AMOUNTS DUE TO FELLOW SUBSIDIARIES OF AN ASSOCIATE – GROUP

The balances, all of which are aged over 90 days at the reporting date, are unsecured, interest-free and are repayable on demand.

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30. OBLIGATIONS UNDER FINANCE LEASES – GROUP

	Minimum lease payments		Present value of minimum lease payments	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Amounts payable under finance leases:				
Within one year	52	54	43	43
In the second to fifth years inclusive	8	59	7	50
	<u>60</u>	<u>113</u>	<u>50</u>	<u>93</u>
Less: Future finance charges	(10)	(20)	-	-
Present value of lease obligations	<u>50</u>	<u>93</u>	<u>50</u>	<u>93</u>
Less: Amounts due within one year			(43)	(43)
Amounts due after one year			<u>7</u>	<u>50</u>

The balances are secured by the lessor's charge over the leased assets. The lease terms in respect of assets held under finance leases are 5 years. During the year, average effective borrowing rate was 9% (2011: 9%) per annum. Interest rate is fixed at the contract date.

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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31. SHARE CAPITAL

All shares are equally eligible to receive dividends and the repayment of capital.

	Notes	Number of shares HK\$1.0 each		Number of shares HK\$0.01 each		Share capital	
		2012	2011	2012	2011	2012	2011
		'000	'000	'000	'000	HK\$'000	HK\$'000
Authorised:							
Ordinary shares at beginning of year		-	1,000,000	200,000,000	-	2,000,000	1,000,000
Capital reduction	a	-	(1,000,000)	-	1,000,000	-	(990,000)
Increase in authorised share capital	b	-	-	-	199,000,000	-	1,990,000
Ordinary shares at end of year		-	-	200,000,000	200,000,000	2,000,000	2,000,000
Issued and fully paid:							
Ordinary shares at beginning of year		-	689,256	1,033,884	-	10,339	689,256
Capital reduction	a	-	(689,256)	-	689,256	-	(682,363)
Rights issued	c	-	-	-	344,628	-	3,446
Issue of new share on exercise of warrants	d	-	-	5,710	-	57	-
Ordinary shares at end of year		-	-	1,039,594	1,033,884	10,396	10,339

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31. SHARE CAPITAL (Continued)

Notes:

- (a) Pursuant to a special resolution passed on 24 January 2011, the nominal value of each of the Company's issued share was reduced from HK\$1 each by cancelling the paid-up capital to the extent of HK\$0.99 on each issued share and the existing issued share capital of HK\$689,256,000 was reduced by HK\$682,363,000 to HK\$6,893,000 comprising 689,256,000 shares of HK\$0.01 each with effect from 25 January 2011. As a result, an amount of HK\$682,363,000 was credited to share premium account.
- (b) Upon the completion of capital reduction, the authorised share capital of the Company was increased from HK\$10,000,000 divided into 1,000,000,000 ordinary shares of HK\$0.01 each to HK\$2,000,000,000 by the creation of a further 199,000,000,000 of HK\$0.01 each ranking pari passu in all respects with the existing shares of the Company.
- (c) On 28 February 2011, the Company completed the issue of 344,627,982 rights shares (the "Right Issue") at the subscription of HK\$0.35 per rights share on the basis of one rights share for every two existing shares in issue on 31 January 2011. As a result, the Company's issued capital was increased from HK\$6,893,000 to HK\$10,339,000. The excess of the subscription proceeds, amounting to HK\$117,174,000 over the nominal value of share capital issued is credited to the share premium account.
- (d) On 7 March 2011, the Company entered into a placing agreement with an independent placing agent in relation to the private placing of up to 137,850,000 warrants (the "2013 Warrants") conferring rights to subscribe up to HK\$38,598,000 in aggregate for shares of the Company at an initial subscription price of HK\$0.28 per share, to not less than 300 placees who are independent third parties, during the two years period from 3 May 2011 to 2 May 2013, both days inclusive. The Placing of the 2013 Warrants was completed on 29 April 2011.

The net proceeds of placing of approximately HK\$26,552,000 were used as general working capital of the Company.

During the year, registered holders of 5,710,000 share of 2013 Warrants exercised their rights to subscribe for 5,710,000 shares in the Company at HK\$0.28 per share.

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32. RESERVES

GROUP

Please refer to the consolidated statement of changes in equity for reserves of the Group on pages 44 and 45.

