
# CULTURECOM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00343)

# 2012 | 2013 Annual Report

# CONTENTS

# CORPORATE INFORMATION

## NON-EXECUTIVE DIRECTOR

Mr. Chu Bong Foo *(Chairman)*

## EXECUTIVE DIRECTORS

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

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tsang Wai Wa
Mr. Joseph Lee Chennault
Mr. Lai Qiang
Ms. Ng Ying

## COMPANY SECRETARY

Mr. Tam Kam Biu William

## CORPORATE GOVERNANCE COMMITTEE

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

## SOLICITORS

Michael Li & Co.
Appleby

## AUDITOR

Deloitte Touche Tohmatsu

## PUBLIC RELATION

PR Concepts Asia Limited

## REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

## PRINCIPAL OFFICE

Suite 1102, 11th Floor
Chinachem Tower
34–37 Connaught Road Central
Hong Kong

## PRINCIPAL REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
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

# CHAIRMAN'S STATEMENT

## RESULTS

The consolidated turnover of the Company and its subsidiaries for the year ended 31 March 2013 amounted to HK$26,813,000 (2012: HK$29,061,000) of which HK$17,324,000 (2012: HK$21,586,000) was attributable to the business of comics publication of the Group, HK$8,968,000 (2012: HK$5,141,000) was attributable to retailing and wholesales business, HK$521,000 (2012: HK$2,307,000) was attributable to catering, HK$nil (2012: HK$27,000) was attributable to other business and HK$2,033,000 (2012: HK$4,899,000) was attributable to the discontinued operations of the crude oil exploration services. Loss for the year attributable to equity holders, taking into account taxation, was HK$297,629,000 (loss for 2012: HK$49,107,000). The loss per share was HK28.3 cents (loss per share for 2012: HK4.7 cents).

## FINAL DIVIDEND

The Board of Directors has resolved not to declare any final dividend for the year ended 31 March 2013 (2012: Nil).

## BUSINESS REVIEW

The fluctuating global market has continued to affect many of our businesses and investments. During the past year, although the competitive licensing business environment has challenged us greatly, the Group's business has still managed to maintain satisfactory improvement. While celebrating steady growth in the other business segments, the Group has prudently set up allowances on businesses that were running less efficiently, and made write-offs on investments that have unfortunately lost value.

Being one of the leading content providers of comics in Asia, comics licensing has continued to be the major source of profit contribution for the year. In order to augment the comics licensing business, the Group will soon launch Ucan.com, a social and gaming platform that integrates music, gaming, and e-commerce. As of 31 March 2013, the Ucan.com website has undergone its final testing, and the expected launching date will be sometime during the second half of 2013. Combining elements of music, gaming, and shopping in one portal that can be accessible by PC, web, and even mobile devices, Ucan.com is uniquely positioned to offer a one-of-a-kind experience not easily found elsewhere. While being determined to provide new and exciting online experience to its users, the Group will also continue to devote its resources to support the Ucan.com platform.

# CHAIRMAN'S STATEMENT

With respect to the culturally related technology, our Group has in place suitable cooperative partners to enhance and further commercialize its technologies. In the comics business, our Group has fortified its licensing business with additional resources, actively pursued opportunities in online gaming, animation and movie production, while continued to extend its arm to other media forms. One of the golden ideals of the Group has always been about bringing Chinese culture into the mainstream; and in light of this, our Group is at the final stages of developing an Asian-flavor animation/comic creation interface using our very own Generating Engine technology. Our huge animation/comic image database along with this Generating Engine will allow the mass public to participate in the production process; lowering cost on one hand, while appealing to a new generation of artists.

Aside from technology and comics, our Group's venture in the petroleum extraction business has flourished in the past year, but owing to the various difficulties encountered in its drilling and exploration activities, operating earnings were somewhat negatively affected for the most part of this year. With a strong desire to refocus on its core business of comics and animation, the Group, on 6 February 2013, has entered into a sale and purchase agreement with an independent third party ("Purchaser") in relation to the disposal of 100% equity interest of Raise Beauty Investments Limited ("Raise Beauty"), the company that holds the exploration rights, at a consideration of RMB80,000,000. The Group received 40% of the consideration upon the signing of the agreement, in which 40% equity interest of Raise Beauty was transferred to the Purchaser. The completion of the disposal of remaining 60% will be on or before 20 August 2013, upon which the remaining 60% equity interest of Raise Beauty shall be transferred to the Purchaser.

## PROSPECTS

Looking ahead, our Group is excited about its future projects, and optimistic of its upcoming journey. We will continue to foster our relationships with the existing cooperative partners and business associates. Moreover, we have identified the significant impact that the internet has nowadays on billions and trillions of people across the world. Daily activities that are done via the web have exploded in size, volume, and visibility. Therefore, in coping with the societal needs, our Group will soon launch Ucan.com, a social and gaming platform that integrates music, gaming, and e-commerce. The Group is modest and prudent in deciding the future of Ucan.com, and will continue to take proactive and steadfast business development strategies to gain fan base, optimize customer satisfaction, and build a differentiated competitive advantage.

# CHAIRMAN'S STATEMENT

Expanding our intellectual property business has always been a long-term strategy of the Group. In this regard, the Group will further collaborate with our partners in other media outlets, expanding our presence in the comics/animation space, enhancing our relationships in the musical field, and continuing to strengthen our penetration in the gaming business. Having maintained close ties with business technology partners such as International Business Machine Corporation (IBM), Hewlett-Packard (HP), and other leading vendors, the Group will launch the Ucan.com web portal, alongside with its Android and iPhone apps, to create an effortless and convenient user experience. Simply through mobile phones or iPads, consumers will be able to gain access to the many exciting content of Ucan.com at anytime and anywhere. The Group will, at the appropriate time, adjust development strategies of Ucan.com, and assess market demand and development potential cautiously, so that it can continue to maintain and enhance the Group's leading position in the industry.

