2008 | 2009 Annual Report

CULTURECOM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 343)

CONTENTS

Corporate Information

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lai Man To
Mr. Joseph Lee Chennault
Mr. Lai Qiang

COMPANY SECRETARY

Ms. Lee Yuk Ping

AUDIT COMMITTEE

Mr. Lai Man To
Mr. Joseph Lee Chennault
Mr. Lai Qiang

REMUNERATION COMMITTEE

Mr. Lai Man To
Mr. Wan Xiaolin
Mr. Lai Qiang

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank

SOLICITORS

Michael Li & Co.
Appleby

AUDITORS

Grant Thornton

PUBLIC RELATION

PR Concepts Company Limited

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL OFFICE

Units 610C, 612-613
Level 6, Core D
Cyberport 3
100 Cyberport Road
Hong Kong

PRINCIPAL REGISTRAR

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

BRANCH REGISTRAR

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

COMPANY WEBSITE

www.culturecom.com.hk

STOCK CODE

343

WARRANT CODE

453

RESULTS

The consolidated turnover of the Company and its subsidiaries for the year ended 31 March 2009 amounted to HK$46,811,000 (2008: HK$44,889,000) of which HK$34,983,000 (2008: HK$37,195,000) was attributable to the business of comics publication of the Group, HK$42,000 (2008: HK$52,000) was attributable to the Chinese information infrastructure of the Group, HK$6,455,000 (2008: HK$5,672,000) was attributable to the rental income from investment properties of the Group and HK$5,331,000 (2008: HK$1,970,000) was attributable to the crude oil exploration services of the Group. Loss for the year attributable to equity holders, taking into account taxation, was HK$92,889,000 (2008: HK$49,565,000). The loss per share was HK13.1 cents (2008: HK8.9 cents).

FINAL DIVIDEND

The Board of Directors has resolved not to declare any final dividend for the year ended 31 March 2009 (2008: Nil).

BUSINESS REVIEW

The global economic turmoil has taken toll on many operations and its impact has far-reaching implications on future businesses. This slowdown of the global economy will continue to create difficulties to those in the coming years that do not operate on the most efficient and effective enterprise. Acting with prudence, our Group implemented guidelines to regularly revalue its position in the marketplace and consequently shed operational units that were unprofitable and refocused on our core competence of licensing, while continued to branch out into businesses with immediate return. Although the benefit of the restructuring has taken effect, its overall impact was masked by fair value changes in financial assets at fair value through profit or loss, resulting in an overall bottom line that was less than ideal. Nevertheless, it is evident that in the past year, the Group has treaded many steps closer toward our ultimate goals. The management of the Group anticipates that as the global economic instabilities begin to subside, our investments will regain their intrinsic values, and therefore Culturecom's position among its competitors will be strengthened.

With respect to the technology-business, our Group has finished unloading its noncore businesses and actively seeks for suitable cooperative partners to enhance and commercialize its technologies. In the comic business, our Group has fortified its licensing business with additional resources, actively pursuing opportunities in animation and movie production, while continuing to extend its reach into other media forms. One of the significant ideals of Culturecom has always been about bringing Chinese culture into the mainstream; and in light of this, our Group is developing an Asian-flavor animation/comic creation interface using our very own Generating Engine technology. Our huge animation/comic image database along with this Generating Engine will allow general masses to participate in the production process; lowering cost on one hand, while creating appeal to a new generation of artists as well.

Aside from technology and comics, the Group's venture in the petroleum extraction business has begun to take shape, but as the global oil prices declined, drilling and exploration activities slowed, resulting in less-than-expected operating earnings. Consequently, the guaranteed profit component of the Sales and Purchase agreement was not met and the Vendor was left with paying for the difference between the audited net profit and the profit guarantee on a dollar to dollar basis. In spite of this, our Group is satisfied with this investment so far, with an acquisition gain of approximately HK$49.37 million (HK$28.44 million from negative goodwill and HK$20.93 million from profit guarantee) and is confident that the oil extraction venture in Shengli Oilfield and Chaoshui Basin has the potential to yield promising operational results as soon as the commodity market stabilizes and prices go back to their fundamental values.

PROSPECTS

Looking ahead, our Group will continue to establish close ties with its cooperative partners and business associates. We are always on the lookout for business opportunities with the potential to enhance shareholders' values while minimizing our exposure to risk. In particular, our Group recognizes only a limited number of oil blocks in China are available to foreign enterprise in partnership with the three large state-owned oil companies or their subsidiaries. Therefore we will continue to leverage off its existing cooperation with Sinopec's subsidiaries to develop other projects as well as to foster cooperation with other state-owned enterprises that possess natural resources extraction rights. In addition to venturing in the resource business, our Group recognizes the enormous potential for retailing in China, as this country's retail market has developed rapidly over the past few years. Many new chain store networks, malls and shopping streets now appear not only in the commercial cities of Beijing, Guangzhou and Shanghai, but also in the suburban areas. Leveraging on our extensive networks around the globe, relationship within China, as well as our technological platform, our Group has the resources necessary to effectively conduct business-to-business commerce in China and help local retailers expand their business. Therefore, our Group is truly optimistic of its future direction. We will continue to remain prudent in its investment decisions and explore potential business opportunities.

APPRECIATION

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

Cheung Wai Tung
Chairman

Hong Kong, 20 July 2009

FINANCIAL RESULTS

For the year ended 31 March 2009, the Group's overall turnover increased by approximately 4.28% to HK$46,811,000, of which approximately HK$34,983,000, HK$42,000, HK$6,455,000 and HK$5,331,000 (2008: HK$37,195,000, HK$52,000, HK$5,672,000 and HK$1,970,000) were attributable to our business of comics publication, Chinese information infrastructure, rental income from investment properties and crude oil exploration service respectively.

Although the Group's consolidated net loss attributable to the shareholders of the Company increased from HK$49,565,000 or HK8.90 cents per share (restated) in 2008 to approximately HK$92,889,000 or HK13.10 cents per share in 2009, the Group has successfully smoothened out all the rough edges and is moving on to a much healthier direction. This discrepancy in performance of the Group was caused by changes in fair value of financial assets at fair value through profit or loss which are on marked-to-market basis. However, if these investments were put aside, the Group's operating loss would only have been approximately HK$24,790,000 (2008: HK$45,546,000). Focusing on core operations, identifying promising growth opportunities, and many other business strategies that were undertaken have enabled the Group to progress rapidly from its less-than-desirable position to a much more stable and hopeful present state. Therefore, the Group is optimistic of its future, as the restructuring steps along the way have demonstrated that what is to come can only be better.

Also, as of 31 March 2009, the Group's net asset value was HK$626,429,000 and net asset value per weighted average number of 708,107,000 shares of the Company was approximately HK$0.88 (2008 (restated): HK$1.30).

SHARE CONSOLIDATION

At the special general meeting of the Company held on 3 November 2008, the shareholders of the Company approved the share consolidation of every ten shares of HK$0.10 each into one consolidated share of HK$1.00 each (the "Share Consolidation"). The Share Consolidation became effective on 4 November 2008. Upon the Share Consolidation, the authorized and issued share capital of the Company were HK$1,000,000,000 divided into 1,000,000,000 shares of HK$1.00 each and HK$709,525,964 divided into 709,525,964 consolidated shares of HK$1.00 each respectively.

REPURCHASE OF SHARES

The Company repurchased totaling 20,270,000 shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during February and March 2009 at a total consideration (before expenses) of HK$15,080,100. 20,070,000 shares were cancelled accordingly before 31 March 2009. The remaining 200,000 shares were cancelled on 7 April 2009. Following the repurchase of shares, the total issued share capital of the Company changed from 709,525,964 shares to 689,455,964 shares as at the balance sheet date.

WARRANTS

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

During the year, no registered holders of the 2010 Warrants exercised their rights to subscribe for the Company's shares.

ACQUISITION

On 9 December 2008, the Group entered into a conditional sale and purchase agreement with an independent third party in relation to the acquisition for 53% equity interest of a PRC travel business with total consideration of RMB7,000,000 and completed in April 2009.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2009, the Group had bank and deposits with financial institutions balances in aggregate of approximately HK$130,240,000 and financial assets at fair value through profit or loss of approximately HK$77,582,000. The Group has no significant exposure to foreign exchange rate fluctuation.

As of 31 March 2009, the Group had a net current asset of approximately HK$261,538,000 (31 March 2008: HK$372,125,000) and a current ratio of 8.90 (31 March 2008: 6.83). The Group's total liabilities as of 31 March 2009 amounted to approximately HK$94,023,000 (31 March 2008: HK$129,703,000) and represented approximately 15% (31 March 2008: 18%) to shareholders' equity.

Upon consideration of the above, the Directors have no doubt that the Group will have sufficient liquidity to finance its daily operations, as reflected by its healthy financial status with a wealth of cash flow and other resources. As always, the Group will continue to follow prudent and disciplined cash management practices on any excess liquidity. Any future net proceeds from exercise of warrants and share options would certainly strengthen the positive outlook of the Group and propel it to an even stronger financial position.

EMPLOYMENT AND REMUNERATION POLICIES

As of 31 March 2009, the Group had a total of 96 employees of which 39 are based in Hong Kong, 31 in Macau and 26 in the PRC. Total staff costs incurred during the period amounted to approximately HK$17,478,000 (2008: HK$30,423,000). Remuneration packages are maintained at competitive levels and reviewed by the management on a periodical basis. Discretionary bonuses and incentive share options are awarded to certain directors and employees according to the assessment of individual merit and performance.

The Directors present their annual report and the audited financial statements for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal associates and subsidiaries are set out in notes 17 and 39 to the financial statements respectively.

SUBSIDIARIES AND ASSOCIATES

Details of the Group's associates and of the Company's subsidiaries at 31 March 2009 are set out in notes 17 and 39 to the financial statements respectively.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover during the year attributable to the Group's five largest customers accounted for 79.0% of the Group's turnover, of which 43.4% was attributable to the largest customer.

The aggregate purchases during the year attributable to the Group's five largest suppliers accounted for 67.9% of the Group's total purchases, of which 45.8% was attributable to the largest supplier.

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

RESULTS

The results of the Group for the year ended 31 March 2009 are set out in the consolidated income statement on page 37.

DIVIDEND

The Directors do not recommend the payment of a final dividend in respect of the year ended 31 March 2009.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK$30,449,000 on the acquisitions of property, plant and equipment.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 14 to the financial statements.

SHARE CAPITAL, WARRANTS AND SHARE OPTIONS

Details of movements during the year in the share capital, details of warrants and the share option scheme of the Company are set out in notes 29, 31 and 32 to the financial statements respectively.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 30 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2009, the Company has no reserves available for distribution to shareholders.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on pages 125 and 126.

DIRECTORS

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

Executive Directors:

Mr. Cheung Wai Tung *(Chairman)*
Mr. Chu Bong Foo *(Vice-Chairman)*
Mr. Kwan Kin Chung *(Managing Director)*
Mr. Henry Chang Manayan
Mr. Wan Xiaolin
Mr. Tai Cheong Sao
Mr. Chung Billy
Mr. Tang U Fai
Mr. Tang Kwing Chuen Kenneth (appointed on 8 December 2008)

Independent Non-Executive Directors:

Mr. Lai Man To
Mr. Joseph Lee Chennault
Mr. Lai Qiang (appointed on 8 December 2008)
Mr. Wang Tiao Chun (retired on 9 September 2008)

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

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Cheung Wai Tung, aged 51, was appointed as the chairman and an executive Director of the Company in December 1998 and is responsible for the corporate strategic planning and business development of the Group. Mr. Cheung holds a Bachelor of Arts degree in Accounts and Finance from Shanghai Maritime College, Shanghai, the PRC. Prior to joining the Group, he was representative and deputy chief executive officer of COSCO Group in Singapore and Hong Kong respectively.

Mr. Chu Bong Foo, aged 71, was appointed as the vice-chairman and an executive Director of the Company in May 1999 and is responsible for the design and development of Chinese information infrastructure of the Group. Mr. Chu is the inventor of Changjie Index System and has been engaging in the development of Chinese character generating technology over 20 years.

Mr. Kwan Kin Chung, aged 40, was appointed as an executive Director and managing Director of the Company in March 2008. He was appointed as an acting chief executive officer of the Company in April 2007. Mr. Kwan held the position as vice president of the Group from 1998 to 2002. He is a managing director of China Bio Cassava Holdings Limited, whose shares are listed on the GEM of the Stock Exchange. Mr. Kwan has extensive experience in businesses restructuring and corporate investment. He holds a Bachelor of Arts in Economics from Zhongshan University, Guangzhou, the PRC.

Mr. Henry Chang Manayan, aged 53, was appointed as an 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. Mr. Manayan 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 degree. He received postgraduate education at Harvard University and the London Business School. Mr. Manayan is the president and general counsel of The Transpacific Companies, LLC, a finance and investment company. He also served as a board director, officer and legal counsel to numerous companies and organisations.