Company

	Share premium HK\$'000	Contribution surplus HK\$'000	Other reserve HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2010	931,511	262,143	-	446	63,619	(1,337,238)	(79,519)
Right issue (note 31(c))	117,174	-	-	-	-	-	117,174
Expenses incurred on right issue	(2,590)	-	-	-	-	-	(2,590)
Transactions with owners	114,584	-	-	-	-	-	114,584
Capital reduction	682,363	-	-	-	-	-	682,363
Expenses incurred on capital reduction	(100)	-	-	-	-	-	(100)
Loss for the year	-	-	-	-	-	(18,143)	(18,143)
Total comprehensive income for the year	-	-	-	-	-	(18,143)	(18,143)
At 31 March 2011	1,728,358	262,143	-	446	63,619	(1,355,381)	699,185
At 1 April 2011	1,728,358	262,143	-	446	63,619	(1,355,381)	699,185
Issue of warrants	-	-	27,570	-	-	-	27,570
Exercise of warrants	1,542	-	-	-	-	-	1,542
Expenses incurred on warrants issue	-	-	(1,018)	-	-	-	(1,018)
Expense incurred on right issue	(21)	-	-	-	-	-	(21)
Transfer from other reserve to share premium due to exercise of warrants	1,100	-	(1,100)	-	-	-	-
Transactions with owners	2,621	-	25,452	-	-	-	28,073
Loss for the year	-	-	-	-	-	(772)	(772)
Total comprehensive income for the year	-	-	-	-	-	(772)	(772)
At 31 March 2012	1,730,979	262,143	25,452	446	63,619	(1,356,153)	726,486

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32. RESERVES (Continued)

Company (Continued)

Contribution surplus represents the difference between the nominal value of the share capital of the acquired subsidiaries and the nominal amount of the Company's share capital issued as consideration for the acquisition as at the date of the group reorganisation.

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Other reserve of the Company included the net proceeds from issue of warrants and transferred to share premium upon exercise of warrants.

33. WARRANTS

On 7 March 2011, the Company entered into a placing agreement with an independent placing agent in relation to the private placing of up to 137,850,000 warrants (the "2013 Warrants") conferring rights to subscribe up to HK\$38,598,000 in aggregate for shares of the Company at an initial subscription price of HK\$0.28 per share, to not less than 300 placees who are independent third parties, during the two years period from 3 May 2011 to 2 May 2013, both days inclusive. The Placing of the 2013 Warrants was completed on 29 April 2011.

The net proceeds of the placing of approximately HK\$26,552,000 were used as general working capital of the Company. During the year, registered holders of 5,710,000 units of the 2013 Warrants exercised their right to subscribe for 5,710,000 Shares in the Company at HK\$0.28 per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2012

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34. SHARE OPTION SCHEMES

(A) Share option scheme adopted on 15 June 1993 (“Old Option Scheme”)

The major terms of the Old Option Scheme are summarised as follows:

- (i) The purpose was to provide incentives to the participants.
- (ii) The participants included any employee or director of the Group.
- (iii) The maximum number of shares of the Company in respect of which share options might be granted under the Old Option Scheme must not exceed 10% of the issued share capital of the Company from time to time.
- (iv) The maximum number of shares of the Company in respect of which share options might be granted to a participant, when aggregated with the Company’s shares issued and issuable under any share option granted to the same participant under the Old Option Scheme, must not exceed 25% of the maximum shares issuable under the Old Option Scheme from time to time.
- (v) The exercisable period of a share option granted must not exceed a period of 10 years commencing on the date of grant.
- (vi) The acceptance of a share option, if accepted, must be made within 21 days from the date of grant with a non-refundable payment of HK\$1 from the grantee to the Company.
- (vii) The exercise price of a share option must be the higher of:
 - 80% of the average closing price of a share of the Company for the 5 trading days immediately preceding the grant; and
 - the nominal value of a share of the Company.
- (viii) On 21 August 2002, the shareholders of the Company resolved that the Old Option Scheme should be cancelled. However, the share options granted under the Old Option Scheme are still exercisable in accordance with the terms of the Old Option Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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34. SHARE OPTION SCHEMES (Continued)

(B) Share option scheme adopted on 21 August 2002 ("New Option Scheme")

Pursuant to an ordinary resolution passed on 21 August 2002, the Company adopted the New Option Scheme to replace the Old Option Scheme. All share options granted under the Old Option Scheme remain valid and unchanged and are treated in accordance with the terms under the Old Option Scheme. The major terms of the New Option Scheme are summarised as follows:

