



# 2009 | 2010

## *Annual Report*



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

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**EXECUTIVE DIRECTORS**

Mr. Cheung Wai Tung (*Chairman*)  
 Mr. Chu Bong Foo (*Vice-Chairman*)  
 Mr. Kwan Kin Chung (*Managing Director*)  
 Mr. Henry Chang Manayan  
 Mr. Wan Xiaolin  
 Mr. Chung Billy  
 Mr. Tang U Fai  
 Mr. Tang Kwing Chuen Kenneth  
 Mr. Chen Man Lung

**INDEPENDENT NON-EXECUTIVE DIRECTORS**

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

**COMPANY SECRETARY**

Mr. Tong Wai Sum

**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

**PRINCIPAL BANKERS**

The Hongkong and Shanghai Banking Corporation Limited  
 Hang Seng Bank

**SOLICITORS**

Michael Li & Co.  
 Appleby

**AUDITORS**

Grant Thornton

**PUBLIC RELATION**

PR Concepts Asia Limited

**REGISTERED OFFICE**

Canon's Court  
 22 Victoria Street  
 Hamilton HM 12  
 Bermuda

**PRINCIPAL OFFICE**

6th Floor  
 Culturecom Centre  
 47 Hung To Road  
 Kwun Tong  
 Kowloon  
 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](http://www.culturecom.com.hk)

**STOCK CODE**

343

## RESULTS

The consolidated turnover of the Company and its subsidiaries for the year ended 31 March 2010 amounted to HK\$43,106,000 (2009: HK\$46,811,000) of which HK\$26,464,000 (2009: HK\$34,983,000) was attributable to the business of comics publication of the Group, nil (2009: HK\$42,000) was attributable to the Chinese information infrastructure of the Group, HK\$6,482,000 (2009: HK\$6,455,000) was attributable to the rental income from property investment of the Group, HK\$8,786,000 (2009: HK\$5,331,000) was attributable to the crude oil exploration services of the Group, HK\$145,000 (2009: nil) was attributable to the electronic card service of the Group, HK\$815,000 (2009: nil) was attributable to retailing and wholesales business of the Group and HK\$414,000 (2009: nil) was attributable to others included catering service. Profit for the year attributable to owners of the Company, taking into account taxation, was HK\$11,731,000 (loss for 2009: HK\$92,889,000). The earnings per share was HK1.7 cents (loss per share for 2009: HK13.1 cents).

## FINAL DIVIDEND

The Board of Directors has resolved not to declare any final dividend for the year ended 31 March 2010 (2009: Nil).

## BUSINESS REVIEW

Although the aftermath of the global economic turmoil in the past few years is on its way to recovery, by no means do businesses come in an easy breeze. Our Group continues to act with great prudence, in order to ensure its businesses are always operating on the most efficient and effective enterprise. As before, our Group has implemented guidelines to regularly revalue its position in the marketplace, and has set up allowances on businesses that were not run efficiently in the past year. We have also refocused on our core competence of comics licensing, while continually branching out to exciting businesses with enormous growth potential. The economic recoveries observed in 2009 and 2010 have certainly benefitted many of our businesses. Although crude oil prices have stabilized, oil explorations, in many areas, are still lagging behind. With production at less-than-optimal output, our Group prudently took an impairment charge that affected the bottom line, but fortunately its impact was masked by gains from disposals of financial assets as well as fair value changes in financial assets and investment properties, resulting in an overall result that was still fair as compared to that of previous years. The management of the Group anticipates that as the economy begins to move to a more favorable direction, our investments will regain their intrinsic values, and Culturecom can then out-perform its competitors with great ease.

With respect to the technology-business, our Group actively seeks for suitable cooperative partners to enhance and further commercialize its technologies. In the comics business, our Group has fortified its licensing business with additional resources, actively pursued opportunities in online gaming, animation and movie production, while continued to extend its reach to other media forms. One of the golden ideals of Culturecom has always been about bringing Chinese culture into the mainstream; and in light of this, our Group is developing an Asian-flavor animation/comic creation interface using 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 appealing to a new generation of artists.

Aside from technology and comics, our Group's venture in the petroleum extraction business started to pick up gradually from last year, but owing to the drilling and exploration activities which were completed at a slower rate than expected, operating earnings were negatively affected. As a result, our Group had to take an impairment charge of approximately HK\$33.42 million to reflect the slowdown in exploration over the past few years; nevertheless, our Group is satisfied with this investment so far, with an acquisition gain recorded earlier of approximately HK\$49.37 million (HK\$28.44 million from negative goodwill and HK\$20.93 million from profit guarantee). As the commodity market continues to heat up, we are confident that the oil extraction venture in Shengli Oilfield and Chaoshui Basin has the potential to yield promising operational results.

## PROSPECTS

Looking ahead, our Group is excited about its future projects, and optimistic of its upcoming journey. We are proud of our acute vision on identifying prospective business opportunities, and will continue to foster our relationships with the existing cooperative partners and business associates. We have demonstrated that our concern for the potential to enhance shareholders' values and minimizing our exposure to risk continue to be our priorities. Our Group strongly believes in the enormous potential for conducting businesses in China. The Chinese retail market has been developing rapidly over the past few years, as evident in the many new chain store networks, malls and shopping streets appearing not only in the commercial cities of Beijing, Guangzhou and Shanghai but in the suburban areas as well. Leveraging on the Group's extensive network around the globe, its understanding and knowledge of Chinese business mentalities, as well as its professional technological platform, our Group is equipped with the resources necessary to effectively conduct business-to-business commerce and assist retailers to expand their businesses, both on the local and international levels. In addition to retails and wholesales, our Group has continued

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. All in all, we salute to our shareholders wholeheartedly, and promise that we will continue to strive for the best investment strategies that would be beneficial to them in the long run.

### **APPRECIATIONS**

I would like to express my sincere gratitude 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.



**Cheung Wai Tung**

*Chairman*

Hong Kong, 19 July 2010

## FINANCIAL RESULTS

For the year ended 31 March 2010, the Group's overall revenue from external customers decreased slightly by approximately 7.9% to HK\$43,106,000, of which approximately HK\$26,464,000, HK\$6,482,000, HK\$8,786,000, nil, HK\$145,000, HK\$815,000 and HK\$414,000 (2009: HK\$34,983,000, HK\$6,455,000, HK\$5,331,000, HK\$42,000, nil, nil and nil) were attributable to our business of publishing, property investment, crude oil exploration services, Chinese information infrastructure, electronic card service, retailing and wholesales and others respectively.

The Group's consolidated net loss attributable to the owners of the Company in 2009 turned to net profit in 2010 (loss of HK\$92,889,000 or HK13.1 cents loss per share in 2009 to profit of HK\$11,731,000 or HK1.7 cents earnings per share in 2010). This improvement in performance was largely due to disposals of financial assets as well as from fair value changes in financial assets and investment properties, offset by an impairment charge taken on the crude oil exploration services. Overall, by focusing on core operations, capturing promising growth opportunities in the Chinese retail market, and being prudent in its investment decisions, the Group has progressed rapidly 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 along the way have demonstrated that what is to come can only be better.

Also, as of 31 March 2010, the Group's net asset value was HK\$645,900,000 and net asset value per weighted average number of 689,260,000 shares of the Company was approximately HK\$0.94 (2009: HK\$0.88). Increase in net asset value was primarily due to fair value changes in financial assets and investment properties that took place during this year.

## WARRANTS

On 31 October 2007, the Company entered into a placing agreement with a placing agent in relation to the private placing of 1,140,000,000 warrants ("2010 Warrants") conferring rights to subscribe up to approximately HK\$157,320,000 in cash for shares of the Company at an initial subscription price of HK\$0.138 per share during the two years period from 7 January 2008 to 6 January 2010, both days inclusive. The placing of 2010 Warrants was completed on 14 December 2007. The net proceeds of the placing of the 2010 Warrants approximately HK\$23,105,000 were used for general working capital of the Group. Upon the share consolidation with effect from 4 November 2008, the subscription price of the warrants of the Company was adjusted from HK\$0.138 per share to HK\$1.38 per consolidated share.

During the year, no registered holder of the 2010 Warrants exercised their rights to subscribe for Company's shares. All of the 2010 Warrants were lapsed on 6 January 2010 and thus an amount of HK\$23,105,000 was transferred from other reserve to accumulated losses directly.

## ACQUISITION

On 31 May 2009, the Group acquired 53% of 上海旅聯信息服務有限公司 ("上海旅聯") at a total cash consideration of RMB7,000,000. The principal activity of 上海旅聯 is the provision of electronic card service.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2010 the Group had bank and deposits with financial institutions balances in aggregate of approximately HK\$160,514,000 and financial assets at fair value through profit or loss of approximately HK\$86,378,000. The Group has no significant exposure to foreign exchange rate fluctuation.

As of 31 March 2010, the Group had a net current asset of approximately HK\$253,665,000 (31 March 2009: HK\$261,538,000) and a current ratio of 10.12 (31 March 2009: 8.9). The Group's total liabilities as of 31 March 2010 amounted to approximately HK\$84,016,000 (31 March 2009: HK\$94,023,000) and represented approximately 13% (31 March 2009: 15%) 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 2010, the Group had a total of 129 (2009: 96) employees. Total staff costs incurred during the year amounted to approximately HK\$20,646,000 (2009: HK\$17,478,000). 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.

The Directors present their annual report and the audited financial statements for the year ended 31 March 2010.

### **PRINCIPAL ACTIVITIES**

The Company acts as an investment holding company. The activities of its principal associates and subsidiaries are set out in notes 17 and 40 to the consolidated financial statements respectively.

### **SUBSIDIARIES AND ASSOCIATES**

Details of the Group's associates and of the Company's subsidiaries at 31 March 2010 are set out in notes 17 and 40 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 75.36% of the Group's turnover, of which 23.75% was attributable to the largest customer.

The aggregate purchases during the year attributable to the Group's five largest suppliers accounted for 91.48% of the Group's total purchases, of which 61.78% 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**

The results of the Group for the year ended 31 March 2010 are set out in the consolidated statement of comprehensive income on page 36.

### **DIVIDEND**

The Directors do not recommend the payment of a final dividend in respect of the year ended 31 March 2010.

**PROPERTY, PLANT AND EQUIPMENT**

During the year, the Group spent approximately HK\$28,037,000 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 14 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 30, 32 and 33 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 31 to the consolidated financial statements.

**DISTRIBUTABLE RESERVES**

At 31 March 2010, 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 135 and 136.

## DIRECTORS

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

### Executive Directors:

Mr. Cheung Wai Tung (*Chairman*)

Mr. Chu Bong Foo (*Vice-Chairman*)

Mr. Kwan Kin Chung (*Managing Director*)

Mr. Henry Chang Manayan

Mr. Wan Xiaolin

Mr. Chung Billy

Mr. Tang U Fai

Mr. Tang Kwing Chuen Kenneth

Mr. Chen Man Lung

(appointed on 22 October 2009)

Mr. Tai Cheong Sao

(resigned on 22 October 2009)

### Independent Non-Executive Directors:

Mr. Tsang Wai Wa

(appointed on 17 November 2009)

Mr. Joseph Lee Chennault

Mr. Lai Qiang

Mr. Lai Man To

(retired on 3 September 2009)

The directors of the Company, including 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. Chu Bong Foo, Henry Chang Manayan, Chen Man Lung and Tsang Wai Wa, will retire and, being eligible, offer themselves, with the exception of Mr. Henry Chang Manayan, 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.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### Executive Directors

**Mr. Cheung Wai Tung**, aged 52, was appointed as the chairman and an executive Director of the Company in December 1998 and is responsible for the corporate strategic planning and business development of the Group. Mr. Cheung holds a Bachelor of Arts degree in Accounts and Finance from Shanghai Maritime College, Shanghai, the PRC. Prior to joining the Group, he was representative and deputy chief executive officer of COSCO Group in Singapore and Hong Kong respectively.

**Mr. Chu Bong Foo**, aged 72, was appointed as the vice-chairman and an executive Director of the Company in May 1999 and is responsible for the design and development of Chinese information infrastructure of the Group. Mr. Chu is the inventor of Changjie Index System and has been engaging in the development of Chinese character generating technology over 20 years.

**Mr. Kwan Kin Chung**, aged 41, was appointed as an executive Director and managing Director of the Company in March 2008. He was appointed as an acting chief executive officer of the Company in April 2007. Mr. Kwan held the position as vice president of the Group from 1998 to 2002. He is a managing director of China Bio Cassava Holdings Limited, whose shares are listed on the GEM of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Kwan has extensive experience in businesses restructuring and corporate investment. He holds a Bachelor of Arts in Economics from Zhongshan University, Guangzhou, the PRC.

**Mr. Henry Chang Manayan**, aged 54, was appointed as an executive Director of the Company in September 1999. Prior, he was a part of the investment group involved in the acquisition and merger of Culturecom Holdings. Mr. Manayan was the Mayor of the City of Milpitas, California, USA, and is the first Mayor of Asian ancestry ever elected in the City of Milpitas. In addition, he served on a White House Advisory Group on Asian-Pacific Affairs under U.S. President Clinton. Mr. Manayan is also an attorney and business owner of a management consulting firm. He was educated at Syracuse University, Oxford University (Great Britain), Yale-in-China College, Golden Gate University Graduate College of Banking and Finance and the University of Santa Clara School of Law, where he received his Juris Doctor degree. He also completed postgraduate education at Harvard University and the London Business School. Mr. Manayan is the president and general counsel of The Transpacific Companies, LLC, a finance and investment company, and has taught and lectured at several colleges. He also serves as a board director, officer and legal counsel to numerous companies and organizations. Mr. Manayan is highly active in charitable and philanthropic activities including Rotary International, where he is the President of his local Rotary Club.

**BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

(Continued)

**Executive Directors (Continued)**

**Mr. Wan Xiaolin**, aged 52, joined the Group as the general manager in January 2000 and is responsible for the group administration, human resources and training, accounts and finance and information technology related management activities. Mr. Wan holds a Bachelor of Arts in Economics from Shanghai Maritime University, Shanghai, the PRC. Prior to joining the Group, he was general manager of China Merchants Transportation Group for finance and accounting division. Mr. Wan was appointed as an executive Director of the Company in July 2002. He is an executive director of China Bio Cassava Holdings Limited, whose shares are listed on GEM of the Stock Exchange.

**Mr. Chung Billy**, aged 35, was appointed as an independent non-executive Director of the Company in June 2007. He has been re-designated as an executive Director of the Company in November 2007 and later became the chief operating officer of the Company, 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 of Arts degree in Accounting from the University of Waterloo and a MBA from the University of Toronto in Canada. As a member of the Canadian Institute of Chartered Accountants, he has over ten years of extensive experience in the fields of accounting, consulting, and investment banking. Mr. Chung is also a fellow member of the Hong Kong Institute of Certified Public Accountants and 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.