Mr. Wan Xiaolin, aged 51, joined the Group as the general manager in January 2000 and is responsible for the group administration, human resources and training, accounts and finance and information technology related management activities. Mr. Wan holds a Bachelor of Arts in Economics from Shanghai Maritime University, Shanghai, the PRC. Prior to joining the Group, he was general manager of China Merchants Transportation Group for finance and accounting division. Mr. Wan was appointed as an executive Director of the Company in July 2002. He is an executive director of China Bio Cassava Holdings Limited, whose shares are listed on GEM of the Stock Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Executive Directors (Continued)

Mr. Tai Cheong Sao, aged 65, was appointed as an executive Director of the Company in June 2007. Mr. Tai 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 whose shares are 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 34, was appointed as an independent non-executive Director of the Company in June 2007. He has been re-designated as an executive Director of the Company in November 2007 and later became the chief operating officer of the Company, responsible for the Group's overall operation and business development, as well as human resources and accounting related managerial activities. Mr. Chung holds a Bachelor of Arts degree in Accounting from the University of Waterloo and a MBA from the University of Toronto in Canada. As a member of the Canadian Institute of Chartered Accountants, he has over nine years of extensive experience in the fields of accounting, consulting, and investment banking. Mr. Chung is also an associate member of the Hong Kong Institute of Certified Public Accountant and prior to joining the Group, Mr. Chung acted as senior project director at Opes Asia Development Limited, whose shares are listed on the Main Board of the Stock Exchange.

Mr. Tang U Fai, aged 35, was appointed as an executive Director of the Company in March 2008. Mr. Tang holds a Bachelor of Science degree in Computer Science and Economics from the University of Victoria and a Master of Science degree in Software Engineering form the University of Macau. Mr. Tang joined the Group as the chief technology officer in May 2001. In 2003, he was further appointed as the general manager of 網城在綫(澳門)有限公司 where he was gained extensive executive experience.

Mr. Tang Kwing Chuen Kenneth, aged 31, was appointed as an executive Director of the Company on 8 December 2008. He was appointed as company secretary of ViaGOLD Capital Limited, a company whose shares are listed on Australian Stock Exchange, in January 2007. ViaGOLD Capital Limited is a controlled corporation of Harvest Smart Overseas Limited, which is a substantial shareholder of the Company. Mr. Tang holds a Master of Commerce degree in Finance and a Bachelor of Science degree majoring in Information Systems from the University of New South Wales. He joined the Group as Project Manager in October 2003. He has extensive years of experience in banking and finance industry.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Independent Non-Executive Directors

Mr. Lai Man To, aged 79, 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. Joseph Lee Chennault, aged 65, was appointed as an independent non-executive Director of the Company in September 2004. Mr. Chennault holds a Bachelor of Arts in Economics from University of San Francisco and MBA from Golden Gate University. He is a member of California Society of Certified Public Accountants and has over 30 years of experience in accounting and auditing.

Mr. Lai Qiang, aged 35, was appointed as an independent non-executive Director of the Company on 8 December 2008. He holds a Bachelor Degree in International Finance (Professional Economics), International Trading Finance Department, from Zhongshan University, Guangzhou, the PRC. He is also an intermediate level economist. Mr. Lai is a deputy officer of financial settlement centre and manager of treasury department of Shenzhen Huaqiang Holdings Limited ("Huaqiang Holdings"). Huaqiang Holdings is a large investment holding company with high technology industries as its core business. It was chosen as "the Most Advanced Enterprise in Quality and Efficiency in China" and "the Top Foreign Exchange-Earning Enterprise in China" continuously for many years. Mr. Lai has over ten years of practical experience in group enterprise fund management and financial management.

Senior Management

Mr. Yu Huaguo, aged 42, was appointed as Chief Executive Officer of the Company in May 2008. Immediately before he joined the Group, he was an executive director of Jiuzhou Development Company Limited ("JDCL"), whose shares are listed on the Stock Exchange, and was deputy general manager of Zhuhai Jiuzhou Port Group Corporation (a substantial shareholder of JDCL). Mr. Yu obtained a Master of Business Administration (MBA) degree from the Hong Kong Polytechnic University. He has over twenty years' experience in finance, securities, capital and enterprise management.

Dr. Chen Tzyh Trong, aged 51, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Senior Management (Continued)

Mr. Chen Man Lung, aged 43, joined the Group as a vice president in December 1998 and is responsible for publishing, media business and corporate development of the Group. Mr. Chen is currently executive director of China Bio Cassava Holdings Limited and independent non-executive director of Opes Asia Development Limited, all companies shares are listed on the Stock Exchange. He is also chief financial officer of ViaGOLD Capital Limited, a company whose shares are listed on Australian Stock Exchange (stock code: VIA). He is also acting as a director of the Hong Kong Comics & Animation Federation Limited, a committee member of the Hong Kong Inbound Travel Association Limited (HKITA). He is advisor to Academy of Visual Arts and Chairman of Academic Advisory Board of Humanities Programme of Hong Kong Baptist University. Mr. Chen obtained his Bachelor of Arts degree in Sociology from the Hong Kong Baptist University and Master of Arts degree in Chinese Studies from the Hong Kong University of Science and Technology. Mr. Chen has over 15 years of extensive experience in investment industry.

Ms. Lee Yuk Ping, aged 41, was appointed as company secretary of the Company on 1 February 2008. She is a fellow member of the Chartered Association of Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Ms. Lee holds a Master degree of Professional Accounting from The Hong Kong Polytechnic University.

SHARE OPTION SCHEMES

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

Subsequent to the termination of the 1993 Scheme, no further share options can be granted thereunder but in all other respects, the provisions of the 1993 Scheme shall remain in force and all share options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

Following to the Share Consolidation, the exercise price of the share options and the number of shares to be allotted and issued upon full exercise of the subscription rights attaching to the outstanding share options have been adjusted.

The number of shares available for issue under the 1993 Scheme and 2002 Scheme as at the date of the Annual Report is 3,196,500 and 144,650,000 respectively, totaling 147,846,500 shares which in aggregate representing approximately 21.45% of the issued share capital of the Company as of that date.

Particulars of the Company's share option schemes are set out in note 32 to the financial statements.

SHARE OPTION SCHEMES (Continued)

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

			Date of Grant	At 1 April 2008	Number of share options *(Note 1)* Transfer from other category during the period	Transfer to other category during the period	Lapsed during the period	Granted/ Exercised/ Cancelled during the period	At 31 March 2009	Exercise price per share *(Note 1)*	Exercisable Period
										HK$	
(a)	**Directors**										
	Mr. Cheung Wai Tung		3 March 2000	456,500	–	–	–	–	456,500	16.80	3 March 2000 to 2 March 2010
	Mr. Chu Bong Foo	(i)	27 August 1999	1,000,000	–	–	–	–	1,000,000	2.64	27 August 1999 to 26 August 2009
		(ii)	3 March 2000	200,000	–	–	–	–	200,000	16.80	3 March 2000 to 2 March 2010
	Mr. Henry Chang Manayan	(i)	27 August 1999	100,000	–	–	–	–	100,000	2.64	27 August 1999 to 26 August 2009
		(ii)	3 March 2000	50,000	–	–	–	–	50,000	16.80	3 March 2000 to 2 March 2010
	Mr. Wan Xiaolin		3 March 2000	100,000	–	–	–	–	100,000	16.80	3 March 2000 to 2 March 2010
	Mr. Tai Cheong Sao		3 March 2000	300,000	–	–	–	–	300,000	16.80	3 March 2000 to 2 March 2010
	Mr. Tang U Fai		3 March 2000	100,000	–	–	–	–	100,000	16.80	3 March 2000 to 2 March 2010
(b)	**Employees**		3 March 2000	890,000	–	–	–	–	890,000	16.80	3 March 2000 to 2 March 2010

SHARE OPTION SCHEMES (Continued)

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

			Date of Grant	At 1 April 2008	Granted during the period	Transfer from other category during the period	Transfer to other category during the period	Lapsed/ Cancelled during the period	Exercised during the period	At 31 March 2009	Exercise price per share *(Note 1)*	Exercisable Period
				Number of share options *(Note 1)*							HK$	
(a)	**Directors**											
	Mr. Cheung Wai Tung		19 December 2003	400,000	–	–	–	–	–	400,000	2.65	19 December 2003 to 18 December 2013
	Mr. Kwan Kin Chung	(i)	7 July 2006	800,000	–	–	–	–	–	800,000	1.01	7 July 2006 to 6 July 2016
		(ii)	29 June 2007	100,000	–	–	–	–	–	100,000	2.37	29 June 2007 to 28 June 2017
		(iii)	6 November 2007	800,000	–	–	–	–	–	800,000	1.56	6 November 2007 to 5 November 2017
	Mr. Henry Chang Manayan		19 December 2003	100,000	–	–	–	–	–	100,000	2.65	19 December 2003 to 18 December 2013
	Mr. Wan Xiaolin		19 December 2003	300,000	–	–	–	–	–	300,000	2.65	19 December 2003 to 18 December 2013
	Mr. Tai Cheong Sao	(i)	19 December 2003	200,000	–	–	–	–	–	200,000	2.65	19 December 2003 to 18 December 2013
		(ii)	24 March 2005	150,000	–	–	–	–	–	150,000	2.95	24 March 2005 to 23 March 2015
	Mr. Tang U Fai	(i)	19 December 2003	100,000	–	–	–	–	–	100,000	2.65	19 December 2003 to 18 December 2013
		(ii)	24 March 2005	1,600,000	–	–	–	–	–	1,600,000	2.95	24 March 2005 to 23 March 2015
		(iii)	7 July 2006	100,000	–	–	–	–	–	100,000	1.01	7 July 2006 to 6 July 2016
	Mr. Tang Kwing Chuen Kenneth		7 July 2006	–	–	50,000 *(Note 2)*	–	–	–	50,000	1.01	7 July 2006 to 6 July 2016
(b)	**Employees**	(i)	19 December 2003	3,040,000	–	–	–	–	–	3,040,000	2.65	19 December 2003 to 18 December 2013
		(ii)	24 March 2005	5,150,000	–	–	–	–	–	5,150,000	2.95	24 March 2005 to 23 March 2015
		(iii)	7 July 2006	950,000	–	–	–	–	–	950,000	1.01	7 July 2006 to 6 July 2016

SHARE OPTION SCHEMES (Continued)

			Date of Grant	At 1 April 2008	Granted during the period	Transfer from other category during the period	Transfer to other category during the period	Lapsed/ Cancelled during the period	Exercised during the period	At 31 March 2009	Exercise price per share *(Note 1)*	Exercisable Period
				Number of share options *(Note 1)*							HK$	
(b)	**Employees** (Continued)											
		(iv)	29 June 2007	10,650,000	–	–	–	–	–	10,650,000	2.37	29 June 2007 to 28 June 2017
		(v)	6 November 2007	12,700,000	–	–	–	–	–	12,700,000	1.56	6 November 2007 to 5 November 2017
(c)	**Others**	(i)	19 December 2003	1,770,000	–	–	–	–	–	1,770,000	2.65	19 December 2003 to 18 December 2013
		(ii)	24 March 2005	20,050,000	–	–	–	–	–	20,050,000	2.95	24 March 2005 to 23 March 2015
		(iii)	3 October 2005	3,000,000	–	–	–	–	–	3,000,000	2.12	3 October 2005 to 2 October 2015
		(iv)	7 July 2006	11,740,000	–	–	(50,000) *(note 2)*	–	–	11,690,000	1.01	7 July 2006 to 6 July 2016
		(v)	29 June 2007	29,250,000	–	–	–	–	–	29,250,000	2.37	29 June 2007 to 28 June 2017
		(vi)	6 November 2007	41,700,000	–	–	–	–	–	41,700,000	1.56	6 November 2007 to 5 November 2017

Notes:

1. The number of options granted and the exercise price of the options were adjusted when the Share Consolidation became effective on 4 November 2008. For further details, please refer to the announcements of the Company dated 6 October and 3 November, 2008 and the circular dated 16 October 2008.

2. The options granted Mr. Tang Kwing Chuen Kenneth were granted prior to his appointment as executive director of the Company on 8 December 2008.

3. The options exercise period is commenced from the date of grant for ten years. The options may be exercised at any time with the option period provided that the options have been vested. As at 31 March 2009, all options have been vested.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DISCLOSURE OF INTERESTS

(a) Interests of the Directors

As at 31 March 2009, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange:

Interests in the shares of the Company

Name of Director	Capacity	Nature of interest	Number of shares held	Approximate percentage of issued share capital
Mr. Cheung Wai Tung	Beneficial owner	Personal interest	188,600	0.03%
Mr. Chu Bong Foo	(i) Beneficial owner	Personal interest	16,018,000	4.11%
	(ii) Interest of a controlled corporation	Corporate interest	12,287,200 *(note)*	
Mr. Henry Chang Manayan	Beneficial owner	Personal interest	200,000	0.03%
Mr. Wan Xiaolin	Beneficial owner	Personal interest	50,000	0.01%
Mr. Tang Kwing Chuen Kenneth	Beneficial owner	Personal interest	380,000	0.06%

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

All interests stated above represent long positions.

DISCLOSURE OF INTERESTS (Continued)

(a) Interests of the Directors (Continued)

Interest in the warrants of the Company

Name of Director	Capacity	Nature of interest	Number of underlying ordinary shares	Approximate percentage of issued share capital
Mr. Tang Kwing Chuen Kenneth	Beneficial owner	Personal interest	1,500,000	0.22%

All interests stated above represent long positions.

Interest in shares of associated corporation of the Company

Name of associated corporation	Name of Director	Capacity	Nature of interest	Number of shares held	% of total issued share capital of the associated corporation
China Bio Cassava Holdings Limited	Mr. Kwan Kin Chung	Beneficial owner	Personal interest	16,000,000 *(note 1)*	0.20%
	Mr. Chung Billy	Beneficial owner	Personal interest	12,880,000 *(note 2)*	0.16%
	Mr. Tang U Fai	Beneficial owner	Personal interest	4,000,000 *(note 3)*	0.05%

Notes:

1. Mr. Kwan Kin Chung is beneficially interested in 16,000,000 share options in China Bio Cassava Holdings Limited.

2. Mr. Chung Billy is beneficially interested in 10,880,000 shares and 2,000,000 share options in China Bio Cassava Holdings Limited.