- (i) The purpose is to provide incentives to:
 - award the participants who have made contributions to the Group and/or any entity in which the Group holds any equity interest ("Invested Entity"); and
 - recruit and retain high-calibre employees and attract human resources that are valuable to the Group.
- (ii) The participants include any employee, director, supplier, agent, consultant, adviser, strategist, contractor, subcontractor, expert or customer of the Group and/or Invested Entity.
- (iii) The maximum number of shares of the Company in respect of which share options might be granted under the New Option Scheme must not exceed 10% of the issued share capital of the Company as at the date of approval of the New Option Scheme, however this limit might be refreshed by shareholders in a general meeting. However, total maximum number of shares of the Company which might be issued upon exercise of all outstanding share options granted and yet to be exercised under the New Option Scheme and any other share option scheme must not exceed 30% of the shares of the Company in issue from time to time.
- (iv) The maximum number of shares of the Company in respect of which share options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding share options and the options cancelled) under any share option granted to the same participant under the New Option Scheme or any other share option scheme within any 12 month period, must not exceed 1% of the shares of the Company in issue from time to time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2012

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34. SHARE OPTION SCHEMES (Continued)

(B) Share option scheme adopted on 21 August 2002 ("New Option Scheme") (Continued)

- (v) There was no requirement for a grantee to hold the share option for a certain period before exercising the share option save as determined by the board of directors and provided in the offer of grant of share option.
- (vi) The exercise period should be any period fixed by the board of directors upon grant of the share option but in any event the share option period should not go beyond 10 years from the date of offer for grant.
- (vii) The acceptance of a share option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK\$1 from the grantee to the Company.
- (viii) The exercise price of a share option must be the highest of:
 - the closing price of a share of the Company on the date of grant which must be a trading day;
 - the average closing price of a share of the Company for the 5 trading days immediately preceding the date of grant; and
 - the nominal value of a share of the Company.
- (ix) The life of the New Option Scheme is effective for 10 years from the date of adoption until 20 August 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2012

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34. SHARE OPTION SCHEMES (Continued)

(B) Share option scheme adopted on 21 August 2002 ("New Option Scheme") (Continued)

Share options and weighted average exercise price are as follows for the reporting periods presented:

	2012		2011	
	Number '000	Weighted average exercise price HK\$	Number '000	Weighted average excise price HK\$
Outstanding at 1 April	158,681	1.866	144,650	2.030
Adjustment for rights issue*	-	-	14,031	-
Exercised	-	-	-	-
	<u>158,681</u>	<u>1.866</u>	<u>158,681</u>	<u>1.866</u>
Outstanding at 1 April	158,681	1.866	158,681	1.866
Exercisable at the end of the year	<u>158,681</u>	<u>1.866</u>	<u>158,681</u>	<u>1.866</u>

* As adjusted for the effect of Rights Issue of the Company (note 31(c)).

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34. SHARE OPTION SCHEMES (Continued)

(B) Share option scheme adopted on 21 August 2002 ("New Option Scheme") (Continued)

The following table discloses details of the Company's share options granted under the Old Option Scheme and the New Option Scheme and movements in such holdings:

2012

Category participants	Name of scheme	Date of grant	Share option as at 1 April 2011	Transfer from/ (to) other category during the year	Number of share options		
					Balance as at 31 March 2012	Exercise price per share HK\$	Exercisable period
Directors	New Option Scheme	19.12.2003	438,800	-	438,800	2.42	19.12.2003 - 18.12.2013
		24.3.2005	3,181,300	-	3,181,300	2.69	24.3.2005 - 23.3.2015
		7.7.2006	1,755,200	548,500*	2,303,700	0.92	7.7.2006 - 6.7.2016
		29.6.2007	1,316,400	-	1,316,400	2.16	29.6.2007 - 28.6.2017
		6.11.2007	2,523,100	-	2,523,100	1.42	6.11.2007 - 5.11.2017
			9,214,800	548,500	9,763,300		
Employees	New Option Scheme	19.12.2003	3,554,280	-	3,554,280	2.42	19.12.2003 - 18.12.2013
		24.3.2005	4,388,000	-	4,388,000	2.69	24.3.2005 - 23.3.2015
		7.7.2006	329,100	-	329,100	0.92	7.7.2006 - 6.7.2016
		29.6.2007	10,476,350	-	10,476,350	2.16	29.6.2007 - 28.6.2017
		6.11.2007	12,286,400	-	12,286,400	1.42	6.11.2007 - 5.11.2017
			31,034,130	-	31,034,130		
Others	New Option Scheme	19.12.2003	2,490,190	-	2,490,190	2.42	19.12.2003 - 18.12.2013
		24.3.2005	21,994,850	-	21,994,850	2.69	24.3.2005 - 23.3.2015
		3.10.2005	3,291,000	-	3,291,000	1.93	3.10.2005 - 2.10.2015
		7.7.2006	12,823,930	(548,500)*	12,275,430	0.92	7.7.2006 - 6.7.2016
		29.6.2007	32,087,250	-	32,087,250	2.16	29.6.2007 - 28.6.2017
		6.11.2007	45,744,900	-	45,744,900	1.42	6.11.2007 - 5.11.2017
			118,432,120	(548,500)	117,883,620		
Total			158,681,050	-	158,681,050		

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34. SHARE OPTION SCHEMES (Continued)

(B) Share option scheme adopted on 21 August 2002 ("New Option Scheme") (Continued)

No new option was granted during the year and no option has been exercised, cancelled or lapsed during the year. The weighted average remaining contractual life is 5 years (2011: 6 years).