**Mr. Tang U Fai**, aged 36, was appointed as an executive Director of the Company in March 2008. Mr. Tang holds a Bachelor of Science degree in Computer Science and Economics from the University of Victoria and a Master of Science degree in Software Engineering from the University of Macau. Mr. Tang joined the Group as the chief technology officer in May 2001. In 2003, he was further appointed as the general manager of 網城在綫(澳門)有限公司 where he was gained extensive executive experience.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

### Executive Directors (Continued)

**Mr. Tang Kwing Chuen Kenneth**, aged 32, was appointed as an executive Director of the Company in December 2008. He was appointed as 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 a substantial shareholder of the Company. Mr. Tang holds a Master of Commerce degree in Finance and a Bachelor of Science degree majoring in Information Systems from the University of New South Wales. He joined the Group as Project Manager in October 2003. He has extensive years of experience in banking and finance industry.

**Mr. Chen Man Lung**, aged 44, was appointed as executive Director of the Company on 22 October 2009. He is currently an executive director of China Bio Cassava Holdings Limited and independent non-executive director of Opes Asia Development Limited, both of their shares are listed on the Stock Exchange. He is also a chief financial officer of ViaGOLD Capital Limited, a company whose shares are listed on Australian Stock Exchange. Mr. Chen acts as a director of the Hong Kong Comics & Animation Federation Limited and academic advisor to Academy of Visual Arts and Humanities Programme of Hong Kong Baptist University. Mr. Chen obtained the Degree of Bachelor of Arts in Sociology and the Degree of Master 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 16 years of extensive experience in investment industry.

### Independent Non-Executive Directors

**Mr. Tsang Wai Wa**, aged 49, was appointed as an independent non-executive Director of the Company on 17 November 2009. He is also an independent non-executive director of Opes Asia Development Limited and the company secretary of China Solar Energy Holdings Limited, both of their shares are listed on the Stock Exchange. 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 experience.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

(Continued)

### Independent Non-Executive Directors (Continued)

**Mr. Joseph Lee Chennault**, aged 66, was appointed as an independent non-executive Director of the Company in September 2004. Mr. Chennault holds a Bachelor of Arts in Economics from University of San Francisco and MBA from Golden Gate University. He is a member of California Society of Certified Public Accountants and has over 30 years of experience in accounting and auditing.

**Mr. Lai Qiang**, aged 36, was appointed as an independent non-executive Director of the Company in December 2008. He holds a Bachelor Degree in International Finance (Professional Economics), International Trading Finance Department, from Zhongshan University, Guangzhou, the PRC. He is also an intermediate level economist. Mr. Lai is a deputy officer of financial settlement centre and manager of treasury department of Shenzhen Huaqiang Holdings Limited ("Huaqiang Holdings"). Huaqiang Holdings is a large investment holding company with high technology industries as its core business. It was chosen as "the Most Advanced Enterprise in Quality and Efficiency in China" and "the Top Foreign Exchange-Earning Enterprise in China" continuously for many years. Mr. Lai has over ten years of practical experience in group enterprise fund management and financial management.

### Senior Management

**Mr. Yu Huaguo**, aged 43, was appointed as chief executive officer of the Company in May 2008. Prior to joining the Group, he was an executive director of Jiuzhou Development Company Limited ("JDCL"), whose shares are listed on the Stock Exchange, and was deputy general manager of Zhuhai Jiuzhou Port Group Corporation (a substantial shareholder of JDCL). Mr. Yu obtained a Master of Business Administration (MBA) degree from the Hong Kong Polytechnic University. He has over twenty years' experience in finance, securities, capital and enterprise management.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

### Senior Management (Continued)

**Dr. Chen Tzyh Trong**, aged 52, joined the Company as vice president and executive assistant to chairman in May 2003. Dr. Chen graduated from the National Taiwan University with LL.B degree and earned his Ph.D. degree in Law from the University of London. He is well experienced in the fields of legal affairs, market development, and corporate management, with previous senior executive appointments in various companies. Dr. Chen is a respected commentator and writer for national economic and legal affairs. Dr. Chen had served as Secretary General and Executive Director for the Association of Taiwan Business Association (Hong Kong) and Director for the Association of Chinese Traders and he is currently a counselor for Taipei City Government.

**Mr. Chau Ka Hang**, aged 44, joined the Group in January 1999. He is currently the General Manager (Comic Publishing) of the Group and is responsible for the overall business planning, development and marketing of the Group's comic publishing business in Hong Kong and the mainland of China. Mr. Chau has over 15 years' experience in advertising business and comic publication management.

**Ms. Lee Yuk Ping**, aged 42, 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. Tong Wai Sum**, aged 42, joined the Group in July 2008 and was appointed as company secretary of the Company on 3 May 2010. He is a member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Mr. Tong holds a Master degree of Corporate Governance from The Hong Kong Polytechnic University.

**SHARE OPTION SCHEMES**

The Company has terminated its share option scheme adopted on 15 June 1993 (the "1993 Scheme") and adopted a new share option scheme (the "2002 Scheme") on its 2002 Annual General Meeting held on 21 August 2002.

Subsequent to the termination of the 1993 Scheme, no further share options can be granted thereunder but in all other respects, the provisions of the 1993 Scheme shall remain in force and all share options granted prior to such termination shall continue to be valid and exercisable in accordance therewith. During the year ended 31 March 2010, 3,196,500 outstanding share options had been lapsed in accordance with the terms of the 1993 Scheme.

The number of shares available for issue under 2002 Scheme as at the date of the Annual Report is 144,650,000 which representing approximately 20.99% 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 33 to the consolidated financial statements.

## SHARE OPTION SCHEMES (Continued)

Details of the movement of the share options granted to the Directors and employees of the Company under the 1993 Scheme during the year are as follows:

	Date of Grant	At 1 April 2009	Number of share options				At 31 March 2010	Exercise price per share	Exercisable period
			Transfer from other category during the year	Transfer to other category during the year	Lapsed during the year	Granted/ Exercised/ Cancelled during the year			
HK\$									
<b>(a) Directors</b>									
Mr. Cheung Wai Tung	3 March 2000	456,500	-	-	(456,500)	-	-	16.80	3 March 2000 to 2 March 2010
Mr. Chu Bong Foo	(i) 27 August 1999	1,000,000	-	-	(1,000,000)	-	-	2.64	27 August 1999 to 26 August 2009
	(ii) 3 March 2000	200,000	-	-	(200,000)	-	-	16.80	3 March 2000 to 2 March 2010
Mr. Henry Chang Manayan	(i) 27 August 1999	100,000	-	-	(100,000)	-	-	2.64	27 August 1999 to 26 August 2009
	(ii) 3 March 2000	50,000	-	-	(50,000)	-	-	16.80	3 March 2000 to 2 March 2010
Mr. Wan Xiaolin	3 March 2000	100,000	-	-	(100,000)	-	-	16.80	3 March 2000 to 2 March 2010
Mr. Tai Cheong Sao (Note 1)	3 March 2000	300,000	-	(300,000)	-	-	-	16.80	3 March 2000 to 2 March 2010
Mr. Tang U Fai	3 March 2000	100,000	-	-	(100,000)	-	-	16.80	3 March 2000 to 2 March 2010
<b>(b) Employees</b>	3 March 2000	890,000	300,000	-	(1,190,000)	-	-	16.80	3 March 2000 to 2 March 2010

**SHARE OPTION SCHEMES (Continued)**

Details of the movement of the share options granted under the 2002 Scheme during the year are as follows:

	Date of Grant	At 1 April 2009	Number of share options				At 31 March 2010	Exercise price per share HK\$	Exercisable period
			Transfer from other category during the year	Transfer to other category during the year	Lapsed during the year	Granted/ Exercised/ Cancelled during the year			
<b>(a) Directors</b>									
Mr. Cheung Wai Tung	19 December 2003	400,000	-	-	-	-	400,000	2.65	19 December 2003 to 18 December 2013
Mr. Kwan Kin Chung	(i) 7 July 2006	800,000	-	-	-	-	800,000	1.01	7 July 2006 to 6 July 2016
	(ii) 29 June 2007	100,000	-	-	-	-	100,000	2.37	29 June 2007 to 28 June 2017
	(iii) 6 November 2007	800,000	-	-	-	-	800,000	1.56	6 November 2007 to 5 November 2017
Mr. Henry Chang Manayan	19 December 2003	100,000	-	-	-	-	100,000	2.65	19 December 2003 to 18 December 2013
Mr. Wan Xiaolin	19 December 2003	300,000	-	-	-	-	300,000	2.65	19 December 2003 to 18 December 2013
Mr. Tai Cheong Sao (Note 1)	(i) 19 December 2003	200,000	-	(200,000)	-	-	-	2.65	19 December 2003 to 18 December 2013
	(ii) 24 March 2005	150,000	-	(150,000)	-	-	-	2.95	24 March 2005 to 23 March 2015
Mr. Tang U Fai	(i) 19 December 2003	100,000	-	-	-	-	100,000	2.65	19 December 2003 to 18 December 2013
	(ii) 24 March 2005	1,600,000	-	-	-	-	1,600,000	2.95	24 March 2005 to 23 March 2015
	(iii) 7 July 2006	100,000	-	-	-	-	100,000	1.01	7 July 2006 to 6 July 2016
Mr. Tang Kwing Chuen Kenneth	7 July 2006	50,000	-	-	-	-	50,000	1.01	7 July 2006 to 6 July 2016
Mr. Chen Man Lung	(i) 24 March 2005	-	1,300,000 (Note 2)	-	-	-	1,300,000	2.95	24 March 2005 to 23 March 2015
	(ii) 7 July 2006	-	650,000 (Note 2)	-	-	-	650,000	1.01	7 July 2006 to 6 July 2016
	(iii) 29 June 2007	-	1,100,000 (Note 2)	-	-	-	1,100,000	2.37	29 June 2007 to 28 June 2017
	(iv) 6 November 2007	-	1,500,000 (Note 2)	-	-	-	1,500,000	1.56	6 November 2007 to 5 November 2017

## SHARE OPTION SCHEMES (Continued)

	Date of Grant	At 1 April 2009	Number of share options				At 31 March 2010	Exercise price per share	Exercisable period
			Transfer from other category during the year	Transfer to other category during the year	Lapsed during the year	Granted/ Exercised/ Cancelled during the year			
HK\$									
<b>(b) Employees</b>	(i) 19 December 2003	3,040,000	200,000	-	-	-	3,240,000	2.65	19 December 2003 to 18 December 2013
	(ii) 24 March 2005	5,150,000	150,000	(1,300,000) <i>(Note 2)</i>	-	-	4,000,000	2.95	24 March 2005 to 23 March 2015
	(iii) 7 July 2006	950,000	-	(650,000) <i>(Note 2)</i>	-	-	300,000	1.01	7 July 2006 to 6 July 2016
	(iv) 29 June 2007	10,650,000	-	(1,100,000) <i>(Note 2)</i>	-	-	9,550,000	2.37	29 June 2007 to 28 June 2017
	(v) 6 November 2007	12,700,000	-	(1,500,000) <i>(Note 2)</i>	-	-	11,200,000	1.56	6 November 2007 to 5 November 2017
<b>(c) Others</b>	(i) 19 December 2003	1,770,000	-	-	-	-	1,770,000	2.65	19 December 2003 to 18 December 2013
	(ii) 24 March 2005	20,050,000	-	-	-	-	20,050,000	2.95	24 March 2005 to 23 March 2015
	(iii) 3 October 2005	3,000,000	-	-	-	-	3,000,000	2.12	3 October 2005 to 2 October 2015
	(iv) 7 July 2006	11,690,000	-	-	-	-	11,690,000	1.01	7 July 2006 to 6 July 2016
	(v) 29 June 2007	29,250,000	-	-	-	-	29,250,000	2.37	29 June 2007 to 28 June 2017
	(vi) 6 November 2007	41,700,000	-	-	-	-	41,700,000	1.56	6 November 2007 to 5 November 2017

### Notes:

1. Mr. Tai Cheong Sao has resigned as executive Director of the Company on 22 October 2009.
2. The option granted Mr. Chen Man Lung were granted prior to his appointment as executive Director of the Company on 22 October 2009.
3. 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 2010, 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.

## DISCLOSURE OF INTERESTS

### (a) Interests of the Directors

As at 31 March 2010, 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
Mr. Cheung Wai Tung	Beneficial owner	Personal interest	188,600	0.03%
Mr. Chu Bong Foo	(i) Beneficial owner	Personal interest	16,018,000	4.11%
	(ii) Interest of a controlled corporation	Corporate interest	12,287,200 (note)	
Mr. Henry Chang Manayan	Beneficial owner	Personal interest	200,000	0.03%
Mr. Wan Xiaolin	Beneficial owner	Personal interest	50,000	0.01%
Mr. Tang Kwing Chuen Kenneth	Beneficial owner	Personal interest	380,000	0.06%

*Note:* 12,287,200 shares are held by Bay-Club Enterprises Inc., the entire issued share capital of which is beneficially owned by Mr. Chu Bong Foo.

*All interests stated above represent long positions.*

**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	16,000,000 ( <i>note 1</i> )	0.20%
	Mr. Chung Billy	Beneficial owner	Personal interest	3,200,000 ( <i>note 2</i> )	0.04%
	Mr. Tang U Fai	Beneficial owner	Personal interest	4,000,000 ( <i>note 3</i> )	0.05%
	Mr. Tsang Wai Wa	Beneficial owner	Personal interest	2,505,420 ( <i>note 4</i> )	0.03%
	Mr. Chen Man Lung	Beneficial owner	Personal interest	16,000,000 ( <i>note 5</i> )	0.20%
	Mr. Wan Xiaolin	Beneficial owner	Personal interest	12,000,000 ( <i>note 6</i> )	0.15%

*Notes:*

- Mr. Kwan Kin Chung is beneficially interested in 16,000,000 share options in China Bio Cassava Holdings Limited.
- Mr. Chung Billy is beneficially interested in 1,200,000 ordinary shares and 2,000,000 share options in China Bio Cassava Holdings Limited.
- Mr. Tang U Fai is beneficially interested in 4,000,000 share options in China Bio Cassava Holdings Limited.
- Mr. Tsang Wai Wa is beneficially interested in 2,505,420 ordinary shares in China Bio Cassava Holdings Limited.
- Mr. Chen Man Lung is beneficially interested in 16,000,000 share options in China Bio Cassava Holdings Limited.
- Mr. Wan Xiaolin is beneficially interested in 12,000,000 share options in China Bio Cassava Holdings Limited.