3. Mr. Tang U Fai is beneficially interested in 4,000,000 share options in China Bio Cassava Holdings Limited.

All interests stated above represent long positions.

DISCLOSURE OF INTERESTS (Continued)

(a) Interests of the Directors (Continued)

Interests in share options of the Company

Name of Director		Capacity	Nature of interests	Number of share options *(Note 1)*	Exercise price per share *(Note 1)*	Exercisable period	Approximate percentage of issued share capital
					HK$		
Mr. Cheung Wai Tung	(i)	Beneficial owner	Personal interest	456,500	16.80	3 March 2000 to 2 March 2010	0.12%
	(ii)	Beneficial owner	Personal interest	400,000	2.65	19 December 2003 to 18 December 2013	
Mr. Chu Bong Foo	(i)	Beneficial owner	Personal interest	1,000,000	2.64	27 August 1999 to 26 August 2009	0.17%
	(ii)	Beneficial owner	Personal interest	200,000	16.80	3 March 2000 to 2 March 2010	
Mr. Kwan Kin Chung	(i)	Beneficial owner	Personal interest	800,000	1.01	7 July 2006 to 6 July 2016	0.25%
	(ii)	Beneficial owner	Personal interest	100,000	2.37	29 June 2007 to 28 June 2017	
	(iii)	Beneficial owner	Personal interest	800,000	1.56	6 November 2007 to 5 November 2017	
Mr. Henry Chang Manayan	(i)	Beneficial owner	Personal interest	100,000	2.64	27 August 1999 to 26 August 2009	0.04%
	(ii)	Beneficial owner	Personal interest	50,000	16.80	3 March 2000 to 2 March 2010	
	(iii)	Beneficial owner	Personal interest	100,000	2.65	19 December 2003 to 18 December 2013	
Mr. Wan Xiaolin	(i)	Beneficial owner	Personal interest	100,000	16.80	3 March 2000 to 2 March 2010	0.06%
	(ii)	Beneficial owner	Personal interest	300,000	2.65	19 December 2003 to 18 December 2013	

DISCLOSURE OF INTERESTS (Continued)

(a) Interests of the Directors (Continued)

Interests in share options of the Company *(Continued)*

Name of Director		Capacity	Nature of interests	Number of share options *(Note 1)*	Exercise price per share *(Note 1)*	Exercisable period	Approximate percentage of issued share capital
					HK$		
Mr. Tai Cheong Sao	(i)	Beneficial owner	Personal interest	300,000	16.80	3 March 2000 to 2 March 2010	0.09%
	(ii)	Beneficial owner	Personal interest	200,000	2.65	19 December 2003 to 18 December 2013	
	(iii)	Beneficial owner	Personal interest	150,000	2.95	24 March 2005 to 23 March 2015	
Mr. Tang U Fai	(i)	Beneficial owner	Personal interest	100,000	16.80	3 March 2000 to 2 March 2010	0.28%
	(ii)	Beneficial owner	Personal interest	100,000	2.65	19 December 2003 to 18 December 2013	
	(iii)	Beneficial owner	Personal interest	1,600,000	2.95	24 March 2005 to 23 March 2015	
	(iv)	Beneficial owner	Personal interest	100,000	1.01	7 July 2006 to 6 July 2016	
Mr. Tang Kwing Chuen Kenneth		Beneficial owner	Personal interest	50,000	1.01	7 July 2006 to 6 July 2016	0.01%

Notes:

1. The number of options granted and the exercise price of the options were adjusted when the Share Consolidation became effective on 4 November 2008. For further details, please refer to the announcements of the Company dated 6 October and 3 November, 2008 and the circular dated 16 October 2008.

2. The options exercise period is commenced from the date of grant for ten years. The options may be exercised at any time with the option period provided that the options have been vested. As at 31 March 2009, all options have been vested.

All interests stated above represent long positions.

DISCLOSURE OF INTERESTS (Continued)

(a) Interests of the Directors (Continued)

Interests in share options of the Company (Continued)

Save as disclosed above, as at 31 March 2009, none of the Directors nor chief executive of the Company had interests or short positions in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

DISCLOSURE OF INTERESTS (Continued)

(b) Interests of Substantial Shareholder

As at 31 March 2009, so far as is known to any Director or chief executive of the Company, the following person had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO:

Interests in the shares of the Company

Name	Capacity	Number of shares held	Approximate percentage of issued share capital
Wealthy Concept Holdings Limited	Beneficial owner	60,000,000	8.70%
Mr. Liao Chang Yuan	Interest in a controlled Corporation *(note 1)*	60,000,000	8.70%
L & W Holdings Limited	Beneficial owner	54,332,400	7.88%
Harvest Smart Overseas Limited	Beneficial owner and Interest in controlled corporation *(note 2)*	101,944,000	14.79%
Mr. Basilio Dizon	Interest in a controlled corporation *(note 3)*	182,529,600	26.47%
Ms. Chow Lai Wah Livia	Interest in a controlled and interest of spouse *(note 4)*	182,529,600	26.47%

DISCLOSURE OF INTERESTS (Continued)

(b) Interests of Substantial Shareholder (Continued)

Interests in the warrants of the Company

Name	Capacity	Number of underlying ordinary shares
Mr. Basilio Dizon	Beneficial owner and interest of spouse *(note 5)*	21,370,000
Ms. Chow Lai Wah Livia	Beneficial owner and interest of spouse *(note 5)*	21,370,000

Notes:

1. Mr. Liao Chang Yuan is interested in 40% of the issued share capital of the issued share capital of Wealthy Concept Holdings Limited, he is deemed to be interested in 60,000,000 shares in the Company under SFO.

2. Harvest Smart Overseas Limited ("Harvest Smart") is beneficially interested in 75,354,600 shares and is deemed to be interested in 26,589,400 shares held by Chamberlin Investments Limited ("Chamberlin"). Harvest Smart has controlling interests (36.46%) in Viagold Capital Limited ("Viagold") and Chamberlin is a wholly owned subsidiary of Viagold. Therefore, Harvest Smart is deemed to be interested in 26,589,400 shares in the Company under SFO.

3. Mr. Basilio Dizon ("Mr. Dizon") has controlling interests 35 % and 90.77% in L & W Holdings Limited ("L & W") and Harvest Smart respectively. Mr. Chow Lai Wah Livia ("Ms. Chow"), the wife of Mr. Dizon, is beneficially interested in 26,253,200 shares in the Company, therefore, Mr. Dizon is deemed to be interested in 182,529,600 shares in the Company under SFO.

4. Ms. Chow is beneficially interested in 26,253,200 shares in the Company. She is the wife of Mr. Dizon and has controlling interests in L & W. Accordingly, Ms. Chow is deemed to be interested in 156,276,400 shares in the Company under SFO.

5. Mr. Dizon and Ms. Chow held 12,870,000 and 8,500,000 underlying shares in the Company respectively. Ms. Chow is a wife of Mr. Dizon, therefore, Mr. Dizon and Ms. Chow are deemed to be interests in 21,370,000 underlying shares in the Company under SFO.

DISCLOSURE OF INTERESTS (Continued)

(b) Interests of Substantial Shareholder (Continued)

Notes: (Continued)

6. The subscription price of the warrants were adjusted when the Share Consolidation became effective on 4 November 2008. For further details, please refer to the announcements of the Company dated 6 October and 3 November, 2008 and the circular dated 16 October 2008.

All interests stated above represent long positions.

Save as disclosed above, as at 31 March 2009, the Directors and the chief executive of the Company were not aware of any person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

PRE-EMPTIVE RIGHTS

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

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Set out below are particulars of repurchases by the Company of its own ordinary shares made on the Stock Exchange during the year:

Month of repurchase	Total number of shares repurchased	Price per shares Highest	Price per shares Lowest	Total consideration (before expenses)
		HK$	HK$	HK$
February 2009	7,250,000	0.78	0.70	5,429,100
March 2009	13,020,000	0.76	0.70	9,651,000
	20,270,000			15,080,100

All shares repurchased were cancelled and destroyed and accordingly, the Company's issued share capital was reduced by the nominal value of those shares.

The above repurchases were made for the purpose of achieving an increase in the consolidated net asset value and/or earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Wang Tiao Chun has retired by rotation at the annual general meeting of the Company held on 9 September 2008 and did not offer himself for re-election as an independent non-executive Director of the Company. Following the retirement of Mr. Wang, the total number of independent non-executive Directors of the Company falls below the minimum number required under Rule 3.10(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Mr. Lai Qiang was appointed as independent non-executive Director of the Company on 8 December 2008. Following the appointment of Mr. Lai, the board of directors of the Company includes three independent non-executive directors and has complied with the required of Rule 3.10(1) of the Listing Rules.

AUDIT COMMITTEE

Following Mr. Wang Tiao Chun's retirement as independent non-executive Director of the Company, he ceased to be a member of the audit committee of the Company. For the period from 9 September 2008 to 7 December 2008, the audit committee of the Company comprises two members, namely Mr. Lai Man To and Mr. Joseph Lee Chennault. The total number of members falls below the minimum number required under Rule 3.21 of the Listing Rules.

Mr. Lai Qiang was appointed as a member of audit committee of the Company on 8 December 2008. Following the appointment of Mr. Lai, the audit committee of the Company includes three members and has complied with the required of Rule 3.21 of the Listing Rules.

The audit committee of the Company, with written terms of reference in line with the code provisions set out in the Code on Corporate Governance Practices (the "Code") as stipulated in Appendix 14 to the Listing Rules, currently comprises three independent non-executive Directors, namely Mr. Lai Man To, Mr. Joseph Lee Chennault and Mr. Lai Qiang. The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the audited financial statements for the year ended 31 March 2009.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out on pages 30 to 34 of the annual report.

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

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors (the "Model Code"). Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard as set out in the Model Code during the year ended 31 March 2009.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

On 17 May 2007, Messrs. Deloitte Touche Tohmatsu resigned as auditors of the Company and Messrs. Grant Thornton were appointed as auditors of the Company to fill the casual vacancy so arising. A resolution will be submitted to the annual general meeting to re-appoint Messrs. Grant Thornton as auditors of the Company.

On behalf of the Board

Cheung Wai Tung
Chairman

Hong Kong, 20 July 2009

INTRODUCTION

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

Code Provision A.4.1

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

Code Provision E.1.2

Under the code provision E.1.2 the chairman of the board should attend the annual general meeting. The chairman of the board, Mr. Cheung Wai Tung was unable to attend the annual general meeting of the Company held on 9 September 2008 as he was on business trip for other important business engagement. However, an executive director of the Company, present at the annual general meeting who then took the chair of that meeting in accordance with the Bye-Laws of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard as set out in the Model Code during the year ended 31 March 2009.

BOARD OF DIRECTORS

During the year, the Board of Directors comprised the executive Chairman, the executive Vice-Chairman, the Managing Director, six Executive Directors and three Independent Non-Executive Directors. The Board of Directors is principally accountable to the shareholders and is responsible for the leadership and control of the Group including overseeing the Group's businesses, strategic directions, financial performance, setting objectives and business development plans, and monitoring the performance of the senior management.

BOARD OF DIRECTORS (Continued)

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

Directors	Attendance/Number of Meetings
Executive Directors	
Mr. Cheung Wai Tung *(Chairman)*	5/5
Mr. Chu Bong Foo *(Vice-Chairman)*	4/5
Mr. Kwan Kin Chung *(Managing Director)*	5/5
Mr. Wan Xiaolin	5/5
Mr. Henry Chang Manayan	3/5
Mr. Tai Cheong Sao	5/5
Mr. Chung Billy	5/5
Mr. Tang U Fai	3/5
Mr. Tang Kwing Chuen Kenneth (appointed on 8 December 2008)	3/3
Independent Non-Executive Directors	
Mr. Lai Man To	5/5
Mr. Joseph Lee Chennault	4/5
Mr. Lai Qiang (appointed on 8 December 2008)	3/3
Mr. Wang Tiao Chun (retired on 9 September 2008)	0/1

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

AUDIT COMMITTEE

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

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

Currently, the Audit Committee comprised three independent non-executive Directors. The Audit Committee was chaired by Mr. Lai Man To.

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

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

Directors	**Attendance/Number of Meetings**
Mr. Lai Man To	2/2
Mr. Joseph Lee Chennault	2/2
Mr. Lai Qiang (appointed on 8 December 2008)	1/1
Mr. Wang Tiao Chun (retired on 9 September 2008)	0/1

ROLES AND RESPONSIBILITIES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year, the roles of the Chairman and CEO are segregated and performed by Mr. Cheung Wai Tung and Mr. Yu Huaguo respectively. The Chairman, Mr. Cheung Wai Tung is primarily responsible for the management of the Board, while the CEO, Mr. Yu Huaguo is primarily responsible for the daily operation of the Group in accordance with the goals set up by the Board. He is also supported by other Executive Directors and senior management.

TERMS OF NON-EXECUTIVE DIRECTORS

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

REMUNERATION COMMITTEE

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

Currently, the Remuneration Committee comprised two independent non-executive Directors and one Executive Director. The Remuneration Committee was chaired by Mr. Lai Man To.

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

Details of emoluments of the Directors from the Group for the year are as disclosed in note 10 to the financial statements.

NOMINATION OF DIRECTORS

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

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 March 2009, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors' Responsibilities and Remuneration

During the year, the audit fee for the Group amounted to approximately HK$897,000.

The statement of the auditors of the Company regarding their reporting responsibilities is set out in the Report of the Auditors on pages 35 and 36.