2011

Category participants	Name of scheme	Date of grant	Share option as at 1 April 2010	Number of share options				Exercise price per share HK\$	Exercisable period
				Transfer from/(to) other category during the year	**Adjustment for rights issue	Balance as at 31 March 2011			
Directors	New Option Scheme	19.12.2003	900,000	(500,000)*	38,800	438,800	2.42	19.12.2003 - 18.12.2013	
		24.3.2005	2,900,000	-	281,300	3,181,300	2.69	24.3.2005 - 23.3.2015	
		7.7.2006	1,600,000	-	155,200	1,755,200	0.92	7.7.2006 - 6.7.2016	
		29.6.2007	1,200,000	-	116,400	1,316,400	2.16	29.6.2007 - 28.6.2017	
		6.11.2007	2,300,000	-	223,100	2,523,100	1.42	6.11.2007 - 5.11.2017	
			8,900,000	(500,000)	814,800	9,214,800			
Employees	New Option Scheme	19.12.2003	3,240,000	-	314,280	3,554,280	2.42	19.12.2003 - 18.12.2013	
		24.3.2005	4,000,000	-	388,000	4,388,000	2.69	24.3.2005 - 23.3.2015	
		7.7.2006	300,000	-	29,100	329,100	0.92	7.7.2006 - 6.7.2016	
		29.6.2007	9,550,000	-	926,350	10,476,350	2.16	29.6.2007 - 28.6.2017	
		6.11.2007	11,200,000	-	1,086,400	12,286,400	1.42	6.11.2007 - 5.11.2017	
			28,290,000	-	2,744,130	31,034,130			
Others	New Option Scheme	19.12.2003	1,770,000	500,000*	220,190	2,490,190	2.42	19.12.2003 - 18.12.2013	
		24.3.2005	20,050,000	-	1,944,850	21,994,850	2.69	24.3.2005 - 23.3.2015	
		3.10.2005	3,000,000	-	291,000	3,291,000	1.93	3.10.2005 - 2.10.2015	
		7.7.2006	11,690,000	-	1,133,930	12,823,930	0.92	7.7.2006 - 6.7.2016	
		29.6.2007	29,250,000	-	2,837,250	32,087,250	2.16	29.6.2007 - 28.6.2017	
		6.11.2007	41,700,000	-	4,044,900	45,744,900	1.42	6.11.2007 - 5.11.2017	
			107,460,000	500,000	10,472,120	118,432,120			
Total			144,650,000	-	14,031,050	158,681,050			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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34. SHARE OPTION SCHEMES (Continued)

(B) Share option scheme adopted on 21 August 2002 (“New Option Scheme”) (Continued)

No new option was granted and no option were exercised or cancelled for the year ended 31 March 2011.

- * Reclassification represents those individuals whom were granted with share options prior to their appointments of directorship. The share options held by these individuals were accordingly reclassified to directors’ category after their appointment.
- # Reclassification represents those individuals whom were granted with share options prior to their cessations of directorship. The share options held by these individuals were reclassified to employee/others category after their resignation/retirement.

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35. DEFERRED TAX LIABILITIES – GROUP

Deferred taxation is calculated in full on temporary differences under the liability method using the applicable tax rates prevailing in the jurisdictions in which the Group operates. Movements of deferred tax liabilities and assets of the Group during the year are as follows:

	Accelerated tax depreciation HK\$'000	Revaluation of investment properties HK\$'000	Revaluation of intangible assets HK\$'000	Estimated tax losses HK\$'000	Total HK\$'000
At 1 April 2010	2,433	17,399	41,615	(5,325)	56,122
Exchange realignment	-	-	1,671	-	1,671
Charged/(credited) to profit or loss for the year	429	(17,399)	(8,979)	(429)	(26,378)
At 31 March 2011 and 1 April 2011	2,862	-	34,307	(5,754)	31,415
Exchange realignment	-	-	925	-	925
Charged/(credited) to profit or loss for the year	(1,802)	-	(2,959)	1,844	(2,917)
At 31 March 2012	1,060	-	32,273	(3,910)	29,423

At 31 March 2012, the Group estimated unused tax losses of approximately HK\$654,559,000 (2011: HK\$619,575,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$23,697,000 (2011: HK\$34,873,000) of such losses. No deferred tax asset has been recognised in respect of remaining tax losses of approximately HK\$630,862,000 (2011: HK\$584,702,000) due to the unpredictability of future profit streams. The estimated tax losses may be carried forward indefinitely.