On the strengths of the solid foundation of rich cultural content, leading technologies, and brand popularity, our Group will continue to make further inroads to our core business of animation and comics market in Asia by setting up educational programs and training grounds for artists and like-minded animators in China. We will uphold our promise to increase market share in the medium/long term, while seize any future business opportunities for the long-term development of the Group. All in all, we salute to our shareholders wholeheartedly, and promise that we will continue to strive for the best investment strategies that would be beneficial to them in the long run.

## APPRECIATIONS

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

**Chu Bong Foo**
*Chairman*

Hong Kong, 26 June 2013

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL RESULTS

For the year ended 31 March 2013, the Group's overall turnover decreased slightly by approximately 7.7% to HK$26,813,000, of which approximately HK$17,324,000, HK$8,968,000, HK$521,000 and HK$nil (2012: HK$21,586,000, HK$5,141,000, HK$2,307,000 and HK$27,000) were attributable to our business of publishing, retailing and wholesales, catering and others respectively.

The Group's consolidated net loss attributable to the owners of the Company in 2013 increased to HK$297,629,000 or HK28.3 cents per share (loss of HK$49,107,000 or HK4.7 cents per share in 2012). This decline in performance was mainly due to the loss from discontinued operation relating to crude oil exploration services business of HK$79,276,000, as well as the continual investment in the Ucan.com project of HK$118,877,000. Overall, by focusing on core comics operations, expanding into the Ucan.com social networking and gaming platform, and capturing promising growth opportunities along the way, the Group is finally beginning to see the light at the end of the tunnel. The Group is more than ever optimistic of its future, as the steps taken so far have demonstrated that what is to come can only be better.

Also, as at 31 March 2013, the Group's net asset value was approximately HK$527,652,000 and net asset value per weighted average number of 1,051,676,000 shares of the Company was approximately HK$0.50 (2012: HK$0.73). Decrease in net asset value was primarily due to the disposal of assets and fair value changes in financial assets that took place during this year.

## WARRANTS

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

During the year, registered holders of 53,180,000 units of the 2013 Warrants exercised their rights to subscribe for 53,180,000 shares in the Company at HK$0.28 per share. Up to the date of expiry of the 2013 Warrants, 120,000 warrants had expired, 137,730,000 warrants had been exercised and the Company receive the net proceeds of approximately HK$38,564,400 were used as general working capital of the Company.

On 20 July 2012, the Company entered into a conditional warrant subscription agreements with not less than six warrant subscribers as subscribers in relation to the warrant subscription of a total of 76,790,000 warrants by the warrant subscribers, at the warrant issue price of HK$0.10 per warrant. The net proceeds from the warrant subscription of approximately HK$7,492,000 were applied as the general working capital of the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

The non-listed warrants were issued by the Company at the warrant issue price to subscribe for an aggregate of HK$92,148,000 in shares, each entitles the holder thereof to subscribe for one new share at exercise price of HK$1.20 at any time during a period of five (5) years commencing from the date of issue of warrants. The placing of the warrant subscription was completed on 2 August 2012. During the year, no non-listed warrants were exercised.

## SUBSTANTIAL DISPOSAL

On 6 February 2013, the Group entered into the Sale and Purchase Agreement with an independent third party in relation to the disposal of 100% equity interest of Raise Beauty Investment Limited ("Raise Beauty") at a consideration of RMB80,000,000. Raise Beauty holds 100% interest in the registered and paid up capital of Keenwell Energy Technology Limited ("Keenwell Energy") and 東營健宏石油技術服務有限公司("Dong Ying"), the crude oil exploration services company, which was owned by Raise Beauty for 94.87% and Keenwell Energy for 5.13%. RMB32,000,000 was received by the Group upon the signing of the Sale and Purchase Agreement in which 40% equity interest of Raise Beauty was transferred to the independent third party ("Purchaser"). The completion of the disposal of remaining 60% will be on or before 20 August 2013, upon which the remaining 60% equity interest of Raise Beauty shall be transferred to the Purchaser.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2013, the Group had bank and deposits with financial institutions balances in aggregate of approximately HK$300,461,000 and held for trading investments of approximately HK$29,710,000. The Group has no significant exposure to foreign exchange rate fluctuation.

As at 31 March 2013, the Group had a net current asset of approximately HK$473,726,000 (31 March 2012: HK$557,621,000) and a current ratio of 9.0 (31 March 2012: 17.6). The Group's total liabilities as of 31 March 2013 amounted to approximately HK$59,065,000 and represented approximately 12.1% (31 March 2012: 8.3%) to equity attributable to owners of the Company.

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

## EMPLOYMENT AND REMUNERATION POLICIES

As at 31 March 2013, the Group had a total of 145 employees of which 53 are based in Hong Kong, 35 in Macau and 57 in the PRC. Total staff costs incurred during the year amounted to approximately HK$18,266,000 (2012: HK$18,577,000). Remuneration packages are maintained at competitive levels and reviewed by the management on a periodical basis. Discretionary bonuses and incentive share options are awarded to certain directors and employees according to the assessment of individual merit and performance.

# DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 March 2013.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal associates and subsidiaries are set out in notes 19 and 39 to the consolidated financial statements respectively.

## SUBSIDIARIES AND ASSOCIATES

Details of the Group's associates and of the Company's subsidiaries at 31 March 2013 are set out in notes 19 and 39 to the consolidated financial statements respectively.

## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover during the year attributable to the Group's five largest customers accounted for 76.6% of the Group's turnover from continuing operations, of which 25.0% was attributable to the largest customer.

