IMPORTANT

If you are in any doubt about this prospectus, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

A copy of this prospectus, together with the documents specified under the paragraph headed "Documents delivered to the Registrars of Companies in Hong Kong and in Bermuda" in Appendix II, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) of Hong Kong. A copy of this prospectus has been filed or will, as soon as reasonably practicable, be filed with the Registrar of Companies in Bermuda in accordance with the requirements of the Companies Act 1981 of Bermuda (as amended). The Registrar of Companies in Hong Kong, the Securities and Futures Commission of Hong Kong and the Registrar of Companies in Bermuda take no responsibility as to the contents of this prospectus.

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Hong Kong Securities Clearing Company Limited ("HKSCC") take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

CULTURECOM HOLDINGS LIMITED

文化傳信集團有限公司*

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

PRIVATE PLACING OF UP TO 1,140,000,000 LISTED WARRANTS BEING WARRANTS IN REGISTERED FORM TO SUBSCRIBE FOR SHARES IN THE CAPITAL OF CULTURECOM HOLDINGS LIMITED AT AN ISSUE PRICE OF HK$0.022 PER WARRANT

Placing Manager

KINGSTON CORPORATE FINANCE LIMITED

Placing Agent

KINGSTON SECURITIES LIMITED

This prospectus is published for the purpose of obtaining the listing on the Stock Exchange of all warrants to be issued by Culturecom Holdings Limited (the "Company") and contains particulars given in compliance with the Rules Governing the Listing of Securities on the Stock Exchange for the purpose of giving information with regard to the Company and its subsidiaries and such warrants.

Application has been made to the Stock Exchange for the listing of and permission to deal in the warrants to be issued by the Company and the shares of the Company falling to be issued on exercise of the subscription rights attaching to such warrants. Commencement of dealings in the warrants are expected to be on 7 January 2008.

It should be noted that the placing agreement (the "Placing Agreement") in relation to the placing of warrants to be issued by the Company contains provisions entitling Kingston Securities Limited to terminate its obligations thereunder on the occurrence of certain events, which result in a material adverse change in the political, economic or stock market conditions in Hong Kong in the context of the placing of the warrants and which materially affect the success of the placing of warrants or any breach of warranties and representations on the part of the Company under the Placing Agreement which is material in the context of the placing of warrants prior to 5:30 p.m. on 4 January 2008, the date of completion of the Placing Agreement. If the obligations of Kingston Securities Limited under the Placing Agreement are so terminated, the placing of warrants will not proceed.

Dealings in the warrants to be issued by the Company and the shares of the Company falling to be issued on the exercise of subscription rights attached to the warrants may be settled through the Central Clearing and Settlement System ("CCASS") established and operated by HKSCC. You should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listing of and permission to deal in the warrants to be issued by the Company and the shares of the Company falling to be issued on the exercise of subscription rights attached to such warrants on the Stock Exchange, as well as the compliance with the stock admission requirements of HKSCC, the warrants will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the warrants on the Stock Exchange, or, under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

FOR INFORMATION ONLY

* *for identification purpose only*

27 November 2007

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ATTENTION

THIS PROSPECTUS IS ALSO SENT OR DELIVERED TO THE SHAREHOLDERS OF THE COMPANY FOR INFORMATION PURPOSES ONLY. SHAREHOLDERS OF THE COMPANY SHOULD NOTE THAT THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER OR INVITATION ON BEHALF OF THE COMPANY BY THE PLACING AGENT, THE PLACING MANAGER OR ANY OTHER PARTY INVOLVED IN THE PLACING TO APPLY FOR OR TO TAKE UP ANY WARRANTS, SHARES OR ANY OTHER SECURITIES OF THE COMPANY.

This prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group and the Warrants. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

The Bermuda Monetary Authority has given its general consent for the issuance of securities of the Company and including the shares from the balance of the authorised but unissued share capital of the Company up to the total authorised share capital of the Company from time to time (which covers the issue of the Warrants and the shares falling to be issued upon the exercise of the Subscription Rights) to persons regarded as non-resident of Bermuda for exchange control purposes provided that the Shares are listed on the Stock Exchange or any other appointed stock exchange, as defined by the Companies Act. In giving such consent and in accepting this prospectus for filing, the Bermuda Monetary Authority and the Registrar of Companies in Bermuda accept no responsibility for the financial soundness of the Company or for the correctness of any of the statements made or opinions expressed herein.

This prospectus is published in connection with the Placing, being an offer of Warrants carrying rights to subscribe for Shares, subject to the terms and conditions set out or referred to herein.

Each potential purchaser of the Warrants should determine the relevance of the information contained in this prospectus and any purchase of the Warrants should be based on such information as each purchaser deems necessary. The Placing Agent and the Placing Manager do not undertake to review the financial condition or affairs of the Company during the term of the Warrants or to advise any investor or potential investor in the Warrants of any information which come to their attention.

No action has been taken in any jurisdiction other than Hong Kong and Bermuda to permit an offering of the Warrants or the distribution of this prospectus and the Application Form. Accordingly, this prospectus and the Application Form may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction other than Hong Kong and Bermuda or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such offer to invitation except under such circumstances that will result in compliance with any applicable laws or regulations.

No person has been authorised to give any information or to make any representation not contained in this prospectus in connection with the Placing or the Warrants and, if given or made, such information or representation must not be relied upon as having been authorised by the Company, the Placing Agent, the Placing Manager or any other party involved in the Placing. Neither the delivery of this prospectus and the Application Form nor any issue or sale of any Warrants shall under any circumstances create any implication that there has been no change in the affairs of the Company or any of its subsidiaries since the date hereof. This prospectus together with the Application Form does not constitute, and may not be used for the purpose of, an offer or solicitation by anyone in any jurisdiction other than Hong Kong and Bermuda in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation and no action is being taken to permit an offering of the Warrants or the distribution of this prospectus in any jurisdiction where any such action is required.

The Stock Exchange and HKSCC have made no assessment of, nor does either of them take any responsibility for, the financial soundness of the Company or merits of investing in the Warrants, nor has either of them verified the accuracy or the truthfulness of statements made or opinions expressed in this prospectus.

The distribution of this prospectus and the Application Form and the offering, issue and delivery of the Warrants in certain jurisdictions may be restricted by law. Persons into whose possession this prospectus and the Application Form have come are required by the Company to inform themselves of and to observe, any such restrictions.

Dealings in the Warrants registered on the Company's register of Warrantholders will be subject to Hong Kong stamp duty. The SFC charges a transaction levy of 0.004% and the Stock Exchange charges a trading fee of 0.005% in respect of each transaction effected on the Stock Exchange, payable by each of the seller and the buyer and calculated on the value of the consideration for the relevant securities. In addition, member brokers charge brokerage to both buyers and sellers which is required to be no less than 1% of the value of the purchase or sale (calculated on the value of the relevant securities).

Application has been made to the Stock Exchange for the listing of and permission to deal in the Warrants and the Shares falling to be issued on the exercise of Subscription Rights on the Stock Exchange. No Shares or Warrants are listed or dealt in on any other stock exchange and the Company is not currently seeking to list the Shares or Warrants on any other stock exchange.

Subject to the granting of the listing of and permission to deal in the Warrants and the Shares which may fall to be issued on the exercise of Subscription Rights on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Warrants and Shares which may fall to be issued on the exercise of Subscription Rights will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Warrants on the Stock Exchange or, under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Potential Warrantholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding the Warrants or exercising their rights thereunder. It is emphasised that none of the Company, the Directors or any other party involved in the Placing accepts responsibility for any tax effects on, or liabilities of, the Warrantholders resulting from the subscription, purchase, holding or disposal of, the Warrants and/or exercise of any rights attaching to the Warrants.

EACH SUBSCRIBER OR PURCHASER OF THE WARRANTS MUST COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN EACH JURISDICTION IN WHICH IT SUBSCRIBES, PURCHASES, OFFERS OR SELLS THE WARRANTS OR POSSESSES OR DISTRIBUTES THIS PROSPECTUS AND THE APPLICATION FORM AND MUST OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED BY IT FOR THE SUBSCRIPTION, PURCHASE, OFFER OR SALE OF THE WARRANTS UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTION TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH SUBSCRIPTION, PURCHASE, OFFER OR SALE, AND NONE OF THE COMPANY, THE PLACING AGENT, THE PLACING MANAGER AND ANY OTHER PERSONS INVOLVED IN THE PLACING SHALL HAVE ANY RESPONSIBILITY THEREFOR.

	2007
Despatch of the Prospectus (for information only)	Tuesday, 27 November
Placing closes	4:00 p.m. on Friday, 14 December
Latest time for returning the placing letter and remittances	4:00 p.m. on Monday, 17 December
	2008
Warrant certificates to be despatched on or before	Friday, 4 January
Latest time for termination of the Placing Agreement	5:30 p.m. Friday, 4 January
Announcement of the level of indication of interest in the Placing to be published on the Stock Exchange website	Friday, 4 January
Dealings in the Warrants on the Stock Exchange to commence on	Monday, 7 January

The following definitions shall apply throughout this prospectus unless the context otherwise requires:

"2007 Warrants"	warrants issued by the Company conferring rights to the holder(s) thereof to subscribe in cash for Shares at an initial subscription price of HK$0.172 per Share, subject to adjustment, at any time up from 3 October 2005 to 2 October 2007
"Announcement"	the Company's announcement dated 1 November 2007 in relation to the Placing
"Application Form"	the application form for the application of the Warrants in relation to the Placing
"Board"	the board of Directors
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Companies Ordinance"	The Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company"	Culturecom Holdings Limited, an exempted company incorporated in Bermuda with limited liability whose securities are listed on the Stock Exchange
"Completion"	completion of the Placing
"Completion Date"	the date when the Placing is completed, which is expected to be not later than four business days following the fulfillment of conditions of the Placing, i.e. 4 January 2008, or such later date as agreed between the Company and the Placing Agent
"Director(s)"	director(s) of the Company
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China
"Instrument"	a separate instrument to be executed by the Company by way of a deed poll containing terms of the Warrants, including the adjustment mechanisms of the initial subscription price for Shares

"Latest Practicable Date"	22 November 2007, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information herein
"Listing Date"	the date on which the listing of and dealings in Warrants commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Placing"	the placing, on a best endeavours basis, of up to 1,140,000,000 Warrants pursuant to the Placing Agreement
"Placing Agent"	Kingston Securities Limited, a licensed corporation to carry out business in type 1 regulated activity under the SFO
"Placing Agreement"	the conditional placing agreement dated 31 October 2007 entered into by the Company and the Placing Agent in relation to the Placing
"Placing Manager"	Kingston Corporate Finance Limited, a licensed corporation to carry out business in type 6 regulated activity under the SFO
"Placing of new Shares"	placing of 800,000,000 new Shares pursuant to the terms of the placing agreement dated 14 June 2007 at the placing price of HK$0.22 per placing share
"Placing Price"	HK$0.022, being the issue price per Warrant payable in full on application under the Placing Agreement
"Prospectus"	this prospectus to be issued by the Company relating to the issue of the Warrants by the Company
"Registrar"	Computershare Hong Kong Investor Services Limited, the Company's branch registrar and transfer office as for the time being maintained in Hong Kong maintaining the register of members of the Company
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Options"	outstanding share options granted to the grantees under the share option schemes adopted by the Company on 15 June 1993 and 21 August 2002

"Shares"	ordinary shares of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Date"	the date on which any of the Subscription Rights are duly exercised
"Subscription Form"	the subscription form contained in each Warrant certificate in relation to the exercise of the Subscription Rights
"Subscription Period"	the two-year period from the Listing Date of the Warrants on the Stock Exchange, which is expected to be from 7 January 2008 to 6 January 2010 (or the next following business day after 6 January 2010 if 6 January 2010 is not a business day), both days inclusive
"Subscription Price"	the sum payable in respect of each Share to which the registered holder of each Warrant will be entitled upon exercise of the Subscription Rights represented thereby, being HK$0.138 or such adjusted price as may for the time being be applicable
"Subscription Rights"	the rights of the holders of the Warrants represented by the Warrants to subscribe in aggregate up to HK$157,320,000 for Shares pursuant to the Warrants
"Tranche 2 Convertible Bonds"	the convertible bonds up to an aggregate principal amount of HK$36 million issued at the conversion price of HK$0.10 per Share at the option of the Company to the holders of the Tranche 1 Convertible Bonds which were issued pursuant to a conditional placing agreement dated 19 June 2006
"Warrant(s)"	warrant(s) of the Company in registered form, each conferring rights to holder(s) thereof to subscribe for one Share at an initial subscription price of HK$0.138 (subject to adjustments under certain circumstances, including consolidation or subdivision of Shares, capitalisation of profits or reserves or capital distribution) at any time during the Subscription Period
"Warrantholder(s)"	holder(s) of the Warrant(s)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

The information in this section is only a summary of the Placing and should be read in conjunction with, and is qualified by reference to, the other information set out in this prospectus:

Issuer:	Culturecom Holdings Limited
Placing Agent:	Kingston Securities Limited
The Warrants:	1,140,000,000 Warrants in registered form conferring rights to subscribe up to HK$157,320,000 for up to 1,140,000,000 Shares (subject to adjustments) at the Subscription Price. The 1,140,000,000 Shares to which the 1,140,000,000 Warrants relate upon full exercise, represented approximately 18.76% of the issued share capital of the Company as at the Latest Practicable Date and approximately 15.80% of the issued share capital of the Company as enlarged by the allotment and issue of the 1,140,000,000 Shares to which the 1,140,000,000 Warrants relate, which Shares will rank pari passu in all respects with the Shares in issue on the relevant Subscription Date.
Placing Price:	HK$0.022 per Warrant
Placing:	On a best endeavours basis
Conditions of the Placing:	The Placing is conditional on the satisfaction of the conditions set out in the paragraph headed "Conditions of the Placing" in the section headed "The Placing" in this prospectus.
Use of proceeds:	The net proceeds from the Placing of approximately HK$24 million will be mainly used as general working capital of the Company and the net proceeds from the exercise of the Warrants of approximately HK$157 million will be used for possible investment or project which is expected to improve the profitability, sustain its growth momentum and broaden the revenue stream of the Group, as and when the Board considers appropriate and favourable in the interest of the Company and its Shareholders as whole. As at the Latest Practicable Date, no specific investment or project has been identified by the Group.
Board lot:	The board lot for trading in the Warrants is 100,000 units conferring rights to subscribe for 100,000 new Shares at HK$13,800 in cash on the basis of the Subscription Price of HK$0.138 per Share (subject to adjustments which details are set out in Appendix I to this prospectus).

Form:	The 1,140,000,000 Warrants will be in registered form, giving the holders thereof the rights to subscribe up to HK$157,320,000 in aggregate in cash for up to 1,140,000,000 new Shares (subject to adjustments) at the Subscription Price during the Subscription Period. Such rights to subscribe will be contained in and governed by the Instrument and the Warrant certificates. Warrantholders will be entitled to the benefit of, be bound by, and be deemed to have notice of all such terms and conditions and the provisions of the Instrument, copies of which will be available at the principal place of business for the time being of the Company in Hong Kong.
Denomination:	The Warrants are represented by certificates in units of Subscription Price of HK$0.138 each or integral multiples in respect thereof.
Exercise:	The Warrants are exercisable only in amounts of HK$0.138 (subject to adjustments) or in integral multiples thereof. A Warrant may only be exercised by the delivery of a completed and signed Subscription Form together with the relevant Warrant certificate to the Registrar and together with a remittance for the aggregate Subscription Price for the Subscription Rights exercised.
Subscription price:	HK$0.138 per Share (subject to adjustments in accordance with the provisions of the Instrument). The Subscription Price of HK$0.138 per Share represented (i) a discount of 8% to the closing price of HK$0.15 per Share as quoted on the Stock Exchange on 30 October 2007, being the last trading day for the Shares before the publication of the Announcement; (ii) a discount of approximately 11.08% to the average closing price of HK$0.1552 per Share as quoted on the Stock Exchange for the last five consecutive trading days for the Shares up to and including 30 October 2007; and (iii) a discount of approximately 14.29% to the closing price of HK$0.161 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The aggregate of the Placing Price and the initial Subscription Price of HK$0.16 per Share represented (i) a premium of approximately 6.67% over the closing price of HK$0.15 per Share as quoted on the Stock Exchange on 30 October 2007, being the last trading day for the Shares before the publication of the Announcement; (ii) a premium of approximately 3.09% over the average closing price of HK$0.1552 per Share as quoted on the Stock Exchange for the last five consecutive trading days for the Shares up to and including 30 October 2007; and (iii) a discount of approximately 0.62% over the closing price of HK$0.161 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Subscription period: The two-year period commencing from the Listing Date, which is expected to be 7 January 2008 to 6 January 2010 (or the next following business day after 6 January 2010 if 6 January 2010 is not a business day), both days inclusive.