*All interests stated above represent long positions.*

**DISCLOSURE OF INTERESTS (Continued)****(a) Interests of the Directors (Continued)*****Interests in share options of the Company***

Name of Directors	Capacity	Nature of interests	Number of share options	Exercise price per share HK\$	Exercisable period	Approximate percentage of issued share capital
Mr. Cheung Wai Tung	Beneficial owner	Personal interest	400,000	2.65	19 December 2003 to 18 December 2013	0.06%
Mr. Kwan Kin Chung	(i)	Beneficial owner	800,000	1.01	7 July 2006 to 6 July 2016	0.25%
	(ii)	Beneficial owner	100,000	2.37	29 June 2007 to 28 June 2017	
	(iii)	Beneficial owner	800,000	1.56	6 November 2007 to 5 November 2017	
Mr. Henry Chang Manayan	Beneficial owner	Personal interest	100,000	2.65	19 December 2003 to 18 December 2013	0.01%
Mr. Wan Xiaolin	Beneficial owner	Personal interest	300,000	2.65	19 December 2003 to 18 December 2013	0.04%
Mr. Tang U Fai	(i)	Beneficial owner	100,000	2.65	19 December 2003 to 18 December 2013	0.26%
	(ii)	Beneficial owner	1,600,000	2.95	24 March 2005 to 23 March 2015	
	(iii)	Beneficial owner	100,000	1.01	7 July 2006 to 6 July 2016	
Mr. Tang Kwing Chuen Kenneth	Beneficial owner	Personal interest	50,000	1.01	7 July 2006 to 6 July 2016	0.01%
Mr. Chen Man Lung	(i)	Beneficial owner	1,300,000	2.95	24 March 2005 to 23 March 2015	0.66%
	(ii)	Beneficial owner	650,000	1.01	7 July 2006 to 6 July 2016	
	(iii)	Beneficial owner	1,100,000	2.37	29 June 2007 to 28 June 2017	
	(iv)	Beneficial owner	1,500,000	1.56	6 November 2007 to 5 November 2017	

*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 2010, all options have been vested.

*All interests stated above represent long positions.*

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

Save as disclosed above, as at 31 March 2010, 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 2010, 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***

<b>Name</b>	<b>Capacity</b>	<b>Number of shares held</b>	<b>Approximate percentage of issued share capital</b>
Wealthy Concept Holdings Limited	Beneficial owner	60,000,000	8.70%
Mr. Liao Chang Yuan	Interest in a controlled corporation ( <i>note 1</i> )	60,000,000	8.70%
L & W Holding Limited	Beneficial owner	54,332,400	7.88%

**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
Harvest Smart Overseas Limited	Beneficial owner and interest in controlled corporation ( <i>note 2</i> )	101,944,000	14.79%
Mr. Basilio Dizon	Interest in a controlled corporation ( <i>note 3</i> )	182,529,600	26.47%
Ms. Chow Lai Wah Livia	Interest in a controlled corporation and interest of spouse ( <i>note 4</i> )	182,529,600	26.47%

*Notes:*

1. Mr. Liao Chang Yuan is interested in 40% of the issued share capital of the issued share capital of Wealthy Concept Holdings Limited, he is deemed to be interested in 60,000,000 shares in the Company under SFO.
2. Harvest Smart Overseas Limited ("Harvest Smart") is beneficially interested in 75,354,600 shares and is deemed to be interested in 26,589,400 shares held by Chamberlin Investments Limited ("Chamberlin"). Harvest Smart has controlling interests (36.46%) in Viagold Capital Limited ("Viagold") and Chamberlin is a wholly owned subsidiary of Viagold. Therefore, Harvest Smart is deemed to be interested in 26,589,400 shares in the Company under SFO.
3. Mr. Basilio Dizon ("Mr. Dizon") has controlling interests 35% and 90.77% in L & W Holding Limited ("L & W") and Harvest Smart respectively. Ms. Chow Lai Wah Livia ("Ms. Chow"), the wife of Mr. Dizon, is beneficially interested in 26,253,200 shares in the Company, therefore, Mr. Dizon is deemed to be interested in 182,529,600 shares in the Company under SFO.
4. Ms. Chow is beneficially interested in 26,253,200 shares in the Company. She is the wife of Mr. Dizon and has controlling interests in L & W. Accordingly, Ms. Chow is deemed to be interested in 156,276,400 shares in the Company under SFO.

**DISCLOSURE OF INTERESTS (Continued)****(b) Interests of Substantial Shareholders (Continued)**

Save as disclosed above, as at 31 March 2010, 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' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS**

During the year, the Company had carried on a connected transaction, the details of which are disclosed below in compliance with the requirements of Chapter 14A of the Listing Rules. Full details of the transaction have been disclosed in the announcement ("Announcement") of the Company dated 8 July 2009.

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. Details of the transaction have been disclosed in the announcement and the circular of the Company dated 30 July 2007 and 11 December 2007 respectively.

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.

At the date of Announcement, WCHL has repaid HK\$18,270,000 (equivalent to approximately RMB16,105,005) to SDL and has entered into a supplemental agreement (the "Supplemental Agreement") with SDL such that the remaining balance of HK\$2,654,800 (equivalent to approximately RMB2,340,206) shall be payable in cash by WCHL on or before 30 June 2010 (or such other date as WCHL and SDL may agree in writing).

### **DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Continued)**

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.

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**

The Company repurchased totally 20,270,000 ordinary shares on the Stock Exchange and 20,070,000 ordinary shares were cancelled during the year ended 31 March 2009 and the remaining 200,000 ordinary shares were cancelled on 7 April 2009.

Save as disclosed above, neither the Company nor its subsidiaries have purchased, sold or redeemed any of the listed securities in the Company during the year ended 31 March 2010.

### **INDEPENDENT NON-EXECUTIVE DIRECTOR**

Mr. Lai Man To has retired by rotation at the annual general meeting of the Company held on 3 September 2009 and did not offer himself for re-election as an independent non-executive Director of the Company. Following the retirement of Mr. Lai, the total number of independent non-executive Directors of the Company falls below the minimum number required under Rule 3.10(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Mr. Tsang Wai Wa was appointed as independent non-executive Director of the Company on 17 November 2009. Following the appointment of Mr. Tsang, the board of directors of the Company includes three independent non-executive Directors and has complied with the required of Rule 3.10(1) of the Listing Rules.

### **AUDIT COMMITTEE**

Following Mr. Lai Man To's retirement as independent non-executive Director of the Company, he ceased to be a member of the audit committee of the Company. For the period from 3 September 2009 to 16 November 2009, the audit committee of the Company comprises two members, namely Mr. Joseph Lee Chennault and Mr. Lai Qiang. The total number of members falls below the minimum number required under Rule 3.21 of the Listing Rules.

Mr. Tsang Wai Wa was appointed as a member of audit committee of the Company on 17 November 2009. Following the appointment of Mr. Tsang, the audit committee of the Company includes three members and has complied with the required of Rule 3.21 of the Listing Rules.

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 2010.

### **CORPORATE GOVERNANCE**

A report on the principle corporate governance practices adopted by the Company is set out on pages 29 to 33 of the annual report.

### **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 2010.

### **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.

### **AUDITORS**

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Grant Thornton as auditors of the Company.

On behalf of the Board



**Cheung Wai Tung**

*Chairman*

Hong Kong, 19 July 2010

## 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 and non-executive) 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. Cheung Wai Tung was unable to attend the annual general meeting of the Company held on 3 September 2009 as he was on business trip for other important business engagement. However, an executive director of the Company, 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 2010.

## BOARD OF DIRECTORS

During the year, the Board of Directors comprised the executive Chairman, the executive Vice-Chairman, the Managing Director, six 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:

<b>Directors</b>	<b>Attendance/Number of Meetings</b>
<b>Executive Directors</b>	
Mr. Cheung Wai Tung ( <i>Chairman</i> )	7/7
Mr. Chu Bong Foo ( <i>Vice-Chairman</i> )	7/7
Mr. Kwan Kin Chung ( <i>Managing Director</i> )	7/7
Mr. Henry Chang Manayan	3/7
Mr. Wan Xiaolin	7/7
Mr. Chung Billy	7/7
Mr. Tang U Fai	6/7
Mr. Tang Kwing Chuen Kenneth	6/7
Mr. Chen Man Lung (appointed on 22 October 2009)	4/4
Mr. Tai Cheong Sao (resigned on 22 October 2009)	3/3
<b>Independent Non-Executive Directors</b>	
Mr. Tsang Wai Wa (appointed on 17 November 2009)	3/3
Mr. Joseph Lee Chennault	4/7
Mr. Lai Qiang	7/7
Mr. Lai Man To (retired on 3 September 2009)	2/2

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 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:

<b>Directors</b>	<b>Attendance/Number of Meetings</b>
Mr. Tsang Wai Wa (appointed on 17 November 2009)	1/1
Mr. Joseph Lee Chennault	2/2
Mr. Lai Qiang	2/2
Mr. Lai Man To (retired on 3 September 2009)	1/1

## **ROLES AND RESPONSIBILITIES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

During the year, the roles of the Chairman and CEO are segregated and performed by Mr. Cheung Wai Tung and Mr. Yu Huaguo respectively. The Chairman, Mr. Cheung Wai Tung, is primarily responsible for the management of the Board, while the CEO, Mr. Yu Huaguo, is primarily responsible 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 and non-executive) 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 13 to the consolidated financial statements.

## **NOMINATION OF DIRECTORS**

According to the Bye-Laws of the Company, the Board of Directors has the power from time to time and at any time to appoint any person as a director either to fill a causal vacancy or as an addition to the Board of Directors. The nomination should be taken into consideration of the nominee's qualification, ability and potential contributions to the Company.

## **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 2010, 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.

### **Auditors' Responsibilities and Remuneration**

During the year, the audit fee for the Group amounted to approximately HK\$880,000.

The statement of the auditors of the Company regarding their reporting responsibilities is set out in the Independent Auditors' Report on pages 34 and 35.

### **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.



Member of Grant Thornton International Ltd

**To the members of Culturecom Holdings Limited** 文化傳信集團有限公司  
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Culturecom Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 134, which comprise the consolidated and company statements of financial position as at 31 March 2010 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 notes.

**Directors' responsibility for the financial statements**

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion 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 as to whether the financial statements are free from material misstatement.

**Auditors' responsibility (Continued)**

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 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 2010 and of the Group's profit 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.

**Grant Thornton**

*Certified Public Accountants*

6th Floor, Nexxus Building

41 Connaught Road Central

Hong Kong

19 July 2010

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2010

	Notes	2010 HK\$'000	2009 HK\$'000
<b>Revenue</b>	5	<b>43,106</b>	46,811
Cost of sales		<b>(22,776)</b>	(29,220)
<b>Gross profit</b>		<b>20,330</b>	17,591
Other income	6	<b>8,233</b>	3,733
Administrative expenses		<b>(61,651)</b>	(51,159)
Increase/(Decrease) in fair value of financial assets at fair value through profit or loss		<b>43,655</b>	(68,099)
Share of losses of associates	17	<b>(3,329)</b>	(5,552)
Gain arising on acquisition of a subsidiary		-	20,925
Valuation surplus/(deficit) on investment properties	16	<b>30,985</b>	(17,233)
Impairment of intangible assets	19	<b>(33,422)</b>	-
Finance costs	8	<b>(9)</b>	(180)
<b>Profit/(Loss) before income tax</b>	9	<b>4,792</b>	(99,974)
Income tax credit	10	<b>5,769</b>	7,085
<b>Profit/(Loss) for the year</b>		<b>10,561</b>	(92,889)
<b>Other comprehensive income</b>			
Exchange gain on translation of financial statements of foreign operations		<b>2,329</b>	8,898
Revaluation gain on buildings upon transfer to investment properties		-	1,046
Deferred tax liabilities arising from revaluation gain of investment properties		-	(172)
<b>Other comprehensive income for the year</b>		<b>2,329</b>	9,772
<b>Total comprehensive income for the year</b>		<b>12,890</b>	(83,117)

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2010

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	Notes	2010 HK\$'000	2009 HK\$'000
<b>Profit/(Loss) for the year attributable to:</b>			
Owners of the Company	11	11,731	(92,889)
Minority interest		(1,170)	-
		<u>10,561</u>	<u>(92,889)</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		14,060	(83,117)
Minority interest		(1,170)	-
		<u>12,890</u>	<u>(83,117)</u>
<b>Earnings/(Loss) per share for profit/(loss) attributable to the owners of the Company during the year</b>			
Basic	12	<u>HK1.7 cents</u>	<u>HK(13.1) cents</u>
Diluted	12	<u>N/A</u>	<u>N/A</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2010

	Notes	2010 HK\$'000	2009 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	14	76,868	56,982
Prepaid lease payments	15	13,857	14,239
Investment properties	16	151,236	120,251
Long term deposits		2,284	2,268
Interests in associates	17	23,718	25,084
Goodwill	18	2,617	-
Intangible assets	19	167,870	207,000
Available-for-sale financial asset	20	10,000	-
		<b>448,450</b>	<b>425,824</b>
<b>Current assets</b>			
Inventories	21	1,969	280
Trade receivables	22	12,693	16,135
Prepaid lease payments	15	382	382
Other receivables, deposits and prepayments	23	19,446	69,599
Amounts due from fellow subsidiaries of an associate	24	-	236
Amounts due from associates	17	48	21
Tax recoverable		36	153
Financial assets at fair value through profit or loss	25	86,378	77,582
Bank balances and deposits with financial institutions	26	160,514	130,240
		<b>281,466</b>	<b>294,628</b>
<b>Current liabilities</b>			
Trade payables	27	5,058	5,160
Other payables and accrued charges		20,182	26,478
Amounts due to fellow subsidiaries of an associate	28	1,174	1,233
Amounts due to associates	17	641	-
Obligations under finance leases - due within one year	29	43	43
Tax payable		703	176
		<b>27,801</b>	<b>33,090</b>
<b>Net current assets</b>		<b>253,665</b>	<b>261,538</b>
<b>Total assets less current liabilities</b>		<b>702,115</b>	<b>687,362</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2010

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	Notes	2010 HK\$'000	2009 HK\$'000
<b>EQUITY</b>			
Share capital	30	<b>689,256</b>	689,456
Reserves	31	<b>(46,855)</b>	(63,027)
Equity attributable to owners of the Company		<b>642,401</b>	626,429
Minority interest		<b>3,499</b>	-
<b>Total equity</b>		<b>645,900</b>	626,429
<b>Non-current liabilities</b>			
Obligations under finance leases			
- due after one year	29	<b>93</b>	135
Deferred tax liabilities	34	<b>56,122</b>	60,798
		<b>56,215</b>	60,933
		<b>702,115</b>	687,362

**Cheung Wai Tung**  
*Director*

**Wan Xiaolin**  
*Director*

## STATEMENT OF FINANCIAL POSITION

as at 31 March 2010

	Notes	2010 HK\$'000	2009 HK\$'000
<b>Non-current assets</b>			
Investments in subsidiaries	40	<b>128,216</b>	215,144
		<b>128,216</b>	215,144
<b>Current assets</b>			
Amounts due from subsidiaries	40	<b>391,587</b>	382,948
Other receivables, deposits and prepayments	23	<b>1,098</b>	15,693
Bank balances	26	<b>89,298</b>	84,583
		<b>481,983</b>	483,224
<b>Current liabilities</b>			
Other payables and accrued charges		<b>462</b>	444
<b>Net current assets</b>			
		<b>481,521</b>	482,780
<b>Net assets</b>			
		<b>609,737</b>	697,924
<b>EQUITY</b>			
Share capital	30	<b>689,256</b>	689,456
Reserves	31	<b>(79,519)</b>	8,468
<b>Total equity</b>			
		<b>609,737</b>	697,924