Internal Control

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

Grant Thornton
均富

Member of Grant Thornton International Ltd

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

We have audited the consolidated financial statements of Culturecom Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 124, which comprise the consolidated and company balance sheets as at 31 March 2009 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

Auditors' responsibility (Continued)

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

20 July 2009

Consolidated Income Statement

for the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	5	**46,811**	44,889
Cost of sales		**(29,220)**	(29,906)
Gross profit		**17,591**	14,983
Other income	6	**3,733**	13,475
Administrative expenses		**(51,159)**	(100,936)
Decrease in fair value of financial assets at fair value through profit or loss		**(68,099)**	(4,019)
Share of losses of associates	17	**(5,552)**	(11,051)
Allowances for amounts due from associates	17	**–**	(25,636)
Gain arising on acquisition of a subsidiary	35	**20,925**	28,444
Valuation (deficit)/surplus on investment properties	16	**(17,233)**	43,124
Finance costs	8	**(180)**	(789)
Loss before income tax	9	**(99,974)**	(42,405)
Income tax credit/(expense)	11	**7,085**	(7,160)
Loss for the year attributable to equity holders of the Company	12	**(92,889)**	(49,565)
			(Restated)
Loss per share attributable to equity holders of the Company during the year – basic	13	**HK13.1 cents**	HK8.9 cents
Dividends		**–**	–

Consolidated Balance Sheet

as at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	14	**56,982**	31,172
Prepaid lease payments	15	**14,239**	19,281
Investment properties	16	**120,251**	130,816
Long term deposits		**2,268**	–
Interests in associates	17	**25,084**	25,758
Intangible assets	18	**207,000**	211,506
		425,824	418,533
Current assets			
Inventories	19	**280**	223
Trade receivables	20	**16,135**	11,623
Prepaid lease payments	15	**382**	504
Other receivables, deposits and prepayments	21	**69,599**	36,913
Amounts due from fellow subsidiaries of an associate	22	**236**	236
Amounts due from associates	17	**21**	12
Tax recoverable		**153**	45
Financial assets at fair value through profit or loss	23	**77,582**	75,098
Bank balances and deposits with financial institutions	24	**130,240**	311,302
		294,628	435,956
Current liabilities			
Trade payables	25	**5,160**	4,926
Other payables and accrued charges		**26,478**	32,430
Other borrowings	27	**–**	24,966
Amounts due to fellow subsidiaries of an associate	26	**1,233**	1,233
Obligations under finance leases – due within one year	28	**43**	32
Tax payable		**176**	244
		33,090	63,831
Net current assets		**261,538**	372,125
Total assets less current liabilities		**687,362**	790,658

Consolidated Balance Sheet

as at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	29	**689,456**	709,526
Reserves	30	**(63,027)**	15,260
Total equity		**626,429**	724,786
Non-current liabilities			
Obligations under finance leases – due after one year	28	**135**	40
Deferred tax liabilities	33	**60,798**	65,832
		60,933	65,872
		687,362	790,658

Cheung Wai Tung
Director

Wan Xiaolin
Director

Balance Sheet

as at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Investments in subsidiaries	39	**215,144**	215,144
		215,144	215,144
Current assets			
Amounts due from a subsidiary	39	**382,948**	280,977
Other receivables, deposits and prepayments	21	**15,693**	1,166
Bank balances	24	**84,583**	216,458
		483,224	498,601
Current liabilities			
Other payables and accrued charges		**444**	664
Net current assets		**482,780**	497,937
Net assets		**697,924**	713,081
EQUITY			
Share capital	29	**689,456**	709,526
Reserves	30	**8,468**	3,555
Total equity		**697,924**	713,081

Cheung Wai Tung
Director

Wan Xiaolin
Director

Consolidated Cash Flow Statement

for the year ended 31 March 2009

	2009 HK$'000	2008 HK$'000
Cash flows from operating activities		
Loss before income tax	**(99,974)**	(42,405)
Adjustments for:		
Allowances for trade receivables	**–**	571
Allowances for amounts due from associates	**–**	25,636
Amortisation of prepaid lease payments	**504**	335
Amortisation of intangible asset	**11,920**	2,879
Decrease in fair value of financial assets at fair value through profit or loss	**68,099**	4,019
Depreciation of property, plant and equipment	**4,228**	2,778
Loss on disposal of property, plant and equipment	**19**	–
Dividend income	**(14)**	(21)
Gain on disposals of financial assets at fair value through profit or loss	**(707)**	(6,772)
Gain arising on acquisition of a subsidiary	**(20,925)**	(28,444)
Interest expense	**180**	789
Interest income	**(2,691)**	(5,837)
Recognition of equity-settled share-based payments	**–**	58,666
Share of losses of associates	**5,552**	11,051
Valuation deficit/(surplus) on investment properties	**17,233**	(43,124)
Operating loss before changes in working capital	**(16,576)**	(19,879)
Increase in inventories	**(57)**	(84)
Increase in trade receivables	**(4,315)**	(3,201)
(Increase)/Decrease in other receivables, deposits and prepayments	**(31,725)**	4,465
Increase in amounts due from associate	**(9)**	–
Increase in amounts due from fellow subsidiaries of an associate	**–**	(36)
Increase in financial assets at fair value through profit or loss	**(69,876)**	(42,468)
Increase/(Decrease) in trade payables	**234**	(3,047)
Decrease in other payables and accrued charges	**(5,960)**	(10,337)
Dividend received from financial assets at fair value through profit or loss	**14**	21
Net cash used in operations	**(128,270)**	(74,566)
Interest received	**2,691**	5,837
Hong Kong profits tax refunded	**–**	35
Hong Kong profits tax paid	**(150)**	(17)
Net cash used in operating activities	**(125,729)**	(68,711)

Consolidated Cash Flow Statement

for the year ended 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Cash flows from investing activities			
Acquisition of a subsidiary	35	**–**	19,610
Deposits made for long term deposits		**(2,268)**	–
Investment in an associate		**(4,878)**	(26,061)
Purchases of property, plant and equipment		**(9,687)**	(3,840)
Proceeds from disposals of property, plant and equipment		**84**	–
Advances to associates		**–**	(1,476)
Net cash used in investing activities		**(16,749)**	(11,767)
Cash flows from financing activities			
Payments for repurchases of shares		**(15,080)**	–
Proceeds from placing of shares		**–**	176,000
Net proceeds from issue of convertible bonds		**–**	35,929
Net proceeds from issue of warrants		**–**	23,105
Net proceeds from exercise of warrants		**–**	105,983
Net proceeds from exercise of share option		**–**	22,412
Interest paid		**(180)**	(789)
Repayments of other borrowings		**(24,966)**	–
Proceeds/(Repayments) of obligations under finance leases		**106**	(31)
Expenses incurred on consolidation shares		**(89)**	–
Expenses incurred on repurchases of shares		**(71)**	–
Share issue expenses in respect of placing of shares		**–**	(8,969)
Net cash (used in)/generated from financing activities		**(40,280)**	353,640
Net (decrease)/increase in cash and cash equivalents		**(182,758)**	273,162
Cash and cash equivalents at 1 April		**311,302**	37,154
Effect of foreign exchange rate changes		**1,696**	986
Cash and cash equivalents at 31 March		**130,240**	311,302
Analysis of the balances of cash and cash equivalents			
Bank balances and deposits with financial institutions		**130,240**	311,302

Consolidated Statement of Changes in Equity

for the year ended 31 March 2009

	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$'000	Investment property revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2007	410,698	730,418	171,671	25,773	446	(261)	12,998	–	(1,126,776)	224,967
Exchange differences on translation of overseas operations recognised directly in equity	–	–	–	–	–	1,983	–	–	–	1,983
Revaluation gain on buildings upon transfer to investment properties	–	–	–	–	–	–	–	1,275	–	1,275
Net income recognised directly in equity	–	–	–	–	–	1,983	–	1,275	–	3,258
Loss for the year	–	–	–	–	–	–	–	–	(49,565)	(49,565)
Total recognised income/ (expenses) during the year	–	–	–	–	–	1,983	–	1,275	(49,565)	(46,307)
Placing of shares	80,000	96,000	–	–	–	–	–	–	–	176,000
Net proceeds of issue of consideration shares	100,000	33,000	–	–	–	–	–	–	–	133,000
Recognition of convertible bonds	–	–	–	34,253	–	–	–	–	–	34,253
Conversion of convertible bonds	36,000	–	–	(34,253)	–	–	–	–	–	1,747
Exercise of share options	21,210	9,247	–	–	–	–	(8,045)	–	–	22,412
Exercise of warrants	61,618	66,907	–	(22,542)	–	–	–	–	–	105,983
Lapse of warrants	–	–	–	(1,603)	–	–	–	–	1,603	–
Issue of warrants	–	–	–	25,080	–	–	–	–	–	25,080
Share issue expenses	–	(8,969)	–	–	–	–	–	–	–	(8,969)
Warrants issue expenses	–	–	–	(1,975)	–	–	–	–	–	(1,975)
Convertible bonds issue expenses	–	(71)	–	–	–	–	–	–	–	(71)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	58,666	–	–	58,666
	298,828	196,114	–	(1,040)	–	–	50,621	–	1,603	546,126
At 31 March 2008	709,526	926,532	171,671	24,733	446	1,722	63,619	1,275	(1,174,738)	724,786

Consolidated Statement of Changes in Equity

for the year ended 31 March 2009

	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$'000	Investment property revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 31 March and 1 April 2008	709,526	926,532	171,671	24,733	446	1,722	63,619	1,275	(1,174,738)	724,786
Exchange differences on translation of overseas operations recognised directly in equity	–	–	–	–	–	8,898	–	–	–	8,898
Revaluation gain on buildings upon transfer to investment properties	–	–	–	–	–	–	–	1,046	–	1,046
Deferred tax liabilities arising from revaluation gain of investment properties	–	–	–	–	–	–	–	(172)	–	(172)
Net income recognised directly in equity	–	–	–	–	–	8,898	–	874	–	9,772
Loss for the year	–	–	–	–	–	–	–	–	(92,889)	(92,889)
Total recognised income/ (expenses) during the year	–	–	–	–	–	8,898	–	874	(92,889)	(83,117)
Share repurchase and cancellation	(20,070)	5,137	–	–	–	–	–	–	–	(14,933)
Share repurchase and pending for cancellation	–	–	–	(147)	–	–	–	–	–	(147)
Share repurchases expenses	–	(71)	–	–	–	–	–	–	–	(71)
Share consolidation expenses	–	(89)	–	–	–	–	–	–	–	(89)
	(20,070)	4,977	–	(147)	–	–	–	–	–	(15,240)
At 31 March 2009	689,456	931,509	171,671	24,586	446	10,620	63,619	2,149	(1,267,627)	626,429

The contributed surplus of the Group 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 (2008: HK$1,500,000).

1. GENERAL INFORMATION

Culturecom Holdings Limited ("the Company") is a limited liability company incorporated and domiciled in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business is Units 610C, 612-613, Level 6, Core D, Cyberport 3, 100 Cyberport Road, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Company and its subsidiaries (collectively the "Group") comprise publishing, investment holding, exploration of crude oil services and Chinese information infrastructure. There were no significant changes in the Group's operations during the year. The Group's principal places of the business are in Hong Kong and the People's Republic of China (the "PRC").

The financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

The financial statements on pages 37 to 124 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The financial statements for the year ended 31 March 2009 were approved for issue by the board of directors on 20 July 2009.

2. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has applied, for the first time, the following new standards, amendment and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2008.

2. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

HKAS 39 & HKFRS 7 (Amendments)	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets

The new HKFRSs had no material impact on how the results and financial position for the current or prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 (Amendment)	Financial instruments: Recognition and Measurement – Eligible Hedged Items[2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[2]
HKFRS 1 and HKAS 27 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards and Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate[1]
HKFRS 2 (Amendment)	Share-based Payment – Amendments Relating to Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations – Comprehensive Revision on Applying the Acquisition Method[2]
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments[1]
HKFRS 8	Operating Segments[1]

2. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

HK(IFRIC) – Interpretation 2 (Amendments)	Members' Shares in Co-operative Entities and Similar Instruments[1]
HK(IFRIC) – Interpretation 9 and HKAS 39 (Amendments)	Reassessment of Embedded Derivatives[6]
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes[7]
HK(IFRIC) – Interpretation 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – Interpretation 16	Hedges of a Net Investment in a Foreign Operation[3]
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners[2]
HK(IFRIC) – Interpretation 18	Transfer of Assets from Customers[4]

Various – Annual Improvements to HKFRS 2008 (May 2008)[5]

Various – Annual Improvements to HKFRS 2009 (April 2009)[8]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 October 2008
4 Effective for transfer of assets from customers received on or after 1 July 2009
5 Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRSs
6 Effective for annual periods ending on or after 30 June 2009
7 Effective for annual periods beginning on or after 1 July 2008
8 Generally effective for annual periods beginning on or after 1 January 2010 unless otherwise stated in the specific HKFRSs

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncements.

Amongst these new standards and interpretations, HKAS 1(Revised) Presentation of Financial Statements is expected to materially change the presentation of the Group's financial statements. These amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). These amendments do not affect the financial position or results of the Group but will give rise to additional disclosures.

2. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

In addition, HKFRS 8 Operating Segments may result in new or amended disclosures. The directors are in the process of identifying reportable operating segments as defined in HKFRS 8.

The directors are currently assessing the impact of the other new and amended HKFRSs upon initial application. So far, the directors have preliminary concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group's results and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of the 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 under the historical cost convention except for investment properties and financial assets at fair value through profit or loss which are stated at fair values. The measurement bases are fully described in the accounting policies below.