The Shares falling to be issued upon the exercise of Subscription Rights will, upon allotment and issue, rank pari passu in all respects with the existing Shares in issue on the relevant Subscription Date, save for any right or entitlement to dividends or other rights or distributions the record date of which precedes the relevant Subscription Date.

Transfers of Warrants: The Subscription Rights conferred by the Warrants are transferable in integral multiples of HK$0.138 of Subscription Rights.

Warrants may only be transferred by delivery of a transfer form for registration to the Registrar in such form as may from time to time be in use and obtainable from the Registrar together with the relevant Warrant certificate(s). Where such dealings takes place on the Stock Exchange, delivery must currently be made at the end of the second trading day after the dealings has been entered into.

Currently, Hong Kong stamp duty is chargeable on contract notes evidencing sale or purchase of Warrants at a rate of HK$2.00 per HK$1,000 or part thereof (of which HK$1.00 per HK$1,000 is payable by the seller and HK$1.00 per HK$1,000 is payable by the purchaser) by reference to the value of the consideration or the market value, whichever is higher.

Listing and dealing:	Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the 1,140,000,000 Warrants and the Shares which may fall to be issued upon the exercise of the Subscription Rights on the Stock Exchange. It is expected that dealings in Warrants on the Stock Exchange will commence on 7 January 2008. Subject to the granting of the listing of and permission to deal in the 1,140,000,000 Warrants and the Shares which may fall to be issued upon the exercise of the Subscription Rights on the Stock Exchange, as well as compliance with the stock admission requirements of HKSCC, the Warrants and the Shares which may fall to be issued upon the exercise of Subscription Rights will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Warrants on the Stock Exchange or, under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.
Expected market capitalisation:	Based on the Placing Price, the expected market capitalisation of the 1,140,000,000 Warrants upon listing will be approximately HK$25,080,000.
Governing law:	The laws of Hong Kong.
Registrar:	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong

1. NAME AND ADDRESS OF THE DIRECTORS

Name	Correspondence Address
Executive Directors	
Mr. Cheung Wai Tung *(Chairman)*	Flat C, 26th Floor Block 7, Grand Pacific Heights Tai Lam Chung Castle Peak Road New Territories Hong Kong
Mr. Chu Bong Foo *(Vice-Chairman)*	1 Floor, No. 1, Lane 121 Sanming Road, Section 2 Yangmei, Taoyuan 326 Taiwan
Mr. Henry Chang Manayan	1557 Larkwood Court Milpitas California 95035 U.S.A.
Mr. Wan Xiaolin	Flat C, 2/F., Yat Wah Mansion Lei King Wan 41 Tai Hong Street Hong Kong
Mr. Tai Cheong Sao	Rose Court, 33 Rose Street 2nd Floor, Block A Yau Yat Chuen, Kowloon
Mr. Chung Billy	Flat G, 4/F., Blk 2, Illumination Terrace 7 Tai Hang Road, Tai Hang, Hong Kong

Independent Non-Executive Directors

Mr. Lai Man To	Flat A, 37 Floor, Block 4 Cheerful Garden 23 Siu Sai Wan Road Chai Wan Hong Kong
Mr. Wang Tiao Chun	1/F, No. 5, Alley 68 Lane 21, Wenhu St., Neihu Taipei 114 Taiwan
Mr. Joseph Lee Chennault	35178 Donegal Court Newark, Ca 94560 U.S.A.

Senior Management

Mr. Kwan Kin Chung	6/F., Culturecom Centre 47 Hung To Road Kwun Tong, Kowloon
Dr. Chen Tzyh Trong	6/F., Culturecom Centre 47 Hung To Road Kwun Tong, Kowloon
Mr. Lai Hoi Fai	6/F., Culturecom Centre 47 Hung To Road Kwun Tong, Kowloon
Mr. Chen Man Lung	6/F., Culturecom Centre 47 Hung To Road Kwun Tong, Kowloon
Mr. Tang U Fai	6/F., Culturecom Centre 47 Hung To Road Kwun Tong, Kowloon
Mr. Lee Kin Chung, Michael	6/F., Culturecom Centre 47 Hung To Road Kwun Tong, Kowloon

Mr. Cheung Wai Keung, Cecil	6/F., Culturecom Centre 47 Hung To Road Kwun Tong, Kowloon
Mr. Wong Shu Pui	6/F., Culturecom Centre 47 Hung To Road Kwun Tong, Kowloon

2. QUALIFICATIONS OF THE DIRECTORS

Executive Directors

Mr. Cheung Wai Tung, aged 50, was appointed as the Chairman and 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 70, was appointed as Vice-Chairman and 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. Henry Chang Manayan, aged 52, was appointed as Executive Director of the Company in September 1999. He was the Mayor of Milpitas, California, the USA and is the first Mayor of Asian ancestry ever elected in the City of Milpitas. He is also an attorney and business owner of a management consultancy 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. Mr. Manayan is the president and general counsel of Transpacific Capital Corporation, a finance and investment company. He also served as a board director, officer and legal counsel to several companies and organisation.

Mr. Wan Xiaolin, aged 49, joined the Group as 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 Executive Director of the Company in July 2002.

Mr. Tai Cheong Sao, aged 63, was appointed as Executive Director of the Company in June 2007. He was a teacher for several years and then joined the Hong Kong Government where he spent the next twenty-six years in a law enforcement department. After leaving the public service, Mr. Tai joined a well-established estate development company as a General Manager and was responsible for its business development and office administration. Currently Mr. Tai is an Executive Director of ViaGOLD Capital Limited (a company listed on the Australian Stock Exchange Limited). He had previously worked as Controller of Human Resources and Administration of the Group for the period from December 1998 to May 2001.

Mr. Chung Billy, aged 32, was first appointed as Independent Non-Executive Director of the Company and a member of the audit committee and remuneration committee of the Company on 18 June 2007. Mr. Chung was then redesignated to Executive Director of the Company on 5 November 2007. He 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 eight years of extensive experience in the fields of accounting, consulting, and investment banking. He has acted as Senior Project Director at Opes Asia Development Limited, a company listed on the Main Board (Stock Code: 810).

Independent Non-Executive Directors

Mr. Lai Man To, aged 78, was appointed as an Independent Non-Executive Director of the Company in March 1999. Mr. Lai is a mechanical engineering specialist and has over 30 years of experience in finance and securities industry. Before his retirement in 1998, he has held various senior positions including senior manager of Sun Hung Kai Securities and chief executive officer of Cheerful (Holdings) Limited.

Mr. Wang Tiao Chun, aged 51, was appointed as an Independent Non-Executive Director of the Company in August 1999. Mr. Wang is currently holding various senior management positions in various companies in Taiwan.

Mr. Joseph Lee Chennault, aged 63, 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.

Senior Management

Mr. Kwan Kin Chung, aged 38, was appointed as Acting Chief Executive Officer of the Company in April 2007. He held the position as Vice President of the Group from 1998 to 2002. 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. Currently, he is the Managing Director of Bio Cassava Technology Holdings Limited, a company listed on the GEM Board (Stock Code: 8129).

Dr. Chen Tzyh Trong, aged 49, 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 for the Association of Taiwan Business Association in Hong Kong and Director for the Association of Chinese Traders and he is currently a counselor for Taipei City Government.

Mr. Lai Hoi Fai, aged 52, joined the Group as Vice President, Business Strategy and Development in March 2003. Mr. Lai is a Telecom and IT business development professional, with the bulk of his over 20 years of professional experience gained from leading multinational corporations including Digital Equipment Corporation, National Semiconductor, Mitel, and Sonera where he had served as senior regional executive for the Asia Pacific market. He holds a Bachelor degree in Electrical Engineering from McGill University (Canada) and MBA from the University of Hong Kong.

Mr. Chen Man Lung, aged 41, joined the Group as a Vice President in December 1998 and is responsible for publishing business and corporate development of the Group. Mr. Chen graduated with an Honour Diploma in sociology from Hong Kong Baptist College in 1989 and a Master degree of arts in Chinese studies from The Hong Kong University of Science and Technology in 1994. Mr. Chen has worked as an economist in a consultant firm and a bank and has over 8 years of experience in investment industry. Currently, he is the Executive Director of Bio Cassava Technology Holdings Limited, a company listed on the GEM Board (Stock Code: 8129).

Mr. Tang U Fai, aged 34, joined the Group as Technical Officer in May 2001 and is responsible for the design and development of V-Dragon CPU and COL-eTown project. Mr. Tang is one of Mr. Chu Bong Foo's dedicated disciples.

Mr. Lee Kin Chung, Michael, aged 52, joined the Group as Vice President in June 1999 and is responsible for development and marketing of the Group's publishing business. Mr. Lee has over 20 years of experience in publication field and had involved in publication operation of various newspaper and magazine in Hong Kong.

Mr. Cheung Wai Keung, Cecil, aged 40, joined the Group in December 1998. He is the Group's Financial Controller and Company Secretary. He is a fellow member of the Chartered Association of Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Mr. Wong Shu Pui, aged 41, joined the Group as General Counsel in November 2000 and is responsible for all the legal matters of the Group.

3. OTHER CORPORATE INFORMATION

Authorised representatives	Mr. Cheung Wai Tung Flat C, 26th Floor Block 7, Grand Pacific Heights Tai Lam Chung Castle Peak Road New Territories Hong Kong Mr. Wan Xiaolin Flat C, 2/F., Yat Wah Mansion Lei King Wan 41 Tai Hong Street Hong Kong
Company secretary	Mr. Cheung Wai Keung, Cecil *ACCA, HKICPA*
Qualified accountant	Mr. Cheung Wai Keung, Cecil *ACCA, HKICPA*
Auditors	Grant Thornton, *CPA* 13th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Registered Office	Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda
Principal place of business in Hong Kong	Culturecom Centre 47 Hung To Road Kwun Tong Kowloon, Hong Kong
Principal share registrar and transfer office in Bermuda	Butterfield Fund Services (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke Bermuda

Branch share registrar, warrant registrar and transfer office in Hong Kong	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Placing Agent	Kingston Securities Limited Suite 2801, 28/F One International Finance Centre 1 Harbour View Street Central Hong Kong
Placing Manager	Kingston Corporate Finance Limited Suite 2801, 28/F One International Finance Centre 1 Harbour View Street Central Hong Kong
Legal advisers to the Company	*As to Hong Kong Law:* Michael Li & Co. 14/F., Printing House 6 Duddell Street Central, Hong Kong *As to Bermuda Law:* Appleby 5511, The Centre 99 Queen's Road Central Hong Kong
Principal bankers	Bank of China (Hong Kong) Limited Bank of China Tower 1 Garden Road Hong Kong The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong

1. REASONS FOR THE PLACING AND USE OF PROCEEDS

The Directors consider that the Placing is a suitable opportunity to raise capital for the Company. In particular, (i) it does not have an instant dilution effect on the shareholding of the existing Shareholders; (ii) it raises funds immediately upon completion of the Placing, and if the Warrants are exercised, further funds will be raised for possible investment and/or general working capital which will accordingly strengthen the financial conditions and shareholders base of the Company; and (iii) it provides investors with an alternative means to invest in the Company.

Having considered the fund raising history of the Company in the previous 12 months and other fund raising mechanism, the Directors are of the view that the fund raising by warrants are more appropriate to the Company because the placing of Warrants will lure more potential investors to expand the Shareholder's base of the Company by offering investment opportunities to the Company at a minimal entry price or the Placing Price of HK$0.022 which cannot be provided by other financing alternatives, such as placing of new Shares and open offer. It is also expected that additional and immediate funds can be raised from the potential investors by exercising the Warrants in the event that new investment or project of which the Board considers beneficial to the Group is identified.

The maximum gross proceeds from the Placing and the exercise of the Warrant will be HK$25.08 million and HK$157.32 million respectively. It is intended that the net proceeds from the Placing of approximately HK$24 million will be mainly used as general working capital of the Company and the net proceeds from the exercise of the Warrants of approximately HK$157 million will be used for possible investment or project which is expected to improve the profitability, sustain its growth momentum and broaden the revenue stream of the Group, as and when the Board considers appropriate and favourable in the interest of the Company and its Shareholders as whole. As at the Latest Practicable Date, no specific investment or project has been identified by the Group. The net proceeds raised per Warrant upon completion of the Placing will be approximately HK$0.021 per Warrant.

2. CONDITIONS OF THE PLACING

Completion of the Placing Agreement is conditional on, among the other matters, the fulfillment of the following conditions on or before 31 December 2007 or such later date as the Company and the Placing Agent may agree:

(i) the registration of one duly signed copy of the Prospectus (with all the documents required by Section 342C of the Companies Ordinance to be attached thereto) by the Registrar of Companies in Hong Kong;

(ii) the filing of one duly signed copy of the Prospectus (with all other documents required by the Companies Act 1981 of Bermuda (as amended), if any) by the Registrar of Companies in Bermuda;

(iii) the consent of the Bermuda Monetary Authority to the issue of the Warrants and to the allotment and issue of all Shares to be issued on exercise of the subscription rights attaching to the Warrants; and

(iv) the granting by Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrants and any Shares that may fall to be issued upon the exercise of the subscription rights attaching to the Warrants.

In the event that the above conditions are not fulfilled by on or before 31 December 2007 or such later date as the Company and the Placing Agent may agree, the Placing Agreement will lapse and none of the parties will have any liabilities to the other save for any antecedent breaches thereof.

3. THE PLACING AGREEMENT

The Placing Agent is Kingston Securities Limited, which is a company incorporated in Hong Kong with limited liability, which is independent of and not connected with the Company and its subsidiaries and their connected persons (as defined in the Listing Rules). The Placing Agent has conditionally agreed to place the Warrants, as agent for the Company, by way of private placement on a best endeavours basis and will receive a placing commission of 2.0% on the aggregate Placing Price in respect of such number of Warrants successfully placed by it. The placing commission was negotiated on arm's length basis between the Company and the Placing Agent and determined with reference to, amongst other things, the market rate and the price performance of the Shares. The Directors consider that the terms of the Placing, including the Placing commission, are fair and reasonable based on the current market conditions and the Placing is in the interests of the Company and the Shareholders as a whole.

The placees shall be individuals, corporate and/or institutional investors and securities dealers independent of and not connected with the Company and its subsidiaries and their connected persons (as defined in the Listing Rules). The Warrants will be placed to not less than 300 placees.

The Company and the Placing Agent will ensure that the Placing will comply with the relevant provisions of the Listing Rules, including but not limited to Chapter 15 of and Appendix 6 to the Listing Rules.

4. FORCE MAJEURE

The Placing Agreement contains provisions entitling the Placing Agent or the Company shall, with prior consultation with the other of them, have the right to terminate the Placing Agreement by notice in writing to the other of them at any time prior to 5:30 p.m. on the Completion Date if, in the reasonable opinion of the Placing Agent or the Company:

(a) there is the occurrence of any local, regional, national or international event or change of a political, military or economic nature which results in a material adverse change in the political, economic or stock market conditions in Hong Kong in the context of the Placing and which materially affects the success of the Placing; or

(b) there is any breach of the warranties and representations on the part of the Placing Agent or as appropriate, the Company under this Agreement which is material in the context of the Placing.

If the Placing Agreement is so terminated, all obligations of each party under the Placing Agreement shall cease and determine and neither party shall have any claim against the other party in respect of any matter arising out of or in connection with the Placing Agreement except for any antecedent breach of any obligation mentioned in the Placing Agreement.

5. LISTING AND DEALING

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrants and any Shares that may fall to be issued upon the exercise of the subscription rights attaching to the Warrants. No part of the Shares or loan capital of the Company is listed or dealt in on any other stock exchange and the Company is not currently seeking to list the Warrants or the Shares or its loan capital on any other stock exchange.

Subject to the fulfillment of the conditions set out in the paragraph headed "Conditions of the Placing", it is expected that dealings in the Warrants on the Stock Exchange will commence on 7 January 2008. Dealings in Warrants will take place in board lots of 100,000 units of initially HK$13,800 of Subscription Rights.