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36. BUSINESS COMBINATION

Acquisition of equity interest in China Mahjong Super League Group Limited and China Super Mahjong Group League Limited

In August 2011, the Group completed the acquisition of equity interest in China Mahjong Super League Group Limited and China Super Mahjong League Group Limited, two indirectly wholly owned subsidiaries of the Company, for total cash consideration of HK\$132,000 from an associate (note 38).

Details of the net assets acquired were as follows:

	Carrying amount HK\$'000	Fair value HK\$'000
Deposits paid and prepayments	120	120
Goodwill on acquisition (note 19)	-	12
		<hr/>
Total consideration		132
		<hr/> <hr/>
Satisfied by:		
Cash		132
		<hr/> <hr/>
Net cash outflow arising on acquisition		
Cash consideration		132
		<hr/> <hr/>

37. RETIREMENT BENEFITS SCHEMES

Total cost charged to profit or loss of HK\$329,000 (2011: HK\$294,000) represents the contributions payable to these schemes by the Group during the year.

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38. RELATED PARTY TRANSACTIONS – GROUP

Other than those disclosed elsewhere in the financial statements, during the year, the Group entered into the following transactions with certain related parties:

	Service fee paid		Royalty income received		Rental income received		Other income received		Amounts due from related parties		Acquisition of subsidiaries (note 36)	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Associates	120	-	-	-	230	664	29	34	67	52	132	-
Mutual Work Media Investment Fund Limited (Note)	-	-	-	360	-	-	-	-	-	-	-	-

Note: The related party is a company wholly owned by Mr. Chen Man Lung, the executive director of the Group. The Directors are of the opinion that these transactions were conducted in the normal course of business at prices and terms no less than those charged to or contracted with other third parties.

Compensation of key management personnel represents directors' remuneration as set out in note 15(a). The directors' remuneration is determined by the remuneration committee having regard to the performance, responsibilities and experiences of individuals and market trends.

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39. OPERATING LEASE ARRANGEMENTS AND COMMITMENTS

GROUP AND COMPANY AS LESSEES

At 31 March 2012, the Group and the Company had commitments for future minimum lease payments in respect of rented premises which fall due as follows:

	The Group		The Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Within one year	3,108	2,445	-	-
In the second to fifth year inclusive	6,202	7,005	-	-
After the fifth year	3,300	3,755	-	-
	<u>12,610</u>	<u>13,205</u>	<u>-</u>	<u>-</u>

Operating lease payments represent rentals payable by the Group and the Company for their office premise. Lease is negotiated for an average term of seven years and rentals are fixed for an average of seven years.

The Group as lessor (Discontinued operations)

Property rental income earned during the year was HK\$2,365,000 (2011: HK\$6,305,000).

At 31 March 2012, the Group had contracted with tenants for the following future minimum lease payments:

	2012 HK\$'000	2011 HK\$'000
Within one year	-	1,993
In the second to fifth year inclusive	-	-
	<u>-</u>	<u>1,993</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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40. CAPITAL COMMITMENTS

The Group and the Company had the following capital commitments at the reporting date:

	2012 HK\$'000	2011 HK\$'000
Contracted but not provided for Exploration and production properties	7,131	6,575
Property, plant and equipment	16,418	-
	23,549	6,575
Authorised, but not contracted for, Capital contributions to jointly-controlled entities	623	-
	24,172	6,575

The Company did not have any capital commitments as at 31 March 2012 (2011: Nil).

41. INVESTMENTS IN SUBSIDIARIES – COMPANY

	2012 HK\$'000	2011 HK\$'000
Unlisted investments, at cost	508,681	508,681
Less: Impairment losses	(396,435)	(396,435)
	112,246	112,246
Amounts due from subsidiaries	1,340,612	1,392,020
Less: Impairment losses	(913,368)	(913,368)
	427,244	478,652

Amounts due from subsidiaries are unsecured, interest free and repayable on demand.