**Cheung Wai Tung**  
Director

**Wan Xiaolin**  
Director

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2010

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	2010 HK\$'000	2009 HK\$'000
<b>Cash flows from operating activities</b>		
Profit/(Loss) before income tax	4,792	(99,974)
Adjustments for:		
Provision for impairment of trade receivables	155	-
Amortisation of prepaid lease payments	382	504
Amortisation of intangible assets	12,486	11,920
(Increase)/Decrease in fair value of financial assets at fair value through profit or loss	(43,655)	68,099
Depreciation of property, plant and equipment	8,695	4,228
Loss on disposal of property, plant and equipment	-	19
Gain on disposal of financial assets at fair value through profit or loss	(5,920)	(707)
Gain arising on acquisition of a subsidiary	-	(20,925)
Interest expense	9	180
Interest income	(981)	(2,691)
Impairment of intangible assets	33,422	-
Share of losses of associates	3,329	5,552
Valuation (surplus)/deficit on investment properties	(30,985)	17,233
<b>Operating loss before changes in working capital</b>	<b>(18,271)</b>	<b>(16,562)</b>
Increase in inventories	(1,448)	(57)
Decrease/(Increase) in trade receivables	3,332	(4,315)
Decrease/(Increase) in other receivables, deposits and prepayments	51,495	(31,725)
Increase in amounts due from associates	(27)	(9)
Decrease in amounts due from fellow subsidiaries of an associate	236	-
Decrease/(Increase) in financial assets at fair value through profit or loss	40,779	(69,876)
(Decrease)/Increase in trade payables	(125)	234
Decrease in other payables and accrued charges	(12,084)	(5,960)
Decrease in amounts due to fellow subsidiaries of an associate	(59)	-
Increase in amounts due to associates	641	-
Net cash generated from/(used in) operations	64,469	(128,270)
Interest received	981	2,691
Hong Kong profits tax refunded/(paid)	50	(150)
<i>Net cash generated from/(used in) operating activities</i>	<b>65,500</b>	<b>(125,729)</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2010

	Notes	2010 HK\$'000	2009 HK\$'000
<b>Cash flows from investing activities</b>			
Acquisition of a subsidiary	36	2,018	-
Long term deposits made		-	(2,268)
Investment in an associate		-	(4,878)
Purchases of property, plant and equipment		(28,037)	(9,687)
Proceeds from disposal of property, plant and equipment		-	84
Purchase of available-for-sale financial asset		(10,000)	-
<i>Net cash used in investing activities</i>		<b>(36,019)</b>	(16,749)
<b>Cash flows from financing activities</b>			
Payments for repurchases of shares		-	(15,080)
Interest paid		(9)	(180)
Repayments of other borrowings		-	(24,966)
(Repayments)/Proceeds of obligations under finance leases		(42)	106
Expenses incurred on consolidation shares		(51)	(89)
Expenses incurred on repurchases of shares		-	(71)
<i>Net cash used in financing activities</i>		<b>(102)</b>	(40,280)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>29,379</b>	(182,758)
<b>Cash and cash equivalents at 1 April</b>		<b>130,240</b>	311,302
<b>Effect of foreign exchange rate changes</b>		<b>895</b>	1,696
<b>Cash and cash equivalents at 31 March</b>		<b>160,514</b>	130,240
<b>Analysis of the balances of cash and cash equivalents</b>			
Bank balances and deposits with financial institutions		<b>160,514</b>	130,240

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2010

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	Attributable to owners of the Company									Total equity
	Share capital HK\$'000	Share premium HK\$'000	Contribution surplus HK\$'000	Other reserve HK\$'000	Capital redemption reserve HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Investment property revaluation reserve HK\$'000	Accumulated losses HK\$'000	HK\$'000
At 1 April 2008	709,526	926,532	171,671	24,733	446	1,722	63,619	1,275	(1,174,738)	724,786
Share repurchase and cancellation	(20,070)	5,137	-	-	-	-	-	-	-	(14,933)
Share repurchase and pending for cancellation	-	-	-	(147)	-	-	-	-	-	(147)
Share repurchases expenses	-	(71)	-	-	-	-	-	-	-	(71)
Share consolidation expenses	-	(89)	-	-	-	-	-	-	-	(89)
Transactions with owners	(20,070)	4,977	-	(147)	-	-	-	-	-	(15,240)
<b>Loss for the year</b>	-	-	-	-	-	-	-	-	(92,889)	(92,889)
<b>Other comprehensive income</b>										
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	-	8,898	-	-	-	8,898
Revaluation gain on buildings upon transfer to investment properties	-	-	-	-	-	-	-	1,046	-	1,046
Deferred tax liabilities arising from revaluation gain of investment properties	-	-	-	-	-	-	-	(172)	-	(172)
<b>Total comprehensive income for the year</b>	-	-	-	-	-	8,898	-	874	(92,889)	(83,117)
At 31 March 2009	689,456	931,509	171,671	24,586	446	10,620	63,619	2,149	(1,267,627)	626,429

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2010

	Attributable to owners of the Company									Minority interest	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 2009	689,456	931,509	171,671	24,586	446	10,620	63,619	2,149	(1,267,627)	626,429	-	626,429
Share repurchase and cancellation	(200)	53	-	147	-	-	-	-	-	-	-	-
Share consolidation expenses	-	(51)	-	-	-	-	-	-	-	(51)	-	(51)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	4,669	4,669
Lapse of warrants	-	-	-	(23,105)	-	-	-	-	23,105	-	-	-
Transactions with owners	(200)	2	-	(22,958)	-	-	-	-	23,105	(51)	4,669	4,618
<b>Profit for the year</b>	-	-	-	-	-	-	-	-	11,731	11,731	(1,170)	10,561
<b>Other comprehensive income</b>												
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	-	2,329	-	-	-	2,329	-	2,329
<b>Total comprehensive income for the year</b>	-	-	-	-	-	2,329	-	-	11,731	14,060	(1,170)	12,890
Exercise and lapse of warrants by the associate	-	-	-	(1,500)	-	-	-	-	3,463	1,963	-	1,963
At 31 March 2010	689,256	931,511	171,671	128	446	12,949	63,619	2,149	(1,229,328)	642,401	3,499	645,900

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.

For the year ended 31 March 2009, other reserve includes the share of other reserve of an associate amounting to HK\$1,500,000.

## 1. GENERAL INFORMATION

Culturecom Holdings Limited (“the Company”) is a limited liability company incorporated and domiciled in Bermuda. The address of its registered office is Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business is Units 610C, 612-613, Level 6, Core D, Cyberport 3, 100 Cyberport Road, 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 (collectively the “Group”) comprise publishing, property investment, investment holding, exploration of crude oil services, Chinese information infrastructure, electronic card service, retailing and wholesales and catering business. Except for its new investments in electronic card service, retailing and wholesales and catering business, there were no significant changes in the Group’s operations during the year. The Group’s principal places of the business are in Hong Kong and the People’s Republic of China (the “PRC”).

The financial statements for the year ended 31 March 2010 were approved for issue by the board of directors on 19 July 2010.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The financial statements on pages 36 to 134 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the 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 (the “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 amended HKFRSs and the impacts on the Group’s financial statements, if any, are disclosed in note 3.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **2.1 Basis of preparation (Continued)**

The financial statements have been prepared under historical cost convention except for investment properties, financial assets at fair value through profit or loss 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 the 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 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 excluded from consolidation from the date that control ceases.

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.

Minority interests represent the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Basis of consolidation (Continued)

Minority interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated statement of comprehensive income as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interests to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interests only after the minority's share of losses previously absorbed by the Group has been recovered.

### 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 consolidated financial statements, acquisition of subsidiaries (other than those under common control) is accounted for by applying the purchase method. This involves the estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

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 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.

## 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.

## 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

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 except when otherwise indicated.

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.

## 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 recognised in other comprehensive income and accumulated separately 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 rates. 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 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%

## **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 each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the net sales 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 during the financial period in which they are incurred.

### **2.7 Leasehold land and land use rights**

Upfront payments made to acquire land held under an operating lease are stated at costs less accumulated amortisation and any impairment losses. The determination if an arrangement is or contains a lease and if the lease is an operating lease is detailed in note 2.15. Amortisation is 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.

### **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. These include land held for a currently undetermined future use.

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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.8 Investment properties (Continued)

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 a transfer from investment property carried at fair value to owner-occupied property, the property's deemed cost for subsequent accounting is its fair value at the date of change in use. 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.

### 2.9 Goodwill

Goodwill arising on acquisition of a subsidiary represents the excess of the cost of a business combination or an investment over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of the business combination 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 business combination or investment.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units ("CGUs") and is tested annually for impairment.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.9 Goodwill (Continued)

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in profit or loss.

On subsequent disposal of a subsidiary or an associate, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

### 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 a straight-line method over 5 years.

#### *Research and development costs*

Costs associated with research activities are expensed in profit or loss as incurred. Costs that are directly attributable to development activities are recognised as intangible assets provided they meet the following recognition criteria:

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.10 Intangible assets (other than goodwill) (Continued)

#### *Research and development costs (Continued)*

- (i) demonstration of technical feasibility of the prospective product for internal use or sale;
- (ii) there is intention to complete the intangible asset and use or sell it;
- (iii) the Group's ability to use or sell the intangible asset is demonstrated;
- (iv) the intangible asset will generate probable economic benefits through internal use or sale;
- (v) sufficient technical, financial and other resources are available for completion; and
- (vi) the expenditure attributable to the intangible asset can be reliably measured

Direct costs include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or know-how that meet the above recognition criteria are recognised as intangible assets. These are subject to the same subsequent measurement method as acquired intangible assets.

All other development costs are expensed as incurred.

### 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.11 Financial assets (Continued)

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. 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.

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

Financial assets at fair value through profit or loss include:

- financial assets held for trading;
- financial assets designated upon initial recognition as at fair value through profit or loss; and
- all derivatives other than hedging instruments.

Financial assets are classified as held-for-trading if 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.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.11 Financial assets (Continued)

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

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 policies in note 2.18 to these financial statements.

#### (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 rate 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.11 Financial assets (Continued)

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

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale 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 is reclassified from equity 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.

#### *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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.11 Financial assets (Continued)

#### *Impairment of financial assets (Continued)*

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; and
- 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.

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

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) 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 period in which the impairment occurs.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.11 Financial assets (Continued)

#### *Impairment of financial assets (Continued)*

(i) Financial assets carried at amortised cost (Continued)

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 period 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 in other comprehensive income and accumulated 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.

Reversals in respect 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. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

(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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.11 Financial assets (Continued)

#### *Impairment of financial assets (Continued)*

##### (iii) Financial assets carried at cost (Continued)

Financial assets other than financial assets at fair value through profit or loss and trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade 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 trade receivables is remote, the amount considered irrecoverable is written off against trade 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.

### 2.12 Inventories

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

### 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, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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 finance lease liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense 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.

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.

#### *Finance lease liabilities*

Finance lease liabilities are measured at initial value less the capital element of lease repayments.

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

They are recognised initially at their fair value and subsequently measured at amortised cost, using the 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.15 Leases (Continued)

#### (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, except where property held under operating leases which otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease.

#### (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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.15 Leases (Continued)

#### *(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 on straight-line method over the lease terms except where an alternative basis is more representative of the 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 accounting period in which they are incurred.

#### *(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 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 accounting period 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 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.16 Provisions, contingent liabilities and contingent assets (Continued)

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 events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They 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.

Probable inflows of economic benefits to the Group that do not meet the recognition criteria of an asset are considered contingent assets.

### 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.18 Revenue recognition

Revenue comprises the fair value for the sale of goods and rendering of services, net of 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 is recognised when services are rendered.

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

Dividend is recognised when the right to receive payment has been established.

Rental income is recognised in equal instalments over the periods covered by the lease term.

Management fee income is recognised when services are rendered.

### 2.19 Impairment of non-financial assets

Goodwill arising from acquisition of subsidiaries, property, plant and equipment, interests in subsidiaries and associates, prepaid lease payments 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.19 Impairment of non-financial assets (Continued)

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under the Group's accounting policy, in which case the impairment loss is treated as a revaluation decrease according to that policy. 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 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.

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. In respect of other assets, 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.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case 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.

## 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.

#### *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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.20 Employee benefits (Continued)

#### *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.

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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.20 Employee benefits (Continued)

#### *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 expensed 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.

### 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, fiscal 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.22 Accounting for income taxes (Continued)

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 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, associates and joint ventures, 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 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.

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) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.22 Accounting for income taxes (Continued)

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.

### 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
- Property investment: Property investment for the property located in Hong Kong
- Crude oil exploration services: Crude oil exploration services in the PRC

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.23 Segment reporting (Continued)

- Chinese information infrastructure: Provision of server management and data warehousing services
- 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 in Hong Kong and Macau and wholesales of insulation materials in Japan

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 arms length prices.

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, fair value adjustments on investment properties, 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 goodwill, intangible assets, property, plant and equipment, prepaid lease payments, inventories, receivables, investment properties and operating cash, and mainly exclude interest in associates, available-for-sale financial asset, financial assets at fair value through profit or loss, amounts due from subsidiaries of an associate 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 and amounts due to associates. In addition, corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include taxation and certain corporate borrowings.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.24 Related parties

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

- (i) 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;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) 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.

### 3. ADOPTION OF NEW OR AMENDED HKFRSs

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 2009:

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendments)	Share-based payment - vesting conditions and cancellation
HKFRS 7 (Amendments)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
Various	Annual improvements to HKFRSs 2008

Other than as noted below, the adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

#### *HKAS 1 (Revised 2007) Presentation of financial statements*

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. A third statement of financial position as at the beginning of the earliest comparative period is required when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements. It also gives rise to additional disclosures.

The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. HKAS 1 affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'. Comparatives have been restated to conform with the revised standard. The Group has applied changes to its accounting policies on presentation of financial statements and segment reporting retrospectively. However, the changes to the comparatives have not affected the consolidated or company statement of financial position at 1 April 2008 and accordingly the third statement of financial position as at 1 April 2008 is not presented.

### 3. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

#### *HKAS 23 (Revised 2007) Borrowing costs*

HKAS 23 requires borrowing costs incurred for the acquisition, construction or production or any qualifying asset to be capitalised during the period of time that is required to complete and prepare the asset for its intended use. In prior year, the Group recognised all the borrowing costs in expenses. Under the revised accounting standard, borrowing costs related to acquisition, construction or production of any qualifying asset will be capitalised accordingly.

#### *HKAS 27 (Amendments) Cost of an investment in a subsidiary, jointly controlled entity or an associate*

The amendment requires the investor to recognise dividends from a subsidiary, jointly controlled entity or associate in profit or loss irrespective the distributions are out of the investee's pre-acquisition or post-acquisition reserves. In prior years, the Company recognised dividends out of pre-acquisition reserves as a recovery of its investment in the subsidiaries, jointly controlled entity or associates (i.e. a reduction of the cost of investment). Only dividends out of post-acquisition reserves were recognised as income in profit or loss.

Under the new accounting policy, if the dividend distribution is excessive, the investment would be tested for impairment according to the Company's accounting policy on impairment of non-financial assets.

The new accounting policy has been applied prospectively as required by these amendments to HKAS 27 and therefore no comparatives have been restated.

#### *HKFRS 2 (Amendments) Share-based payment-vesting conditions and cancellation*

The HKFRS 2 (Amendments) clarifies that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation.