Subject to the granting of the listing of and permission to deal in the 1,140,000,000 Warrants and the Shares which may fall to be issued upon the exercise of Subscription Rights on the Stock Exchange, as well as compliance with the stock admission requirements of HKSCC, the 1,140,000,000 Warrants and the Shares which may fall to be issued upon the exercise of Subscription Rights will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Warrants on the Stock Exchange or, under contingent situation such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements will be made for the Warrants to be admitted into CCASS.

The Stock Exchange charges a trading fee of 0.005% and the SFC charges a transaction levy of 0.004% in respect of each transaction effected on the Stock Exchange, payable by each of the seller and the buyer and calculated on the value of the consideration for the relevant securities. In addition, member brokers charge brokerage to both buyers and sellers which is required to be no less than 1% of the value of the purchase or sale (calculated on the value of the relevant securities).

6. SHAREHOLDING STRUCTURE OF THE COMPANY

The existing shareholding structure of the Company and the shareholding structure of the Company upon exercise in full of the Subscription Rights attaching to the Warrants, assuming no Share Options will have been exercised after the Latest Practicable Date, are set out below:

Shareholders	As at the Latest Practicable Date		Assuming full exercise of subscription rights attaching to the Warrants	
	Shares	*Approximate %*	*Shares*	*Approximate %*
Mr. Cheung Wai Tung *an executive Director*	1,886,000	0.03%	1,886,000	0.03%
Mr. Chu Bong Foo *an executive Director (Note 1)*	283,052,000	4.66%	283,052,000	3.92%
Mr. Henry Chang Manayan *an executive Director*	2,000,000	0.03%	2,000,000	0.03%
Mr. Wan Xiaolin *an executive Director*	500,000	0.01%	500,000	0.01%
	287,438,000	4.73%	287,438,000	3.99%
Harvest Smart Overseas Limited	788,052,000	12.97%	788,052,000	10.91%
Public:				
Holders of shares upon exercise of the Warrants *(Note 2)*	0	0.00%	1,140,000,000	15.80%
Public Shareholders	5,001,769,642	82.30%	5,001,769,642	69.30%
Sub-total	5,001,769,642	82.30%	6,141,769,642	85.10%
Total	6,077,259,642	100.00%	7,217,259,642	100.00%

Note: (1) 283,052,000 Shares comprise of (i) 160,180,000 Shares beneficially owned by Mr. Chu Bong Foo in his personal capacity and (ii) 122,872,000 Shares held by Bay-Club Enterprises Inc., a company which is wholly and beneficially owned by Mr. Chu Bong Foo.

(2) Such Shares would be alloted and issued upon exercise of the Subscription Rights attaching to the Warrants.

1. DESCRIPTION OF THE BUSINESS

The Group is principally engaged in investment holding with its subsidiaries principally engaged in the publication of comics and related business, sales of Chinese operating system, processor and application software and investment holding.

2. BUSINESS REVIEW

Since 2006, the Group has strived to resconstruct its technological assets and businesses and has continously sought for projects with higher profit margin so as to create greater Shareholders' values. On the technology business front, the Group is and has been actively looking for suitable cooperative partners to enhance and commericalize the Chinese Character Generating Engine and its related technologies. With respect to the comic business, the Group is pursuing opportunities in the area of animation and comics licensing business within mainland China while continuing to develop inter-media comics business, licensed movies, ancillary online games and mobile games. To greater enhance Shareholders' values, the management of the Group in 2007 has decided to branch out into resources business as increasing competition in the Group's existing businesses has led to lower-than-expected Shareholders' returns. With continued economic growth and accelerating urbanization in the Greater China and elsewhere in the world, demand for energy and resources should be in high demand.

On 16 July 2007, keeping abreast with its existing business, the Group found a way to tap into the Chinese energy related sector with Success Dynasty Limited, an indirect wholly-owned subsidiary, entering into an agreement to acquire from Weathly Concept Holdings Limited (the "Vendor") the entire share capital of Raise Beauty Investments Limited for a total consideration of HK$213 million. Raise Beauty Investments Limited and its subsidiaries are principally engaged in energy related business. The consideration shall be settled by allot and issue of consideration Shares of the Group to the Vendor credited as fully paid on completion. For further details of the acquisition, please refer to the Group's announcement dated 30 July 2007. With increasing demand for energy, the management of the Group is confident that the venture into the resources business will make tangible contributions to the Group.

3. FINANCIAL AND TRADING PROSPECTS

Looking ahead, the Group will adhere itself to a growing philosophy of prudence. The Group is always on the lookout for business opportunities that have the potential to enhance Shareholders' values while minimizing its exposure to risk. In particular, the proposed acquisition of Raise Beauty Investments Limited as noted above has a profit guarantee attached and is expected to bring in not less than RMB19 million for the 12 months period ending 31 December 2008. Furthermore, the Group believes the restructuring steps and new initiatives taken so far in its other lines of businesses should bear fruition as they have matured over the years. Now more than ever, the Group is confident of its existing businesses and comfortable with its future direction. Going forward, the Group will remain prudent its investment decisions and continue to identify promising projects to invest in. Save for the information provided above, the Directors are not aware of any material information which may be relevant to the financial and trading prospects of the Group, including all special trade factors or risks which are unlikely to be known or anticipated by the general public, and which could materially affect the profits.

4. MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover for the year ended 31 March 2007 attributable to the Group's five largest customers accounted for 83% of the Group's turnover, of which 53.8% was attributable to the largest customer.

The aggregate purchases for the year ended 31 March 2007 attributable to the Group's five largest suppliers accounted for 83.1% of the Group's total purchases, of which 55.9% was attributable to the largest supplier.

At no time during the year ended 31 March 2007 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.

5. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

		HK$
Authorised:		
10,000,000,000	Shares	1,000,000,000
Issued and fully paid or credited as fully paid:		
6,077,259,642	Shares	607,725,964

Since the date to which the latest published audited accounts of the Company were made up and up to the Latest Practicable Date, an aggregate of 1,970,280,000 new Shares have been issued by the Company as to (i) 800,000,000 Shares as a result of placing of new Shares on 10 July 2007; (ii) 616,180,000 Shares as a result of exercise of 2007 Warrants; (iii) 360,000,000 Shares as a result of conversion of Tranche 2 Convertible Bonds; and (iv) 194,100,000 Shares as a result of exercise of Share Options at the exercise price of HK$0.101 per share.

All of the existing issued Shares rank equally in all respects among each other including all rights as to dividends, voting and return of capital. The 1,140,000,000 Warrants will confer rights to subscribe in aggregate up to HK$157,320,000 for up to 1,140,000,000 Shares (subject to adjustments) to be issued upon full exercise of the Warrants. The Warrants will be transferrable and exercisable in units of Subscription Rights of HK$0.138 each and thus every Warrant will entitle the Warrantholder to subscribe in cash for one Share at the initial Subscription Price of HK$0.138. The Shares falling to be issued upon the exercise of the Subscription Rights will upon allotment and issue rank equally in all respects with the existing Shares in issue on the relevant Subscription Date save for any right or entitlement to dividends or other rights or distributions the record date for which precedes the date on which such Subscription Rights are exercised pursuant to the terms of the Instrument.

As at the Latest Practicable Date, there were an aggregate 1,496,465,000 outstanding Share Options entitling the holders thereof to subscribe for up to an aggregate of 1,496,465,000 Shares. Save for the above, the Company had no outstanding Share options or warrants or other convertible securities that are convertible/exchangeable into Shares as at the Latest Practicable Date. For further details about the Share Option schemes, please refer to note 32 to the financial information of the Group set out in the section "Financial Information of the Group" from pages 65 to 68.

The Shares are listed on the Stock Exchange. No part of the securities of the Company is listed or dealt in, nor is listing or permission to deal in the securities of the Company being or proposed to be sought, on any other stock exchange.

There are no arrangements under which future dividends will be waived or agreed to be waived.

Save as disclosed in this prospectus, as at the Latest Practicable Date, no share or loan capital of the Company or any of its subsidiaries was under option or was agreed conditionally or unconditionally to be put under option.

6. MARKET STATISTICS

The Shares are listed on the Stock Exchange only. The board lot for trading in the Shares on the Stock Exchange is 2,000 Shares.

Set out below are the market statistics of the Company:

(a) The highest and lowest closing prices on the Stock Exchange of Shares in each of the twelve months immediately preceding the Latest Practicable Date are set out below:

	Shares	
Month	**Highest**	**Lowest**
	HK$	*HK$*
2006		
November	0.087	0.080
December	0.083	0.065
2007		
January	0.139	0.070
February	0.181	0.108
March	0.161	0.121
April	0.168	0.139
May	0.355	0.140
June	0.270	0.225
July	0.265	0.225
August	0.255	0.159
September	0.189	0.173
October	0.169	0.133
November (up to the Latest Practicable Date)	0.152	0.204

(b) Closing price per Share as at the Latest Practicable Date .... HK$0.161

(c) Market capitalisation *(Note)* .... HK$978,438,802

Note: Based on the number of Shares in issue and the closing price per Share as at the Latest Practicable Date.

1. SUMMARY OF AUDITED CONSOLIDATED RESULTS OF THE GROUP FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2007

The following information has been extracted from the audited consolidated financial statements of the Group for each of the three years ended 31 March 2007. Grant Thornton, being the Company's existing auditors, has not issued any qualified at modified opinion on the Group's financial statements for the year ended 31 March 2007. Deloitte Touche Tohmatsu, being the Company's previous auditors, has not issued any qualified at modified opinion on the Group's financial statements for the years ended 31 March, 2005 and 2006.

CONSOLIDATED INCOME STATEMENTS
For the year ended 31 March

	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000* (Restated)
Revenue	46,642	46,221	51,354
Cost of sales	(33,448)	(32,018)	(37,204)
Gross profit	13,194	14,203	14,150
Other income	3,196	4,037	2,887
Administrative expenses	(55,096)	(87,249)	(81,713)
Amortisation of development costs	–	(17,105)	(23,818)
Research and development expenditure	–	(4,362)	(8,819)
Allowances for trade and other debtors	–	(6,842)	(8,166)
Net unrealised loss on other investments	–	(42,324)	–
Increase/(Decrease) in fair value of held-for-trading investments	6,675	(404)	–
Share of loss of associates	(1,662)	(8,240)	(10,034)
Share of loss of a jointly controlled entity	–	(740)	(1,526)
Gain on disposal of an associate	891	–	–
Gain on disposals of subsidiaries	1,765	290	–
Valuation surplus on investment properties	12,533	2,736	–
Finance costs	(187)	(3,893)	(9)
Write back of impairment loss previously recognised in respect of prepaid lease payments and property, plant and equipment	–	–	23,000
Allowances for amounts due from associates	(10,196)	(33,704)	(5,591)
Allowance for amounts due from a jointly controlled entity	–	(2,234)	–
Impairment loss of development costs	–	(15,850)	(6,700)
Impairment loss of property, plant and equipment	(2,827)	–	–
Impairment loss of goodwill in reserve	–	–	(10,777)
Impairment loss of premium on formation of a jointly controlled entity	–	–	(3,491)
Loss before income tax	(31,714)	(159,357)	–
Income tax expense	(2,220)	–	–
Loss for the year attributable to equity holders of the Company	(33,934)	(159,357)	(162,931)
Loss per share attributable to equity holders of the Company during the year – basic	HK0.86 cents	HK4.34 cents	HK4.84 cents
Dividends	–	–	–

CONSOLIDATED BALANCE SHEET
as at 31 March

	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*
			(Restated)
Non-current assets			
Property, plant and equipment	13,230	31,305	36,275
Prepaid lease payments	24,724	25,059	25,394
Investment properties	80,026	57,836	56,015
Development costs	–	–	32,955
Interests in associates	8,248	3,931	12,171
Amounts due from associates	22,030	21,739	–
Interest in a jointly controlled entity	–	–	740
Intangible assets – club memberships	1,385	1,385	–
Investments in securities	–	–	1,385
	149,643	141,255	164,935
Current assets			
Inventories	139	143	3,595
Trade debtors	5,382	6,568	9,152
Prepaid lease payments	335	335	335
Other debtors, deposits and prepayments	19,929	10,227	23,151
Amounts due from fellow subsidiaries of an associate	200	–	7,640
Amounts due from associates	4,642	30,898	757,960
Tax recoverable	91	96	62
Held-for-trading investments	29,877	24,552	–
Investments in securities	–	–	23,036
Bank balances and deposits with financial institutions	37,154	19,536	15,194
	97,749	92,355	159,501
Current liabilities			
Trade creditors	6,020	7,363	9,645
Other creditors and accrued charges	9,375	11,732	14,163
Amounts due to fellow subsidiaries of an associate	1,233	33	467
Obligations under finance leases – due within one year	32	48	34
Tax payable	162	180	–
	16,822	19,356	34,309
Net current assets	80,927	72,999	135,192
Total assets less current liabilities	230,570	214,254	300,127

	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*
			(Restated)
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	410,698	373,398	346,160
Reserves	(185,731)	(162,586)	(49,388)
Total equity	224,967	210,812	296,772
Non-current liabilities			
Obligations under finance leases			
– due after one year	71	103	160
Deferred tax liabilities	5,532	3,339	3,339
	5,603	3,442	3,355
	230,570	214,254	300,127

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR EACH OF THE TWO YEARS ENDED 31 MARCH 2007

Set out below are the audited consolidated financial statements of the Group for the year ended 31 March 2007 with comparative figures for the year ended 31 March 2006 as extracted from pages 27 to 96 of the 2006-2007 annual report of the Company. The page number referred to in this section are the page numbers of the 2006-2007 annual report of the Company.

CONSOLIDATED INCOME STATEMENTS
For the year ended 31 March 2007

	Notes	**2007** *HK$'000*	**2006** *HK$'000*
Revenue	6	46,642	46,221
Cost of sales		(33,448)	(32,018)
Gross profit		13,194	14,203
Other income		3,196	4,037
Administrative expenses		(55,096)	(87,249)
Amortisation of development costs		–	(17,105)
Research and development expenditure		–	(4,362)
Allowances for trade and other debtors		–	(6,842)
Increase/(Decrease) in fair value of held-for-trading investments		6,675	(404)
Share of loss of associates	18	(1,662)	(8,240)
Share of loss of a jointly controlled entity	19	–	(740)
Gain on disposal of an associate	36	891	–
Gain on disposals of subsidiaries	35	1,765	290
Valuation surplus on investment properties	16	12,533	2,736
Finance costs	8	(187)	(3,893)
Allowances for amounts due from associates	18	(10,196)	(33,704)
Allowance for amounts due from a jointly controlled entity		–	(2,234)
Impairment loss of development costs		–	(15,850)
Impairment loss of property, plant and equipment	14	(2,827)	–
Loss before income tax	9	(31,714)	(159,357)
Income tax expense	11	(2,220)	–
Loss for the year attributable to equity holders of the Company		(33,934)	(159,357)
Loss per share attributable to equity holders of the Company during the year – basic	12	HK0.86 cents	HK4.34 cents
Dividends		–	–

CONSOLIDATED BALANCE SHEET
As at 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	14	13,230	31,305
Prepaid lease payments	15	24,724	25,059
Investment properties	16	80,026	57,836
Development costs	17	–	–
Interests in associates	18	8,248	3,931
Amounts due from associates	18	22,030	21,739
Interest in a jointly controlled entity	19	–	–
Intangible assets – club memberships	20	1,385	1,385
		149,643	141,255
Current assets			
Inventories	21	139	143
Trade debtors	22	5,382	6,568
Prepaid lease payments	15	335	335
Other debtors, deposits and prepayments		19,929	10,227
Amounts due from fellow subsidiaries of an associate	23	200	–
Amounts due from associates	18	4,642	30,898
Tax recoverable		91	96
Held-for-trading investments	24	29,877	24,552
Bank balances and deposits with financial institutions	25	37,154	19,536
		97,749	92,355
Current liabilities			
Trade creditors	26	6,020	7,363
Other creditors and accrued charges		9,375	11,732
Amounts due to fellow subsidiaries of an associate	23	1,233	33
Obligations under finance leases – due within one year	27	32	48
Tax payable		162	180
		16,822	19,356
Net current assets		80,927	72,999
Total assets less current liabilities		230,570	214,254

	Notes	2007 HK$'000	2006 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	28	410,698	373,398
Reserves		(185,731)	(162,586)
Total equity		224,967	210,812
Non-current liabilities			
Obligations under finance leases – due after one year	27	71	103
Deferred tax liabilities	33	5,532	3,339
		5,603	3,442
		230,570	214,254