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41. INVESTMENTS IN SUBSIDIARIES – COMPANY (Continued)

Particulars of the Company's principal subsidiaries as at 31 March 2012 are as follows:

Name	Place/country of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital held by the Company %	Principal activities
Citicomics Limited	Hong Kong	Ordinary HK\$2	100	Publishing
Culturecom Centre Limited	Hong Kong	Ordinary HK\$2	100	Property holding
China Mahjong Super League Group Limited***	Hong Kong	Ordinary HK\$100	100	Entertainment
China Super Mahjong League Group Limited***	Hong Kong	Ordinary HK\$100	100	Entertainment
Culturecom e-publication Limited	Hong Kong	Ordinary HK\$2	100	Electronic publication
Culturecom Enterprises Limited	Hong Kong	Ordinary HK\$2	100	Provision of management services to group companies
Culturecom Holdings (BVI) Limited*	BVI/Hong Kong	Ordinary US\$2	100	Investment holding
Culturecom Limited	Hong Kong	Ordinary HK\$1,000	100	Investment holding and publishing
Culturecom Investments Limited	Hong Kong	Ordinary HK\$2	100	Investment holding and securities trading
Culture.com Technology Limited	Hong Kong	Ordinary HK\$2	100	Investment holding
Culture.com Technology (BVI) Limited	BVI/Hong Kong	Ordinary US\$1	100	Investment holding

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41. INVESTMENTS IN SUBSIDIARIES – COMPANY (Continued)

Particulars of the Company's principal subsidiaries as at 31 March 2012 are as follows:

Name	Place/country of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital held by the Company %	Principal activities
Culturecom Media Limited	Hong Kong	Ordinary HK\$2	100	Provision for multimedia service
Keenwell Energy Technology Limited	Hong Kong	Ordinary HK\$4,000,000	100	Investment holding
Raise Beauty Investments Limited	BVI	Ordinary US\$6	100	Investment holding
Success Dynasty Limited	BVI	Ordinary US\$1	100	Investment holding
Winway H.K. Investments Limited	Hong Kong	Ordinary HK\$2	100	Investment holding and securities trading
Ucan Technology (Macau) Company Limited****	Macau	Ordinary MOP\$30,000	100	Development of online social music gaming platform
Ucan.com Group Limited (formerly known as Comics Daily Publication Limited)	Hong Kong	Ordinary HK\$100	100	Investment holding and development of online social music gaming platform
東營健宏石油技術服務有限公司#	PRC	Registered US\$12,280,000	100	Provision of petroleum technology related services
上海旅聯信息服務有限公司**	PRC	Registered RMB10,000,000	53	Sales of smart cards

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41. INVESTMENTS IN SUBSIDIARIES – COMPANY (Continued)

- * Issued capital held directly by the Company.
- # A wholly foreign-owned enterprise for a period of 20 years commencing from 26 April 2005.
- ## A PRC enterprise for a period of 15 years commencing from 14 September 2006.
- ### Acquisition during the year by the Group.
- #### Incorporated during the year.

None of the subsidiaries had any debt securities outstanding during the year or at the end of the year.

The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the above list contains only the subsidiaries which principally affect the results or assets or liabilities of the Group.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risk through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk, interest risk and other price risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the board of directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets. Long term financial investments are managed to generate lasting returns with acceptable risk levels.

It is not the Group's policy to actively engage in the trading of financial instruments for speculative purposes. The operation management works under the policies approved by the board of directors. It identifies ways to access financial markets and monitors the Group's financial risk exposures. Regular meeting are held with the board of directors.

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Categories of financial assets and liabilities

The carrying amounts presented in the statement of financial positions relate to the following categories of financial assets and financial liabilities.

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Financial assets				
Available-for-sale financial assets	15,000	20,000	-	-
Financial assets at fair value				
through profit or loss	50,911	62,071	-	-
Loans and receivables				
Trade receivables	23,376	21,020	-	-
Other receivables	19,467	13,415	4	16
Amounts due from related parties	67	52	-	-
Amount due from subsidiaries	-	-	427,244	478,652
Bank balances and deposits with financial institutions	434,531	258,176	197,615	119,676
Financial liabilities				
Amortised costs				
Trade and other payables	30,030	33,330	491	1,066
Amounts due to related parties	675	1,819	-	-
Obligation under finance leases	50	93	-	-

Details of these financial instruments are disclosed in the respective notes to the financial statements. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

(a) Market risk

Foreign currency risk

The Group's functional currency is Hong Kong dollars. The Group is exposed to currency risk primarily through certain revenues and expenses giving rise to investments, receivables, payables and cash balances that are denominated in other currencies, being primarily United States dollars (USD), Australian dollars (AUD), European dollar (EUR), Macau Pataca (MOP) and Renminbi (RMB). As USD and Macau Pataca are pegged to Hong Kong dollar (HKD), the Group does not expect any significant movements in the USD/HKD and MOP/HKD exchange rates. The Group is mainly exposed to foreign exchange risk arising from future transactions that are denominated in AUD, EUR and RMB. The management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(i) *Exposure to currency risk*

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the Company's functional currency of Hong Kong dollars. For presentation purposes, the amounts of the exposure are expressed in Hong Kong dollars.