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 de-consolidated 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 the 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Associates (Continued)

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment.

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. At each balance sheet date, the Group determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (see note 3.13) of the associate and its carrying amount.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the income statement in the determination of the Group's share of the associate's profit or loss in which the investment is acquired.

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. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Revenue recognition

Revenue comprises the fair value for the sale of goods and rendering of services, net of rebate and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

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

Exploration and production services income is recognised when services are rendered.

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

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

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

Management fee income is recognised when services are rendered.

3.7 Goodwill

Goodwill represents the excess of the cost of a business combination or an investment over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of the business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group, plus any costs directly attributable to the business combination or investment.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Borrowing costs

All borrowing costs are expensed as incurred.

3.9 Intangible assets (other than goodwill)

Intangible assets (other than goodwill)

Intangible assets acquired separately are recognised initially at cost. After initial recognition, intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. Intangible assets are tested for impairment as described below in note 3.13.

Intangible assets include exploration and production services rights in respect of the cooperation right of crude oil extraction which are recognised at fair value upon business combination (note 35) and are amortised on straight-line method over the period of the related service contract.

3.10 Development costs

All development costs are expensed as incurred.

3.11 Property, plant and equipment

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Property, plant and equipment (Continued)

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

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

The assets' estimated useful lives, residual values and depreciation method 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 net 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.

3.12 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Investment properties (Continued)

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised in the 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 are included in the income statement for the period in which they arise.

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

3.13 Impairment of non-financial assets

Property, plant and equipment, interests in subsidiaries and associates, prepaid lease payments 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 3.12 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Impairment of non-financial assets (Continued)

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

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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Leases (Continued)

(ii) *Assets acquired under finance leases (Continued)*

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 income statement 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 the income statement in the accounting period in which they are incurred.

(iii) *Operating lease charges as the lessee*

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the income statement on the straight-line method over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in 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 income statement 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial assets

Financial assets are classified into financial assets at fair value through profit or loss and 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) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes:

– financial assets held-for-trading;

– financial assets designated upon initial recognition as at fair value through profit or loss; and

– all derivatives other than hedging instruments.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial assets (Continued)

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

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 is evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

– the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in income statement. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 3.6 to these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial assets (Continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortised cost using the effective interest 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.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Financial assets carried at cost

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

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

Impairment losses recognised in an interim period in respect of unquoted equity securities carried at cost are not reversed in a subsequent period.

3.16 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 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.

3.19 Share capital

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

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

Repurchase or cancellation of the Company's ordinary share is deducted from equity. No gain or loss is recognised in the income statement on the repurchase or cancellation of the Company's ordinary shares.

3.20 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Retirement benefit costs and short term employee benefits (Continued)

Short-term employee benefits

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

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

3.21 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 Equity-settled share-based payment transactions (Continued)

Share options granted to suppliers/consultants

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

3.22 Financial liabilities

The Group's financial liabilities include trade payables, other payables and accruals, other borrowings, amounts due to fellow subsidiaries of an associate and finance lease liabilities.

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

Finance lease liabilities

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

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

These are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest rate method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 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 amortisation, if appropriate.

3.24 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, investment properties and operating cash, and mainly exclude corporate assets and financial assets at fair value through profit or loss. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.24 Segment reporting (Continued)

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.

3.25 Related parties

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

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

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.

Estimation of exploration and production service rights

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

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 estimates are made with reference to the ageing of the accounts receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than the estimate.

Net realisable value of inventories

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

Deferred tax

As at 31 March 2009, deferred tax assets of HK$4,868,000 (2008: HK$5,163,000) 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.

Carrying value of financial assets at fair value through profit or loss

Unlisted equity share investments

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

Other investments

The fair value of the other investments with carrying amount of HK$23,701,000 (2008: Nil) is valued by reference to the redemption value of the investments quoted by the respective bank in PRC.

5. 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, rental income and exploration and production services income and is analysed as follows:

	2009	2008
	HK$'000	HK$'000
Sales of goods	**35,025**	37,247
Rental income	**6,455**	5,672
Exploration and production services income	**5,331**	1,970
	46,811	44,889

6. OTHER INCOME

	2009	2008
	HK$'000	HK$'000
Gain on disposals of financial assets at fair value through profit or loss	**707**	6,772
Interest income on bank deposits	**2,691**	5,837
Management fee income	**68**	120
Sundry income	**253**	725
Dividend received from listed equity securities	**14**	21
	3,733	13,475

7. SEGMENT INFORMATION

Primary reporting format – Business segments

The Group is currently organised into four main business segments:

Publishing	– publishing of comics and related business
Property investment	– rental income from investment properties
Crude oil exploration services	– services income from crude oil exploration services
Chinese information infrastructure	– sales of Chinese operating system, processor, eTextbook and application software

Income statement for the year ended 31 March 2009

	Publishing HK$'000	Property investment HK$'000	Crude oil exploration services HK$'000	Chinese information infrastructure HK$'000	Consolidated HK$'000
Turnover	34,983	6,455	5,331	42	46,811
Segment results	4,217	2,573	8,718	(10,277)	5,231
Unallocated expenses					(82,240)
Share of loss of associates					(5,552)
Valuation deficit on investment properties					(17,233)
Finance costs					(180)
Loss before income tax					(99,974)
Income tax credit					7,085
Loss for the year					(92,889)

7. SEGMENT INFORMATION (Continued)

Primary reporting format – Business segments (Continued)

Income statement for the year ended 31 March 2008

	Publishing HK$'000	Property investment HK$'000	Crude oil exploration services HK$'000	Chinese information infrastructure HK$'000	Consolidated HK$'000
Turnover	37,195	5,672	1,970	52	44,889
Segment results	(11,174)	34*	18,905*	(24,745)	(16,980)
Unallocated expenses					(31,073)
Share of loss of associates					(11,051)
Valuation surplus on investment properties*					43,124
Allowances for amounts due from associates					(25,636)
Finance costs					(789)
Loss before income tax					(42,405)
Income tax expense					(7,160)
Loss for the year					(49,565)

* Comparative information was re-grouped in the current year for a fairer presentation of the Group's segment information, including the reclassification of gain arising on acquisition of a subsidiary amounted HK$28,444,000 to crude oil exploration services segment results and the reclassification valuation surplus on investment properties from property investment segment result.

7. SEGMENT INFORMATION (Continued)

Primary reporting format – Business segments (Continued)

Balance sheet at 31 March 2009

	Publishing	Property investment	Crude oil exploration services	Chinese information infrastructure	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets					
Segment assets	15,272	138,803	308,066	10,923	473,064
Interests in associates					25,084
Amounts due from associates					21
Unallocated corporate assets					222,283
Consolidated total assets					720,452
Liabilities					
Segment liabilities	8,256	2,707	15,566	1,870	28,399
Unallocated corporate liabilities					65,624
Consolidated total liabilities					94,023

7. SEGMENT INFORMATION (Continued)

Primary reporting format – Business segments (Continued)

Balance sheet at 31 March 2008

	Publishing HK$'000	Property investment HK$'000	Crude oil exploration services HK$'000	Chinese information infrastructure HK$'000	Consolidated HK$'000
Assets					
Segment assets	19,240	157,365	307,529	13,841	497,975
Interests in associates					25,758
Amounts due from associates					12
Unallocated corporate assets					330,744
Consolidated total assets					854,489
Liabilities					
Segment liabilities	9,581	1,485	48,838	1,793	61,697
Unallocated corporate liabilities					68,006
Consolidated total liabilities					129,703

7. SEGMENT INFORMATION (Continued)

Primary reporting format – Business segments (Continued)

Other information for the year ended 31 March 2009

	Publishing HK$'000	Property investment HK$'000	Crude oil exploration services HK$'000	Chinese information infrastructure HK$'000	Unallocated HK$'000	Consolidated HK$'000
Capital expenditures	53	34	24,200	5,852	310	30,449
Amortisation of prepaid lease payments	–	–	–	–	504	504
Amortisation of intangible assets	–	–	11,920	–	–	11,920
Depreciation of property, plant and equipment	164	1,079	1,549	469	967	4,228

Other information for the year ended 31 March 2008

	Publishing HK$'000	Property investment HK$'000	Crude oil exploration services HK$'000	Chinese information infrastructure HK$'000	Unallocated HK$'000	Consolidated HK$'000
Capital expenditures	2,761	125	231,273	569	–	234,728
Amortisation of prepaid lease payments	–	–	–	–	335	335
Amortisation of intangible assets	–	–	2,879	–	–	2,879
Depreciation of property, plant and equipment	712	715	262	639	450	2,778

7. SEGMENT INFORMATION (Continued)

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	
	2009	2008
	HK$'000	HK$'000
Hong Kong	**41,438**	42,867
PRC	**5,331**	1,970
Macau	**42**	52
	46,811	44,889

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

	Segment assets		Capital expenditures	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**154,370**	181,572	**397**	2,886
PRC	**308,166**	308,622	**24,200**	231,273
Macau	**10,528**	7,781	**5,852**	569
	473,064	497,975	**30,449**	234,728

8. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest charges on:		
Finance leases	**9**	4
Other borrowings wholly repayable within five years	**171**	621
Convertible bonds	**–**	164
	180	789

9. LOSS BEFORE INCOME TAX

	2009 HK$'000	2008 HK$'000
Loss before income tax has been arrived at after charging/(crediting):		
Staff costs		
Directors' emoluments *(note 10)*	4,638	4,129
Other staff costs:		
– Retirement benefits schemes contributions	324	360
– Share option expense	–	12,058
– Salaries and other benefits	12,516	13,876
	17,478	30,423
Auditors' remuneration	897	760
Allowances for trade receivables	–	571
Amortisation of prepaid lease payments	504	335
Amortisation of intangible assets	11,920	2,879
Depreciation of property, plant and equipment		
– Owned assets	4,204	2,754
– Assets held under finance leases	24	24
	4,228	2,778
Cost of inventories recognised as expenses	23,023	24,829
Operating lease rentals in respect of rented premises	6,056	3,633
Loss on disposal of property, plant and equipment	19	–
Recognition of equity-settled share-based payments	–	58,666
Property rental income under operating leases, net of direct outgoings of HK$674,000 (2008: HK$122,000)	(5,781)	(5,550)
Net foreign exchange loss	274	8

10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

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

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

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

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

	Fees HK$'000	Salaries and other benefits HK$'000	Share option HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
2008					
Executive directors					
Cheung Wai Tung	120	1,440	–	12	1,572
Chu Bong Foo	–	129	–	–	129
Chung Billy*	100	308	–	5	413
Henry Chang Manayan	–	–	–	–	–
Kwan Kin Chung (appointed on 6 March 2008)	–	–	494	–	494
Tai Cheong Sao (appointed on 18 June 2007)	100	90	–	–	190
Tang U Fai (appointed on 6 March 2008)	10	16	–	–	26
Wan Xiaolin	120	693	–	12	825
Independent non-executive directors					
Chung Billy*	–	–	–	–	–
Joseph Lee Chennault	120	120	–	–	240
Lai Man To	120	120	–	–	240
Wang Tiao Chun	–	–	–	–	–
Total for 2008	690	2,916	494	29	4,129

* Chung Billy was redesignated from independent non-executive director to executive director on 5 November 2007.

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

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

During the year, no emoluments were paid by the Group to the directors as a discretionary bonus or an inducement to join or upon joining the Group or as a compensation for loss of office.

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest emoluments in the Group for the year included three (2008: two) directors whose emoluments are included in the disclosure in note 10(a) above. The emoluments payable to the remaining two (2008: three) individuals during the year were as follows:

	2009	2008
	HK$'000	HK$'000
Salaries and other benefits	**979**	3,155
Retirement benefits scheme contributions	**24**	31
	1,003	3,186

The emoluments fell within the following bands:

	Number of individuals	
	2009	2008
Emolument bands		
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 or above	**–**	1
	2	3

11. INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profit for the year. No PRC Enterprise Income Tax has been provided as the Group did not derive any assessable income in the PRC during the year.

	2009 **HK$'000**	2008 HK$'000
The tax (credit)/expense comprises:		
Current tax		
– Hong Kong profit tax	**–**	110
Over provision in prior years		
– Hong Kong profit tax	**(26)**	–
Deferred tax		
– Deferred tax (credited)/charged	**(6,299)**	7,050
– Attributable to decrease in tax rate	**(760)**	–
	(7,085)	7,160

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

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

	2009 **HK$'000**	2008 HK$'000
Loss before income tax	**(99,974)**	(42,405)
Notional tax on profit calculated at the rates applicable to profits in the jurisdiction concerned	**(15,925)**	(6,483)
Effect of change in tax rate	**760**	–
Tax effect of income not taxable	**(3,884)**	(5,103)
Tax effect of expenses not deductible	**3,164**	17,246
Tax effect of unused tax losses not recognised	**8,714**	1,500
Tax effect on temporary difference not recognised	**86**	–
Total income tax (credit)/expense	**(7,085)**	7,160

11. INCOME TAX (CREDIT)/EXPENSE (Continued)

The Hong Kong SAR Government enacted a reduction in the Profits Tax Rate from 17.5% to 16.5% with effect from the year of assessment 2008/2009. Accordingly, the relevant current and deferred tax liabilities have been calculated using the new tax rate of 16.5%.

Enterprise income tax ("EIT") arising from other regions of the PRC is calculated at 25% (2008: 33%) of the estimated assessable profit.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New EIT Law"). On 6 December 2007, the State Council issued Implementation Regulations of the New EIT Law. The New EIT Law introduces a wide range of changes which include, but are not limited to, the unification of the EIT rate for domestic and foreign investment enterprises at a rate of 25% with effect from 1 January 2008.