BALANCE SHEET
As at 31 March 2007

	Notes	**2007** *HK$'000*	**2006** *HK$'000*
Non-current assets			
Investment in subsidiaries	39	80,709	80,709
Amounts due from an associate	18	2,800	3,970
		83,509	84,679
Current assets			
Amounts due from a subsidiary	39	136,870	171,607
Other debtors, deposits and prepayments		6,005	5
Bank balances	25	279	8,798
		143,154	180,410
Current liabilities			
Other creditors and accrued charges		1,006	650
Net current assets		142,148	179,760
Net assets		225,657	264,439
EQUITY			
Share capital	28	410,698	373,398
Reserves	29	(185,041)	(108,959)
Total equity		225,657	264,439

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 March 2007

	2007	2006
	HK$'000	*HK$'000*
Cash flows from operating activities		
Loss before income tax	(31,714)	(159,357)
Adjustments for:		
Allowances for trade and other debtors	–	6,842
Allowances for amounts due from associates	10,196	33,704
Allowance for amounts due from a jointly controlled entity	–	2,234
Amortisation of prepaid lease payments	335	335
Amortisation of development costs	–	17,105
Depreciation of property, plant and equipment	5,518	6,213
Impairment loss of property, plant and equipment	2,827	–
Dividend income	(34)	(85)
Interest expense	187	3,893
Interest income	(781)	(922)
Loss on disposals of property, plant and equipment	–	60
Write-down of inventories	1,512	3,786
Loss/(Gain) on disposals of held-for-trading investments	1,549	(273)
(Increase)/Decrease in fair value of held-for-trading investments	(6,675)	404
Share of loss of associates	1,662	8,240
Share of loss of a jointly controlled entity	–	740
Gain on disposal of an associate	(891)	–
Gain on disposals of subsidiaries	(1,765)	(290)
Valuation surplus on investment properties	(12,533)	(2,736)
Impairment loss of development costs	–	15,850
Recognition of equity-settled share-based payments	11,749	1,249
Operating loss before changes in working capital	(18,858)	(63,008)
Increase in inventories	(1,547)	(334)
Decrease in trade debtors	1,186	2,374
(Increase)/Decrease in other debtors, deposits and prepayments	(10,625)	11,994
(Increase)/Decrease in amounts due from fellow subsidiaries of an associate	(200)	1,938
Decrease in trade creditors	(1,343)	(2,282)
Decrease in other creditors and accrued charges	(633)	(1,963)
Increase/(Decrease) in amounts due to fellow subsidiaries of an associate	1,200	(434)
Increase in held-for-trading investments	(316)	(1,647)
Dividend received from held-for-trading investments	34	85

	Notes	2007 HK$'000	2006 HK$'000
Net cash used in operations		(31,102)	(53,277)
Interest received		781	922
Hong Kong profits tax paid		(40)	(34)
Net cash used in operating activities		(30,361)	(52,389)
Cash flows from investing activities			
Repayments/(Advances) from/(to) associates		15,770	(10,545)
Advances to a jointly controlled entity		–	(694)
Purchases of property, plant and equipment		(64)	(310)
Proceeds from disposal of property, plant and equipment		–	52
Proceeds from disposals of subsidiaries	35	1,144	30
Proceeds from disposal of an associate	36	891	–
Investment in an associate		(5,862)	–
Net cash generated from/(used in) investing activities		11,879	(11,467)
Cash flows from financing activities			
Proceeds from issue of shares		1,313	48,193
Net proceeds from issue of convertible bonds		34,978	–
Net proceeds from issue of warrants		–	24,145
Interest paid		(187)	(3,893)
Repayments of obligations under finance leases		(48)	(57)
Share issue expenses		(3)	(7)
Net cash generated from financing activities		36,053	68,381
Net increase in cash and cash equivalents		17,571	4,525
Cash and cash equivalents at 1 April		19,536	15,194
Effect of foreign exchange rate changes		47	(183)
Cash and cash equivalents at 31 March		37,154	19,536
Analysis of the balances of cash and cash equivalents			
Bank balances and deposits with financial institutions		37,154	19,536

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2007

	Attributable to equity holders of the Company								
	Share capital	Share premium	Contribution surplus	Other reserve	Capital redemption reserve	Translation reserve	Share option reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2005	346,160	696,804	171,671	15,306	446	(130)	–	(933,485)	296,772
Exchange differences on translation of overseas operations recognised directly in equity	–	–	–	–	–	(183)	–	–	(183)
Loss for the year	–	–	–	–	–	–	–	(159,357)	(159,357)
Total recognised expenses during the year	–	–	–	–	–	(183)	–	(159,357)	(159,540)
Issue of warrants	–	–	–	24,145	–	–	–	–	24,145
Exercise of warrants	24,738	16,080	–	–	–	–	–	–	40,818
Transfer from other reserve to share premium due to exercise of warrants	–	13,678	–	(13,678)	–	–	–	–	–
Exercise of share options	2,500	4,875	–	–	–	–	–	–	7,375
Share issue expenses	–	(7)	–	–	–	–	–	–	(7)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	1,249	–	1,249
	27,238	34,626	–	10,467	–	–	1,249	–	73,580

	Attributable to equity holders of the Company								
	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$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 31 March 2006 and 1 April 2006	373,398	731,430	171,671	25,773	446	(313)	1,249	(1,092,842)	210,812
Exchange differences on translation of overseas operations recognised directly in equity	–	–	–	–	–	52	–	–	52
Loss for the year	–	–	–	–	–	–	–	(33,934)	(33,934)
Total recognised expenses during the year	–	–	–	–	–	52	–	(33,934)	(33,882)
Recognition of convertible bonds	–	(1,022)	–	4,184	–	–	–	–	3,162
Conversion of convertible bonds	36,000	–	–	(4,184)	–	–	–	–	31,816
Exercise of share options	1,300	13	–	–	–	–	–	–	1,313
Share issue expenses	–	(3)	–	–	–	–	–	–	(3)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	11,749	–	11,749
	37,300	(1,012)	–	–	–	–	11,749	–	48,037
At 31 March 2007	410,698	730,418	171,671	25,773	446	(261)	12,998	(1,126,776)	224,967

The 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.

Other reserve includes the share of other reserve of an associate amounting to HK$1,500,000 (2006: HK$1,500,000), and net proceeds from issue of warrants less transfer to share premium due to exercise of warrants.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2007

1. GENERAL

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 Culturecom Centre, 47 Hung To Road, Kwun Tong, Kowloon, 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 (the "Group") include publishing, Chinese information infrastructure and investment holding.

The financial statements on pages 27 to 96 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 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 financial statements for the year ended 31 March 2007 were approved for issue by the board of directors on 24 July 2007.

2. ADOPTION OF NEW OR AMENDED HKFRSs

2.1 From 1 April 2006, the Group has adopted all the new and amended HKFRSs which are first effective on 1 January 2006 and relevant to the Group. The adoption of these new and amended HKFRSs did not result in significant changes in the Group's accounting policies but gave rise to additional disclosures. The specific transitional provisions contained in some of these new or amended HKFRSs have been considered. The adoption of these standards did not result in any changes to the amounts or disclosures in these financial statements.

2.2 New or amended HKFRSs that have been issued but are not yet effective

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of such HKFRSs will not result in material financial impact on the Group's financial statements.

Amendment to HKAS 1	"Presentation of Financial Statements" – Capital Disclosures[1]
HKFRS 7	"Financial Instruments: Disclosures"[1]
HKFRS 8	"Operating Segments"[7]
HK(IFRIC) Interpretation 8	"Scope of HKFRS 2"[2]
HK(IFRIC) Interpretation 9	"Reassessment of Embedded Derivatives"[3]
HK(IFRIC) Interpretation 10	"Interim Financial Reporting and Impairment"[4]
HK(IFRIC) Interpretation 11	"Group and Treasury Share Transactions"[5]
HK(IFRIC) Interpretation 12	"Service Concession Arrangements"[6]

[1] Effective for accounting periods beginning on or after 1 January 2007.
[2] Effective for accounting periods beginning on or after 1 May 2006.
[3] Effective for accounting periods beginning on or after 1 June 2006.
[4] Effective for accounting periods beginning on or after 1 November 2006.
[5] Effective for accounting periods beginning on or after 1 March 2007.
[6] Effective for accounting periods beginning on or after 1 January 2008.
[7] Effective for accounting periods beginning on or after 1 January 2009.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

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 financial statements have been prepared on the historical cost basis except for investment properties and certain financial assets and financial liabilities. The measurement bases are fully described in the accounting policies below.

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

3.2 Basis of consolidation

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

3.3 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Business combinations (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the revaluation at 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 balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

3.4 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 consolidated financial statements, investment in associates is initially recognised at cost and subsequently accounted for using the equity method. 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 income statement 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.

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.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

3.5 Jointly controlled entity

A jointly controlled entity is a joint venture under a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is contractually agreed sharing of control over an economic activity and exists only when the strategic, financial and operating decisions relating to the activity require the unanimous consent of the venturers.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

3.6 Foreign currency translation

The financial statements are presented in Hong Kong Dollars (HK$), which is also the functional currency of the Company.

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 balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement.

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 in terms of historical cost in a foreign currency are not retranslated.

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 balance sheet date. Income and expenses have been converted into the HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the translation reserve in equity.

Other exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

3.7 Revenue recognition

Revenue comprises the fair value for the sale of goods, 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.

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

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

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

3.8 Borrowing costs

All borrowing costs are expensed as incurred.

3.9 Intangible assets and research and development activities

Intangible assets – club memberships

Intangible assets acquired separately are recognised initially at cost. After initial recognition, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses. Intangible assets are tested for impairment as described below in Note 3.12.

Gain or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Research and development costs

Costs associated with research activities are expensed in the income statement as they occur.

An internally-generated intangible asset arising for development expenditure is recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) the intangible asset will generate probable economic benefits through internal use or sale;

(iii) sufficient technical, financial and other resources are available for completion; and

(iv) the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development along with an appropriate portion of relevant overheads. They are subject to the same subsequent measurement method as externally acquired intangible assets.

All other development costs are expensed as incurred.

3.10 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

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%

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

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 the income statement during the financial period in which they are incurred.

3.11 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.

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 balance sheet reflect the prevailing market conditions at the balance sheet date.

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

3.12 Impairment of assets

Property, plant and equipment, interests in subsidiaries, associates and jointly controlled entities and intangible assets are subject to impairment testing.

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

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount 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 (refer to Note 3.10 for details). 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 cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

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.

3.13 Leases

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

(i) Classification of assets leased to the Group

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

– property held under operating leases that would 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 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 are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

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

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

(iii) Operating lease charges as the lessee

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight line basis 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 the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement 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 a straight-line basis 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.

3.14 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries, associates and jointly controlled entities are set out below.

Financial assets are classified into two categories:

– Held-for-trading investments
– loans and receivables

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. 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 balance sheet 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) Held-for-trading investments

Held-for-trading investments include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Held-for-trading investments are acquired for the purpose of selling in the near term. 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.

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 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 income statement.

(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. Loans and receivables 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.

Impairment of financial assets

At each balance sheet date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment. If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) *Loans and receivables*

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised costs 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 effect interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the increase can be related objectively to an event occurring after 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 reversal is recognised in profit or loss of the period in which the reversal occurs.

3.15 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.

3.16 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 balance sheet 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 the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet 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 balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3.17 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.

3.18 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.

3.19 Retirement benefit costs and short term employee benefits

Retirement benefits to employees are provided through defined contribution plans.

Defined contribution plan

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those 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 the income statement 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 subsidiaries in the PRC are members of retirement benefits schemes operated by the PRC government. The relevant PRC subsidiaries are required to contribute a certain percentage of the relevant portion of the payroll of their current employees to the pension scheme to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of services in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff.

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 balance sheet date.

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

3.20 Equity-settled share-based payment transactions

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 and in exchange for goods or services.

Share options granted to employee of the Group

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 share options 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 ultimately recognised as an expense in income statement/recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve). If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are 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. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

Share options granted to suppliers/consultants

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

3.21 Financial liabilities

The Group's financial liabilities include convertible bonds, trade creditors, other creditors and accruals and amounts due to fellow subsidiaries of an associate.

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 finance costs in the income statement.

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

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 the income statement.

Convertible bonds

Convertible bonds issued by the Company that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the call option for conversion of the bond into equity, is included in equity as other reserve.

The liability component is subsequently carried at amortised cost using the effective interest rate method. The equity component will remain in equity until conversion or redemption of the bond.

When the bond is converted, the other reserve and the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the convertible bond equity reserve is released directly to retained profits.

Trade creditors, other creditors and accruals and amounts due to fellow subsidiaries of an associate

Trade creditors, other creditors and accruals and amounts due to fellow subsidiaries of an associate are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest rate method.

3.22 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 balance sheet date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future 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 amortisaton, if appropriate.

3.23 Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

In respect of business segment reporting, unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, property, plant and equipment, inventories, receivables and operating cash, and mainly exclude corporate assets, held-for-trading investment and investment properties. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings.

Capital expenditure comprises additions to intangible assets and property, plant and equipment, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, revenue is based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

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:

Impairment of property, plant and equipment

The Group assesses impairment at each balance sheet 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 balance sheet dates and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

Estimate fair value of investment properties

The best evidence of fair value is current prices in an active market for similar 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.

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 Group bases the estimates on the aging 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 estimated.

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 balance sheet date to ensure inventory is shown at the lower of cost and net realisable value.

Deferred tax

As at 31 March 2007, deferred tax assets of HK$3,845,000 in relation to unused tax losses have been recognised in the consolidated balance sheet. 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 the consolidated income statement for the period in which such a reversal takes place.

Fair value of embedded conversion option of convertible bonds and share options

There are a number of assumptions used in estimating the fair value of embedded conversion option of convertible bonds and share options, details of which are set out in Notes 31 and 32 to the financial statements.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade debtors, other debtors, held-for-trading investments, amounts due from related parties, bank balances and deposits with financial institutions, trade creditors, other creditors and accrued charges, finance lease liabilities and amounts due to fellow subsidiaries of an associate. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2007 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvaIs and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's bank balances and deposits with financial institutions are deposited with banks and financial institutions of high credit rating and the Group has limited exposure to any single financial institution.

Except for the amounts due from associates, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Price risk

The Group's held-for-trading investments are measured at fair value at each balance sheet date. Therefore, the Group is exposed to price risk on equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Fair value

The fair value of the Group's current financial assets and liabilities are not materially different from their carrying amounts.

6. REVENUE AND TURNOVER

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

	2007	**2006**
	HK$'000	*HK$'000*
Sales of goods	41,553	42,143
Rental income	5,089	4,078
	46,642	46,221

7. SEGMENT INFORMATION

Primary reporting format – Business segments

The Group is currently organised into three main business segments:

Publishing	–	publishing of comics and related business
Chinese information infrastructure	–	sales of Chinese operating system, processor, eTextbook and application software
Investment	–	rental income from investment properties

Income statement for the year ended 31 March 2007

	Publishing	Chinese information infrastructure	Investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	41,143	410	5,089	46,642
Segment results	1,183	(14,714)	9,062	(4,469)
Unallocated expenses				(17,856)
Share of loss of associates				(1,662)
Gain on disposal of an associate				891
Gain on disposals of subsidiaries				1,765
Allowances for amount due from associates				(10,196)
Finance costs				(187)
Loss before income tax				(31,714)
Income tax expense				(2,220)
Loss for the year				(33,934)

Balance sheet at 31 March 2007

	Publishing	Chinese information infrastructure	Investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Segment assets	16,768	12,112	81,667	110,547
Interests in associates				8,248
Amounts due from associates				26,672
Unallocated corporate assets				101,925
Consolidated total assets				247,392
Liabilities				
Segment liabilities	11,695	1,891	6,831	20,417
Unallocated corporate liabilities				2,008
Consolidated total liabilities				22,425

Other information for the year ended 31 March 2007

	Publishing *HK$'000*	Chinese information infrastructure *HK$'000*	Investment *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Purchases of property, plant and equipment	34	30	–	–	64
Amortisation of prepaid lease payments	–	–	–	335	335
Depreciation	726	2,825	270	1,697	5,518
Impairment loss of property, plant and equipment	–	2,766	–	61	2,827

Income statement for the year ended 31 March 2006

	Publishing *HK$'000*	Chinese information infrastructure *HK$'000*	Investment *HK$'000*	Consolidated *HK$'000*
Turnover	41,731	412	4,078	46,221
Segment results	5,192	(73,026)	6,612	(61,222)
Unallocated expenses				(49,614)
Share of loss of associates				(8,240)
Share of loss of a jointly controlled entity				(740)
Finance costs				(3,893)
Gain on disposals of subsidiaries				290
Allowances for amounts due from associates				(33,704)
Allowance for amounts due from a jointly controlled entity				(2,234)
Loss before income tax				(159,357)
Income tax expense				–
Loss for the year				(159,357)

Balance sheet at 31 March 2006

	Publishing *HK$'000*	Chinese information infrastructure *HK$'000*	Investment *HK$'000*	Consolidated *HK$'000*
Assets				
Segment assets	19,288	21,886	58,097	99,271
Interests in associates				3,931
Amounts due from associates				52,637
Unallocated corporate assets				77,771
Consolidated total assets				233,610
Liabilities				
Segment liabilities	9,370	5,412	646	15,428
Unallocated corporate liabilities				7,370
Consolidated total liabilities				22,798

Other information for the year ended 31 March 2006

	Publishing	Chinese information infrastructure	Investment	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Purchases of property, plant and equipment	4	176	–	288	468
Amortisation of development costs	–	16,595	–	510	17,105
Amortisation of prepaid lease payments	–	–	–	335	335
Depreciation	764	3,263	–	2,186	6,213
Allowances for trade and other debtors	344	283	450	5,765	6,842
Impairment loss of development costs	–	15,850	–	–	15,850

Secondary reporting format – Geographical segments

The Group's operations are located in Hong Kong, Macau and other regions in the People's Republic of China ("PRC").