The aggregate purchases during the year attributable to the Group's five largest suppliers accounted for 79.8% of the Group's total purchases from continuing operations, of which 48.2% was attributable to the largest supplier.

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

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2013 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 38 to 134.

## DIVIDEND

No dividend was paid or proposed during the year of 2013, nor has any dividend been prepared since the end of the reporting period (2012: nil).

# DIRECTORS' REPORT

## PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK$10,360,000 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 18 to the consolidated financial statements.

## SHARE CAPITAL, WARRANTS AND SHARE OPTIONS

Details of movements during the year in the share capital, the warrants and the share option scheme of the Company are set out in notes 30, 31 and 32 to the consolidated financial statements respectively.

## RESERVES

Movements in the reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity and note 38 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES

At 31 March 2013, the Company has no reserves available for distribution to shareholders.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on pages 135 and 136.

# DIRECTORS' REPORT

## DIRECTORS

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

### Chairman and Non-Executive Director:

Mr. Chu Bong Foo

### Executive Directors:

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

### Independent Non-Executive Directors:

Mr. Tsang Wai Wa
Mr. Joseph Lee Chennault
Mr. Lai Qiang
Ms. Ng Ying *(appointed as Independent Non-Executive Director on 31 December 2012)*

The directors of the Company, including executive, non-executive and independent non-executive directors ("INEDs") are subject to retirement by rotation and re-election at the annual general meeting of the Company. In accordance with Clauses 101, 110(A) and 190(v) of the Company's Bye-Laws, Messrs. Chung Billy, Tsang Wai Wa, Joseph Lee Chennault and Ng Ying will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

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

# DIRECTORS' REPORT

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### Chairman and Non-Executive Director

**Mr. Chu Bong Foo**, aged 75, was appointed as the vice-chairman and an executive director of the Company in May 1999. On 21 January 2011, he was appointed as the Chairman and re-designated as Non-Executive Director of the Company. In addition, he is appointed as director of certain subsidiaries of the Group. He is responsible for the design and development of the Group's Chinese information infrastructure. Mr. Chu is the inventor of the Cangjie method, the most widely available Chinese input method and has engaged himself in the development of Chinese character generating technology for over 20 years. He is renowned for "the father of the modern Chinese computing".

### Executive Directors

**Ms. Chow Lai Wah Livia**, aged 52, joined the Company in April 2008 and was appointed as an Executive Director on 17 May 2011, and as Vice Chairman of the Company on 26 March 2012. Currently, Ms. Chow is a member of the Corporate Governance Committee and the Nomination Committee of the Company. Ms. Chow is the Director of L&W Holding Limited which is one of the substantial shareholders of the Company. Ms. Chow presently is responsible for corporate management of the Group. Prior to joining the Company, Ms. Chow was the president of East Universal Investments Inc., based in the United States for 10 years. She has more than 20 years of extensive experience in executive development and corporate management.

**Mr. Kwan Kin Chung**, aged 44, joined the Group in 1998 and has been one of the Executive Directors since March 2008. Mr. Kwan is also the Managing Director of the Group and serves as the Director for several subsidiaries of the Group. He held the position of vice president for the Group from 1998 to 2002 and was appointed as the acting chief executive officer of the Company in April 2007. During the period of serving as vice president, Mr. Kwan was also the vice publisher of Tin Tin Daily News where he gained valuable experience in the media industry. Mr. Kwan holds the position of managing director of China Bio Cassava Holdings Limited whose shares are listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. Mr. Kwan has extensive experience in businesses restructuring and corporate investment. He holds a Bachelor Degree of Arts in Economics from Zhongshan University, Guangzhou, PRC.

# DIRECTORS' REPORT

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

### **Executive Directors** (Continued)

**Mr. Chung Billy**, aged 38, joined the Group in June 2007 and has been one of the Executive Directors since November 2007. Mr. Chung serves as the Director for several subsidiaries of the Group. He is responsible for the Group's overall operation and business development, as well as human resources and accounting related managerial activities. Mr. Chung holds a Bachelor Degree of Arts in Accounting from the University of Waterloo, Canada and a Master Degree of Business Administration from the University of Toronto, Canada. As a member of the Canadian Institute of Chartered Accountants, he has over 12 years of extensive experience in the fields of accounting, consulting and investment banking. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, Mr. Chung acted as senior project director at Opes Asia Development Limited, whose shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited.

**Mr. Tang U Fai**, aged 39, joined the Group as the Chief Technology Officer in May 2001 and has been one of the Executive Directors since March 2008, and is a director of certain subsidiaries of the Group. In 2003, he was further appointed as the General Manager of Etown Online (Macau) Limited, a fully owned subsidiary of the Group. Mr. Tang has extensive experience in IT science and management. Mr. Tang holds a Bachelor Degree of Science in Computer Science and Economics from the University of Victoria, Canada and a Master Degree of Science in Software Engineering from the University of Macau.

**Mr. Tang Kwing Chuen Kenneth**, aged 35, joined the Group in October 2003 and has been one of the Executive Directors since December 2008. He is also a member of the Corporate Governance Committee of the Group. He was appointed as the company secretary of ViaGOLD Capital Limited in January 2007, a company whose shares are listed on Australian Stock Exchange. ViaGOLD Capital Limited is a controlled corporation of Harvest Smart Overseas Limited, which is one of the substantial shareholders of the Company. Mr. Tang holds a Master Degree of Commerce in Finance and a Bachelor Degree of Science majoring in Information Systems from the University of New South Wales, Australia. He has extensive years of experience in the banking and finance industries.