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

12. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the consolidated loss attributable to the equity holders of the Company of HK$92,889,000 (2008: HK$49,565,000), a profit of HK$83,000 (2008: a loss of HK$58,702,000) has been dealt with in the financial statements of the Company.

13. 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$92,889,000 (2008: HK$49,565,000) and the weighted average number of 708,107,000 (2008: 557,931,200) ordinary shares in issue during the year, as adjusted for the effect of the consolidation of ordinary shares of the Company on the basis that every ten then existing issued ordinary shares of HK$0.1 each were consolidated into one ordinary share of HK$1.0 effective from 4 November 2008.

No diluted loss per share has been presented for both years because the impact of the exercise of the Company's outstanding share options was anti-dilutive.

14. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Exploration and production properties HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Vehicles, furniture and equipment HK$'000	Total HK$'000
At 1 April 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
Year ended 31 March 2008						
Opening net book amount	–	7,168	1,752	655	3,655	13,230
Acquisition of a subsidiary	17,163	–	–	285	439	17,887
Additions	–	–	2,795	–	1,045	3,840
Transfer to investment properties	–	(1,452)	–	–	–	(1,452)
Depreciation	(199)	(870)	(636)	(558)	(515)	(2,778)
Exchange realignment	421	–	–	8	16	445
Closing net book amount	17,385	4,846	3,911	390	4,640	31,172
At 31 March and 1 April 2008						
Cost	17,584	17,362	35,032	14,743	47,959	132,680
Accumulated depreciation	(199)	(12,516)	(31,121)	(14,353)	(43,319)	(101,508)
Net book amount	17,385	4,846	3,911	390	4,640	31,172
Year ended 31 March 2009						
Opening net book amount	17,385	4,846	3,911	390	4,640	31,172
Additions	23,857	–	2,880	–	3,712	30,449
Disposals	–	–	–	–	(103)	(103)
Transfer to investment properties	–	(962)	–	–	–	(962)
Depreciation	(1,286)	(868)	(1,486)	(93)	(495)	(4,228)
Exchange realignment	613	–	–	9	32	654
Closing net book amount	40,569	3,016	5,305	306	7,786	56,982
At 31 March 2009						
Cost	42,062	13,163	37,912	14,752	50,604	158,493
Accumulated depreciation	(1,493)	(10,147)	(32,607)	(14,446)	(42,818)	(101,511)
Net book amount	40,569	3,016	5,305	306	7,786	56,982

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

The buildings of the Group at 31 March 2009 and 2008 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$190,000 (2008: HK$94,800).

15. PREPAID LEASE PAYMENTS – GROUP

	2009	2008
	HK$'000	HK$'000
Balance at the beginning of the year	**19,785**	25,059
Charge for the year	**(504)**	(335)
Transfer to investment properties	**(4,660)**	(4,939)
Balance at the end of the year	**14,621**	19,785
Analysis for reporting purposes as:		
Non-current asset	**14,239**	19,281
Current asset	**382**	504
Total (Medium-term leasehold land in Hong Kong)	**14,621**	19,785

16. INVESTMENT PROPERTIES – GROUP

	2009	2008
	HK$'000	HK$'000
Balance at the beginning of the year	**130,816**	80,026
Transfer from property, plant and equipment*	**2,008**	2,727
Transfer from prepaid lease payments	**4,660**	4,939
Valuation (deficit)/surplus recognised in the income statement	**(17,233)**	43,124
Balance at the end of the year	**120,251**	130,816

* There was a revaluation gain of HK$1,046,000 (2008: HK$1,275,000) upon the transfer of building to investment properties and the gain was credited to the investment property revaluation reserve.

16. INVESTMENT PROPERTIES – GROUP (Continued)

The fair value of the Group's investment properties, situated in Hong Kong and held under medium term leases, at 31 March 2009 has been arrived at on the basis of a valuation carried out by RHL Appraisal Ltd., an independent qualified professional valuer not connected with the Group and with appropriate qualification and experience in the valuation of similar properties in the relevant locations. The valuation conformed to Hong Kong Institute of Surveyors Valuation Standards on Properties and was arrived at by reference to market evidence of transaction prices for similar properties.

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

17. INTERESTS IN ASSOCIATES – GROUP

	2009	2008
	HK$'000	HK$'000
Cost of investment in associates		
Listed in Hong Kong	**75,493**	70,615
Unlisted	**5,569**	5,569
Share of post-acquisition losses	**(55,978)**	(50,426)
	25,084	25,758
Market value of listed investments	**62,955**	172,833

Amounts due from associates are interest free, unsecured and are due within one year. These are:

	2009	2008
	HK$'000	HK$'000
Amounts due from associates	**35,853**	35,844
Less: Allowances for amounts due from associates	**(35,832)**	(35,832)
	21	12

17. INTERESTS IN ASSOCIATES – GROUP (Continued)

Allowance for amounts due from associates are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against current account of respective associates directly.

Movement in allowances for amounts due from associates are as follows:

	2009 HK$'000	2008 HK$'000
At 1 April	**35,832**	10,196
Allowances charged to the income statement	**–**	25,636
At 31 March	**35,832**	35,832

Particulars of the Group's principal associates as at 31 March 2009 are as follows:

Name	Form of business structure	Place of incorporation/ Operation	Class of shares held	Proportion of nominal value of issued share capital held by the Group %	Principal activities
Chinese 2 Linux (Holdings) Limited	Incorporated	British Virgin Islands ("BVI")/ Hong Kong	Ordinary	41% (2008: 41%)	Development of Chinese language computer operating system
GlobalRes Group Limited	Incorporated	BVI/Hong Kong	Ordinary	23% (2008: 23%)	Provision of computer and telecommunications services to travel agents
China Bio Cassava Holdings Limited ("Bio Cassava") (previously known as "Bio Cassava Technology Holdings Limited") *(note)*	Incorporated	Cayman Islands/ Hong Kong	Ordinary	26% (2008: 26%)	Development, packing and retailing of Chinese language encryption software

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

17. INTERESTS IN ASSOCIATES – GROUP (Continued)

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:

	2009 HK$'000	2008 HK$'000
Total assets	**80,380**	90,669
Total liabilities	**(120,750)**	(107,488)
Net liabilities	**(40,370)**	(16,819)
Group's share of net assets of associates	**7,918**	9,026
Revenue	**298,308**	393,561
Loss for the year	**(18,499)**	(44,683)
Group's share of losses of associates for the year	**(5,552)**	(11,051)

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:

	2009 HK$'000	2008 HK$'000
Unrecognised share of losses of associates for the year	**1,510**	493
Accumulated unrecognised share of losses of associates	**44,203**	45,192

18. INTANGIBLE ASSETS – GROUP

	Club memberships HK$'000	Exploration and production services rights HK$'000	Total HK$'000
At 1 April 2007			
Cost	1,385	–	1,385
Accumulated amortisation	–	–	–
Net book amount	1,385	–	1,385
Year ended 31 March 2008			
Opening net book amount	1,385	–	1,385
Acquisition of a subsidiary	–	213,000	213,000
Amortisation	–	(2,879)	(2,879)
Closing net book amount	1,385	210,121	211,506
At 31 March and 1 April 2008			
Cost	1,385	213,000	214,385
Accumulated amortisation	–	(2,879)	(2,879)
Net book amount	1,385	210,121	211,506
Year ended 31 March 2009			
Opening net book amount	1,385	210,121	211,506
Amortisation	–	(11,920)	(11,920)
Exchange realignment	–	7,414	7,414
Closing net book amount	1,385	205,615	207,000
At 31 March 2009			
Cost	1,385	220,515	221,900
Accumulated amortisation	–	(14,900)	(14,900)
Net book amount	1,385	205,615	207,000

18. INTANGIBLE ASSETS – GROUP (Continued)

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

Exploration and production services rights (the "Cooperation right") are the cooperation right of crude oil extraction of the Group which was acquired on 21 January 2008 following the acquisition of Raise Beauty Investments Limited and its subsidiaries (the "Raise Beauty Group") as discussed in note 35.

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

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

The amortisation period of the Cooperation right was 20 years, in accordance with the terms of the Da Ming agreement. At 31 March 2009, the remaining amortisation period of the Cooperation right was 17.25 years.

19. INVENTORIES – GROUP

These are finished goods and an amount of HK$280,000 (2008: HK$223,000) is carried at net realisable value at the balance sheet date.

20. TRADE RECEIVABLES – GROUP

	2009 HK$'000	2008 HK$'000
Trade receivables	**18,907**	14,395
Less: Impairment of trade receivables	**(2,772)**	(2,772)
	16,135	11,623

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

	2009 HK$'000	2008 HK$'000
0 – 60 days	**4,518**	6,066
61 – 90 days	**1,128**	1,003
91 – 180 days	**855**	2,832
Over 180 days	**9,634**	1,722
	16,135	11,623

Credit periods granted to customers of publishing, investment properties and crude oil exploration services are normally 30 to 90 days, 30 days and 180 days to 360 days respectively (2008: 30 to 90 days, 30 days and 180 days to 360 days).

20. TRADE RECEIVABLES – GROUP (Continued)

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

	2009 HK$'000	2008 HK$'000
Not yet past due nor impaired	**15,498**	10,502
Past due but not considered impaired		
0 – 60 days	**477**	133
61 – 90 days	**–**	46
91 – 180 days	**160**	942
	16,135	11,623

Trade receivables that are not yet past due relate to a wide range of customers for whom there was no recent history of default. Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group do not hold any collateral over these balances.

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. Movement in the provision for impairment of trade receivables are as follows:

	2009 HK$'000	2008 HK$'000
At 1 April	**2,772**	2,201
Impairment loss charged to the income statement	**–**	571
	2,772	2,772

20. TRADE RECEIVABLES – GROUP (Continued)

Ageing analysis of impaired trade receivables was as follows:

	2009	2008
	HK$'000	HK$'000
Over 360 days	**2,772**	2,772

At each balance sheet date, the Group assesses whether objective evidence of impairment exists individually for trade receivables that are individually significant, and individually or collectively for trade receivables that are not individually significant. The Group also assesses collectively for trade receivables with similar credit risk characteristics for impairment. The impaired receivables, if any, are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision is recognised if the amount is determined to be irrecoverable.

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

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

21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other receivables	**64,107**	12,531	**14,595**	–
Deposits and prepayments	**5,492**	24,382	**1,098**	1,166
	69,599	36,913	**15,693**	1,166

Included in other receivables of the Group is gain arising on acquisition of the Raise Beauty Group of HK$20,925,000 as a consequence of the shortfall of the profit guarantee for the period from 1 January 2008 to 31 December 2008. Details of the compensation of HK$20,925,000 are described in note 35.

Other receivable of HK$10,056,000 is interest-free, secured by listed shares with a market value HK$12,000,000 as at balance sheet date and repayable on demand. The Group entitled to call upon the collateral when the borrower defaults on repayment. The balance was fully settled in July 2009.

Other receivable of HK$14,595,000 is interest bearing at 2% over prime rate, unsecured and repayable on demand.

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

22. AMOUNTS DUE FROM FELLOW SUBSIDIARIES OF AN ASSOCIATE – GROUP

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

	2009 HK$'000	2008 HK$'000
Amounts due from fellow subsidiaries of an associate	**6,777**	6,777
Less: Impairment loss	**(6,541)**	(6,541)
	236	236

Impairment losses in respect of the above balance are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against current account of respective fellow subsidiaries of an associate directly.

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

	2009 HK$'000	2008 HK$'000
Listed equity shares, at fair value:		
Hong Kong	**34,541**	52,744
Overseas	**9,631**	2,936
	44,172	55,680
Unlisted equity shares:		
Overseas, at cost less impairment loss	**9,709**	19,418
Other investments, at fair value:		
PRC	**23,701**	–
	77,582	75,098

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

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

24. BANK BALANCES AND DEPOSITS WITH FINANCIAL INSTITUTIONS

Bank balances and deposits with financial institutions are short term bank deposits carrying interest at an average market rate of 1.0% (2008: 3.1%) and are readily convertible into known amounts of cash.

Included in bank and cash balances of the Group is HK$12,321,000 (2008: HK$14,046,000) of bank balances denominated in Renminbi ("RMB") placed with the banks in the PRC. RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

25. TRADE PAYABLES – GROUP

The following is an ageing analysis of trade payables at the balance sheet date:

	2009 **HK$'000**	2008 HK$'000
0 – 60 days	**2,702**	2,290
61 – 90 days	**1,010**	908
Over 90 days	**1,448**	1,728
	5,160	4,926

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

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

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

27. OTHER BORROWINGS – GROUP

	2009 HK$'000	2008 HK$'000
Unsecured	–	24,966

In 2008, other borrowings were obtained from independent individuals and borne the fixed interest rate at 10% per annum. The balance was fully repaid during the year.

28. OBLIGATIONS UNDER FINANCE LEASES – GROUP

	Minimum lease Payments		Present value of minimum lease payments	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Amounts payable under finance leases:				
Within one year	52	37	43	32
In the second to fifth years inclusive	164	45	135	40
	216	82	178	72
Less: Future finance charges	(38)	(10)	–	–
Present value of lease obligations	178	72	178	72
Less: Amounts due within one year			(43)	(32)
Amounts due after one year			135	40

The balances are secured by the lessor's charge over the leased assets. The lease terms in respect of assets held under finance leases are 5 years. For the year ended 31 March 2009, average effective borrowing rate was 9% (2008: 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.