The following table provides an analysis of the Group's revenue by location of markets, irrespective of the origin of the goods/services:

	Revenue	
	2007	**2006**
	HK$'000	*HK$'000*
Hong Kong	46,330	45,959
PRC	–	262
Macau	312	–
	46,642	46,221

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Segment assets		Purchase of property, plant and equipment	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	235,949	230,873	34	105
PRC	900	831	–	75
Macau	10,543	1,906	30	288
	247,392	233,610	64	468

8. FINANCE COSTS

	2007	**2006**
	HK$'000	*HK$'000*
Interest charges on:		
Finance leases	9	12
Other borrowings wholly repayable within five years	–	3,881
Convertible bonds (all issued and converted into share capital during the year)	178	–
	187	3,893

9. LOSS BEFORE INCOME TAX

	2007	2006
	HK$'000	*HK$'000*
Loss before income tax has been arrived at after charging/(crediting):		
Staff costs		
Directors' emoluments *(Note 10)*	2,564	5,067
Other staff costs:		
– Retirement benefits schemes contributions	375	539
– Share option expense	11,749	1,249
– Salaries and other benefits *(Note a)*	13,170	22,676
	27,858	29,531
Auditors' remuneration	700	900
Write-down of inventories	1,512	3,786
Amortisation of prepaid lease payments	335	335
Depreciation of property, plant and equipment		
– Owned assets	5,469	6,172
– Assets held under finance leases	49	41
	5,518	6,213
Cost of inventories recognised as expenses	29,801	31,816
Compensation costs (Note b)	2,000	7,500
Loss on disposals of property, plant and equipment	–	60
Operating lease rentals in respect of rented premises	1,713	1,763
Loss/(Gain) on disposals of held-for-trading investments	1,549	(273)
Property rental income under operating leases, net of direct outgoings of HK$193,000 (2006: HK$202,000)	(4,896)	(3,876)
Interest income	(781)	(922)
Dividend income	(34)	(85)

Note a: The balance included salaries of HK$Nil (2006: HK$1,060,000) paid to the employees engaged in research and development activities. The amount was classified as research and development expenditure in the income statement.

Note b: Compensation costs amounting to HK$2,000,000 represented the damages payable to the vendor of the cancelled sale and purchase agreement entered into by the Group during the year. (Note 40(a))

10. DIRECTORS' REMUNERATION AND SENIOR EMOLUMENTS

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

	Fees	Salaries and other benefits	Share option	Retirement benefits scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2007					
Executive directors					
Cheung Wai Tung	120	1,065	–	12	1,197
Chu Bong Foo	–	119	–	–	119
Henry Chang Manayan	–	–	–	–	–
Wan Xiaolin	120	636	–	12	768
Independent non-executive directors					
Lai Man To	120	120	–	–	240
Wang Tiao Chun	–	–	–	–	–
Joseph Lee Chennault	120	120	–	–	240
Total for 2007	480	2,060	–	24	2,564

	Fees	Salaries and other benefits	Share option	Retirement benefits scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2006					
Executive directors					
Cheung Wai Tung	120	1,050	–	12	1,182
Chu Bong Foo	120	990	–	–	1,110
Cheung Kam Shing, Terry (resigned on 28 December 2005)	90	828	–	9	927
Henry Chang Manayan	120	120	–	–	240
Wan Xiaolin	–	716	–	12	728
Independent non-executive directors					
Lai Man To	120	120	–	–	240
Wang Tiao Chun	400	–	–	–	400
Joseph Lee Chennault	120	120	–	–	240
Total for 2006	1,090	3,944	–	33	5,067

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 two (2006: three) directors whose emoluments are included in the disclosure in Note 10(a) above. The emoluments payable to the remaining three (2006: two) individuals during the year were as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Salaries and other benefits	1,931	2,156
Retirement benefits scheme contributions	36	24
	1,967	2,180

The emoluments fell within the following bands:

	Number of individuals	
	2007	**2006**
Emolument bands		
Nil to HK$1,000,000	3	1
HK$1,000,001 to HK$1,500,000	–	1
	3	2

11. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the year (2006: No Hong Kong profits tax has been provided in the financial statements as the Group has no assessable profit in the prior year). The Group had no assessable profits in other jurisdiction in both years.

	2007	**2006**
	HK$'000	*HK$'000*
Current tax		
– Hong Kong	27	–
Deferred tax	2,193	–
	2,220	–

Details of the deferred tax are set out in Note 33.

Income tax expense for the year can be reconciled to the loss before income tax per the consolidated income statement as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Loss before income tax	(31,714)	(159,357)
Income tax at the Hong Kong profits tax rate of 17.5% (2006: 17.5%)	(5,550)	(27,887)
Tax effect of income not taxable for tax purpose	(4,109)	(718)
Tax effect of unused tax losses not recognised	1,166	18,095
Tax effect of expenses not deductible for tax purpose	10,713	10,510
Total income tax expense	2,220	–

12. LOSS PER SHARE

The calculation of the basic loss per share attributable to the equity holders of the Company is based on the loss for the year of HK$33,934,000 (2006: HK$159,357,000) and the weighted average number of 3,942,563,000 (2006: 3,670,446,000) ordinary shares in issue during the year.

No diluted loss per share has been presented for both years because the exercise of the Company's outstanding share options and warrants would reduce loss per share.

13. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the consolidated profit attributable to the equity holders of the Company of HK$33,934,000 (2006: HK$159,357,000), a loss of HK$86,819,000 (2006: HK$109,265,000) has been dealt with in the financial statements of the Company.

14. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Buildings	Leasehold improvements	Plant and machinery	Vehicles, furniture and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2005					
Cost	29,820	32,334	14,450	47,973	124,577
Accumulated depreciation	(11,880)	(29,331)	(12,656)	(34,435)	(88,302)
Net book amount	17,940	3,003	1,794	13,538	36,275
Year ended 31 March 2006					
Opening net book amount	17,940	3,003	1,794	13,538	36,275
Additions	–	–	–	468	468
Transfer from investment properties	915	–	–	–	915
Depreciation	(701)	(761)	(587)	(4,164)	(6,213)
Disposals	–	(53)	–	(59)	(112)
Disposals of subsidiaries	–	–	–	(28)	(28)
Closing net book amount	18,154	2,189	1,207	9,755	31,305
At 31 March 2006					
Cost	30,735	32,202	14,450	46,567	123,954
Accumulated depreciation	(12,581)	(30,013)	(13,243)	(36,812)	(92,649)
Net book amount	18,154	2,189	1,207	9,755	31,305
Year ended 31 March 2007					
Opening net book amount	18,154	2,189	1,207	9,755	31,305
Additions	–	35	–	29	64
Transfer to investment properties	(9,657)	–	–	–	(9,657)
Depreciation	(1,329)	(472)	(552)	(3,165)	(5,518)
Impairment	–	–	–	(2,827)	(2,827)
Disposals	–	–	–	(7)	(7)
Disposals of subsidiaries	–	–	–	(130)	(130)
Closing net book amount	7,168	1,752	655	3,655	13,230
At 31 March 2007					
Cost	21,078	32,237	14,450	46,459	114,224
Accumulated depreciation	(13,910)	(30,485)	(13,795)	(42,804)	(100,994)
Net book amount	7,168	1,752	655	3,655	13,230

The buildings of the Group at 31 March 2007 and 2006 are situated in Hong Kong and are situated on land held under medium-term leases.

At the balance sheet date, included in vehicles, furniture and equipment are assets held under finance leases with an aggregate net book value of HK$119,000 (2006: HK$220,000).

15. PREPAID LEASE PAYMENTS – GROUP

	2007	2006
	HK$'000	*HK$'000*
Analysis for reporting purposes as:		
Non-current asset	24,724	25,059
Current asset	335	335
Total (Medium-term leasehold land in Hong Kong)	25,059	25,394

16. INVESTMENT PROPERTIES – GROUP

	2007	2006
	HK$'000	*HK$'000*
Balance at the beginning of the year	57,836	56,015
Transfer from/(to) property, plant and equipment	9,657	(915)
Valuation surplus recognised in the income statement	12,533	2,736
Balance at the end of the year	80,026	57,836

The fair value of the Group's investment properties, situated in Hong Kong and held under medium term leases, at 31 March 2007 has been arrived at on the basis of a valuation carried out by RHL Appraisal Ltd., independent qualified professional valuers not connected with the Group with appropriate qualifications and with experiences 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. DEVELOPMENT COSTS – GROUP

	2007	2006
	HK$'000	*HK$'000*
Cost		
At 1 April and 31 March	112,961	112,961
Accumulated amortisation and impairment		
At 1 April	112,961	80,006
Amortised for the year	–	17,105
Impairment loss recognised	–	15,850
At 31 March	112,961	112,961
Carrying value		
At 31 March	–	–

Development costs represent expenditure incurred for the development of the Chinese information infrastructure. Such development costs were deferred and amortised over estimated useful lives ranging between two and five years from the date of commencement of commercial operations.

In response to the rapid change of the computer technology environment and the termination of the purchase of assets and license of technology from United States, the Group had assessed the recoverable amounts of its development costs as negligible and already recognised impairment losses in prior years.

18. INTERESTS IN ASSOCIATES – GROUP

	2007	**2006**
	HK$'000	*HK$'000*
Cost of investment in associates		
Listed in Hong Kong	44,554	38,574
Unlisted	3,069	18,101
Share of post-acquisition losses, net of dividends received	(39,375)	(52,744)
	8,248	3,931
Fair value of listed investments	130,776	6,000

Amounts due from associates are interest bearing at 7.75% (2006: 8%) and unsecured. Included in amounts due from associates of approximately HK$22,030,000 (2006: HK$21,739,000) was classified as non-current assets. In the opinion of the directors, the amount is not expected to be repaid within twelve months after the balance sheet date. The remaining balance of HK$4,642,000 (2006: HK$30,898,000) is repayable on demand.

As at 31 March 2007, amounts due from an associate to the Company was HK$2,800,000 (2006: HK$3,970,000). This balance is not expected to be repaid within twelve months after the balance sheet date.

Particulars of the Group's principal associates as at 31 March 2007 are as follows:

Name	**Form of business structure**	**Place of incorporation/ operation**	**Class of share 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	Development of Chinese language computer operating system
GlobalRes Group Limited	Incorporated	BVI/Hong Kong	Ordinary	30	Provision of computer and telecommunications services to travel agents
Bio Cassava Technology Holdings Limited ("Bio Cassava") (previously known as "Q9 Technology Holdings Limited") *(Note)*	Incorporated	Cayman Islands/ Hong Kong	Ordinary	24	Development, packing and retailing of Chinese language encryption software and development of biotech and renewable energy

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.

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

	2007 *HK$'000*	2006 *HK$'000*
Total assets	84,356	81,513
Total liabilities	(144,530)	(167,708)
Net liabilities	(60,174)	(86,195)
Group's share of net assets of associates	9,370	3,931
Revenue	343,900	347,721
Loss for the year	(46,033)	(93,409)
Group's share of results of associates for the year	(1,662)	(8,240)

In May 2003, Winway H.K. Investments Limited ("Winway"), a wholly owned subsidiary of the Company, has placed 300,000,000 shares (the "Shares") of Bio Cassava with TKR Finance Limited ("TKR Finance") for safe custody and to facilitate management of such Shares. TKR Finance was subsequently liquidated. In June 2004, the Company was informed by the provisional liquidator of TKR Finance that it had security interests in the Shares. Winway sought legal advice and notified the provisional liquidator about its title in the Shares and demanded the return of the Shares. In November 2006, the Shares were returned from the provisional liquidator to Winway.

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:

	2007 *HK$'000*	2006 *HK$'000*
Unrecognised share of losses of associates for the year	13,670	14,719
Accumulated unrecognised share of losses of associates	44,699	32,309

19. INTERESTS IN A JOINTLY CONTROLLED ENTITY – GROUP

	2007 *HK$'000*	2006 *HK$'000*
Cost of unlisted investment in a jointly controlled entity	9,500	9,500
Share of post-acquisition losses	(9,500)	(9,500)
	–	–

Details of the jointly controlled entity are as follows:

Name of entity	Form of business structure	Country of registration/ operation	Proportion of nominal value of registered capital held by the Group %	Principal activities
北京人教文傳信息技術有限公司(北京人教)	Sino-foreign equity joint venture	PRC	51	Sales of Chinese information infrastructure products

Although the Group holds 51% of the registered capital of 北京人教 and controls 51% of the voting power in general meeting, under the shareholders' agreement, 北京人教 is jointly controlled by the Group and the other significant equity holder. As a result, 北京人教 is classified as a jointly controlled entity of the Group. Share of loss of a jointly controlled entity for the year ended 31 March 2007 is nil (2006: HK$740,000).

20. INTANGIBLE ASSETS – CLUB MEMBERSHIPS – GROUP

Intangible assets are life corporate club memberships in recreational clubs.

As the club memberships are considered by management of the Group 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.

21. INVENTORIES – GROUP

These are finished goods and an amount of HK$139,000 (2006: HK$143,000) is carried at net realisable value at the balance sheet date.

22. TRADE DEBTORS – GROUP

The Group allows an average credit period of 60 days to its trade customers. The following is the aging analysis of trade debtors at the balance sheet date:

	2007 *HK$'000*	**2006** *HK$'000*
0 – 60 days	3,975	4,976
61 – 90 days	333	228
Over 90 days	1,074	1,364
	5,382	6,568

The directors consider that the carrying amounts of trade debtors approximate to their fair values.

23. AMOUNTS DUE FROM/(TO) FELLOW SUBSIDIARIES OF AN ASSOCIATE – GROUP

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

24. HELD-FOR-TRADING INVESTMENTS – GROUP

	2007	2006
	HK$'000	*HK$'000*
Listed equity shares, at fair value:		
Hong Kong	27,161	23,661
Overseas	2,716	891
	29,877	24,552

The fair values of the above investments are determined based on the quoted market bid prices available on the relevant exchanges.

25. BANK BALANCES AND DEPOSITS WITH FINANCIAL INSTITUTIONS – GROUP AND COMPANY

Included in bank balances and deposits with financial institutions are the following amounts denominated in a currency other than the functional currency of the Group and Company placed in the banks in Hong Kong:

	Group		Company	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Japanese Yen	1,036	500	–	–

Bank balances and deposits with financial institutions are short term highly liquid investments carrying interest at an average market rate of 2.5% (2006: 2%) and are readily convertible into known amounts of cash. The balances are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

26. TRADE CREDITORS – GROUP

The following is an aged analysis of trade creditors at the balance sheet date:

	2007	2006
	HK$'000	*HK$'000*
0 – 60 days	744	4,229
61 – 90 days	1,653	1,233
Over 90 days	3,623	1,901
	6,020	7,363

The directors consider that the carrying amounts of trade creditors approximate to their fair values.

27. OBLIGATIONS UNDER FINANCE LEASES – GROUP

	Minimum lease payments		Present value of minimum lease payments	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases:				
Within one year	38	57	32	48
In the second to fifth years inclusive	79	117	71	103
	117	174	103	151
Less: Future finance charges	(14)	(23)	–	–
Present value of lease obligations	103	151	103	151
Less: Amounts due within one year			(32)	(48)
Amounts due after one year			71	103

The balances are secured by the lessor's charge over the leased assets.