### 3. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

#### *HKFRS 7 (Amendments) Improving disclosures about financial instruments*

The amendments require additional disclosures for financial instruments which are measured at fair value in the statement of financial position. These fair value measurements are categorised into a three-level fair value hierarchy, which reflects the extent of observable market data used in making the measurements. In addition, the maturity analysis for derivative financial liabilities is disclosed separately and should show remaining contractual maturities for those derivatives where this information is essential for an understanding of the timing of the cash flows. The Group has taken advantage of the transitional provisions in the amendments and has not provided comparative information in respect of the new requirements.

#### *HKFRS 8 Operating segments*

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Comparatives have been restated on a basis consistent with the new standard.

#### *Annual improvements to HKFRSs 2008*

In October 2008, the HKICPA issued the first Annual improvements to HKFRSs which set out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. These amendments did not have any material impact on the results and financial position for the current and prior periods.

At the date of authorisation of these financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new and amended HKFRSs have been issued but are not expected to have a material impact of the Group's financial statements.

### 3. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

#### *HKFRS 3 (Revised) Business combinations*

The standard is applicable in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard still requires the use of the purchase method (now renamed the acquisition method) but introduces material changes to the recognition and measurement of consideration transferred and the acquiree's identifiable assets and liabilities, and the measurement of non-controlling interests (previously known as minority interest) in the acquiree. The new standard is expected to have a significant effect on business combinations occurring in reporting periods beginning on or after 1 July 2009.

#### *HKFRS 9 Financial instruments*

The standard is effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The directors are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

#### *HKAS 27 (Amendments) Consolidated and separate financial statements*

The revised standard is effective for accounting periods beginning on or after 1 July 2009 and introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. Total comprehensive income must be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The directors do not expect the standard to have a material effect on the Group's financial statements.

### 3. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

#### *Annual improvements 2009*

The HKICPA has issued Improvements to Hong Kong Financial Reporting Standards 2009. Most of the amendments become effective for annual periods beginning on or after 1 January 2010. The Group expects the amendment to HKAS 17 Leases to be relevant to the Group's accounting policies. Prior to the amendment, HKAS 17 generally required a lease of land to be classified as an operating lease. The amendment requires a lease of land to be classified as an operating or finance lease in accordance with the general principles in HKAS 17. The Group will need to reassess the classification of its unexpired leases of land at 1 January 2010 on the basis of information existing at the inception of those leases in accordance with the transitional provisions for the amendment. The amendment will apply retrospectively except where the necessary information is not available. In that situation, the leases will be assessed on the date when the amendment is adopted. The directors are currently assessing the possible impact of the amendment on the Group's results and financial position in the first year of application.

### 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:

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### 4.1 Critical accounting estimates and assumptions (Continued)

#### *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 18.

#### *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.

#### 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.

###### *Estimate fair value of investment properties*

The best evidence of fair value is current prices in an active market for similar property in same location and condition and subject to lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### 4.1 Critical accounting estimates and assumptions (Continued)

#### *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.

### 4.2 Critical judgements in applying the entity's accounting policies

#### *Deferred tax*

As at 31 March 2010, deferred tax assets of HK\$5,325,000 (2009: HK\$4,868,000) 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.

#### 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 asset 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.

Other investments

The fair value of other investments with carrying amount of HK\$19,411,000 (2009: HK\$23,701,000) is valued by reference to the redemption value of the investments quoted by the respective bank in the PRC.

Research and development activities

Careful judgement by the Company's management is applied when deciding whether the recognition criteria for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the best information available at each reporting date. In addition, all internal activities related to the research and development of new software, products or know how are continuously monitored by the Company's management.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

(Continued)

**4.2 Critical judgements in applying the entity's accounting policies**  
(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.

**5. REVENUE**

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

	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Sales of goods	<b>27,838</b>	35,025
Rental income	<b>6,482</b>	6,455
Exploration and production services income	<b>8,786</b>	5,331
	<b>43,106</b>	46,811

**6. OTHER INCOME**

	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Gain on disposal of financial assets at fair value through profit or loss	<b>5,920</b>	707
Interest income on bank deposits	<b>981</b>	2,691
Management fee income	<b>101</b>	68
Sundry income	<b>954</b>	253
Dividend received from listed equity securities	<b>277</b>	14
	<b>8,233</b>	3,733

**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.

**7. SEGMENT INFORMATION (Continued)**

The Group is currently organised into six main business segments:

**2010**

	Publishing	Property investment	Crude oil exploration services	Chinese infrastructure	Electronic card service	Retailing and wholesales	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue</b>								
From external customers	26,464	6,482	8,786	-	145	815	414	43,106
From other segments	38	1,196	-	-	-	17	-	1,251
<b>Reportable segment revenue</b>	<b>26,502</b>	<b>7,678</b>	<b>8,786</b>	<b>-</b>	<b>145</b>	<b>832</b>	<b>414</b>	<b>44,357</b>
<b>Reportable segment profit/(loss)</b>	<b>2,964</b>	<b>(243)</b>	<b>(45,165)</b>	<b>(4,451)</b>	<b>(3,382)</b>	<b>(6,769)</b>	<b>(4,860)</b>	<b>(61,906)</b>
<b>Other information</b>								
Provision for impairment of trade receivables	155	-	-	-	-	-	-	155
Amortisation of prepaid lease payments	-	382	-	-	-	-	-	382
Amortisation of intangible assets	-	-	11,592	-	894	-	-	12,486
Impairment of intangible assets	-	-	33,422	-	-	-	-	33,422
Bank interest income	-	-	(10)	-	(26)	-	(945)	(981)
Depreciation of property, plant and equipment	150	858	3,617	-	287	821	2,962	8,695
<b>Reportable segment assets</b>	<b>13,785</b>	<b>169,616</b>	<b>267,037</b>	<b>2,027</b>	<b>16,613</b>	<b>4,613</b>	<b>6,187</b>	<b>479,878</b>
Additions to non-current assets	67	254	23,593	-	5,626	1,286	2,818	33,644
<b>Reportable segment liabilities</b>	<b>(7,397)</b>	<b>(1,645)</b>	<b>(8,261)</b>	<b>(459)</b>	<b>(6,040)</b>	<b>(2,045)</b>	<b>(128)</b>	<b>(25,975)</b>

**7. SEGMENT INFORMATION (Continued)****2009**

	Publishing HK\$'000	Property investment HK\$'000	Crude oil exploration services HK\$'000	Chinese information infrastructure HK\$'000	Others HK\$'000	Total HK\$'000
<b>Revenue</b>						
From external customers	34,983	6,455	5,331	42	-	46,811
From other segments	-	1,171	-	-	-	1,171
<b>Reportable segment revenue</b>	<b>34,983</b>	<b>7,626</b>	<b>5,331</b>	<b>42</b>	<b>-</b>	<b>47,982</b>
<b>Reportable segment profit/(loss)</b>	<b>4,217</b>	<b>2,573</b>	<b>(3,202)*</b>	<b>(10,277)</b>	<b>-</b>	<b>(6,689)</b>
<b>Other information</b>						
Amortisation of prepaid lease payments	-	-	-	-	504	504
Amortisation of intangible assets	-	-	11,920	-	-	11,920
Bank interest income	(3)	-	(751)	(15)	(1,922)	(2,691)
Depreciation of property, plant and equipment	164	1,079	1,549	469	967	4,228
Loss on disposal of property, plant and equipment	-	-	-	-	19	19
Gain arising on acquisition of a subsidiary	-	-	(20,925)	-	-	(20,925)
<b>Reportable segment assets</b>	<b>15,272</b>	<b>138,803</b>	<b>308,066</b>	<b>10,923</b>	<b>-</b>	<b>473,064</b>
Additions to non-current assets	53	34	24,200	5,852	310	30,449
<b>Reportable segment liabilities</b>	<b>(8,256)</b>	<b>(2,707)</b>	<b>(15,566)</b>	<b>(1,870)</b>	<b>-</b>	<b>(28,399)</b>

\* Comparative information was re-grouped in the current year for a fairer presentation of the Group's segment information, including the reclassification of amortisation of intangible assets from unallocated corporate expenses to crude oil services segment result.

**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:

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Reportable segment revenue	<b>44,357</b>	47,982
Elimination of inter segment revenue	<b>(1,251)</b>	(1,171)
Group revenue	<b>43,106</b>	46,811
Reportable segment loss	<b>(61,906)</b>	(6,689)
Increase/(Decrease) in fair value of financial assets at fair value through profit or loss	<b>43,655</b>	(68,099)
Share of losses of associates	<b>(3,329)</b>	(5,552)
Unallocated corporate expenses	<b>(4,604)</b>	(2,221)
Finance costs	<b>(9)</b>	(180)
Valuation surplus/(deficit) on investment properties	<b>30,985</b>	(17,233)
Profit/(Loss) before income tax	<b>4,792</b>	(99,974)
Reportable segment assets	<b>479,878</b>	473,064
Interests in associates	<b>23,718</b>	25,084
Available-for-sale financial asset	<b>10,000</b>	-
Amounts due from fellow subsidiaries of an associate	-	236
Amounts due from associates	<b>48</b>	21
Financial assets at fair value through profit or loss	<b>86,378</b>	77,582
Other corporate assets	<b>129,894</b>	144,465
Group assets	<b>729,916</b>	720,452
Reportable segment liabilities	<b>25,975</b>	28,399
Amounts due to fellow subsidiaries of an associate	<b>1,174</b>	1,233
Amounts due to associates	<b>641</b>	-
Other corporate liabilities	<b>56,226</b>	64,391
Group liabilities	<b>84,016</b>	94,023

## 7. SEGMENT INFORMATION (Continued)

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

	Revenue from customers		Non-current assets	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Hong Kong (place of domicile)	33,002	41,438	200,199	168,599
The PRC	8,931	5,331	241,933	255,008
Macau	1,042	42	6,141	2,217
Japan	131	-	177	-
	<b>43,106</b>	46,811	<b>448,450</b>	425,824

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

During the year ended 31 March 2010, three (2009: three) customers with whom transactions of each has exceeded 10% of the Group's revenue. Total revenue from these three (2009: three) customers accounted for 24% (2009: 44%), 18% (2009: 14%) and 20% (2009: 11%) of the Group's revenue for the year respectively. As at the reporting date, total trade receivables due from these three (2009: three) customers accounted for 11% (2009: 11%), 12% (2009: 7%), 52% (2009: 69%) of such balances respectively. The sales of these customers are included in the segment of publishing, publishing and crude oil exploration services respectively.

## 8. FINANCE COSTS

	2010 HK\$'000	2009 HK\$'000
Interest charges on:		
Finance leases	9	9
Other borrowings wholly repayable within five years	-	171
	<b>9</b>	180

## 9. PROFIT/(LOSS) BEFORE INCOME TAX

	2010 HK\$'000	2009 HK\$'000
Profit/(Loss) before income tax has been arrived at after charging/(crediting):		
Staff costs		
Directors' emoluments (note 13)	5,454	4,638
Other staff costs:		
- Retirement benefits schemes contributions	306	324
- Salaries and other benefits	14,886	12,516
	<b>20,646</b>	17,478
Auditors' remuneration	880	897
Provision for impairment of trade receivables	155	-
Amortisation of prepaid lease payments	382	504
Amortisation of intangible assets	12,486	11,920
Depreciation of property, plant and equipment		
- Owned assets	8,663	4,204
- Assets held under finance leases	32	24
	<b>8,695</b>	4,228
Cost of inventories recognised as expenses	14,517	23,023
Impairment of intangible assets	33,422	-
Operating lease rentals in respect of rented premises	6,065	6,056
Loss on disposal of property, plant and equipment	-	19
Property rental income under operating leases, net of direct outgoings of HK\$669,000 (2009: HK\$674,000)	(5,813)	(5,781)
Dividend income	(277)	(14)
Net foreign exchange (gain)/loss	(19)	274

**10. INCOME TAX CREDIT**

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the year. PRC Enterprise Income Tax ("EIT") has been provided at 25% (2009: 25%) on the estimated assessable profits in the PRC for the year.

	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
<hr/>		
The tax charge/(credit) comprises:		
<b>Current tax</b>		
- Hong Kong profits tax	<b>58</b>	-
- PRC Enterprise Income Tax	<b>538</b>	-
<b>Over provision in prior years</b>		
- Hong Kong profits tax	-	(26)
<b>Deferred tax</b>		
- Deferred tax credited	<b>(6,365)</b>	(6,299)
- Attributable to decrease in tax rate	-	(760)
	<hr/> <b>(5,769)</b> <hr/>	<hr/> (7,085) <hr/>

Details of deferred tax are set out in note 34.

**10. INCOME TAX CREDIT (Continued)**

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

	2010 HK\$'000	2009 HK\$'000
Profit/(Loss) before income tax	<u>4,792</u>	<u>(99,974)</u>
Notional tax on profit calculated at the rates applicable to profits in the jurisdiction concerned	(1,043)	(15,925)
Effect of change in tax rate	-	760
Effect on non-taxable income	(690)	(3,884)
Effect of non-deductible expenses	4,020	3,512
Tax effect of unused tax losses not recognised	1,090	8,714
Utilisation of deferred tax assets previously not recognised	(9,155)	(348)
Tax effect on temporary difference not recognised	9	86
Total income tax credit	<u>(5,769)</u>	<u>(7,085)</u>

Under the new EIT Law, a corporate withholding income tax is to be levied on the foreign investor for dividend distributed out of the profits of foreign investment enterprises generated since 1 January, 2008. The withholding income tax rate applicable to the Group is 5% or 10%.

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

Of the consolidated profit attributable to the owners of the Company of HK\$11,731,000 (2009: a loss of HK\$92,889,000), a loss of HK\$88,136,000 (2009: a profit of HK\$83,000) has been dealt with in the financial statements of the Company.

**12. EARNINGS/(LOSS) PER SHARE**

The calculation of the basic earnings/(loss) per share attributable to the owners of the Company is based on profit for the year of HK\$11,731,000 (2009: a loss of HK\$92,889,000) and weighted average number of 689,260,000 (2009: 708,107,000) ordinary shares in issue during the year.

No diluted earnings/(loss) 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 years.