# DIRECTORS' REPORT

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

### Executive Directors (Continued)

**Mr. Chen Man Lung**, aged 47, was appointed as Executive Director of the Company in October 2009 and appointed as Chief Operation Officer of the Company in October 2012. Mr. Chen was an executive director of China Bio Cassava Holdings Limited till 18 June 2012 whose shares are listed on the GEM of the Stock Exchange. He was appointed as an independent non-executive director of Opes Asia Development Limited and Mobile Telecom Network Holdings Limited, both companies whose shares are listed on the Hong Kong Stock Exchange, and the chief financial officer of ViaGold Capital Limited, a company whose shares are listed on the Australian Stock Exchange. He is also the director and founder of the Asian Art and Antique Fund and Mutual Work Media Investment Fund. On public services, he currently serves as the Chairman of Academic Advisory Board of the Humanities program under Faculty of Arts of Hong Kong Baptist University, the director of the Hong Kong Baptist University Alumni Association Limited and founding member of the International Federation of Creative and Technology. He served as Academic Advisor of Visual Arts of Hong Kong Baptist University, the director of the Hong Kong Comics & Animation Federation Limited (HKCAF) and committee member of the Inbound Travel Agent Association Limited (HKITA). He was granted the Bachelor Degree of Arts in Sociology and the Master Degree of Arts in Chinese Studies from the Hong Kong Baptist University and the Hong Kong University of Science and Technology respectively. Mr. Chen has over 19 years of extensive experience in investment industry.

**Mr. Wan Xiaolin**, aged 55, joined the Group in January 2000 and has been one of the Executive Directors since July 2002. He is also a member of the Remuneration Committee of the Group and serves as the Director of several subsidiaries of the Group. Prior to joining the Group, Mr. Wan was the general manager of China Merchants Transportation Group in the finance and accounting division. He is currently one of the executive directors of China Bio Cassava Holdings Limited, whose shares are listed on Growth Enterprise Market of the Stock Exchange of Hong Kong. Mr. Wan holds a Bachelor Degree of Arts in Economics from Shanghai Maritime University, Shanghai, PRC.

# DIRECTORS' REPORT

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

### Independent Non-Executive Directors

**Mr. Tsang Wai Wa**, aged 52, was appointed as an Independent Non-Executive Director of the Company in November 2009 and is also an independent non-executive director of China Bio Cassava Holdings Limited. Mr. Tsang served as an independent non-executive director of Opes Asia Development Limited from 7 April 2009 to 20 December 2011, all of their shares are listed on the Stock Exchange. Mr. Tsang holds the Bachelor Degree in Finance and Accounting and a Master Degree in Business Administration. He is a fellow member of the Chartered Association of Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He has extensive experience in auditing, accounting, company secretary and corporate finance.

**Mr. Joseph Lee Chennault**, aged 69, was appointed as an Independent Non-Executive Director of the Company in September 2004. Mr. Chennault is a member of the Audit Committee of the Group. He holds a Bachelor Degree of Arts in Economics from University of San Francisco and a Master Degree of Business Administration from Golden Gate University, both in the United States. He is a member of the California Society of Certified Public Accountants and has over 31 years of experience in accounting and auditing in listed companies.

**Mr. Lai Qiang**, aged 39, was appointed as an Independent Non-Executive Director in December 2008. Mr. Lai is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Group. He is an intermediate level economist. He holds a Bachelor Degree in International Finance (Professional Economics) under the International Trading Finance Department, from Zhongshan University, Guangzhou, PRC. Mr. Lai is currently the managing director of Shenzhen Huaqiang Microcredit Company Limited (深圳華強小額貸款有限公司). Mr. Lai has over 16 years of practical experience in group enterprise fund management and financial management.

**Ms. Ng Ying**, aged 44, was appointed as an Independent Non-Executive Director of the Group in December 2012. She has over 19 years of experience in accounting and finance management for the companies in Hong Kong and Mainland China, and the listed company in Hong Kong. Ms. Ng holds a Higher Diploma of Arts in Economics from Zhongshan University, Guangzhou, PRC.

# DIRECTORS' REPORT

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

### Senior Management

**Mr. Tam Kam Biu William**, aged 57, was appointed as Company Secretary of the Company in 2 March 2012. Mr. Tam is currently one of the executive directors of China Bio Cassava Holdings Limited whose shares are listed on the Growth Enterprise Market Board of the Stock Exchange of Hong Kong Limited. Mr. Tam obtained a Master Degree in Business Administration from York University, Canada and became an associate member of the Hong Kong Institute of Certified Public Accountants in 1987 and an associate of the Association of Chartered Certified Accountants in 1988.

**Mr. Yu Huaguo**, aged 46, joined the Group in May 2008. Mr. Yu is presently the Chief Executive Officer of the Group. He is an executive director of China Bio Cassava Holdings Limited with effect from 8 March 2013 whose shares are listed on the GEM of the Stock Exchange and a director of Poly Opulence Limited (A member of China Poly Group). Prior to joining the Group, he was the executive director of Jiuzhou Development Company Limited, whose shares are listed on the Stock Exchange of Hong Kong and renamed to Zhuhai Holdings Investment Group Ltd. on 18 December 2012. Mr. Yu had also served at Zhuhai Jiuzhou Port Group Corporation (a substantial shareholder of JDCL) as deputy general manager. Mr. Yu holds a Master Degree of Business Administration from the Hong Kong Polytechnic University. He has over 21 years of experience in finance, capital securities and enterprise management.