The lease term in respect of the vehicles, furniture and equipment held under the finance lease is 5 years. For the year ended 31 March 2007, the average effective borrowing rate was 8% (2006: 8%). 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.

28. SHARE CAPITAL

	Number of shares	Share capital
	'000	*HK$'000*
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 April 2005 and 2006	6,000,000	600,000
Increase on 24 August 2006 *(Note (a))*	4,000,000	400,000
At 31 March 2007	10,000,000	1,000,000
Issued and fully paid:		
At 1 April 2005	3,461,600	346,160
Exercise of share options *(Note (b))*	25,000	2,500
Exercise of warrants *(Note 30)*	247,380	24,738
At 31 March 2006	3,733,980	373,398
Exercise of share options *(Note (b))*	13,000	1,300
Conversion of convertible bonds *(Note 31)*	360,000	36,000
At 31 March 2007	4,106,980	410,698

Note: (a) By a resolution passed on the annual general meeting held on 24 August 2006, the authorised share capital of the Company was increased to HK$1,000,000,000 divided into 10,000,000,000 ordinary shares of HK$0.10 each by the creation of a further 4,000,000,000 ordinary shares of HK$0.10 each ranking pari passu in all respect with the existing shares of the Company.

(b) During the year, the subscription rights attaching to 13,000,000 (2006: 25,000,000) share options were exercised at subscription prices of HK$0.101 (2006: HK$0.295) per share, resulting in issue of 13,000,000 (2006: 25,000,000) shares of HK$0.10 each for a total consideration of approximately HK$1,313,000 (2006: HK$7,375,000).

29. RESERVES

GROUP

Please refer to the Consolidated Statement of Changes in Equity for reserves of the Group on pages 33 and 34.

COMPANY

	Share premium	Contribution surplus	Other reserve	Capital redemption reserve	Share option reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2005	696,804	262,143	13,806	446	–	(1,019,107)	(45,908)
Issue of warrants	–	–	24,145	–	–	–	24,145
Exercise of warrants	16,080	–	–	–	–	–	16,080
Gain on expiry of warrants	–	–	(128)	–	–	–	(128)
Transfer from other reserve to share premium due to exercise of warrants	13,678	–	(13,678)	–	–	–	–
Exercise of share options	4,875	–	–	–	–	–	4,875
Share issue expense	(7)	–	–	–	–	–	(7)
Recognition of equity-settled share-based payments	–	–	–	–	1,249	–	1,249
Loss for the year	–	–	–	–	–	(109,265)	(109,265)
At 31 March 2006	731,430	262,143	24,145	446	1,249	(1,128,372)	(108,959)
Recognition of convertible bonds	(1,022)	–	4,184	–	–	–	3,162
Conversion of convertible bonds	–	–	(4,184)	–	–	–	(4,184)
Exercise of share options	13	–	–	–	–	–	13
Share issue expenses	(3)	–	–	–	–	–	(3)
Recognition of equity-settled share-based payments	–	–	–	–	11,749	–	11,749
Loss for the year	–	–	–	–	–	(86,819)	(86,819)
At 31 March 2007	730,418	262,143	24,145	446	12,998	(1,215,191)	(185,041)

The contribution surplus of the Company 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.

Other reserve of the Company represents the net proceeds from issue of warrants less transfer to share premium due to exercise of warrants.

30. WARRANTS

On 18 August 2005, the Company entered into a conditional placing agreement with a placing agent in relation to the private placing of 660,000,000 warrants conferring rights to subscribe up to approximately HK$113,520,000 in cash for shares of HK$0.10 each in the share capital of the Company at an initial subscription price of HK$0.172 per share during the period from 3 October 2005 to 2 October 2007, both days inclusive. The placing of warrants was completed on 28 September 2005.

The net proceeds from the placing of approximately HK$24,145,000 were used for general working capital of the Group.

During the year, no registered holders of warrants exercised their rights to subscribe for shares.

Exercise in full of all the outstanding warrants as at 31 March 2007 would, under the present share capital structure of the Company as of 31 March 2007, result in the issue of 660,000,000 additional shares of HK$0.10 each in the Company.

31. CONVERTIBLE BONDS

On 19 June 2006, the Company and the placing agent entered into a conditional placing agreement, pursuant to which the placing agent agreed to place up to an aggregate principal amount of HK$36,000,000 convertible bonds ("Tranche 1 Convertible Bonds") to be issued by the Company. The Company might at its option, further by written notice to require the respective holders of the Tranche 1 Convertible Bonds to subscribe for another convertible bonds ("Tranche 2 Convertible Bonds") up to an aggregate principal amount of HK$36,000,000 to be issued by the Company. The conversion price of Tranche 1 Convertible Bonds and Tranche 2 Convertible Bonds (collectively "Convertible Bonds") is HK$0.10 per new ordinary share of HK$0.10 each in the share capital of the Company. The net proceeds of the issue of the Tranche 1 Convertible Bonds were approximately HK$34,978,000 and were used as general working capital of the Group.

The fair values of the liability component and the equity conversion component were determined upon the issuance of the convertible bonds.

The fair value of the liability component, included in long-term borrowings, was calculated using a market interest rate for an equivalent non-convertible bonds. The residual amount, representing the value of equity conversion component, included in shareholders' equity in other reserve.

As at 31 March 2007, all holders of Tranche 1 Convertible Bonds for the principle amount of HK$36 million had converted their Tranche 1 Convertible Bonds into ordinary shares of the Company.

32. 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$10 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.

(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 held on 21 August 2002, the Company adopted the New Option Scheme to replace the Old Option Scheme. All the share options granted under the Old Option Scheme shall remain valid and unchanged and shall he 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 included 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.

(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.

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:

					Number of share options								
Category participants	Name of scheme	Date of grant	Exercisable period	Exercise price *HK$*	Outstanding at 1.4.2005	Granted during 2005/06	Exercised during 2005/06	Lapsed during 2005/06	Outstanding at 31.3.2006 and 1.4.2006	Granted during 2006/07	Exercised during 2006/07 *(note)*	Lapsed during 2006/07	Outstanding at 31.3.2007
Directors	Old Option Scheme	27.8.1999	27.8.1999 – 26.8.2009	0.264	11,000,000	–	–	–	11,000,000	–	–	–	11,000,000
		3.3.2000	3.3.2000 – 2.3.2010	1.680	11,065,000	–	–	(3,000,000)	8,065,000	–	–	–	8,065,000
	New Option Scheme	19.12.2003	19.12.2003 – 18.12.2013	0.265	11,000,000	–	–	(3,000,000)	8,000,000	–	–	–	8,000,000
					33,065,000	–	–	(6,000,000)	27,065,000	–	–	–	27,065,000
Employees	Old Option Scheme	3.3.2000	3.3.2000 – 2.3.2010	1.680	25,035,000	–	–	–	25,035,000	–	–	(7,370,000)	17,665,000
	New Option Scheme	19.12.2003	19.12.2003 – 18.12.2013	0.265	37,700,000	–	–	–	37,700,000	–	–	(6,300,000)	31,400,000
		24.3.2005	24.3.2005 – 23.3.2015	0.295	71,000,000	–	–	–	71,000,000	–	–	(3,500,000)	67,500,000
		7.7.2006	7.7.2006 – 6.7.2016	0.101	–	–	–	–	–	46,600,000	(12,000,000)	–	34,600,000
					133,735,000	–	–	–	133,735,000	46,600,000	(12,000,000)	(17,170,000)	151,165,000
Others	New Option Scheme	19.12.2003	19.12.2003 – 18.12.2013	0.265	20,000,000	–	–	–	20,000,000	–	–	–	20,000,000
		24.3.2005	24.3.2005 – 23.3.2015	0.295	227,000,000	–	(25,000,000)	–	202,000,000	–	–	–	202,000,000
		3.10.2005	3.10.2005 – 2.10.2015	0.212	–	30,000,000	–	–	30,000,000	–	–	–	30,000,000
		7.7.2006	7.7.2006 – 6.7.2016	0.101	–	–	–	–	–	296,400,000	(1,000,000)	–	295,400,000
					247,000,000	30,000,000	(25,000,000)	–	252,000,000	296,400,000	(1,000,000)	–	547,400,000
					413,800,000	30,000,000	(25,000,000)	(6,000,000)	412,800,000	343,000,000	(13,000,000)	(17,170,000)	725,630,000

Note: The price of the Company's shares immediately preceding the dates of the exercise of the share options at the exercise price of HK$0.101 (being the weighted average of the Stock Exchange closing prices over all of the exercises of share options prior to their exercise dates) was HK$0.087.

Total consideration received during the year from directors, employees and other participants for taking up the share options granted amounted to HK$50 (2006: HK$1).

During the year, 343,000,000 options were granted on 7 July 2006. The estimated fair value of the options granted to certain employees and consultants is HK$11,749,000. As the fair value of the services provided by them could not be estimated reliably, the fair value of the services is measured by the reference to the fair value of options granted at the date the services are performed.

The fair value was calculated using The Black-Scholes pricing model. The inputs into the model were as follows:

Weighted average share price	HK$0.101
Exercise price	HK$0.101
Expected volatility	55.81%
Expected life	2 years
Risk-free rate	4.587%
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the Company's share price over one year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Group recognised the total expense of approximately HK$11,749,000 (2006: HK$1,249,000) for the year ended 31 March 2007 in relation to share options granted by the Company.

33. DEFERRED TAX LIABILITIES – GROUP

Movements of the deferred tax liability and asset of the Group during the year are as follows:

	Accelerated tax depreciation *HK$'000*	Revaluation of investment properties *HK$'000*	Estimated tax losses *HK$'000*	Total *HK$'000*
At 31 March 2005	1,990	5,423	(4,074)	3,339
Charge/(credit) to income statement for the year	173	478	(651)	–
At 31 March 2006	2,163	5,901	(4,725)	3,339
Charge/(credit) to income statement for the year	(880)	2,193	880	2,193
At 31 March 2007	1,283	8,094	(3,845)	5,532

At 31 March 2007, the Group has estimated unused tax losses of HK$580,577,000 (2006: HK$573,917,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$21,971,000 (2006: HK$27,000,000) of such losses. No deferred tax asset has been recognised in respect of remaining tax losses of HK$558,606,000 (2006: HK$546,917,000) due to the unpredictability of future profit streams. The estimated tax losses may be carried forward indefinitely.

34. RETIREMENT BENEFITS SCHEMES

The total cost charged to income statement of HK$399,000(2006: HK$572,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

35. DISPOSAL OF SUBSIDIARIES

On 15 August 2006, the Group entered into two agreements to dispose of its entire interests in the subsidiaries, 廣州市傳信電子科技有限公司 and 北京文信傳科技有限公司 which were engaged in the sales and distribution of technology products in the PRC. The disposals were completed on 30 August 2006, when controls on the above subsidiaries were passed to the acquirers.

On 20 September 2006, the Group entered into another agreement to dispose of its entire interests in a subsidiary, Best Thought International Limited which was engaged in investment holding business. The disposal was completed on 30 September 2006, when control on the above subsidiary was passed to the acquirer.

The net liabilities of the above subsidiaries at the dates of disposals were as follows:

	2007 *HK$'000*	2006 *HK$'000*
Net liabilities disposed of		
Property, plant and equipment	141	28
Cash and cash equivalents	56	–
Inventories	39	–
Other debtors and prepayments	923	–
Other creditors and accrued charges	(1,724)	(288)
	(565)	(260)
Gain on disposal	1,765	290
Total consideration	1,200	30
Satisfied by cash and net cash inflow arising on disposal	1,144	30

An analysis of net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2007 *HK$'000*	2006 *HK$'000*
Cash consideration	1,200	30
Cash and cash equivalents disposed	(56)	–
Satisfied by cash and net cash inflow arising on disposal	1,144	30

The subsidiaries disposed of during the year had no contribution to the Group's turnover and contributed approximately HK$1,024,000 to the Group's loss before income tax.

36. DISPOSAL OF AN ASSOCIATE

On 1 September 2006, the Group entered into an agreement to dispose of its entire interests in an associate, Impact Lift Technology Limited which carried out investment holdings business.

An analysis of net inflow of cash and cash equivalents in respect of the disposal of an associate is as follows:

	2007 *HK$'000*	2006 *HK$'000*
Cash consideration	950	–
Assignment of the amounts due from the associate	(59)	–
Satisfied by cash and net cash inflow arising on disposal	891	–

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		Management fee received from related companies		Other income received from related companies		Other expense paid to related companies		Disposal of subsidiaries		Amounts due from related companies	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Associates	511	646	–	120	145	77	315	565	–	30	26,672	52,637
Fellow subsidiaries of associates	56	–	–	–	38	–	96	–	–	–	200	–
Related companies by common directors	226	–	120	–	120	–	663	–	–	–	–	–

Compensation of key management personnel represents directors' remuneration as set out in Note 10(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 – GROUP

The Group as lessee

At 31 March 2007, the Group had commitments for future minimum lease payment in respect of rented premises which fall due as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Within one year	1,156	113
In the second to fifth year inclusive	95	–
	1,251	113

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

The Group as lessor

Property rental income earned during the year was HK$5,089,000 (2006: HK$4,078,000).

At 31 March 2007, the Group had contracted with tenants for the following future minimum lease payments:

	2007	**2006**
	HK$'000	*HK$'000*
Within one year	2,340	1,612
In the second to fifth year inclusive	1,433	490
	3,773	2,102

Lease is negotiated for an average term of two years.

39. INVESTMENT IN SUBSIDIARIES – COMPANY

	2007	2006
	HK$'000	*HK$'000*
Unlisted investments, at cost	374,246	374,246
Provision for impairment	(293,537)	(293,537)
	80,709	80,709
Amounts due from a subsidiary	1,050,238	1,014,975
Provision for impairment	(913,368)	(843,368)
	136,870	171,607

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

Particulars of the Company's principal subsidiaries as at 31 March 2007 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
文傳漫畫設計(深圳)有限公司#	PRC	Registered HK$1,000,000	100	Comics design and production
Winway	Hong Kong	Ordinary HK$2	100	Investment holding and securities trading

* *Issued capital held directly by the Company*

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

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.

40. POST BALANCE SHEET EVENTS

(a) Cancellation of a proposed acquisition

Following the board meeting held on 30 March 2007, in which the proposed acquisition involving the issue of consideration shares for a PRC media design and advertising business (as more particularly described in the announcement dated 23 March 2007) was not approved. On 2 April 2007, the Group entered into a deed of cancellation with the vendor to cancel the sale and purchase agreement. The liquidated damages amounted to HK$2,000,000 due to the vendor was included in the Group's expenses for the year.

(b) Issue of convertible bonds

On 24 April 2007, the Company has exercised its option to the holders of the HK$36 million convertible bonds ("Tranche 1 Convertible Bonds") for the subscription of another HK$36 million convertible bonds ("Tranche 2 Convertible Bonds"). On 11 May 2007, the Tranche 2 Convertible Bonds have been issued to nine holders of the Tranche 1 Convertible Bonds. The conversion price of Tranche 2 Convertible Bonds is HK$0.1 per new ordinary share of HK$0.1 each in the share capital of the Company. The net proceeds of the issue of the Tranche 2 Convertible Bonds which amounted to approximately HK$35.5 million will be used as general working capital of the Group. Details of the issue of Tranche 2 Convertible Bonds are set out in the Company's announcement dated 24 April 2007.

(c) Proposed investment in energy related businesses

On 28 May 2007, the Company announced that on 11 May 2007, the Group entered into a non-binding memorandum of understanding with an independent third party regarding a possible investment of not less than 51% equity interests in a company which is principally engaged in energy related businesses. A refundable deposit of US$1.5 million has been paid by the Group for this possible investment.

(d) Placing of new shares

On 14 June 2007, the Company and the placing agent entered into placing agreement pursuant to which the Company has conditionally agreed to place, through the placing agent on a best efforts basis, a maximum of 800,000,000 new shares ("Placing Shares") to independent investors at a price of HK$0.22 per Placing Share (the "Placing"). The Placing of the Placing Shares was completed on 10 July 2007. The net proceeds from the Placing of approximately HK$172 million are intended to be used for possible investment in energy related business of which the Company has announced on 28 May 2007 (Note (c)) and/or other possible diversified investments.

3. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 September 2007, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this prospectus, the Group did not have any debt securities issued and outstanding or agreed to be issued, guaranteed, unguaranteed, secured and unsecured term loan, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures or hire purchase commitments, mortgages, charges, guarantees or other material contingent liabilities, except for an obligation under finance lease of approximately HK$87,000.

4. WORKING CAPITAL

The Directors are satisfied after due and careful enquiry that taking into account the present financial resources of the Group and the estimated net proceeds from the Warrants issue, the Group will have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this prospectus, in the absence of unforeseeable circumstances.

5. MATERIAL CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2007, the date to which the latest published consolidated audited accounts of the Group had been made up.

1. PRO FORMA STATEMENT OF UNAUDITED ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma statement of adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the private placing of Warrants on the consolidated net tangible assets of the Group as if the private placing of Warrants had taken place on 31 March 2007.

The following is a summary of the unaudited pro forma consolidated net tangible assets of the Group, assuming the issue of 1,140,000,000 Warrants, at a price of HK$0.022 per Warrant, had been completed as at 31 March 2007 for the purpose of illustrating how the transaction might have affected the financial position of the Group. As it is prepared for illustrative purpose only, it may not purport to represent what the assets and liabilities of the Group are on the completion of the transaction.

	Audited consolidated net tangible assets of the Group as at 31-Mar-07	**Adjustment**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group after the Placing**
	HK$'000	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	
Net tangible assets as at 31 March 2007	223,582	24,000	247,582
Audited consolidated net tangible asset value per Share as at 31 March 2007 based on 4,106,980,000 Shares in issue as at 31 March 2007			HK$0.054
Unaudited pro forma adjusted consolidated net tangible asset value per Share immediately after the Placing based on 4,106,980,000 Shares in issue as at 31 March 2007			HK$0.060

Notes:

1. The audited consolidated net tangible assets of the Group as at 31 March 2007 is calculated based on the audited net assets of the Group as at 31 March 2007 of HK$224,967,000 minus the intangible assets as at 31 March 2007 of HK$1,385,000.

2. The expected gross amount of the Placing is approximately HK$25,080,000. The estimated net proceeds from the Placing will be approximately HK$24 million and are based on the Placing Price of HK$0.022 per Warrant after deducting the expenses of approximately HK$1 million. The expected net proceeds from the exercise of the Warrants will be approximately HK$157 million.

2. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

Set out below is the text of the report, prepared for the sole purpose of incorporation in this prospectus, from the reporting accountants of the Group, Grant Thornton, Certified Public Accountants, Hong Kong:

Certified Public Accountants
Member of Grant Thornton International

Grant Thornton
均富會計師行

27 November 2007

The Directors
Culturecom Holdings Limited
Culturecom Centre
47 Hung To Road
Kwun Tong
Kowloon
Hong Kong

Dear Sirs

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION ON CULTURECOM HOLDINGS LIMITED

We report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of Culturecom Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), which has been prepared by the directors for illustrative purposes only, to provide information about how the private placing of up to 1,140,000,000 listed warrants might have affected the financial information presented, for inclusion in page 74 of the Company's prospectus dated 27 November 2007 (the "Prospectus"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in page 74 to the Prospectus.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29 of the Listing Rules on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we did not express any such assurance on the Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, does not give any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 March 2007 or any future date.

Opinion

In our opinion:

a. the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b. such basis is consistent with the accounting policies of the Group; and

c. the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully

Grant Thornton
Certified Public Accountants
Hong Kong

The Warrants will be issued in the registered form subject to and with the benefit of the Instrument by way of deed poll and they will be issued in registered form and will form one class and rank pari passu in all respects with each other.

The Warrants will confer rights to subscribe up to HK$157,320,000 in aggregate for Shares, at an initial Subscription Price of HK$0.138 per Share (subject to adjustment under certain circumstances, including consolidation or subdivision of the Shares, capitalization of profits or reserves or capital distribution).

Upon the Placing becoming unconditional, the Warrants will represent direct obligations of the Company to Warrantholders as described in the Instrument. The following is a summary of major provisions of the Instrument and of the principal terms and conditions of the Warrants set out on the Warrant certificates. Warrantholders will be entitled to the benefit of, be bound by, and be deemed to have notice of all such terms and conditions and of the provisions of the Instrument, copies of which will be available at the principal place of business or principal office for the time being of the Company in Hong Kong.

1. EXERCISE OF SUBSCRIPTION RIGHTS

(a) Each Warrantholder shall have, in respect of the Warrants of which he is the registered holder for the time being the Subscription Rights which may be exercised in whole or in part, but not in respect of a fraction of a Share, at any time on or after 7 January 2008 to 6 January 2010 (or the next business day after 6 January 2010 if 6 January 2010 is not a business day), both days inclusive) to subscribe in cash the whole or part, in integral multiples of HK$0.138 of the amount stated on the certificate for such Warrants which a Warrantholder is entitled to subscribe for Shares upon exercise of the Subscription Rights represented thereby (the "**Exercise Moneys**"), for fully-paid Shares at a price of HK$0.138 per Share subject to adjustment as referred to below. Any Subscription Rights which have not been exercised upon the expiry of the Subscription Period will lapse and thereupon the Warrants and the Warrant certificates will cease to be valid for any purpose whatsoever.

(b) Each Warrant certificate will contain a subscription form (the "Subscription Form"). In order to exercise his Subscription Rights, a Warrantholder must complete and sign the Subscription Form and deliver the same and the Warrant certificate to the Warrant registrar in Hong Kong for the time being of the Company and such delivery shall constitute an irrevocable commitment by such Warrantholder to exercise such Subscription Rights, together with a remittance for the relevant portion of the Exercise Moneys, being the amount of the Subscription Price for the Shares in respect of which the Warrantholder is exercising his Subscription Rights. In each case compliance must also be made with any exchange control, fiscal or other laws or regulations for the time being applicable.

(c) The number of Shares to be allotted on exercise of the Subscription Rights shall be calculated by dividing the amount specified in the relevant Subscription Form and duly remitted by the Subscription Price applicable on the Subscription Date. No fraction of a Share will be allotted but any balance representing fractions of the Exercise Moneys paid on the exercise of the Subscription Rights represented by the Warrant certificate will be paid by the Company to the Warrantholder, provided always that, if the Subscription Rights represented by one or more Warrant certificates are exercised on the same Subscription Date by the same Warrantholder then, for the purpose of determining whether any (and if so, what) fraction of a Share arises, such Subscription Rights shall be aggregated; and regard shall be made, where applicable, to the provisions of clause 6(C) of the Instrument.

(d) The Company has undertaken in the Instrument that any Shares falling to be issued upon the exercise of any of the Subscription Rights represented by the relevant Warrant certificates will be allotted and issued not later than 28 days after the relevant Subscription Date and, taking into account of any adjustment which may have been made pursuant to clause 4 of the Instrument, will rank pari passu with the fully paid Shares in issue on the relevant Subscription Date and will accordingly entitle the holders to participate in all dividends or other distributions declared, paid or made after the relevant Subscription Date and other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be or before the relevant Subscription Date and notice of the amount and record date for which shall have been given to the Stock Exchange (as defined in the Instrument) prior to the relevant Subscription Date.

(e) As soon as practicable after the relevant allotment and issue of Shares (and in any event not later than 28 days after the relevant Subscription Date), there will be issued free of charge to the Warrantholder to whom such allotment has been made upon his exercise of any Subscription Rights:

(i) a certificate for the relevant Shares in the name(s) of such Warrantholder(s);

(ii) (if applicable) a balancing Warrant certificate in registered form in the name(s) of such Warrantholder(s) in respect of any Subscription Rights represented by the relevant Warrant certificate remaining unexercised;

(iii) (if applicable) a cheque representing fractions of the Exercise Moneys in respect of the Warrantholder's fractional entitlement to Shares as mentioned in sub-paragraph (c) above; and

(iv) (if applicable) the certificate evidencing his right to the allotment of such additional nominal amount of the Shares which have not been allotted to him in the event that upon the exercise of the Subscription Rights represented by any Warrant, the amount standing to the credit of the subscription right reserve is not sufficient to pay up in full such additional nominal amount of Shares.

The certificate for Shares arising on the exercise of Subscription Rights, the balancing Warrant certificate (if any) and, the cheque in respect of fractions of the Exercise Moneys in respect of the Warrantholder's fractional entitlement to Shares (if any) will be sent by post at the risk of the said Warrantholder to the address of such Warrantholder (or, in the case of a joint holding, to that one of the joint Warrantholders whose name stands first in the register of Warrantholders). If the Company agrees, such certificates and cheques may by prior arrangement be retained by the Warrant registrar in Hung Kong for the time being of the Company, to await collection by the relevant Warrantholder.

2. ADJUSTMENTS OF SUBSCRIPTION PRICE

The Instrument contains detailed provisions relating to the adjustment of the Subscription Price. The following is a summary of, and is subject to, the adjustment provisions of the Instrument:

(a) The Subscription Price shall (except as mentioned in sub-paragraphs (b) and (c) below) be adjusted as provided in the Instrument in each of the following cases (but shall however not be adjusted below the nominal value of Shares until the Subscription Right Reserve (as defined in the Instrument) is maintained pursuant to clause 6 of the Instrument):

(i) an alteration of the nominal amount of each Share by reason of any consolidation or subdivision;

(ii) an issue (other than pursuant to a scrip dividend scheme in lieu of a cash dividend) by the Company of Shares credited as fully-paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);

(iii) a capital distribution (as defined in the Instrument) being made by the Company, whether on a reduction of capital or otherwise, to holders of Shares (in their capacity as such);

(iv) a grant by the Company to holders of Shares (in their capacity as such) of rights to acquire for cash assets of the Company or any of its Subsidiaries (as defined in the Instrument);

(v) an offer of new Shares for subscription by way of rights, or a grant of options or warrants to subscribe for new Shares, at a price which is less than 90% of the market price (calculated as provided in the Instrument) being made by the Company to holders of Shares (in their capacity as such);

(vi) an issue wholly for cash being made by the Company or any of its subsidiaries of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total Effective Consideration (as defined in the Instrument) per new Share is less than 90% of the market price (calculated as provided in the Instrument), or the conversion, exchange or subscription rights of any such issue are altered so that the said total Effective Consideration is less than 90% of such market price;

(vii) an issue of Shares being made wholly for cash at a price less than 90% of the market price (calculated as provided in the Instrument); and

(viii) the purchase by the Company of Shares or securities convertible into Shares or any rights to acquire Shares (excluding any such purchase made on the Stock Exchange or any other stock exchange recognised for this purpose by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong and the Stock Exchange) in circumstances where the Directors consider that it may be appropriate to make an adjustment to the Subscription Price.

(b) Except as mentioned in paragraph (c), no such adjustment as is referred to in sub-paragraph (a) (ii) to (vii) above shall be made in respect of:

(i) an issue of fully-paid Shares upon the exercise of any conversion, exchange or subscription rights attaching to securities wholly or partly convertible into Shares or exchangeable for Shares or upon the exercise of any right (including the Subscription Rights) to acquire Shares;

(ii) an issue by the Company of Shares or by the Company or any of its subsidiaries of securities convertible into or exchangeable for or carrying rights to acquire Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business;

(iii) an issue of fully-paid Shares by way of capitalisation of all or part of the Subscription Right Reserve to be established in certain circumstances pursuant to the terms and conditions contained in the Instrument (or other profits or reserves or any similar reserve which has been or may be established pursuant to the terms of any other securities wholly or partly convertible into or exchangeable for or carrying rights to acquire Shares);

(iv) an issue of Shares pursuant to a scrip dividend scheme in lieu of a cash dividend where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value (calculated as provided in the Instrument) of such Shares is not more than 110% of the amount of dividend which holders of Shares could elect to or would otherwise receive in cash;

(v) an issue by the Company of Shares or by the Company or any of its subsidiaries of securities convertible into or exchangeable for or carrying rights of subscription for Shares pursuant to a "Share Option Scheme" (as defined in the Instrument).

(c) Notwithstanding the provisions referred to in sub-paragraphs (a) and (b) above, in any circumstances where the Directors shall consider that an adjustment to the Subscription Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Subscription Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or with a different time from that provided for under the said provisions, the Company may appoint either an approved merchant bank (as defined in the Instrument) or the Auditors (as defined in the Instrument) to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would not or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such approved merchant bank or the Auditors (as the case may be) shall consider this to be the case, the adjustment shall be modified or nullified, or an adjustment made instead of no adjustment, in such manner (including, without limitation, making an adjustment calculated on a different basis) and/or such adjustment shall take effect from such other date and/or time as shall be certified by such approved merchant bank or the Auditors (as the case may be) to be in its opinion fair and reasonable.

(d) Any adjustment to the Subscription Price shall be made to the nearest one cent HK$0.005 being rounded up). No adjustment shall be made to the Subscription Price in any case in which the amount by which the same would be reduced would be less than one cent and any adjustment which would otherwise then be required shall not be carried forward. In no event shall an adjustment be made (otherwise than upon the consolidation of Shares into shares of a larger nominal amount each or upon a repurchase of Shares) which would increase the Subscription Price.

(e) Every adjustment to the Subscription Price shall be certified by the Auditors or an approved merchant bank and notice of each such adjustment (giving the relevant particulars) shall be given to the Warrantholders. In giving any certificate or making any adjustment hereunder, the Auditors or the approved merchant bank shall be deemed to be acting as experts and not as arbitrators and in the absence of manifest error, their decision shall be conclusive and binding on the Company and the Warrantholders and all persons claiming through or under them respectively. Any such certificates of the Auditors and/or approved merchant bank will be available for inspection by Warrantholders at the principal place of business of the Company in Hong Kong, where copies may be obtained.

3. REGISTERED WARRANTS

The Warrants are issued in registered form. The Company shall be entitled to treat the registered holder of any Warrant as the absolute owner thereof and accordingly shall not, except as ordered by a court of competent jurisdiction or as required by law, be bound to recognise any equitable or other claim to or interest in such Warrant on the part of any other person, whether or not it shall have express or other notice thereof.

4. TRANSFER, TRANSMISSION AND REGISTER

The Subscription Rights conferred by the Warrants shall be transferable in integral multiples of HK$0.138 by instrument of transfer in any usual or common form or such other forms as may be approved by the Directors or, where the transferor and/or the transferee is HKSCC Nominees Limited (or its successor(s)), by an instrument of transfer executed under hand by authorised person(s) or by machine imprinted signature(s). The Company shall maintain a register of Warrantholders in the territory where the Stock Exchange for the time being is situated (or in such other places as the Directors consider appropriate, having regard to applicable roles governing the listing of Warrants). The Instrument contains provisions relating to the transfer, transmission and registration of the Warrants. Transfers of Warrants must be executed by both the transferor and the transferee.

Persons who hold the Warrants and have not registered the Warrants in their own names and wish to exercise the Warrants may incur additional costs and expenses in connection with any expedited re-registration of the Warrants prior to the transfer or exercise of the Warrants, particularly during the period commencing ten business days prior to and including the last day for subscription should note that additional costs and expenses may be incurred in connection with any expedited re-registration of the Warrants prior to the transfer or exercise of the Subscription Rights, in particular during the period commencing 10 business days prior to and including the last day of the Subscription Period.

Since the Warrants will be admitted to CCASS, so far as applicable laws or regulations of relevant regulatory authorities, terms of the Instrument and circumstances permit, the Company may determine the last trading day of the Warrants to be a date at least three trading days before 6 January 2010.

5. CLOSURE OF REGISTER OF WARRANTHOLDERS

The registration of transfers of Warrants may be suspended and the register of Warrantholders may be closed for such period as the Directors may from time to time direct, provided that the same shall not be closed, or registration may not be suspended, for a period, or for periods together, of more than 60 days in any one year. Any transfer or exercise of the Subscription Rights attaching to the Warrants made while the register of Warrantholders is so closed shall, as between the Company and the person claiming under the relevant transfer of Warrants or, as the case may be, as between the Company and the Warrantholder who has so exercised the Subscription Rights attaching to his Warrants (but not otherwise), be considered as made immediately after the reopening of the register of Warrartholders.

6. PURCHASE AND CANCELLATION

The Company or any of its subsidiaries may at any time purchase the Warrants:

(a) in the open market or by tender (available to all Warrantholders alike) at any price;

(b) by private treaty at a price, exclusive of expenses, not exceeding 110% of the closing price of the Warrants on the Stock Exchange on the date immediately prior to the date of purchase thereof, but not otherwise.

All Warrants purchased aforesaid shall be cancelled forthwith and may not be reissued or re-sold.