29. SHARE CAPITAL

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

		Number of shares HK$0.1 each		Number of shares HK$1.0 each		Share capital	
		2009	2008	**2009**	2008	**2009**	2008
	Notes	**'000**	'000	**'000**	'000	**HK$'000**	HK$'000
Authorised:							
Ordinary shares at beginning of year		**10,000,000**	10,000,000	**–**	–	**1,000,000**	1,000,000
Share consolidation	a	**(10,000,000)**	–	**1,000,000**	–	**–**	–
Ordinary shares at end of year		**–**	10,000,000	**1,000,000**	–	**1,000,000**	1,000,000
Issued and fully paid:							
Ordinary shares at beginning of year		**7,095,260**	4,106,980	**–**	–	**709,526**	410,698
Share consolidation	a	**(7,095,260)**	–	**709,526**	–	**–**	–
Exercise of share options	b	**–**	212,100	**–**	–	**–**	21,210
Exercise of warrants	31	**–**	616,180	**–**	–	**–**	61,618
Conversion of convertible bonds	c	**–**	360,000	**–**	–	**–**	36,000
Placing of shares	d	**–**	800,000	**–**	–	**–**	80,000
Issue of consideration shares	35	**–**	1,000,000	**–**	–	**–**	100,000
Repurchase and cancellation of shares	e	**–**	–	**(20,070)**	–	**(20,070)**	–
Ordinary shares at end of year		**–**	7,095,260	**689,456**	–	**689,456**	709,526

29. SHARE CAPITAL (Continued)

Notes:

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

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

(b) During the year ended 31 March 2008, the subscription rights attaching to 212,100,000 share options were exercised at weighted average subscription prices of HK$0.106 per share, resulting in the issue of 212,100,000 shares of HK$0.10 each for a total consideration of approximately HK$22,412,000.

(c) On 11 May 2007, Tranche 2 convertible bonds were issued to the holders of the Tranche 1 Convertible Bonds, at amount of HK$36,000,000. The conversion price of the convertible bonds was 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 2 convertible bonds which amounted to approximately HK$35,929,000 were used as general working capital of the Group.

(d) On 14 June 2007, the Company and the placing agent entered into placing agreement pursuant to which the Company conditionally agreed to place 800,000,000 new shares ("Placing Shares") to independent institutional, corporate or individual investors at a price of HK$0.22 per Placing Share (the "Placing "). The Placing was completed on 10 July 2007. Net proceeds from the Placing were approximately HK$167,031,000.

(e) During the year, the Company repurchased 20,270,000 ordinary shares (2008: Nil) from the Stock Exchange at a total consideration of HK$15,080,000 and the related amount has been deducted from shareholders' equity. 20,070,000 shares were cancelled during the year and 200,000 ordinary shares were cancelled subsequent to the balance sheet date.

30. RESERVES

GROUP

Please refer to the Consolidated Statement of Changes in Equity for reserves of the Group on pages 43 and 44.

COMPANY

	Share premium HK$'000	Contribution surplus HK$'000	Other reserve HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2007	730,418	262,143	24,145	446	12,998	(1,215,191)	(185,041)
Placing of shares	96,000	–	–	–	–	–	96,000
Issue of consideration shares	33,000	–	–	–	–	–	33,000
Recognition of convertible bonds	–	–	34,253	–	–	–	34,253
Conversion of convertible bonds	–	–	(34,253)	–	–	–	(34,253)
Exercise of share options	9,247	–	–	–	(8,045)	–	1,202
Exercise of warrants	66,907	–	(22,542)	–	–	–	44,365
Lapse of warrants	–	–	(1,603)	–	–	1,603	–
Issue of warrants	–	–	25,080	–	–	–	25,080
Share issue expenses	(8,969)	–	–	–	–	–	(8,969)
Warrants issue expenses	–	–	(1,975)	–	–	–	(1,975)
Convertible bonds issue expenses	(71)	–	–	–	–	–	(71)
Recognition of equity-settled share-based payments	–	–	–	–	58,666	–	58,666
Loss for the year	–	–	–	–	–	(58,702)	(58,702)
At 31 March and 1 April 2008	926,532	262,143	23,105	446	63,619	(1,272,290)	3,555
Share repurchase and cancellation	5,137	–	–	–	–	–	5,137
Share repurchase and pending for cancellation	–	–	(147)	–	–	–	(147)
Share repurchase expenses	(71)	–	–	–	–	–	(71)
Share consolidation expenses	(89)	–	–	–	–	–	(89)
Profit for the year	–	–	–	–	–	83	83
At 31 March 2009	931,509	262,143	22,958	446	63,619	(1,272,207)	8,468

30. RESERVES (Continued)

The contributed surplus of the Company represents the difference between the underlying net assets of the subsidiaries acquired by the Company as at the date of the group reorganisation and the nominal amount of the Company's share capital issued as consideration for the acquisition.

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

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Other reserve of the Company includes the net proceeds from issue of warrants and equity portion of convertible bonds and transferred to share premium upon exercise of warrants or conversion of convertible bonds.

As at the balance sheet date, the Company has no reserves available for distribution to shareholders.

31. WARRANTS

In 2005, the Company entered into a conditional placing agreement with a placing agent in relation to the private placing of 660,000,000 warrants ("2007 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 2007 Warrants was completed on 28 September 2005. Net proceeds from the placing of 2007 warrants of approximately HK$24,145,000 were used for general working capital of the Group.

During the year ended 31 March 2008, registered holders of 616,180,000 units of the 2007 Warrants exercised their rights to subscribe for 616,180,000 shares in the Company at HK$0.172 per share. Net proceeds of the exercise of approximately HK$105,983,000 were used for general working capital of the Group. The remaining 43,820,000 units of the 2007 Warrants were lapsed on 3 October 2007 and thus an amount of HK$1,603,000 was transferred from other reserve to accumulated losses directly.

31. WARRANTS (Continued)

On 31 October 2007, the Company entered into a conditional placing agreement with a placing agent in relation to the private placing of 1,140,000,000 warrants ("2010 Warrants") conferring rights to subscribe up to approximately HK$157,320,000 in cash for shares of HK$0.10 each in the share capital of the Company at an initial subscription price of HK$0.138 per share during the period from 7 January 2008 to 6 January 2010, both days inclusive. The placing of 2010 Warrants was completed on 14 December 2007. Net proceeds of the placing of the 2010 Warrants approximately HK$23,105,000 were used for general working capital of the Group. Upon the share consolidation, the subscription price of the warrants of the Company was adjusted from HK$0.138 per share to HK$1.38 per consolidated share.

During the year, no registered holder of the 2010 Warrants exercised their rights to subscribe for shares.

Upon the Share Consolidation on 4 November 2008, exercise in full of all the outstanding warrants as at 31 March 2009 would, under the present share capital structure of the Company as of 31 March 2009 at an initial subscription price of HK$1.38 per share, result in the issue of 114,000,000 additional shares of HK$1.0 each in 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$1 from the grantee to the Company.

32. SHARE OPTION SCHEMES (Continued)

(A) Share option scheme adopted on 15 June 1993 ("Old Option Scheme") (Continued)

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

(i) The purpose is to provide incentives to:

- award the participants who have made contributions to the Group and/or any entity in which the Group holds any equity interest ("Invested Entity"); and

- recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

(ii) The participants include any employee, director, supplier, agent, consultant, adviser strategist, contractor, subcontractor, expert or customer of the Group and/or Invested Entity.

32. SHARE OPTION SCHEMES (Continued)

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

(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.

32. SHARE OPTION SCHEMES (Continued)

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

(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.

32. SHARE OPTION SCHEMES (Continued)

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

Category participants	Name of scheme	Date of grant	Exercisable period	Exercise price 2008 HK$	Exercise price** 2009 HK$	Number of share options: Outstanding at 1.4.2007	Granted during 2007/08	Exercised during 2007/08 (note 29)	Lapsed during 2007/08	Reclassification* 2007/08	Outstanding at 31.3.2008 and 1.4.2008	Adjustment **	Reclassification* 2008/09	Outstanding at 31.3.2009
Directors	Old Option Scheme	27.8.1999	27.8.1999 – 26.8.2009	0.264	**2.64**	11,000,000	–	–	–	–	11,000,000	(9,900,000)	–	1,100,000
		3.3.2000	3.3.2000 – 2.3.2010	1.680	**16.80**	8,065,000	–	–	–	4,000,000	12,065,000	(10,858,500)	–	1,206,500
	New Option Scheme	19.12.2003	19.12.2003 – 18.12.2013	0.265	**2.65**	8,000,000	–	–	–	3,000,000	11,000,000	(9,900,000)	–	1,100,000
		24.3.2005	24.3.2005 – 23.3.2015	0.295	**2.95**	–	–	–	–	17,500,000	17,500,000	(15,750,000)	–	1,750,000
		7.7.2006	7.7.2006 – 6.7.2016	0.101	**1.01**	–	–	–	–	9,000,000	9,000,000	(8,100,000)	50,000	950,000
		29.6.2007	29.6.2007 – 28.6.2017	0.237	**2.37**	–	–	–	–	1,000,000	1,000,000	(900,000)	–	100,000
		6.11.2007	6.11.2007 – 5.11.2017	0.156	**1.56**	–	–	–	–	8,000,000	8,000,000	(7,200,000)	–	800,000
						27,065,000	–	–	–	42,500,000	69,565,000	(62,608,500)	50,000	7,006,500
Employees	Old Option Scheme	3.3.2000	3.3.2000 – 2.3.2010	1.680	**16.80**	17,665,000	–	–	(4,765,000)	(4,000,000)	8,900,000	(8,010,000)	–	890,000
	New Option Scheme	19.12.2003	19.12.2003 – 18.12.2013	0.265	**2.65**	31,400,000	–	–	–	(1,000,000)	30,400,000	(27,360,000)	–	3,040,000
		24.3.2005	24.3.2005 – 23.3.2015	0.295	**2.95**	67,500,000	–	–	–	(16,000,000)	51,500,000	(46,350,000)	–	5,150,000
		7.7.2006	7.7.2006 – 6.7.2016	0.101	**1.01**	34,600,000	–	(24,100,000)	–	(1,000,000)	9,500,000	(8,550,000)	–	950,000
		29.6.2007	29.6.2007 – 28.6.2017	0.237	**2.37**	–	107,500,000	–	–	(1,000,000)	106,500,000	(95,850,000)	–	10,650,000
		6.11.2007	6.11.2007 – 5.11.2017	0.156	**1.56**	–	83,000,000	–	–	44,000,000	127,000,000	(114,300,000)	–	12,700,000
						151,165,000	190,500,000	(24,100,000)	(4,765,000)	21,000,000	333,800,000	(300,420,000)	–	33,380,000
Others	New Option Scheme	19.12.2003	19.12.2003 – 18.12.2013	0.265	**2.65**	20,000,000	–	–	(300,000)	(2,000,000)	17,700,000	(15,930,000)	–	1,770,000
		24.3.2005	24.3.2005 – 23.3.2015	0.295	**2.95**	202,000,000	–	–	–	(1,500,000)	200,500,000	(180,450,000)	–	20,050,000
		3.10.2005	3.10.2005 – 2.10.2015	0.212	**2.12**	30,000,000	–	–	–	–	30,000,000	(27,000,000)	–	3,000,000
		7.7.2006	7.7.2006 – 6.7.2016	0.101	**1.01**	295,400,000	–	(170,000,000)	–	(8,000,000)	117,400,000	(105,660,000)	(50,000)	11,690,000
		29.6.2007	29.6.2007 – 28.6.2017	0.237	**2.37**	–	292,500,000	–	–	–	292,500,000	(263,250,000)	–	29,250,000
		6.11.2007	6.11.2007 – 5.11.2017	0.156	**1.56**	–	487,000,000	(18,000,000)	–	(52,000,000)	417,000,000	(375,300,000)	–	41,700,000
						547,400,000	779,500,000	(188,000,000)	(300,000)	(63,500,000)	1,075,100,000	967,590,000	(50,000)	107,460,000
						725,630,000	970,000,000	(212,100,000)	(5,065,000)	–	1,478,465,000	(1,330,618,500)	–	147,846,500
Weighted average exercise price (HK$)						0.250	0.190	0.106	1.596	N/A	0.226	N/A	N/A	2.26
Weighted average share price at the date of exercise (HK$)								0.201						

* Reclassification represents those individuals whom were granted with share options prior to their appointments of directorship. The share options held by these individuals were accordingly reclassified to directors' category after their appointment.

** As adjusted for the effect of the Share Consolidation of the Company (note 29 (a)).

No new option was granted during the year and no option has been exercised, cancelled or lapsed during the year. The weighted average remaining contractual life is 6 years (2008: 7 years).

33. DEFERRED TAX LIABILITIES – GROUP

Movements of deferred tax liabilities and assets of the Group during the year are as follows:

	Accelerated tax depreciation HK$'000	Revaluation of investment properties HK$'000	Revaluation of intangible asset HK$'000	Estimated tax losses HK$'000	Total HK$'000
At 1 April 2007	1,283	8,094	–	(3,845)	5,532
Acquisition of a subsidiary	–	–	53,250	–	53,250
Charge/(credit) to income statement for the year	1,318	7,770	(720)	(1,318)	7,050
At 31 March and 1 April 2008	2,601	15,864	52,530	(5,163)	65,832
Change in tax rate from 17.5% to 16.5%	(149)	(906)	–	295	(760)
Net charge to equity	–	172	–	–	172
Exchange realignment	–	–	1,853	–	1,853
Credit to income statement for the year	(476)	(2,843)	(2,980)	–	(6,299)
At 31 March 2009	1,976	12,287	51,403	(4,868)	60,798

At 31 March 2009, the Group has estimated unused tax losses of HK$640,604,000 (2008: HK$588,295,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$29,503,000 (2008: HK$29,503,000) of such losses. No deferred tax asset has been recognised in respect of remaining tax losses of HK$611,101,000 (2008: HK$558,792,000) 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$360,000 (2008: HK$389,000) represents the contributions payable to these schemes by the Group during the year.