### 13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

#### (a) Emoluments of directors and independent non-executive directors

	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefits scheme contributions HK\$'000	Total emoluments HK\$'000
<b>2010</b>				
<b>Executive directors</b>				
Cheung Wai Tung	120	1,440	12	1,572
Chu Bong Foo	-	658	-	658
Chung Billy	120	684	12	816
Henry Chang Manayan	-	-	-	-
Kwan Kin Chung	60	346	6	412
Tai Cheong Sao (resigned on 22 October 2009)	70	70	-	140
Tang U Fai	-	341	-	341
Wan Xiaolin	120	693	12	825
Tang Kwing Chuen Kenneth	133	-	-	133
Chen Man Lung (appointed on 22 October 2009)	52	-	-	52
<b>Independent non-executive directors</b>				
Joseph Lee Chennault	120	120	-	240
Lai Man To (retired on 3 September 2009)	50	50	-	100
Lai Qiang	120	-	-	120
Tsang Wai Wa (appointed on 17 November 2009)	45	-	-	45
Total for 2010	<u>1,010</u>	<u>4,402</u>	<u>42</u>	<u>5,454</u>

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

#### (a) Emoluments of directors and independent non-executive directors (Continued)

	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefits scheme contributions HK\$'000	Total emoluments HK\$'000
<b>2009</b>				
<b>Executive directors</b>				
Cheung Wai Tung	120	1,440	12	1,572
Chu Bong Foo	-	319	-	319
Chung Billy	120	684	12	816
Henry Chang Manayan	-	-	-	-
Kwan Kin Chung	-	-	-	-
Tai Cheong Sao	120	120	-	240
Tang U Fai	-	341	-	341
Wan Xiaolin	120	693	12	825
Tang Kwing Chuen Kenneth (appointed on 8 December 2008)	15	-	-	15
<b>Independent non-executive directors</b>				
Joseph Lee Chennault	120	120	-	240
Lai Man To (retired on 3 September 2009)	120	120	-	240
Wang Tiao Chun (retired on 9 September 2008)	-	-	-	-
Lai Qiang (appointed on 8 December 2008)	30	-	-	30
Total for 2009	<u>765</u>	<u>3,837</u>	<u>36</u>	<u>4,638</u>

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

#### (a) Emoluments of directors and independent non-executive 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.

There was no arrangement under which a director had waived or agreed to waive any remuneration.

#### (b) Five highest paid individuals

The five individuals whose emoluments were the highest emoluments in the Group for the year included three (2009: three) directors whose emoluments are included in the disclosure in note 13(a) above. Emoluments payable to the remaining two (2009: two) individuals during the year were as follows:

	2010 HK\$'000	2009 HK\$'000
Salaries and other benefits	990	979
Retirement benefits scheme contributions	24	24
	<b>1,014</b>	1,003

The emoluments of the above two employees all fell within the band of nil to HK\$1,000,000 during each of the years ended 31 March 2010 and 2009.

**14. PROPERTY, PLANT AND EQUIPMENT – GROUP**

	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
<b>At 1 April 2008</b>						
Cost	17,584	17,362	35,032	14,743	47,959	132,680
Accumulated depreciation	(199)	(12,516)	(31,121)	(14,353)	(43,319)	(101,508)
Net book amount	17,385	4,846	3,911	390	4,640	31,172
<b>Year ended 31 March 2009</b>						
Opening net book amount	17,385	4,846	3,911	390	4,640	31,172
Additions	23,857	-	2,880	-	3,712	30,449
Disposals	-	-	-	-	(103)	(103)
Transfer to investment properties	-	(962)	-	-	-	(962)
Depreciation	(1,286)	(868)	(1,486)	(93)	(495)	(4,228)
Exchange realignment	613	-	-	9	32	654
Closing net book amount	40,569	3,016	5,305	306	7,786	56,982
<b>At 31 March 2009</b>						
Cost	42,062	13,163	37,912	14,752	50,604	158,493
Accumulated depreciation	(1,493)	(10,147)	(32,607)	(14,446)	(42,818)	(101,511)
Net book amount	40,569	3,016	5,305	306	7,786	56,982
<b>Year ended 31 March 2010</b>						
Opening net book amount	40,569	3,016	5,305	306	7,786	56,982
Acquisition of a subsidiary (note 36)	-	-	-	-	259	259
Additions	22,058	-	2,936	847	2,196	28,037
Depreciation	(3,154)	(658)	(2,983)	(91)	(1,809)	(8,695)
Exchange realignment	277	-	-	1	7	285
Closing net book amount	59,750	2,358	5,258	1,063	8,439	76,868
<b>At 31 March 2010</b>						
Cost	64,427	13,163	40,848	15,601	53,059	187,098
Accumulated depreciation	(4,677)	(10,805)	(35,590)	(14,538)	(44,620)	(110,230)
<b>Net book amount</b>	<b>59,750</b>	<b>2,358</b>	<b>5,258</b>	<b>1,063</b>	<b>8,439</b>	<b>76,868</b>

**14. PROPERTY, PLANT AND EQUIPMENT – GROUP (Continued)**

The buildings of the Group at 31 March 2010 and 2009 are situated in Hong Kong and are 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 book value of HK\$158,000 (2009: HK\$190,000).

**15. PREPAID LEASE PAYMENTS – GROUP**

	2010 HK\$'000	2009 HK\$'000
Balance at the beginning of the year	14,621	19,785
Charge for the year	(382)	(504)
Transfer to investment properties	-	(4,660)
Balance at the end of the year	<u>14,239</u>	<u>14,621</u>
Analysis for reporting purposes as:		
Non-current asset	13,857	14,239
Current asset	382	382
Total (Medium-term leasehold land in Hong Kong)	<u>14,239</u>	<u>14,621</u>

**16. INVESTMENT PROPERTIES – GROUP**

	2010 HK\$'000	2009 HK\$'000
Balance at the beginning of the year	120,251	130,816
Transfer from property, plant and equipment*	-	2,008
Transfer from prepaid lease payments	-	4,660
Valuation surplus/(deficit) recognised in profit or loss	30,985	(17,233)
Balance at the end of the year	<u>151,236</u>	<u>120,251</u>

\* For the year ended 31 March 2009, there was a revaluation gain of HK\$1,046,000 upon the transfer of building to investment properties and the gain was credited to the investment property revaluation reserve.

**16. INVESTMENT PROPERTIES – GROUP (Continued)**

The fair value of the Group's investment properties, situated in Hong Kong and held under medium term leases, at 31 March 2010 has been arrived at on the basis of a valuation carried out by RHL Appraisal Limited, an independent qualified professional valuer not connected with the Group and with appropriate qualification and experience in the valuation of similar properties in the relevant locations. The valuation conformed to Hong Kong Institute of Surveyors Valuation Standards on Properties and was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

**17. INTERESTS IN ASSOCIATES – GROUP**

	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Cost of investment in associates		
Listed in Hong Kong	<b>75,493</b>	75,493
Unlisted	<b>5,569</b>	5,569
Share of post-acquisition losses	<b>(57,344)</b>	(55,978)
	<b>23,718</b>	25,084
Market value of listed investments	<b>104,925</b>	62,955

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

	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Amounts due from associates	<b>35,880</b>	35,853
Less: Allowances for amounts due from associates	<b>(35,832)</b>	(35,832)
	<b>48</b>	21

**17. INTERESTS IN ASSOCIATES – GROUP (Continued)**

Allowance for amounts due from associates 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.

Particulars of the Group's principal associates as at 31 March 2010 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
Chinese 2 Linux (Holdings) Limited ("C2L")	Incorporated	British Virgin Islands ("BVI")/Hong Kong	Ordinary	41% (2009: 41%)	Development of Chinese language computer operating system
GlobalRes Group Limited	Incorporated	BVI/Hong Kong	Ordinary	23% (2009: 23%)	Provision of computer and telecommunications services to travel agents
China Bio Cassava Holdings Limited ("Bio Cassava") (note)	Incorporated	Cayman Islands/ Hong Kong	Ordinary	26% (2009: 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.

**17. INTERESTS IN ASSOCIATES – GROUP (Continued)**

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

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Total assets	<b>55,059</b>	80,380
Total liabilities	<b>(117,980)</b>	(120,750)
Net liabilities	<b>(62,921)</b>	(40,370)
Group's share of net assets of associates	<b>4,589</b>	7,918
Revenue	<b>113,133</b>	298,308
Loss for the year	<b>(21,058)</b>	(18,499)
Group's share of losses of associates for the year	<b>(3,329)</b>	(5,552)

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:

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Unrecognised share of losses of associates for the year	<b>1,878</b>	1,510
Accumulated unrecognised share of losses of associates	<b>46,081</b>	44,203

**18. GOODWILL – GROUP**

Goodwill at the reporting date (2009: Nil) all arose from the acquisition of 上海旅聯信息服務有限公司 (“上海旅聯”), principally engaged in the provision of electronic card service during the year (note 36). The net carrying amount of goodwill is analysed as follows:

	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Net carrying amount at 1 April	-	-
Acquisition of a subsidiary (note 36)	<b>2,617</b>	-
Accumulated impairment	-	-
	<hr/>	<hr/>
Net carrying amount at 31 March	<b>2,617</b>	-
	<hr/> <hr/>	<hr/> <hr/>

The goodwill, net of any impairment loss, is allocated to the CGU of electronic card service business. The recoverable amount of the CGU was determined by the directors of the Company with reference to the valuation performed by a firm of independent professional valuers, based on value-in-use calculations covering a detailed five-year budget plan.

The key assumptions used for value-in-use calculations include a discount rate of 16.3%. The key assumptions also include stable profit margins, which have been determined based on past performance, and management's expectations for market share. The discount rate used is pre-tax and reflect specific risks relating to the electronic card service segment.

Impairment test takes into account the management's assumptions on the growth and rate of return. In the opinion of the directors, as at 31 March 2010, based on this value-in-use calculations, no impairment of goodwill was considered necessary in respect of the Group's electronic card service business.

Apart from the considerations described in determining the value-in-use of the CGU above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

## 19. INTANGIBLE ASSETS – GROUP

	Exploration and production services right	Club memberships	Computer software	Licence	Customer relationship	Retailer contracts	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 April 2008</b>							
Cost	213,000	1,385	-	-	-	-	214,385
Accumulated amortisation	(2,879)	-	-	-	-	-	(2,879)
<b>Net book amount</b>	<b>210,121</b>	<b>1,385</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>211,506</b>
<b>Year ended 31 March 2009</b>							
Opening net book amount	210,121	1,385	-	-	-	-	211,506
Amortisation	(11,920)	-	-	-	-	-	(11,920)
Exchange realignment	7,414	-	-	-	-	-	7,414
<b>Closing net book amount</b>	<b>205,615</b>	<b>1,385</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>207,000</b>
<b>At 31 March 2009</b>							
Cost	220,515	1,385	-	-	-	-	221,900
Accumulated amortisation	(14,900)	-	-	-	-	-	(14,900)
<b>Net book amount</b>	<b>205,615</b>	<b>1,385</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>207,000</b>
<b>Year ended 31 March 2010</b>							
Opening net book amount	205,615	1,385	-	-	-	-	207,000
Acquisition of a subsidiary (note 36)	-	-	1,446	1,092	419	2,391	5,348
Amortisation	(11,592)	-	(242)	(182)	(70)	(400)	(12,486)
Impairment loss	(33,422)	-	-	-	-	-	(33,422)
Exchange realignment	1,399	-	8	6	3	14	1,430
<b>Closing net book amount</b>	<b>162,000</b>	<b>1,385</b>	<b>1,212</b>	<b>916</b>	<b>352</b>	<b>2,005</b>	<b>167,870</b>
<b>At 31 March 2010</b>							
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)
<b>Net book amount</b>	<b>162,000</b>	<b>1,385</b>	<b>1,212</b>	<b>916</b>	<b>352</b>	<b>2,005</b>	<b>167,870</b>

## 19. 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 which was acquired in January 2008 following the acquisition of Raise Beauty Investment Limited and its subsidiaries (the "Raise Beauty Group").

The Cooperation right 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 amortisation period of the Cooperation right was 20 years, in accordance with the terms of the Da Ming agreement. At 31 March 2010, the remaining amortisation period of the Cooperation right was 16.25 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 are recognised at fair value on business combination and are amortised on straight-line method over their estimated useful lives of 5 years.

**20. AVAILABLE-FOR-SALE FINANCIAL ASSET – GROUP**

	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Unlisted equity shares:		
Overseas, at cost	<b>10,000</b>	–

**21. INVENTORIES – GROUP**

These are finished goods and an amount of HK\$1,969,000 (2009: HK\$280,000) is carried at the lower of cost or net realisable value at the reporting date.

**22. TRADE RECEIVABLES – GROUP**

	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Trade receivables	<b>15,620</b>	18,907
Less: Impairment of trade receivables	<b>(2,927)</b>	(2,772)
	<b>12,693</b>	16,135

The directors of the Company considered that the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods at their inception.

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

	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
0 – 60 days	<b>8,010</b>	4,518
61 – 90 days	<b>1,487</b>	1,128
91 – 180 days	<b>3,148</b>	855
Over 180 days	<b>48</b>	9,634
	<b>12,693</b>	16,135

**22. TRADE RECEIVABLES – GROUP (Continued)**

Credit periods granted to customers of publishing, property investment, crude oil exploration services, electronic card service and retailing and wholesales are normally 30 to 90 days, 30 days, 180 to 360 days, 0 to 60 days and 0 to 60 days respectively (2009: 30 to 90 days, 30 days, 180 to 360 days, nil and nil).

Ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired as at reporting date is as follows:

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Not yet past due nor impaired	<b>12,420</b>	15,498
Past due but not considered impaired		
0 – 60 days	<b>163</b>	477
61 – 90 days	-	-
91- 180 days	<b>110</b>	160
	<b>12,693</b>	16,135

Trade receivables that are 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 relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no 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.

**22. TRADE RECEIVABLES – GROUP (Continued)**

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:

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
At 1 April	<b>2,772</b>	2,772
Impairment loss charged to profit or loss	<b>155</b>	-
At 31 March	<b>2,927</b>	2,772

Ageing analysis of impaired trade receivables was as follows:

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
181 – 360 days	<b>155</b>	-
Over 360 days	<b>2,772</b>	2,772
	<b>2,927</b>	2,772

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. The impaired receivables, if any, are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision is recognised if the amount is determined to be irrecoverable.

The Group allows an average credit period ranging from 0 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.

**22. TRADE RECEIVABLES – GROUP (Continued)**

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

**23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Other receivables	<b>13,850</b>	64,107	-	14,595
Deposits and prepayments	<b>5,596</b>	5,492	<b>1,098</b>	1,098
	<b>19,446</b>	69,599	<b>1,098</b>	15,693

Included in other receivables of the Group is the balance arising from the gain on acquisition of the Raise Beauty Group of HK\$2,655,000 (2009: HK\$20,925,000) as a consequence of the failure of Raise Beauty Group in meeting the profit guarantee for the year ended 31 December 2008. During the year, an amount of HK\$18,270,000 has been repaid. The directors are of the opinion that the remaining balance of HK\$2,655,000 can be fully recovered.

As at 31 March 2009, other receivables of HK\$10,056,000 were interest-free, secured by listed shares with a market value HK\$12,000,000 and repayable on demand. The Group entitled to call upon the collateral when the borrower defaults on repayment. This balance was fully repaid during the year.

As at 31 March 2009, other receivable of HK\$14,595,000 was interest bearing at 2% over prime rate, unsecured and repayable on demand. This balance was also fully repaid during the year.

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.

**24. AMOUNTS DUE FROM FELLOW SUBSIDIARIES OF AN ASSOCIATE – GROUP**

The balances were unsecured, interest free and were repayable on demand.

	2010 HK\$'000	2009 HK\$'000
Amounts due from fellow subsidiaries of an associate	4,476	6,777
Less: Impairment losses	(4,476)	(6,541)
	<u>-</u>	<u>236</u>

Impairment losses in respect of the above balance 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 fellow subsidiaries of an associate directly.