**Mr. Cheung Wai Chung Ronnie**, aged 42, joined the Group in November 2012. He is the President and Chief Financial Officer of the Group. Mr. Cheung possesses over 20 years of extensive experience in investment management, mergers and acquisitions as well as strategic planning in the Asia Pacific region. He has worked at international financial institutions and leading corporations with a wide exposure to the dynamic cross-cultural environment. Besides his professional experience, Mr. Cheung also holds advisory role for the charitable community. Mr. Cheung holds a Bachelor Degree of Business Administration from the Chinese University of Hong Kong. He is also a charterholder of the Chartered Financial Analyst (CFA) designation and a fellow member of The Association of Chartered Certified Accountants.

# DIRECTORS' REPORT

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

### Senior Management (Continued)

**Ms. Mak Wing Shuen Jennie ("Mrs. Lau")**, aged 45, joined the Group in July 1997. Mrs. Lau is currently the Deputy Chief Executive Officer of the Group. She is also a member of the Corporate Governance Committee of the Group. Prior to joining the Group, she was responsible for administrative management and development in both local and global businesses of ViaGOLD Capital Limited, a company whose shares are listed on Australian Stock Exchange. ViaGold Capital Limited is a controlled corporation of Harvest Smart Overseas Limited, which is one of the substantial shareholders of the Company. She has over 10 years of extensive experience in the travelling management business. She is also an associated member of the International Air Transport Association (IATA).

**Ms. Wong Eva**, aged 37, joined the group in March 2012. Ms. Wong is the Vice President and the Head of Investor Relations. Prior to her appointment, Ms. Wong was the vice president and head of investor relations of China Solar Energy Holdings Limited, a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Prior to joining the Group, Ms. Wong has served as investor relations and corporate communications for several listed companies. Her investor relations experience includes funds, institutional sales and research analysts targeting, financial media relations, development of investor relations presentations and materials and participated in roadshows across U.S., Europe and Asia. Ms. Wong received her Bachelor Degree in Psychology from York University, Toronto, Canada.

**Ms. Shen Hung Lien**, aged 58, joined the Group in May 1998. Ms. Shen is the Chairman of Culturecom Technology (Macau) Limited, a wholly owned subsidiary of the Group. She is also the Chief Executive Officer of Chu Bong Foo Labs. She is responsible for the development of Chinese information infrastructure systems under the guidance of Mr. Chu Bong Foo. Ms. Shen graduated from the National Taiwan University with a Bachelor Degree of Arts.

**Mr. Hu Tian Bao**, aged 50, joined the Group in 2000. Mr. Hu is the Deputy General Manager of Culturecom Technology (Macau) Limited, a wholly owned subsidiary of the Group and he serves as the Chief Engineer of Chu Bong Foo Labs. He is responsible for the development of intelligent graphic systems under the guidance of Mr. Chu Bong Foo. He graduated from Institute of Metal Research, Chinese Academy of Sciences with Bachelor Degree of Metal Physics.

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

### Senior Management (Continued)

**Ms. Lee Yuk Ping**, aged 45, joined the Group in September 1997. Ms. Lee holds a Master Degree of Professional Accounting. She is a fellow member of both the Chartered Association of Certified Accountants and the Hong Kong Institute of Certified Public Accountants. She has extensive experience in auditing, accounting and corporate finance.

**Mr. Shiu Kwok Keung**, aged 46, joined the Group in May 2011. He is the Chief Executive Officer of Culturecom Investments Limited, a wholly owned subsidiary of the Group. He has extensive experience in finance, accounting and management. Prior to his appointment, he was the senior management of several companies in Hong Kong. Mr. Shiu holds a Master of Science Degree in finance from the National University of Ireland, Dublin, another Master Degree in Professional Accounting from the Southern Cross University, Australia, and a Bachelor of Social Science Degree in China Studies (Economics) from the Hong Kong Baptist University. He is a Chartered Financial Analyst Charterholder and a Certified Practising Accountant of CPA Australia.

**Mr. Chau Ka Hang**, aged 47, joined the Group in January 1999. Mr. Chau is the General Manager (Comic Publishing) of the Group. He is responsible for the overall business planning, development and marketing of comic publishing for the Group in Hong Kong and the mainland of China. Mr. Chau has over 17 years of experience in advertising business and comic publication management.

## SHARE OPTION SCHEMES

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

The number of shares available for issue under 2002 Scheme as at the date of the Annual Report is 158,681,050 which representing approximately 14.52% 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 consolidated financial statements.

# DIRECTORS' REPORT

## SHARE OPTION SCHEMES (Continued)

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

| | | Date of Grant | Number of share options: At 1 April 2012 | Transfer from other category during the year | Transfer to other category during the year | Lapsed during the year | Granted/ Exercised/ Cancelled during the year | At 31 March 2013 | Exercise price per share (note 2) HK$ | Exercise period |
|---|---|---|---|---|---|---|---|---|---|---|
| (a) Directors | | | | | | | | | | |
| Ms. Chow Lai Wah Livia | | 7 July 2006 | 548,500 | - | - | - | - | 548,500 | 0.92 | 7 July 2006 to 6 July 2016 |
| | | 29 June 2007 | 4,388,000 *(note 1)* | - | - | - | - | 4,388,000 | 2.16 | 29 June 2007 to 28 June 2017 |
| Mr. Kwan Kin Chung | (i) | 7 July 2006 | 877,600 | - | - | - | - | 877,600 | 0.92 | 7 July 2006 to 6 July 2016 |
| | (ii) | 29 June 2007 | 109,700 | - | - | - | - | 109,700 | 2.16 | 29 June 2007 to 28 June 2017 |
| | (iii) | 6 November 2007 | 877,600 | - | - | - | - | 877,600 | 1.42 | 6 November 2007 to 5 November 2017 |
| Mr. Tang U Fai | (i) | 19 December 2003 | 109,700 | - | - | - | - | 109,700 | 2.42 | 19 December 2003 to 18 December 2013 |
| | (ii) | 24 March 2005 | 1,755,200 | - | - | - | - | 1,755,200 | 2.69 | 24 March 2005 to 23 March 2015 |
| | (iii) | 7 July 2006 | 109,700 | - | - | - | - | 109,700 | 0.92 | 7 July 2006 to 6 July 2016 |
| Mr. Tang Kwing Chuen Kenneth | | 7 July 2006 | 54,850 | - | - | - | - | 54,850 | 0.92 | 7 July 2006 to 6 July 2016 |
| Mr. Chen Man Lung | (i) | 24 March 2005 | 1,426,100 | - | - | - | - | 1,426,100 | 2.69 | 24 March 2005 to 23 March 2015 |
| | (ii) | 7 July 2006 | 713,050 | - | - | - | - | 713,050 | 0.92 | 7 July 2006 to 6 July 2016 |
| | (iii) | 29 June 2007 | 1,206,700 | - | - | - | - | 1,206,700 | 2.16 | 29 June 2007 to 28 June 2017 |
| | (iv) | 6 November 2007 | 1,645,500 | - | - | - | - | 1,645,500 | 1.42 | 6 November 2007 to 5 November 2017 |
| Mr. Wan Xiaolin | | 19 December 2003 | 329,100 | - | - | - | - | 329,100 | 2.42 | 19 December 2003 to 18 December 2013 |