35. BUSINESS COMBINATION

On 21 January 2008, the Group completed the acquisition in the Raise Beauty Group as described in notes 18 and 21, through Success Dynasty Limited, a 100% indirectly-owned subsidiary of the Company, at the total consideration of HK$134,435,000 by the issuance of 1,000,000,000 new shares to Wealthy Concept Holdings Limited. Details of the acquisition are set out in the Company's circular dated 11 December 2007 (the "Circular"). The principal activity of the Raise Beauty Group is the provision of crude oil exploration services. Details of the net assets acquired and negative goodwill as at 31 March 2008 were as follows:

	HK$'000
Total purchase consideration	134,435
Fair value of net assets acquired	(162,879)
Excess of the carrying values of net assets acquired over the consideration	(28,444)

As described in the Circular, the purchase consideration was contingent on the results of the Raise Beauty Group where its guarantee profit for the year ended 31 December 2008 should be no less than RMB19,000,000 (the "Guarantee Profit"). In the event where the results of the Raise Beauty Group for the year ended 31 December 2008 (the "Actual Profit") was less than the Guarantee Profit, the vendor is obliged to compensate the shortfall, which is equivalent to the difference between the Guarantee Profit and the Actual Profit, to the Group. As at 31 March 2008, as the directors were of the view that the Guarantee Profit could be achieved, no adjustment was deducted from the purchase consideration. The assets and liabilities arising from the acquisition were as follows:

	Carrying amount HK$'000	**Fair value** HK$'000
Property, plant and equipment	17,887	17,887
Intangible assets	–	213,000
Goodwill	3,312	–
Trade and other receivables	24,460	24,460
Bank balances and cash	21,045	21,045
Trade and other payables	(60,263)	(60,263)
Deferred tax liabilities	–	(53,250)
Assets and liabilities acquired	6,441	162,879

35. BUSINESS COMBINATION (Continued)

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

	HK$'000
Cash consideration paid	–
Bank balances and cash acquired	(21,045)
Professional fees incidental to the acquisition	1,435
Net inflow of cash and cash equivalents in respect of the acquisition	(19,610)

The above fair values of the assets and liabilities acquired were determined provisionally based on the information available up to the date of the financial statements for the year ended 31 March 2008. The fair value of the Cooperation right (represented as intangible assets above) at the acquisition date was determined based on the valuation carried out by BMI Appraisals Limited, an independent qualified professional valuer not connected with the Group and with appropriate qualification and experience in the valuation of similar assets in the relevant industry.

The audited financial statements of the Raise Beauty Group for the year ended 31 December 2008 show that the Actual Profit was amounted to HK$629,000, which is less than the Guarantee Profit. Accordingly, a compensation in the amount of HK$20,925,000 which represented the shortfall between the Guarantee Profit of HK$21,554,000 (equivalent to RMB19,000,000) and the Actual Profit is to repaid by the vendor. Consequently, the fair value of the purchase consideration is restated as HK$113,510,000 and the net assets acquired and negative goodwill were as follows:

	HK$'000
Purchase consideration settled by issuing of shares	134,435
Less: Compensation to be received from the vendor	(20,925)
Fair value of net assets acquired	(162,879)
Excess of the carrying values of net assets acquired over the consideration	(49,369)

35. BUSINESS COMBINATION (Continued)

	HK$'000
Excess of the carrying values of net assets acquired over the consideration recognised for the year ended	
– 2008	28,444
– 2009	20,925
	49,369

36. 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		Amounts due from related companies	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Associates	**1,035**	645	**–**	–	**148**	167	**186**	99	**21**	12
Fellow subsidiaries of associates	**–**	–	**–**	–	**19**	36	**–**	–	**236**	236
Related companies by common directors	**–**	–	**–**	120	**–**	–	**–**	40	**–**	–

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.

37. OPERATING LEASE ARRANGEMENTS AND COMMITMENTS

Group and Company as lessees

At 31 March 2009, the Group and the Company had commitments for future minimum lease payments in respect of rented premises which fall due as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**3,727**	4,030	**3,433**	3,433
In the second to fifth year inclusive	**2,511**	4,870	**1,430**	4,863
	6,238	8,900	**4,863**	8,296

Operating lease payments represent rentals payable by the Group and the Company for their 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$6,455,000 (2008: HK$5,672,000).

At 31 March 2009, the Group had contracted with tenants for the following future minimum lease payments:

	2009	2008
	HK$'000	HK$'000
Within one year	**4,362**	4,318
In the second to fifth year inclusive	**2,214**	3,183
	6,576	7,501

Lease is negotiated for an average term of two years.

38. CAPITAL COMMITMENTS

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

	2009 **HK$'000**	2008 HK$'000
Contracted but not provided for	**37,591**	–

The Company did not have any capital commitments as at 31 March 2009 (2008: Nil).

39. INVESTMENTS IN SUBSIDIARIES – COMPANY

	2009 **HK$'000**	2008 HK$'000
Unlisted investments, at cost	**508,681**	508,681
Provision for impairment	**(293,537)**	(293,537)
	215,144	215,144
Amounts due from a subsidiary	**1,296,316**	1,194,345
Provision for impairment	**(913,368)**	(913,368)
	382,948	280,977

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

39. INVESTMENTS IN SUBSIDIARIES – COMPANY (Continued)

Particulars of the Company's principal subsidiaries as at 31 March 2009 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

39. INVESTMENTS IN SUBSIDIARIES – COMPANY (Continued)

Particulars of the Company's principal subsidiaries as at 31 March 2009 are as follows: (Continued)

Name	Place/country of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital held by the Company %	Principal activities
Keenwell Energy Technology Limited	Hong Kong	Ordinary HK$4,000,000	100	Investment holding
Raise Beauty Investments Limited	BVI	Ordinary US$6	100	Investment holding
Success Dynasty Limited	BVI	Ordinary US$1	100	Investment holding
Winway H.K. Investments Limited	Hong Kong	Ordinary HK$2	100	Investment holding and securities trading
文傳漫畫設計（深圳）有限公司##	PRC	Registered HK$1,000,000	100	Comics design and production
東營健宏石油技術服務有限公司#	PRC	Registered US$12,280,000	100	Provision of petroleum technology related services

* Issued capital held directly by the Company
\# A wholly foreign-owned enterprise for a period of twenty years commencing from 26 April 2005.
\## A wholly foreign-owned enterprise for a period of ten years commencing from 6 June 2000.

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. MAJOR NON-CASH TRANSACTION

During the year, deposits for long term investments amounting to HK$20,762,000 were used to settle the purchase consideration of exploration and production properties with the contractor.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Categories of financial assets and liabilities

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

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Financial assets at fair value through profit or loss	**77,582**	75,098	**–**	–
Loans and receivables				
Trade receivables	**16,135**	11,623	**–**	–
Other receivables	**64,107**	12,531	**14,595**	–
Amounts due from related parties	**257**	248	**–**	–
Amounts due from a subsidiary	**–**	–	**382,948**	280,977
Bank balances and deposits with financial institutions	**130,240**	311,302	**84,583**	216,458
Financial liabilities				
Amortised costs				
Trade and other payables and accrued charges	**31,638**	37,356	**444**	664
Other borrowings	**–**	24,966	**–**	–
Amounts due to related parties	**1,233**	1,233	**–**	–
Obligation under finance leases	**178**	72	**–**	–

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Categories of financial assets and liabilities (Continued)

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

(a) Market risk

Foreign currency risk

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

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

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

Group

	2009			2008		
	Australian dollar HK$'000	**Macau Pataca HK$'000**	**US$ HK$'000**	Australian dollar HK$'000	Macau Pataca HK$'000	US$ HK$'000
Financial assets						
Financial assets at fair value through profit or loss	**2,084**	**–**	**17,255**	2,036	–	19,418
Other receivables	**–**	**2,467**	**–**	–	2,098	–
Bank balances and deposits with financial institutions	**–**	**1,489**	**–**	–	368	33,875
Financial liabilities						
Accrued charges	**–**	**(540)**	**–**	–	(350)	(1,769)
Other borrowings	**–**	**–**	**–**	–	–	(24,966)
Amounts due to fellow subsidiary of an associate	**–**	**(1,233)**	**–**	–	(1,233)	–
	2,084	**2,183**	**17,255**	2,036	883	26,558

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Market risk (Continued)

Foreign currency risk (Continued)

The Company did not hold any foreign currency denominated financial assets and liabilities as at 31 March 2009 (2008: Nil).

Interest rate risk

The Group has no significant borrowing which bears fixed or floating interest rates except one borrowing from third parties. Since the borrowing has already repaid on 25 April 2008, the Group's exposure to market risk for changes in interest rates only relates primarily to deposits at bank. The Group currently does not have any interest rate hedging policy. However, the directors monitor interest rate risk exposure and will consider hedging significant interest rate risk exposure should the need arise.

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

Equity price risk

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

At 31 March 2009, it is estimated that there is a reasonably possible change of 30% (2008: 10%) in stock price in the next twelve months. If equity price had increased/(decreased) by 30% (2008: 10%) and all other variables were held constant, loss for the year and accumulated losses would (decrease)/increase by approximately HK$23,275,000 (2008: HK$7,510,000). This is mainly due to the change in financial assets at fair value through profit or loss. This sensitivity analysis has been determined assuming that the price change had occurred at the balance sheet date and had been applied to the Group's investment on that date.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk

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

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

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Financial assets at fair value through profit or loss	**77,582**	75,098	**–**	–
Loans and receivables				
Trade receivables	**16,135**	11,623	**–**	–
Other receivables	**64,107**	12,531	**14,595**	–
Amount due from related parties	**257**	248	**–**	–
Amount due from a subsidiary	**–**	–	**382,948**	280,977
Bank balances and deposits with financial institutions	**130,240**	311,302	**84,583**	216,458
	288,321	410,802	**482,126**	497,435

At the balance sheet date, the Group has a concentration of credit risk as 69% (2008: 48%) of the total trade receivables was due from one customer.

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

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (Continued)

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

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

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

(c) Liquidity risk

As at 31 March 2009, the Group had net current assets of HK$261,538,000 and bank balances and deposits with financial institutions of HK$130,240,000. Management considered the liquidity risk is minimal.

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

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Continued)

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

Group

	Carrying amount	Total contractual undiscounted cash flow	On demand	Within one year	Between one to three years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2009					
Amortised costs					
Trade and other payables and accrued charges	31,638	31,638	–	31,638	–
Other borrowings	–	–	–	–	–
Amounts due to related parties	1,233	1,233	1,233	–	–
Obligation under finance leases	178	216	–	52	164
As at 31 March 2008					
Amortised costs					
Trade and other payables and accrued charges	37,356	37,356	–	37,356	–
Other borrowings	24,966	24,966	–	24,966	–
Amounts due to related parties	1,233	1,233	1,233	–	–
Obligation under finance leases	72	82	–	37	45

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Continued)

Company

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year HK$'000
As at 31 March 2009			
Amortised costs			
Other payables and accrued charges	444	444	444
As at 31 March 2008			
Amortised costs			
Other payables and accrued charges	664	664	664

(d) Fair values

The fair values of financial assets at fair value through profit or loss, trade receivables, other receivables, balance with related parties, bank balances and deposits with financial institutions, trade payables, other payables and accrued charges, other borrowings and finance leases, are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

42. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

(a) To safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for its stakeholders; and

(b) To maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth.

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

Management regards total equity of HK$626,429,000 (2008: HK$724,786,000) as capital, for capital management purpose.

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

	Year ended 31 March				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	51,354	46,221	46,642	44,889	**46,811**
Loss before income tax	(162,931)	(159,357)	(31,714)	(42,405)	**(99,974)**
Income tax credit/(expenses)	–	–	(2,220)	(7,160)	**7,085**
Loss for the year	(162,931)	(159,357)	(33,934)	(49,565)	**(92,889)**
Attributable to:					
Equity holders of the Company	(162,931)	(159,357)	(33,934)	(49,565)	**(92,889)**

Financial Summary

	As at 31 March				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Property, plant and equipment	36,275	31,305	13,230	31,172	**56,982**
Prepaid lease payments					
– non current portion	25,394	25,059	24,724	19,281	**14,239**
Investment properties	56,015	57,836	80,026	130,816	**120,251**
Long term deposits	–	–	–	–	**2,268**
Development costs	32,955	–	–	–	**–**
Interests in associates	12,171	3,931	8,248	25,758	**25,084**
Interests in a jointly controlled entity	740	–	–	–	**–**
Investments in securities	1,385	–	–	–	**–**
Amounts due from associates					
– non current portion	–	21,739	22,030	–	**–**
Intangible assets	–	1,385	1,385	211,506	**207,000**
Net current assets	135,192	72,999	80,927	372,125	**261,538**
	300,127	214,254	230,570	790,658	**687,362**
Long-term liabilities	(3,355)	(3,442)	(5,603)	(65,872)	**(60,933)**
	296,772	210,812	224,967	724,786	**626,429**
Share capital	346,160	373,398	410,698	709,526	**689,456**
Reserves	(49,388)	(162,586)	(185,731)	15,260	**(63,027)**
Attributable to the equity holders of the Company	296,772	210,812	224,967	724,786	**626,429**