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

	2010 HK\$'000	2009 HK\$'000
Listed equity shares, at fair value:		
Hong Kong	54,979	34,541
Overseas	11,002	9,631
	<u>65,981</u>	<u>44,172</u>
Unlisted equity shares:		
Overseas, at cost less impairment loss:		
At cost	19,418	19,418
Less: Accumulated impairment	(18,432)	(9,709)
	<u>986</u>	<u>9,709</u>
Other investments, at fair value:		
PRC	19,411	23,701
	<u>86,378</u>	<u>77,582</u>

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

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

The fair value of the other investments in the PRC with a carrying amount of HK\$19,411,000 (2009: HK\$23,701,000) is determined with reference to the redemption value of the investments quoted by the respective bank.

## 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 0.1% (2009: 1.0%) and are readily convertible into known amounts of cash.

Included in bank and cash balances of the Group is HK\$12,819,000 (2009: HK\$12,321,000) of bank balances denominated in Renminbi ("RMB") placed with the banks in the PRC. RMB is not a freely convertible currency. Under the Mainland China's 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. TRADE PAYABLES – GROUP

The following is the ageing analysis of trade payables at the reporting date:

	2010 HK\$'000	2009 HK\$'000
0 – 60 days	2,170	2,702
61- 90 days	933	1,010
Over 90 days	1,955	1,448
	<b>5,058</b>	<b>5,160</b>

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.

**28. 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.

**29. OBLIGATIONS UNDER FINANCE LEASES – GROUP**

	Minimum lease payments		Present value of minimum lease payments	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Amounts payable under finance leases:				
Within one year	52	52	43	43
In the second to fifth years inclusive	112	164	93	135
	<u>164</u>	<u>216</u>	<u>136</u>	<u>178</u>
Less: Future finance charges	(28)	(38)	-	-
Present value of lease obligations	<u>136</u>	<u>178</u>	<u>136</u>	<u>178</u>
Less: Amounts due within one year			(43)	(43)
Amounts due after one year			<u>93</u>	<u>135</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% (2009: 9%). 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.

**30. SHARE CAPITAL**

The share capital of the Company consists only of ordinary shares. All shares are equally eligible to receive dividends and the repayment of capital.

	Notes	Number of shares HK\$0.1 each		Number of shares HK\$1.0 each		Share capital	
		2010	2009	2010	2009	2010	2009
		'000	'000	'000	'000	HK\$'000	HK\$'000
Authorised:							
Ordinary shares at beginning of year		-	10,000,000	1,000,000	-	1,000,000	1,000,000
Share consolidation	a	-	(10,000,000)	-	1,000,000	-	-
Ordinary shares at end of year		-	-	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid:							
Ordinary shares at beginning of year		-	7,095,260	689,456	-	689,456	709,526
Share consolidation	a	-	(7,095,260)	-	709,526	-	-
Repurchase and cancellation of shares	b	-	-	(200)	(20,070)	(200)	(20,070)
Ordinary shares at end of year		-	-	689,256	689,456	689,256	689,456

Notes:

- (a) Pursuant to a resolution passed on the special general meeting on 3 November 2008, with effective from 4 November 2008, 10 shares of HK\$0.1 each in the authorised share capital of the Company were consolidated into 1 share of HK\$1.0 each (the "Share Consolidation").

Upon the Share Consolidation, the authorised share capital of the Company remains at HK\$1,000,000,000, in which the number of ordinary shares changed from 10,000,000,000 ordinary shares with par value of HK\$0.1 each to 1,000,000,000 ordinary shares with par value of HK\$1.0 each. The issued share capital of the Company was changed from 7,095,260,000 ordinary shares of HK\$0.1 each to 709,526,000 ordinary shares of HK\$1.0 each.

- (b) During the year ended 31 March 2009, the Company repurchased 20,270,000 ordinary shares from the Stock Exchange at a cost of HK\$15,080,000 and the related amount was deducted from shareholders' equity. The total number of 20,070,000 shares had been cancelled during the year ended 31 March 2009 and the remaining 200,000 ordinary shares were cancelled on 7 April 2009.

## 31. RESERVES

### Group

Please refer to the consolidated statement of changes in equity for reserves of the Group on pages 43 and 44.

### 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 2008	926,532	262,143	23,105	446	63,619	(1,272,290)	3,555
Share repurchase and cancellation	5,137	-	-	-	-	-	5,137
Share repurchase and pending for cancellation	-	-	(147)	-	-	-	(147)
Share consolidation expenses	(89)	-	-	-	-	-	(89)
Share repurchase expenses	(71)	-	-	-	-	-	(71)
Transactions with owners	4,977	-	(147)	-	-	-	4,830
Profit for the year	-	-	-	-	-	83	83
Total comprehensive income for the year	-	-	-	-	-	83	83
At 31 March 2009	931,509	262,143	22,958	446	63,619	(1,272,207)	8,468
At 1 April 2009	931,509	262,143	22,958	446	63,619	(1,272,207)	8,468
Share repurchase and cancellation	53	-	147	-	-	-	200
Share consolidation expenses	(51)	-	-	-	-	-	(51)
Lapse of warrants	-	-	(23,105)	-	-	23,105	-
Transactions with owners	2	-	(22,958)	-	-	23,105	149
Loss for the year	-	-	-	-	-	(88,136)	(88,136)
Total comprehensive income for the year	-	-	-	-	-	(88,136)	(88,136)
<b>At 31 March 2010</b>	<b>931,511</b>	<b>262,143</b>	<b>-</b>	<b>446</b>	<b>63,619</b>	<b>(1,337,238)</b>	<b>(79,519)</b>

### 31. RESERVES (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 includes the net proceeds from issue of warrants and transferred to share premium upon exercise of warrants.

### 32. WARRANTS

On 31 October 2007, the Company entered into a conditional placing agreement with a placing agent in relation to the private placing of 1,140,000,000 warrants ("2010 Warrants") conferring rights to subscribe up to approximately HK\$157,320,000 in cash for shares of HK\$0.10 each in the share capital of the Company at an initial subscription price of HK\$0.138 per share during the period from 7 January 2008 to 6 January 2010, both days inclusive. The placing of 2010 Warrants was completed on 14 December 2007. Net proceeds of the placing of the 2010 Warrants approximately HK\$23,105,000 were used for general working capital of the Group.

During the year, no registered holders of the 2010 Warrants exercised their rights to subscribe for shares. All 2010 Warrants were lapsed on 6 January 2010 and thus an amount of HK\$23,105,000 was transferred from other reserve to accumulated losses directly.

### 33. 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.

### 33. SHARE OPTION SCHEMES (Continued)

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

Pursuant to an ordinary resolution passed at the annual general meeting of the Company 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, the 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.

**33. SHARE OPTION SCHEMES (Continued)****(B) Share option scheme adopted on 21 August 2002 (“New Option Scheme”) (Continued)**

- (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.
- (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.

for the year ended 31 March 2010

**33. SHARE OPTION SCHEMES (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:

**For the year ended 31 March 2010**

Category participants	Name of scheme	Date of grant	Number of share options				Date of granted/ exercised/ cancelled/ lapsed	Balance as at 31 March 2010	Exercise price per share HK\$	Exercisable period
			Share Option as at 1 April 2009	Transfer from other category during the year	Transfer to other category during the year	Lapsed during the year				
Directors	Old Option Scheme	27.8.1999	1,100,000	-	-	(1,100,000)	26.8.2009	-	2.64	27.8.1999 - 26.8.2009
		3.3.2000	1,206,500	-	*(300,000)	(906,500)	2.3.2010	-	16.80	3.3.2000 - 2.3.2010
	New Option Scheme	19.12.2003	1,100,000	-	*(200,000)	-	-	900,000	2.65	19.12.2003 - 18.12.2013
		24.3.2005	1,750,000	*1,300,000	*(150,000)	-	-	2,900,000	2.95	24.3.2005 - 23.3.2015
		7.7.2006	950,000	*650,000	-	-	-	1,600,000	1.01	7.7.2006 - 6.7.2016
		29.6.2007	100,000	*1,100,000	-	-	-	1,200,000	2.37	29.6.2007 - 28.6.2017
6.11.2007	800,000	*1,500,000	-	-	-	2,300,000	1.56	6.11.2007 - 5.11.2017		
			<u>7,006,500</u>	<u>4,550,000</u>	<u>(650,000)</u>	<u>(2,006,500)</u>	<u>8,900,000</u>			
Employees	Old Option Scheme	3.3.2000	890,000	*300,000	-	(1,190,000)	2.3.2010	-	16.80	3.3.2000 - 2.3.2010
	New Option Scheme	19.12.2003	3,040,000	*200,000	-	-	-	3,240,000	2.65	19.12.2003 - 18.12.2013
		24.3.2005	5,150,000	*150,000	*(1,300,000)	-	-	4,000,000	2.95	24.3.2005 - 23.3.2015
		7.7.2006	950,000	-	*(650,000)	-	-	300,000	1.01	7.7.2006 - 6.7.2016
		29.6.2007	10,650,000	-	*(1,100,000)	-	-	9,550,000	2.37	29.6.2007 - 28.6.2017
6.11.2007	12,700,000	-	*(1,500,000)	-	-	11,200,000	1.56	6.11.2007 - 5.11.2017		
			<u>33,380,000</u>	<u>650,000</u>	<u>(4,550,000)</u>	<u>(1,190,000)</u>	<u>28,290,000</u>			
Others	New Option Scheme	19.12.2003	1,770,000	-	-	-	-	1,770,000	2.65	19.12.2003 - 18.12.2013
		24.3.2005	20,050,000	-	-	-	-	20,050,000	2.95	24.3.2005 - 23.3.2015
	3.10.2005	3,000,000	-	-	-	-	3,000,000	2.12	3.10.2005 - 2.10.2015	
	7.7.2006	11,690,000	-	-	-	-	11,690,000	1.01	7.7.2006 - 6.7.2016	
	29.6.2007	29,250,000	-	-	-	-	29,250,000	2.37	29.6.2007 - 28.6.2017	
	6.11.2007	41,700,000	-	-	-	-	41,700,000	1.56	6.11.2007 - 5.11.2017	
			<u>107,460,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,460,000</u>			
<b>Total</b>			<u>147,846,500</u>	<u>5,200,000</u>	<u>(5,200,000)</u>	<u>(3,196,500)</u>	<u>144,650,000</u>			

**33. SHARE OPTION SCHEMES (Continued)**
**For the year ended 31 March 2009**

Category participants	Name of scheme	Date of grant	Number of share options				Balance as at 31 March 2009	Exercise price per share HK\$	Exercisable period	
			Share Option as at 1 April 2008	**Adjustment for share consolidation	Transfer from other category	Transfer to other category				
Directors	Old Option Scheme	27.8.1999	11,000,000	(9,900,000)	-	-	1,100,000	2.64	27.8.1999 - 26.8.2009	
		3.3.2000	12,065,000	(10,858,500)	-	-	1,206,500	16.80	3.3.2000 - 2.3.2010	
	New Option Scheme	19.12.2003	11,000,000	(9,900,000)	-	-	1,100,000	2.65	19.12.2003 - 18.12.2013	
		24.3.2005	17,500,000	(15,750,000)	-	-	1,750,000	2.95	24.3.2005 - 23.3.2015	
		7.7.2006	9,000,000	(8,100,000)	*50,000	-	950,000	1.01	7.7.2006 - 6.7.2016	
		29.6.2007	1,000,000	(900,000)	-	-	100,000	2.37	29.6.2007 - 28.6.2017	
		6.11.2007	8,000,000	(7,200,000)	-	-	800,000	1.56	6.11.2007 - 5.11.2017	
			<u>69,565,000</u>	<u>(62,608,500)</u>	<u>50,000</u>	<u>-</u>	<u>7,006,500</u>			
	Employees	Old Option Scheme	3.3.2000	8,900,000	(8,010,000)	-	-	890,000	16.80	3.3.2000 - 2.3.2010
New Option Scheme		19.12.2003	30,400,000	(27,360,000)	-	-	3,040,000	2.65	19.12.2003 - 18.12.2013	
		24.3.2005	51,500,000	(46,350,000)	-	-	5,150,000	2.95	24.3.2005 - 23.3.2015	
		7.7.2006	9,500,000	(8,550,000)	-	-	950,000	1.01	7.7.2006 - 6.7.2016	
		29.6.2007	106,500,000	(95,850,000)	-	-	10,650,000	2.37	29.6.2007 - 28.6.2017	
		6.11.2007	127,000,000	(114,300,000)	-	-	12,700,000	1.56	6.11.2007 - 5.11.2017	
		<u>333,800,000</u>	<u>(300,420,000)</u>	<u>-</u>	<u>-</u>	<u>33,380,000</u>				
Others	New Option Scheme	19.12.2003	17,700,000	(15,930,000)	-	-	1,770,000	2.65	19.12.2003 - 18.12.2013	
		24.3.2005	200,500,000	(180,450,000)	-	-	20,050,000	2.95	24.3.2005 - 23.3.2015	
		3.10.2005	30,000,000	(27,000,000)	-	-	3,000,000	2.12	3.10.2005 - 2.10.2015	
		7.7.2006	117,400,000	(105,660,000)	-	*(50,000)	11,690,000	1.01	7.7.2006 - 6.7.2016	
		29.6.2007	292,500,000	(263,250,000)	-	-	29,250,000	2.37	29.6.2007 - 28.6.2017	
		6.11.2007	417,000,000	(375,300,000)	-	-	41,700,000	1.56	6.11.2007 - 5.11.2017	
				<u>1,075,100,000</u>	<u>(967,590,000)</u>	<u>-</u>	<u>(50,000)</u>	<u>107,460,000</u>		
<b>Total</b>		<u><b>1,478,465,000</b></u>	<u><b>(1,330,618,500)</b></u>	<u><b>50,000</b></u>	<u><b>(50,000)</b></u>	<u><b>147,846,500</b></u>				

**33. SHARE OPTION SCHEMES (Continued)**

- \* 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.
- \*\* As adjusted for the effect of Share Consolidation of the Company (note 30(a))
- # Reclassification represents those individuals whom were granted with share options prior to their cessation of directorship. The share options held by these individuals were accordingly reclassified to employee category after their resignation/retirement.

No new option was granted during the year. 3,196,500 options have been lapsed and no option has been exercised or cancelled during the year. The weighted average remaining contractual life is 7 years (2009: 6 years).

**34. DEFERRED TAX LIABILITIES – GROUP**

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 asset HK\$'000	Estimated tax losses HK\$'000	Total HK\$'000
At 1 April 2008	2,601	15,864	52,530	(5,163)	65,832
Change in tax rate from 17.5% to 16.5%	(149)	(906)	-	295	(760)
Net charge to equity	-	172	-	-	172
Exchange realignment	-	-	1,853	-	1,853
Credit to profit or loss for the year	(476)	(2,843)	(2,980)	-	(6,299)
At 31 March and 1 April 2009	1,976	12,287	51,403	(4,868)	60,798
Exchange realignment	-	-	352	-	352
Acquisition of a subsidiary (note 36)	-	-	1,337	-	1,337
Charged/(Credited) to profit or loss for the year	457	5,112	(11,477)	(457)	(6,365)
<b>At 31 March 2010</b>	<b>2,433</b>	<b>17,399</b>	<b>41,615</b>	<b>(5,325)</b>	<b>56,122</b>

At 31 March 2010, the Group has an estimated unused tax losses of HK\$591,316,000 (2009: HK\$640,604,000) available for offsetting against future profits. A deferred tax asset has been recognised in respect of HK\$32,273,000 (2009: HK\$29,503,000) of such losses. No deferred tax asset has been recognised in respect of remaining tax losses of HK\$559,043,000 (2009: HK\$611,101,000) due to the unpredictability of future profit streams. The estimated tax losses may be carried forward indefinitely.