	2012			2011		
	AUD \$'000	RMB \$'000	EUR \$'000	AUD \$'000	RMB \$'000	EUR \$'000
Financial assets						
Financial assets at fair value through profit or loss	2,130	-	-	2,231	-	-
Trade receivables	-	17,916	-	-	14,830	-
Other receivables	-	233	-	-	8,718	-
Cash and bank balances	-	53,008	3,882	-	28,815	-
Financial liabilities						
Trade payables	-	(5,099)	-	-	(2,384)	-
Other payables	-	(3,875)	(9,354)	-	(5,872)	-
Net exposure to currency risk	2,130	62,183	(5,472)	2,231	44,107	-

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

(a) Market risk (Continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change on the Group's (loss)/profit after tax and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the HKD, USD and MOP would be materially unaffected by any changes in movement in value of the USD and MOP against other currencies.

	2012		2011	
	Increase/ (decrease) in foreign exchange rates	Effect on (loss)/profit after tax and Accumulated losses \$'000	Increase/ (decrease) in foreign exchange rates	Effect on (loss)/profit after tax and Accumulated losses \$'000
Australian dollars	10% (10%)	(213) 213	10% (10%)	(223) 223
European dollars	10% (10%)	547 (547)	10% (10%)	N/A N/A
Renminbi	10% (10%)	(6,218) 6,218	10% (10%)	(4,411) 4,411

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2011.

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

(a) Market risk (Continued)

Foreign currency risk (Continued)

The Company did not hold any foreign currency denominated financial assets and liabilities as at 31 March 2012 (2011: Nil).

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets. The Company's policy is to obtain the most favorable interest rates available for its deposits.

As at 31 March 2012, the (loss)/profit after tax of the Group would have been decreased/increased by approximately HK\$435,000 (2011: HK\$258,000) if the market interest rate had been increased/decreased by 100 basis points with all other variables held constant. The 100 basis points increase/decrease represents management's assessment of the likely maximum change in interest rates over the period until the end of the next reporting period. The analysis is performed on the same basis for 2011.

Equity price risk

The Group is exposed to equity price risk through its investment in listed equity securities which are classified as financial assets at fair value through profit or loss. The directors manage this exposure by maintaining a portfolio of investments with different risk and return profiles and will consider hedging the risk exposure should the need arise.

At 31 March 2012, it is estimated that there is a reasonably possible change of 15% (2011: 15%) in stock price in the next twelve months. If equity price had increased/(decreased) by 15% (2011: 15%) and all other variables were held constant, profit for the year would increase/(decrease) by HK\$7,637,000 (2011: HK\$9,310,000). This is mainly due to the change in financial assets at fair value through profit or loss. This sensitivity analysis has been determined assuming that the price change had occurred at the reporting date and had been applied to the Group's investment on that date.

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and its investing activities.

The Group's maximum exposure to credit risk on recognised financial assets is limited to the carrying amount at the reporting date as summarised below:

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Financial assets				
Financial assets at fair value through profit or loss	-	-	-	-
Loans and receivables				
Trade receivables	23,376	21,020	-	-
Other receivables	19,467	13,415	4	16
Amounts due from related parties	67	52	-	-
Amounts due from subsidiaries	-	-	427,244	478,652
Bank balances and deposits with financial institutions	434,531	258,176	197,879	119,676
	477,441	292,663	625,127	598,344

At the reporting date, the Group has a concentration of credit risk 76% (2011: 71%) of the total trade receivables was due from one customer.

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

(b) Credit risk (Continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristic of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 95% (2011: 87%) of the total trade receivables was due from the Group's top three customers within the publishing and crude oil exploration services.

The credit risk for financial assets at fair value through profit or loss and liquid funds is considered negligible as the counterparties are reputable banks in either Hong Kong or the PRC.

The Group adopts conservative investment strategies. For investments in financial assets at fair value through profit or loss, only issuers with good credit ratings would be considered.

The credit and investment policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

(c) Liquidity risk

As at 31 March 2012, the Group had net current assets of HK\$557,621,000 and bank balances and deposits with financial institutions of HK\$434,531,000. Management considered the liquidity risk is minimal.

Management regularly monitors current and expected liquidity requirements to ensure it maintains sufficient reserves of cash and bank balances and adequate funding from its shareholders to meet with its liquidity requirements.