# DIRECTORS' REPORT

## SHARE OPTION SCHEMES (Continued)

| | | Date of Grant | Number of share options: At 1 April 2012 | Transfer from other category during the year | Transfer to other category during the year | Lapsed during the year | Granted/ Exercised/ Cancelled during the year | At 31 March 2013 | Exercise price per share *(note 2)* HK$ | Exercise period |
|---|---|---|---|---|---|---|---|---|---|---|
| (b) Employees | (i) | 19 December 2003 | 3,554,280 | - | - | - | - | 3,554,280 | 2.42 | 19 December 2003 to 18 December 2013 |
| | (ii) | 24 March 2005 | 4,388,000 | - | - | - | - | 4,388,000 | 2.69 | 24 March 2005 to 23 March 2015 |
| | (iii) | 7 July 2006 | 329,100 | - | - | - | - | 329,100 | 0.92 | 7 July 2006 to 6 July 2016 |
| | (iv) | 29 June 2007 | 10,476,350 | - | - | - | - | 10,476,350 | 2.16 | 29 June 2007 to 28 June 2017 |
| | (v) | 6 November 2007 | 12,286,400 | - | - | - | - | 12,286,400 | 1.42 | 6 November 2007 to 5 November 2017 |
| (c) Others | (i) | 19 December 2003 | 2,490,190 | - | - | - | - | 2,490,190 | 2.42 | 19 December 2003 to 18 December 2013 |
| | (ii) | 24 March 2005 | 21,994,850 | - | - | - | - | 21,994,850 | 2.69 | 24 March 2005 to 23 March 2015 |
| | (iii) | 3 October 2005 | 3,291,000 | - | - | - | - | 3,291,000 | 1.93 | 3 October 2005 to 2 October 2015 |
| | (iv) | 7 July 2006 | 12,275,430 | - | - | - | - | 12,275,430 | 0.92 | 7 July 2006 to 6 July 2016 |
| | (v) | 29 June 2007 | 27,699,250 | - | - | - | - | 27,699,250 | 2.16 | 29 June 2007 to 28 June 2017 |
| | (vi) | 6 November 2007 | 45,744,900 | - | - | - | - | 45,744,900 | 1.42 | 6 November 2007 to 5 November 2017 |

*Notes:*

1. Mr. Dizon Basilio ("Mr. Dizon") has been granted 4,388,000 share options under the 2002 Scheme of the Company. Pursuant to the SFO, Ms. Chow Lai Wah Livia, the spouse of Mr. Dizon, is deemed to be interested in the share options granted to Mr. Dizon.

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 2013, all options have been vested.

# DIRECTORS' REPORT

## 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 2013, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange:

*Interests in the shares of the Company*

| Name of Director | | Capacity | Nature of interest | Number of shares held | Approximate percentage of issued share capital |
|---|---|---|---|---|---|
| Ms. Chow Lai Wah Livia | (i) | Beneficial owner | Personal interest | 32,662,800 | 28.18% |
| | (ii) | Interests of a controlled corporation | Corporate interest | 94,088,600 *(note 1)* | |
| | (iii) | Interests of spouse | Corporate interest and personal interest | 181,178,712 *(note 2)* | |
| Mr. Wan Xiaolin | | Beneficial owner | Personal interest | 50,000 | N/A |
| Mr. Tang Kwing Chuen Kenneth | | Beneficial owner | Personal interest | 135,000 | 0.01% |
| Mr. Chen Man Lung | | Beneficial owner | Personal interest | 200 | N/A |

## DISCLOSURE OF INTERESTS (Continued)

### (a) Interests of the Directors (Continued)

*Interests in the shares of the Company (Continued)*

*Note:*

1 Ms. Chow Lai Wah Livia ("Ms. Chow") has controlling interests in L&W Holding Limited ("L&W"), L&W is beneficially interested in 94,088,600 shares in the Company. Accordingly, Ms. Chow is deemed to be interested in 94,088,600 shares in the Company under the SFO.

2 Harvest Smart Overseas Limited ("Harvest Smart") is beneficially interested in 173,718,712 shares. Therefore, Ms. Chow is deemed to be interested in 173,718,712 shares in the Company under the SFO.