**35. RETIREMENT BENEFITS SCHEMES**

The total cost charged to profit or loss of HK\$348,000 (2009: HK\$360,000) represents the contributions payable to these schemes by the Group during the year.

**36. BUSINESS COMBINATION****Acquisition of partial equity interest in 上海旅聯**

On 31 May 2009, the Group completed the acquisition in 上海旅聯, a 53% indirectly-owned subsidiary of the Company, at a total consideration of RMB7,000,000 (equivalent to HK\$7,881,000) by cash consideration. The principal activity of 上海旅聯 is provision of electronic card service. The acquired business contributed revenue of HK\$145,000 and loss after income tax of HK\$2,489,000 to the Group for the period from 1 June 2009 to 31 March 2010. Details of the net assets acquired and goodwill were as follows:

	HK\$'000
Total purchase consideration	7,881
Fair value of 53% net assets acquired	(5,264)
	<hr/>
Goodwill	2,617
	<hr/> <hr/>

The goodwill is attributable to the synergies expected to arise a result of acquisition of 上海旅聯. Goodwill has been allocated to cash-generating units as at 31 March 2010, and is attributable to the electronic card service segment.

	Carrying amount HK\$'000	Fair value HK\$'000
Property, plant and equipment	259	259
Intangible assets	-	5,348
Inventories	241	241
Other receivables, deposits and prepayments	1,273	1,273
Cash and bank balances	9,899	9,899
Trade payables	(10)	(10)
Other payables and accrued charges	(5,400)	(5,400)
Amount due to a shareholder	(340)	(340)
Deferred tax liabilities	-	(1,337)
		<hr/>
Assets and liabilities acquired		9,933
		<hr/>
Share of 53% of net assets		5,264
		<hr/> <hr/>

**36. BUSINESS COMBINATION (Continued)****Acquisition of partial equity interest in 上海旅聯 (Continued)**

An analysis of net cash inflow arising on the acquisition was as follows:

	HK\$'000
Cash consideration paid	7,881
Cash and bank balances acquired	(9,899)
Net inflow of cash and cash equivalents in respect of the acquisition	<u>(2,018)</u>

Had the combination taken place on 1 April 2009, revenue and net profit of the Group for the year ended 31 March 2010 would have been approximately HK\$43,126,000 and approximately HK\$10,268,000 respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and result of operation of the Group that actually would have been achieved had the acquisition been completed on 1 April 2009, nor they intended to be a projection of future results.

**37. RELATED PARTY TRANSACTIONS – GROUP**

During the year, the Group entered into the following transactions with certain related parties:

	Rental income received from related companies		Other income received from related companies		Other expense paid to related companies		Amounts due from related companies	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Associates	<u>930</u>	1,035	<u>40</u>	148	<u>73</u>	186	<u>48</u>	21
Fellow subsidiaries of an associate	<u>-</u>	-	<u>-</u>	19	<u>-</u>	-	<u>-</u>	236

Compensation of key management personnel represents directors' remuneration as set out in note 13(a). The directors' remuneration is determined by the remuneration committee having regard to the performance, responsibilities and experiences of individuals and market trends.

**38. OPERATING LEASE ARRANGEMENTS AND COMMITMENTS****Group and Company as lessees**

At 31 March 2010, 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	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Within one year	4,144	3,727	1,430	3,433
In the second to fifth year inclusive	7,387	2,511	-	1,430
After the fifth year	4,631	-	-	-
	<u>16,162</u>	<u>6,238</u>	<u>1,430</u>	<u>4,863</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**

Property rental income earned during the year was HK\$6,482,000 (2009: HK\$6,455,000).

At 31 March 2010, the Group had contracted with tenants for the following future minimum lease payments:

	2010 HK\$'000	2009 HK\$'000
Within one year	3,076	4,362
In the second to fifth year inclusive	873	2,214
	<u>3,949</u>	<u>6,576</u>

Lease is negotiated for an average term of two years.

**39. CAPITAL COMMITMENTS**

The Group had capital commitments in relation to the purchase of exploration and production properties for an exploration project at the reporting date as follows:

	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Contracted but not provided for	<b>6,668</b>	37,591

The Company did not have any capital commitments as at 31 March 2010 (2009: Nil).

**40. INVESTMENTS IN SUBSIDIARIES – COMPANY**

	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Unlisted investments, at cost	<b>508,681</b>	508,681
Less: Impairment losses	<b>(380,465)</b>	(293,537)
	<b>128,216</b>	215,144
Amounts due from subsidiaries	<b>1,304,955</b>	1,296,316
Less: Impairment losses	<b>(913,368)</b>	(913,368)
	<b>391,587</b>	382,948

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

## 40. INVESTMENTS IN SUBSIDIARIES – COMPANY (Continued)

Particulars of the Company's principal subsidiaries as at 31 March 2010 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
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	Development of Chinese language computer processor
Culture.com Technology (BVI) Limited	BVI/Hong Kong	Ordinary US\$1	100	Investment holding
Culturecom Media Limited	Hong Kong	Ordinary HK\$2	100	Provision of multimedia service

**40. INVESTMENTS IN SUBSIDIARIES – COMPANY (Continued)**

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
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
文傳漫畫設計(深圳)有限公司##	PRC	Registered HK\$1,000,000	100	Comics design and production
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	Provision of electronic card service

\* Issued capital held directly by the Company.

# A wholly foreign-owned enterprise for a period of twenty years commencing from 26 April 2005.

## A wholly foreign-owned enterprise for a period of ten years commencing from 6 June 2000.

### A PRC enterprise for a period of 15 years commencing from 14 September 2006.

**40. INVESTMENTS IN SUBSIDIARIES – COMPANY (Continued)**

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.

**41. MAJOR NON-CASH TRANSACTION**

During the year, no registered holders of the 2010 Warrants exercised their rights to subscribe for shares. All 2010 Warrants were lapsed on 6 January 2010 and thus an amount of HK\$23,105,000 was transferred from other reserve to accumulated losses directly.

**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.

## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Categories of financial assets and liabilities

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

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
<b>Financial assets</b>				
Available-for-sale financial asset	10,000	-	-	-
Financial assets at fair value				
through profit or loss	86,378	77,582	-	-
Loans and receivables				
Trade receivables	12,693	16,135	-	-
Other receivables	13,850	64,107	-	14,595
Amounts due from related parties	48	257	-	-
Amounts due from subsidiaries	-	-	391,587	382,948
Bank balances and deposits with financial institutions	160,514	130,240	89,298	84,583
<b>Financial liabilities</b>				
Amortised costs				
Trade and other payables	25,240	31,638	462	444
Amounts due to related parties	1,815	1,233	-	-
Obligation under finance leases	136	178	-	-

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.

## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (a) Market risk

#### *Foreign currency risk*

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's exposure to currency exchange rates is minimal as the group companies usually hold most of their financial assets/liabilities in their own functional currencies.

Foreign currency denominated financial assets and liabilities, translated into HK\$ at the closing rates, are as follows:

#### Group

	2010			2009		
	Australian dollar HK\$'000	Macau Pataca HK\$'000	US\$ HK\$'000	Australian dollar HK\$'000	Macau Pataca HK\$'000	US\$ HK\$'000
<b>Financial assets</b>						
Financial assets at fair value through profit or loss	599	-	11,390	2,084	-	17,255
Trade receivables	-	847	-	-	-	-
Other receivables	-	965	-	-	2,467	-
Cash and bank balances	-	334	81	-	1,489	-
<b>Financial liabilities</b>						
Accrued charges	-	(729)	-	-	(540)	-
Amounts due to fellow subsidiaries of an associate	-	(1,156)	-	-	(1,233)	-
	<u>599</u>	<u>261</u>	<u>11,471</u>	<u>2,084</u>	<u>2,183</u>	<u>17,255</u>

The directors are of the opinion that the sensitivity of the Group's profit for the year to the reasonably possible change in Australian dollar and Macau Pataca against functional currencies of the Group's companies in the next twelve months is low.

The Company did not hold any foreign currency denominated financial assets and liabilities as at 31 March 2010 (2009: Nil).

## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (a) Market risk (Continued)

#### *Interest rate risk*

The Group's exposure to market risk for changes in interest rates only relates primarily to deposits at bank. The Group currently does not have any interest rate hedging policy. However, the directors monitor interest rate risk exposure and will consider hedging significant interest rate risk exposure should the need arise.

The directors are of the opinion that the sensitivity of the Group's profit for the year to the reasonably possible change in HK\$ interest rate in the next twelve months is low.

#### *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 2010, it is estimated that there is a reasonably possible change of 10% (2009: 30%) in stock price in the next twelve months. If equity price had increased/(decreased) by 10% (2009: 30%) and all other variables were held constant, profit for the year would increase/(decrease) by HK\$6,598,000 (2009: Loss for the year would (decrease)/increase by HK\$13,252,000). This is mainly due to the change in fair values of 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.

### (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.

## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (b) Credit risk (Continued)

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	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	<b>19,411</b>	23,701	-	-
Loans and receivables				
Trade receivables	<b>12,693</b>	16,135	-	-
Other receivables	<b>13,850</b>	64,107	-	14,595
Amounts due from related parties	<b>48</b>	257	-	-
Amounts due from subsidiaries	-	-	<b>391,587</b>	382,948
Bank balances and deposits with financial institutions	<b>160,514</b>	130,240	<b>89,298</b>	84,583
	<b>206,516</b>	234,440	<b>480,885</b>	482,126

At the reporting date, the Group has a concentration of credit risk as 52% (2009: 69%) of the total trade receivables was due from one customer.

The Group's policy is to deal only with credit worthy counterparties. Overdue balances and significant trade receivables are highlighted. The finance director determines the appropriate recovery actions. It is not the Group's policy to request collateral from its customers.

## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (b) Credit risk (Continued)

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 and 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 2010, the Group had net current assets of HK\$253,665,000 and bank balances and deposits with financial institutions of HK\$160,514,000. 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.

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:

## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (c) Liquidity risk (Continued)

#### 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
<b>As at 31 March 2010</b>					
Amortised costs					
Trade and other payables	25,240	25,240	-	25,240	-
Amounts due to related parties	1,815	1,815	1,815	-	-
Obligation under finance leases	136	164	-	52	112
<b>As at 31 March 2009</b>					
Amortised costs					
Trade and other payables	31,638	31,638	-	31,638	-
Amounts due to related parties	1,233	1,233	1,233	-	-
Obligation under finance leases	178	216	-	52	164

#### Company

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within one year HK\$'000
<b>As at 31 March 2010</b>			
Amortised costs			
Trade and other payables	462	462	462
<b>As at 31 March 2009</b>			
Amortised costs			
Trade and other payables	444	444	444

## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (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.

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

The Group adopted the amendments to HKFRS 7 Improving Disclosures about Financial Instruments effective from 1 January 2009. These amendments introduce a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements. The Group has taken advantage of the transitional provisions in the amendments to HKFRS 7 and accordingly, no comparatives for the hierarchy for fair value measurement disclosures have been presented.

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).

**42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

(Continued)

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

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:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Listed securities held for trading	65,981	-	-	65,981
Other investments at fair value	-	19,411	-	19,411
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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.

## (ii) Other investments

The fair value of other investments is determined based on the redemption value which could be received upon the termination of the investment.

### 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\$645,900,000 (2009: HK\$626,429,000) as capital, for capital management purpose.

### 44. EVENTS AFTER REPORTING DATE

- (a) On 15 January 2010, the Group purchased 10% of shares of an unlisted company from a vendor at a consideration of HK\$10 million. Such investment is recognised as available-for-sale financial asset at the reporting date. This transaction was completed on 2 March 2010.

On 4 May 2010, the Group entered into an agreement with the same vendor to purchase an additional 10% of shares of that company. The transfer of shares has been completed as at 8 June 2010.

- (b) 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 interest 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, plot, theme, dialogues or action embodied therein, for the production of movies.

The Licensing agreement lasts for 3 years commencing on 29 June 2010 and will be expired on 28 June 2013.

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				2010 HK\$'000
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	
<b>RESULTS</b>					
Revenue	46,221	46,642	44,889	46,811	<b>43,106</b>
(Loss)/Profit before income tax	(159,357)	(31,714)	(42,405)	(99,974)	<b>4,792</b>
Income tax credit/(expenses)	-	(2,220)	(7,160)	7,085	<b>5,769</b>
(Loss)/Profit for the year	(159,357)	(33,934)	(49,565)	(92,889)	<b>10,561</b>
Attributable to:					
Owners of the Company	(159,357)	(33,934)	(49,565)	(92,889)	<b>11,731</b>
Minority interest	-	-	-	-	<b>(1,170)</b>
	(159,357)	(33,934)	(49,565)	(92,889)	<b>10,561</b>

	As at 31 March				2010 HK\$'000
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	
<b>ASSETS AND LIABILITIES</b>					
Property, plant and equipment	31,305	13,230	31,172	56,982	<b>76,868</b>
Prepaid lease payments					
- non current portion	25,059	24,724	19,281	14,239	<b>13,857</b>
Investment properties	57,836	80,026	130,816	120,251	<b>151,236</b>
Long term deposits	-	-	-	2,268	<b>2,284</b>
Interests in associates	3,931	8,248	25,758	25,084	<b>23,718</b>
Goodwill	-	-	-	-	<b>2,617</b>
Amounts due from associates					
- non current portion	21,739	22,030	-	-	-
Intangible assets	1,385	1,385	211,506	207,000	<b>167,870</b>
Available-for-sale financial asset	-	-	-	-	<b>10,000</b>
Net current assets	<u>72,999</u>	<u>80,927</u>	<u>372,125</u>	<u>261,538</u>	<b><u>253,665</u></b>
	214,254	230,570	790,658	687,362	<b>702,115</b>
Long-term liabilities	<u>(3,442)</u>	<u>(5,603)</u>	<u>(65,872)</u>	<u>(60,933)</u>	<b><u>(56,215)</u></b>
	<u>210,812</u>	<u>224,967</u>	<u>724,786</u>	<u>626,429</u>	<b><u>645,900</u></b>
Share capital	373,398	410,698	709,526	689,456	<b>689,256</b>
Reserves	<u>(162,586)</u>	<u>(185,731)</u>	<u>15,260</u>	<u>(63,027)</u>	<b><u>(46,855)</u></b>
Equity attributable to owners of the Company	210,812	224,967	724,786	626,429	<b>642,401</b>
Minority interest	-	-	-	-	<b>3,499</b>
	<u>210,812</u>	<u>224,967</u>	<u>724,786</u>	<u>626,429</u>	<b><u>645,900</u></b>