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for the year ended 31 March 2012

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

(c) Liquidity risk (Continued)

The following table details the remaining contractual maturities at the reporting dates of non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

Group

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	On demand HK\$'000	Within one year HK\$'000	Between one to three years HK\$'000
As at 31 March 2012					
Amortised costs					
Trade and other payables	30,030	30,030	-	30,030	-
Amounts due to related parties	675	675	675	-	-
Obligation under finance leases	50	60	-	52	8
As at 31 March 2011					
Amortised costs					
Trade and other payables	33,330	33,330	-	33,330	-
Amounts due to related parties	1,819	1,819	1,819	-	-
Obligation under finance leases	93	113	-	54	59

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

(c) Liquidity risk (Continued)

Company

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within one year HK\$'000
As at 31 March 2012			
Amortised costs			
Trade and other payables	491	491	491
	<u>491</u>	<u>491</u>	<u>491</u>
As at 31 March 2011			
Amortised costs			
Trade and other payables	1,066	1,066	1,066
	<u>1,066</u>	<u>1,066</u>	<u>1,066</u>

(d) Fair values

The fair values of financial assets at fair value through profit or loss, cash and cash equivalents, trade receivables, balance with related companies, trade payables, other payables and accrued expenses and finance leases, are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

(e) Fair value measurements recognised in the statement of financial position

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived form prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

2012

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Listed securities held for trading	<u>50,911</u>	<u>-</u>	<u>-</u>	<u>50,911</u>

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

(e) Fair value measurements recognised in the statement of financial position (Continued)

2011

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Listed securities held for trading	62,071	-	-	62,071

There have been no significant transfers between levels 1 and 2 in the reporting period.

(i) Listed securities

Fair values of the listed securities have been determined by reference to their quoted bid prices at the reporting date and have been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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43. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

- (a) To safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for its stakeholders; and
- (b) To maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy. Management may adjust the share option policy and issuance of warrants and ordinary shares policy.

Management regards total equity of HK\$758,936,000 (2011: HK\$779,150,000) as capital, for capital management purpose.

44. EVENTS AFTER REPORTING DATE

On 20 June 2012, the Group received a letter from a connected party, namely, Wealth Concept Holdings Limited, requesting an extension of the repayment date for the remaining balance of HK\$2,654,000 to 31 July 2012. The Group accepted the request and will take any appropriate actions necessary to recover the outstanding indebtedness if Wealth Concept Holdings Limited fails to honor their promise and commitment by 31 July 2012.

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The consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements are as follows:

	Year ended 31 March				2012 HK\$'000
	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	
RESULTS					
Continuing operations:					
Revenue	39,217	40,356	36,624	38,333	33,960
Loss before income tax	(85,563)	(85,314)	(27,875)	(81,013)	(106,916)
Income tax credit	610	4,242	10,881	8,937	2,890
Loss after income tax from continuing operations	(84,953)	(81,072)	(16,994)	(72,076)	(104,026)
Discontinued operation:					
Profit/(loss) for the year	35,388	(11,817)	27,555	78,406	54,096
Profit/(loss) for the year	(49,565)	(92,889)	10,561	6,330	(49,930)
Attributable to:					
Owners of the Company	(49,565)	(92,889)	11,731	9,006	(49,107)
Non-controlling interests	-	-	(1,170)	(2,676)	(823)
	(49,565)	(92,889)	10,561	6,330	(49,930)

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	As at 31 March				2012 HK\$'000
	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	
ASSETS AND LIABILITIES					
Property, plant and equipment	50,957	71,603	91,107	73,324	68,043
Investment properties	130,816	120,251	151,236	-	-
Long term deposits	-	2,268	2,284	2,375	2,441
Interests in associates	25,758	25,084	23,718	22,222	15,004
Goodwill	-	-	2,617	-	-
Intangible assets	211,506	207,000	167,870	138,385	130,257
Available-for-sale financial assets	-	-	10,000	20,000	15,000
Net current assets	371,621	261,156	253,283	554,309	557,621
	790,658	687,362	702,115	810,615	788,366
Long-term liabilities	(65,872)	(60,933)	(56,215)	(31,465)	(29,430)
	724,786	626,429	645,900	779,150	758,936
Share capital	709,526	689,456	689,256	10,339	10,396
Reserves	15,260	(63,027)	(46,855)	767,988	748,540
Equity attributable to owners of the Company	724,786	626,429	642,401	778,327	758,936
Non-controlling interest	-	-	3,499	823	-
	724,786	626,429	645,900	779,150	758,936