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

*All interests stated above represent long positions.*

# DIRECTORS' REPORT

## DISCLOSURE OF INTERESTS (Continued)

### (a) Interests of the Directors (Continued)

*Interest in shares of associated corporation of the Company*

| Name of associated corporation | Name of Director | Capacity | Nature of interest | Number of shares held | % of total issued share capital of the associated corporation |
|---|---|---|---|---|---|
| China Bio Cassava Holdings Limited | Mr. Kwan Kin Chung | Beneficial owner | Personal interest | 5,250,000 *(note 1)* | 0.21% |
| | Mr. Chung Billy | Beneficial owner | Personal interest | 800,000 *(note 2)* | 0.03% |
| | Mr. Tang U Fai | Beneficial owner | Personal interest | 1,000,000 *(note 3)* | 0.04% |
| | Mr. Chen Man Lung | Beneficial owner | Personal interest | 4,250,000 *(note 4)* | 0.17% |
| | Mr. Wan Xiaolin | Beneficial owner | Personal interest | 3,250,000 *(note 5)* | 0.13% |
| | Mr. Tsang Wai Wa | Beneficial owner | Personal interest | 876,355 *(note 6)* | 0.04% |

## DISCLOSURE OF INTERESTS (Continued)

### (a) Interests of the Directors (Continued)

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

*Notes:*

1. Mr. Kwan Kin Chung is beneficially interested in 5,250,000 share options in China Bio Cassava Holdings Limited.

2. Mr. Chung Billy is beneficially interested in 300,000 ordinary shares and 500,000 share options in China Bio Cassava Holdings Limited.

3. Mr. Tang U Fai is beneficially interested in 1,000,000 share options in China Bio Cassava Holdings Limited.

4. Mr. Chen Man Lung is beneficially interested in 4,250,000 share options in China Bio Cassava Holdings Limited. Mr. Chen Man Lung has resigned as the executive director of China Bio Cassava Holdings Limited with effect from 18 June 2012. Therefore, the share option of Mr. Chen Man Lung in China Bio Cassava Holdings Limited has been lapsed.

5. Mr. Wan Xiaolin is beneficially interested in 3,250,000 share options in China Bio Cassava Holdings Limited.

6. Mr. Tsang Wai Wa is beneficially interested in 626,355 ordinary shares and 250,000 share options in China Bio Cassava Holdings Limited.

7. As a result of share consolidation, pursuant to the terms of the Share Option Scheme adopted by China Bio Cassava Holdings Limited, the exercise price of the Share Options and the number of Shares to be allotted and issued upon full exercise of the subscription rights attaching to the 1,517,760,000 outstanding Share Options will be adjusted in the manner as disclosed in the Announcement of China Bio Cassava Holdings Limited dated 22 June 2012. The share consolidation is expected to become effective on 28 June 2012 upon the fulfillment of the conditions set out in the Announcement.

*All interests stated above represent long positions.*

# DIRECTORS' REPORT

## DISCLOSURE OF INTERESTS (Continued)

### (a) Interests of the Directors (Continued)

*Interests in share options of the Company*

| Name of Director | | Capacity | Nature of interest | Number of share options | Exercise price per share | Exercisable period | Approximate percentage of issued share capital |
|---|---|---|---|---|---|---|---|
| | | | | | HK$ | | |
| Ms. Chow Lai Wah Livia | (i) | Beneficial owner | Personal interest | 548,500 | 0.92 | 7 July 2006 to 6 July 2016 | 0.45% |
| | (ii) | Interest of spouse | Family interest | 4,388,000 | 2.16 | 29 June 2007 to 28 June 2017 | |
| Mr. Kwan Kin Chung | (i) | Beneficial owner | Personal interest | 877,600 | 0.92 | 7 July 2006 to 6 July 2016 | 0.17% |
| | (ii) | Beneficial owner | Personal interest | 109,700 | 2.16 | 29 June 2007 to 28 June 2017 | |
| | (iii) | Beneficial owner | Personal interest | 877,600 | 1.42 | 6 November 2007 to 5 November 2017 | |
| Mr. Tang U Fai | (i) | Beneficial owner | Personal interest | 109,700 | 2.42 | 19 December 2003 to 18 December 2013 | 0.18% |
| | (ii) | Beneficial owner | Personal interest | 1,755,200 | 2.69 | 24 March 2005 to 23 March 2015 | |
| | (iii) | Beneficial owner | Personal interest | 109,700 | 0.92 | 7 July 2006 to 6 July 2016 | |
| Mr. Tang Kwing Chuen Kenneth | | Beneficial owner | Personal interest | 54,850 | 0.92 | 7 July 2006 to 6 July 2016 | 0.01% |
| Mr. Chen Man Lung | (i) | Beneficial owner | Personal interest | 1,426,100 | 2.69 | 24 March 2005 to 23 March 2015 | 0.46% |
| | (ii) | Beneficial owner | Personal interest | 713,050 | 0.92 | 7 July 2006 to 6 July 2016 | |
| | (iii) | Beneficial owner | Personal interest | 1,206,700 | 2.16 | 29 June 2007 to 28 June 2017 | |
| | (iv) | Beneficial owner | Personal interest | 1,645,500 | 1.42 | 6 November 2007 to 5 November 2017 | |
| Mr. Wan Xiaolin | | Beneficial owner | Personal interest | 329,100 | 2.42 | 19 December 2003 to 18 December 2013 | 0.03% |

*Note:* The options exercise period is commenced from the date of grant for ten years. The options may be exercised at any time with the option period provided that the options have been vested. As at 31 March 2013, all options have been vested.