7. MEETINGS OF WARRANTHOLDERS AND MODIFICATION OF RIGHTS

(a) The Instrument contains provisions for convening meetings of Warrantholders to consider any matter affecting the interests of Warrantholders, including the modification by "Special Resolution" (as defined in the Instrument) of the provision for the Instrument and/or of the terms and conditions endorsed on the Warrant certificates. A Special Resolution duly passed at any such meeting shall be binding on the Warrantholders, whether present or not.

(b) All or any its of the right for the time being attached to the Warrant (including any of the provisions of the Instrument) may from time to time (whether or not the Company is being wound up) be altered or abrogated (including, but without prejudice to that generality, by waiving compliance with, or by waiving or authorising any past or proposed breach of, any of the terms and conditions endorsed on the Warrants certificates and/or the Instrument) with the prior sanction of a Special Resolution and may be effected only by deed poll executed by the Company and expressed to be supplemental to the Instrument.

Where the Warrantholder is a recognised clearing house (within the meaning of the SFO) or its nominee(s), it may authorise such person or persons as it thinks fit to act as its representative (or representatives) or proxy (or proxies) at any Warrantholders' meeting provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number and class of warrants in respect of which each such person is so authorised. The person so authorised will be entitled to exercise the same power on behalf of the recognised clearing house as that clearing house (or its nominee(s)) or its nominee(s) could exercise as if such person was an individual Warrantholder of the Company.

8. REPLACEMENT OF WARRANT CERTIFICATES

If a Warrant certificate is mutilated, defaced, lost or destroyed, it may, at the discretion of the Company, be replaced at the principal office of the Warrant registrars for the time being of the Company in Hong Kong (unless the Directors otherwise determine) on payment of such costs as may be incurred in connection therewith and on such terms as to evidence, indemnity and/or security as the Company may require and on payment of such fee not exceeding HK$2.50 (or such other amount as may from time to time be permitted under the rules prescribed by the Stock Exchange) as the Company may determine. Mutilated or defaced Warrant certificates must be surrendered before replacements will be issued.

In the case of lost Warrant certificates, Section 71A subsections (2), (3), (4), (6), (7) and (8) of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) shall apply as if "shares" referred to therein included Warrants.

9. PROTECTION OF SUBSCRIPTION RIGHTS

The Instrument contains certain undertakings by and restrictions on the Company designed to protect the Subscription Rights.

10. CALL

If at any time the aggregate of the Warrants which have not been exercised carry rights to subscribe less than HK$157,320,000, the Company may, on giving not less than three months' notice, require Warrantholders either to exercise their Subscription Rights or to allow them to lapse. On expiry of such notice, all unexercised Warrants will be automatically cancelled without compensation to Warrantholders.

11. ISSUE OF FURTHER WARRANTS

The Company shall be at liberty to issue further warrants to subscribe for Shares in such manner and on such terms as it sees fit.

12. UNDERTAKINGS OF THE COMPANY

The Company has undertaken in the Instrument, inter alia, that:

(a) all Shares allotted on the exercise of Subscription Rights shall, taking into account of any adjustment which may have been made as described in paragraph 2 above, rank pari passu in all respects with the fully paid Shares in issue on the relevant Subscription Date and shall accordingly entitle the holders to participate in full in all dividends or other distributions declared, paid or made on the Shares after the relevant Subscription Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant Subscription Date and notice of the amount and record date for which shall have been given to the Stock Exchange prior to the relevant Subscription Date;

(b) it will send to each Warrantholder (or in the case of joint Warrantholders, to the Warratholder whose name stands first in the register of Warranttholders in respect of the Warrant held by such joint Warrantholders), at the same time as the same are sent to the holders of Shares, its audited accounts and all other notices, reports and communications despatched by it to the holders of the Shares generally;

(c) it will pay all Bermuda and Hong Kong stamp and capital duties, registration fees or similar charges (if any) payable in respect of the execution of the Instrument, the creation and initial issue of the Warrants in registered form, the exercise of the Subscription Rights and the issue of Shares upon exercise of the Subscription Rights. If any Warrantholder shall take any action or proceedings in any jurisdiction to enforce the obligations of the Company in respect of the Warrants or the Instrument, and for the purposes of such action or proceedings the Instrument or any Warrant is taken into such jurisdiction and any stamp duties or similar duties or taxes become payable thereon or in respect thereof in connection with or as a result of such action or proceedings, the Company shall not be under any obligation to pay (or reimburse any person making payment of) any such duties or taxes (including, if applicable, any penalties);

(d) it will keep available for issue sufficient Ordinary Capital (as defined in the Instrument) to satisfy in full all rights for the time being outstanding of subscription for and conversion into Shares;

(e) it will use its best endeavours to procure that:

(i) at all times during the Subscription Period, the Warrants may be dealt in on the Stock Exchange (save that this obligation will lapse in the event that the listing of the Warrants on the Stock Exchange is withdrawn following an offer for all or any of the Warrants); and

(ii) all Shares allotted upon exercise of the Subscription Rights may, upon allotment or as soon as reasonably practicable thereafter, be dealt in on the Stock Exchange (save that this obligation will lapse in the event that the listing of the Shares on the Stock Exchange is withdrawn following an offer for all or any of the Shares where a like offer is extended to holders of the Warrants).

13. OVERSEAS WARRANTHOLDERS

If a Warrantholder has a registered address in any territory (other than Hong Kong) where, in the opinion of the Directors, the allotment of Shares to such Warrantholder upon exercise of any subscription Rights would or might, in the absence of compliance with registration or any other special formalities in such territory, be unlawful or impracticable under the laws of such territory, then the Company shall as soon as practicable after exercise by such Warrantholder of any Subscription Rights either:

(a) allot the Shares which would otherwise have been allotted to such Warrantholder to one or more third parties selected by the Company; or

(b) allot such Shares to such Warrantholder and then, on his behalf, sell them to one or more third parties selected by the Company, in each case for the best consideration then reasonably obtained by the Company.

As soon as reasonably practicable following any such allotment or (as the case may be) allotment and sale, the Company shall pay to the relative Warrantholder an amount equal to the consideration received by the Company therefor (but having deducted therefrom all transaction levies, brokerages, commissions, stamp duties, withholding tax and similar charges and taxes, if any payable in respect of such sale only, in the case of an allotment and sale as aforesaid, and such payment).

14. WINDING-UP OF THE COMPANY

The Instrument contains provisions relating to the winding-up of the Company.

If an effective resolution is passed during the Subscription Period for the voluntary winding-up of the Company, then:

(a) if such winding-up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrantholders, or some persons designated by them for such purpose by Special Resolution, shall be a party or in conjunction with which a proposal is made to the Warrantholders and is approved by Special Resolution, the terms of such scheme of arrangement or (as the case may be) proposal shall be binding on all Warrantholders; and

(b) in any other case, every Warrantholder (or in the case of joint Warrantholders, to the Warrantholder whose name stands first in the register of Warrantholders in respect of the Warrant held by such joint Warrantholders) shall be entitled at any time within six weeks after the passing of such resolution by irrevocable surrender of his Warrant certificate(s) to the Warrant registrar in Hong Kong for the time being of the Company with the Subscription Form(s) (as defined in the Instrument) duly completed, together with payment of the Exercise Moneys (or the relative portion thereof), to elect to be treated as if he had immediately prior to the commencement of such winding-up exercised such of the Subscription Rights represented by such Warrant(s) as are specified in the Subscription Form(s) submitted by him and had on such date been the holder of the Shares to which he would have become entitled pursuant to such exercise and the Company and the liquidator of the Company shall give effect to such election accordingly. The Company shall give notice to the Warrantholders of the passing of any such resolution within seven days after the passing thereof and such notice shall contain a reminder to Warrantholders with respect to their rights under this sub-paragraph (b) (to the extent applicable).

Subject to the foregoing, if the Company is wound up, all Subscription Rights which have not been exercised at the date of the passing of such resolution shall lapse and Warrant certificates will cease to be valid for any purpose.

15. NOTICES

The Instrument contains provisions relating to notices to be given to Warrantholders.

Every Warrantholder shall register with the Company an address either in Hong Kong or elsewhere to which notices to be given to such Warrantholder are to be sent.

16. GOVERNING LAW

The Instrument and the Warrants are governed by and construed in accordance with the laws of Hong Kong.

1. RESPONSIBILITY STATEMENT

This prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(A) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the following Directors had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required 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 they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules:

Interests in the Shares

Name of Director	Capacity	Nature of interests	Number of Shares held
Mr. Cheung Wai Tung	Beneficial owner	Personal interest	1,886,000
Mr. Chu Bong Foo	(i) Beneficial owner	Personal interest	160,180,000
	(ii) Interest of a controlled corporation	Corporate interest	122,872,000 *(Note)*
Mr. Henry Chang Manayan	Beneficial owner	Personal interest	2,000,000
Mr. Wan Xiaolin	Beneficial owner	Personal interest	500,000

Note: 122,872,000 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.

Interests in the Share Options of the Company

Name of Director	Capacity	Nature of interests	Number of Share Options	Exercise price per Share *HK$*	Exercisable period
Mr. Cheung Wai Tung	(i) Beneficial owner	Personal interest	4,565,000	1.680	3 March 2000 to 2 March 2010
	(ii) Beneficial owner	Personal interest	4,000,000	0.265	19 December 2003 to 18 December 2013
Mr. Chu Bong Foo	(i) Beneficial owner	Personal interest	10,000,000	0.264	27 August 1999 to 26 August 2009
	(ii) Beneficial owner	Personal interest	2,000,000	1.680	3 March 2000 to 2 March 2010
Mr. Henry Chang Manayan	(i) Beneficial owner	Personal interest	1,000,000	0.264	27 August 1999 to 26 August 2009
	(ii) Beneficial owner	Personal interest	500,000	1.680	3 March 2000 to 2 March 2010
	(iii) Beneficial owner	Personal interest	1,000,000	0.265	19 December 2003 to 18 December 2013
Mr. Wan Xiaolin	(i) Beneficial owner	Personal interest	1,000,000	1.680	3 March 2000 to 2 March 2010
	(ii) Beneficial owner	Personal interest	3,000,000	0.265	19 December 2003 to 18 December 2013
Mr. Tai Cheong Sao	(i) Beneficial owner	Personal interest	3,000,000	1.680	3 March 2000 to 2 March 2010
	(ii) Beneficial owner	Personal interest	2,000,000	0.265	19 December 2003 to 18 December 2013
	(iii) Beneficial owner	Personal interest	1,500,000	0.295	24 March 2005 to 23 March 2015

All interests stated above represent long positions.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required 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 they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(B) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Interests in the Shares

Name of Shareholder	*Note*	Nature of interest	No. of Shares held	Position	Approximate percentage of issued share capital
Wealthy Concept Holdings Limited	1	Beneficial	1,000,000,000	Long	16.45%
Mr. Liao Chang Yuan	1	Interest in controlled company	1,000,000,000	Long	16.45%
Harvest Smart Overseas Limited		Beneficial	788,052,000	Long	12.97%

Note:

1. The entire issued share capital of Wealthy Concept Holdings Limited, ("Wealthy Concept") being the vendor to a sale and purchase agreement dated 16 July 2007 (the "S&P Agreement"), is beneficially owned as to 30%, 30% and 40% by Mr. Tai Pang, Mr. Chen Chunpei and Mr. Liao Chang Yuan respectively. The 1,000,000,000 Shares represent the total number of the consideration shares pursuant to the S&P Agreement to which Wealthy Concept is entitled under the S&P Agreement. Given Mr. Liao Chang Yuan is interested in 40% of the issued share capital of Wealthy Concept, he is deemed to be interested in 1,000,000,000 Shares to be issued to Wealthy Concept under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company), including companies of which the Director/proposed directors is an employee, who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

3. PLACING AGREEMENT

Pursuant to the Placing Agreement, the Placing Agent has agreed, among other matters to place up to 1,140,000,000 Warrants on the best endeavours basis. The placees shall be individuals, corporate and/or institutional investors and securities dealers independent of and not connected with the Company and its subsidiaries and their connected persons (as defined in the Listing Rules).

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. MATERIAL CONTRACT

The following contract (not being contracts entered into in the ordinary course of business of the Group) have been entered into by any member of the Group within two years immediately preceding the Latest Practicable Date which are or may be material:

(a) the S&P Agreement dated 16 July 2007 entered into between , Success Dynasty Limited, the indirect wholly-owned subsidiary of the Company, as the purchaser, Wealthy Concept Holdings Limited, as the vendor and Mr. Liao Chang Yuan, one of the three shareholders of Wealthy Concept Holdings Limited holding 40% equity interest in Wealthy Concept Holdings Limited.

Save for the aforementioned, no contract, not being contracts in the ordinary course of business carried on by the Company or any of its subsidiaries, has been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given an opinion or advice contained in this prospectus:

Name	Qualification
Grant Thornton	Certified Public Accountants

As at the Latest Practicable Date, Grant Thornton does not have any interests, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2007, the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, Grant Thornton does not interested beneficially or non-beneficially in any Shares in the Company or any of its subsidiaries or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Grant Thornton has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its respective letter and/or report and/or reference to its name in the form and context in which it respectively appears.

8. PROCEDURE FOR DEMANDING A POLL

According to Bye-law 78 of the Current Bye-laws, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of result of the show of hands or on the withdrawal of any other demand of a poll) demanded by:

(a) the chairman of the meeting; or

(b) at least three Shareholders present in person (or, in case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or

(c) a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or

(d) a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

In addition, if the aggregate proxies held by (i) the Chairman of a particular meeting, and/or (ii) the Directors, account for 5% or more of the total voting rights at that meeting, and if on a show of hands in respect of any resolution, the meeting votes in the opposite manner to that instructed in those proxies, the Chairman of the meeting and/or any Director holding proxies as aforesaid shall demand a poll, unless it is apparent to the Chairman from the total proxies held by those persons that a vote taken on a poll will not reverse the vote taken on show of hands.

9. BINDING EFFECT

This prospectus shall have the effect, if any application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

10. DIRECTOR'S INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

11. INTEREST IN CONTRACTS AND ASSETS

No contract or arrangement of significance in relation to the Group's business to which the Company or any of its subsidiaries is a party and in which any Director has a material interest, whether directly or indirectly, subsist at the date of this prospectus.

None of the Directors and expert referred in the paragraph headed "Qualification and consent of expert" in this appendix has any direct or indirect interest in any asset which has been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries during the period since 31 March 2007, the date to which the latest published audited consolidated financial statements of the Group were compiled, up to and including the Latest Practicable Date.

12. MISCELLANEOUS

(a) The expenses in connection with the issue of the Warrants and the application for the listing, including placing commission, documentation fee, registration, printing, translation, legal and accountancy charges, registrars and advertising expenses payable by the Company, are estimated to amount to approximately HK$1,080,000.

(b) There is no minimum subscription to be raised by the Placing in order to provide the sums required to cover the matters referred to in section 28 of the Companies Acts as this prospectus has been accepted by an appointed stock exchange.

(c) No commissions, discounts, brokerages or other special terms have been granted or agreed to be granted by any member of the Group to any Directors or proposed Directors, promoters in connection with the issue or sale of any capital by any such member of the Group.

(d) The English text of this prospectus prevails over its Chinese translation in case of discrepancy.

13. DOCUMENTS DELIVERED TO THE REGISTRARS OF COMPANIES IN HONG KONG AND IN BERMUDA

A copy of this prospectus, having attached thereto a copy of the application form for the Warrants and the written consent referred to in the paragraph headed "Qualification and Consent of expert" in this Appendix, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of Companies Ordinance of Hong Kong. A copy of this prospectus, has been filed or will, as soon as reasonably practicable, be filed with the Registrar of Companies in Bermuda.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business in Hong Kong at 6 Floor, Culturecom Centre, 47 Hung To Road, Kwun Tong, Kowloon, Hong Kong during normal business hours up to and including 14 December 2007:

(a) the memorandum of association and bye-laws of the Company;

(b) the material contract referred to in the paragraph headed "Material contract" in this appendix;

(c) the written consent referred to in the paragraph headed "Qualification and consent of expert" in this appendix;

(d) a draft of the Instrument, a summary of the principal terms of which is set out in Appendix I to this prospectus;

(e) the audited consolidated financial statements of the Company for the three financial years ended 31 March 2005, 31 March 2006 and 31 March 2007; and

(f) the letter from Grant Thornton issued on 27 November 2007 as set out in the section headed "Unaudited Pro Forma Financial Information" to this prospectus.