*All interests stated above represent long positions.*

# DIRECTORS' REPORT

## DISCLOSURE OF INTERESTS (Continued)

### (a) Interests of the Directors (Continued)

Save as disclosed above, as at 31 March 2013, none of the Directors nor chief executive of the Company had interests or short positions in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

### (b) Interests of Substantial Shareholders

As at 31 March 2013, so far as is known to any Director or chief executive of the Company, the following person had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO:

*Interests in the shares of the Company*

| Name | Capacity | Number of shares held | Approximate percentage of issued share capital |
|---|---|---|---|
| L&W Holding Limited | Beneficial owner | 94,088,600 | 8.61% |
| Harvest Smart Overseas Limited | Beneficial owner | 173,718,712 | 15.90% |
| Mr. Dizon Basilio | Beneficial owner, interests in a controlled corporation and interests of spouse *(Note 1)* | 307,930,112 | 28.18% |

# DIRECTORS' REPORT

## DISCLOSURE OF INTERESTS (Continued)

### (b) Interests of Substantial Shareholders *(Continued)*

*Interests in the shares of the Company (Continued)*

| Name | Capacity | Number of shares held | Approximate percentage of issued share capital |
|---|---|---|---|
| Ms. Chow Lai Wah Livia | Beneficial owner, interests in a controlled corporation and interests of spouse *(Note 2)* | 307,930,112 | 28.18% |

*Notes:*

1. Mr. Dizon Basilio ("Mr. Dizon") is beneficially interests in 7,460,000 shares and has controlling interests 65% and 98.64% in L&W Holding Limited ("L&W") and Harvest Smart Overseas Limited ("Harvest Smart") respectively. Ms. Chow Lai Wah Livia ("Ms. Chow"), the spouse of Mr. Dizon and the Director of the Company, is beneficially interested in 32,662,800 shares in the Company, therefore, Mr. Dizon is deemed to be interested in 307,930,112 shares in the Company under the SFO.

2. Ms. Chow is beneficially interested in 32,662,800 shares in the Company. She is the spouse of Mr. Dizon and has controlling interests in L&W and Harvest Smart. Accordingly, Ms. Chow is deemed to be interested in 307,930,112 shares in the Company under the SFO.

*All interests stated above represent long positions.*

Save as disclosed above, as at 31 March 2013, the Directors and the chief executive of the Company were not aware of any person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO.

## DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

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

### Licensing Agreement with a Connected Person

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

The Licensing Agreement lasts for 3 years commenced from 29 June 2010. Detail of the transaction was set out in the announcement of the Company dated 29 June 2010. The annual cap for the Licensing Agreement is based on the royalty payment and the share of bonus on the global box office result. No royalty income received during the year. The annual cap for this transaction for the years ended 31 March 2013 and 2014 are HK$5,010,000.

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

The independent non-executive Directors of the Company has reviewed the continuing connected transaction for the year ended 31 March 2013 and confirm that the transaction has been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third party;

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Group as a whole; and

(4) have not exceeded the relevant maximum amount capped in accordance to the waiver previously granted by the Stock Exchange.

# DIRECTORS' REPORT

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

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

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

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

## PRE-EMPTIVE RIGHTS

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

## REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries have repurchased, sold or redeemed any of the listed securities in the Company during the year ended 31 March 2013.

## AUDIT COMMITTEE

The audit committee of the Company, with written terms of reference in line with the code provisions set out in the Code on Corporate Governance Practices (the "Code") as stipulated in Appendix 14 to the Listing Rules, currently comprises three independent non-executive Directors, namely Mr. Tsang Wai Wa, Mr. Joseph Lee Chennault and Mr. Lai Qiang. The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the audited financial statements for the year ended 31 March 2013.

## CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out on pages 30 to 35 of the annual report.

# DIRECTORS' 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 2013.

## SUFFICIENCY OF PUBLIC FLOAT

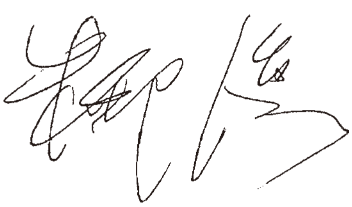
Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

## AUDITOR

During the year, FTW & Partners CPA Limited ("FTW") resigned as auditors of the Company with effect from 15 November 2012, and Deloitte Touche Tohmatsu ("Deloitte") was appointed as auditors of the Group with effect from 16 November 2012 to fill the casual vacancy occasioned by the resignation of FTW. The reason for this change of auditors is that taking into account the level of fees, FTW decided to resign as auditors of the Company.

The financial statements of the Company for the year ended 31 March 2013 were audited by Deloitte, who will retire and a resolution to re-appoint Deloitte as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board



**Chu Bong Foo**
*Chairman*

Hong Kong, 26 June 2013

# CORPORATE GOVERNANCE REPORT

## INTRODUCTION

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

### Code Provision A.4.1

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

### Code Provision E.1.2

Under the code provision E.1.2, the Chairman of the board should attend the annual general meeting. The Chairman of the board, Mr. Chu Bong Foo, was unable to attend the annual general meeting of the Company held on 15 August 2012 as he was on business trip for other important business engagement. However, an Executive Director, present at the annual general meeting who then took the chair of that meeting in accordance with the Bye-Laws of the Company.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard as set out in the Model Code during the year ended 31 March 2013.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS

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

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

| **Directors** | **Attendance/ Number of Meetings** |
|---|---|
| **Non-executive Director** | |
| Mr. Chu Bong Foo *(Chairman)* | 17/17 |
| **Executive Directors** | |
| Ms. Chow Lai Wah Livia *(Vice Chairman)* | 17/17 |
| Mr. Kwan Kin Chung *(Managing Director)* | 17/17 |
| Mr. Chung Billy | 17/17 |
| Mr. Tang U Fai | 17/17 |
| Mr. Tang Kwing Chuen Kenneth | 17/17 |
| Mr. Chen Man Lung | 17/17 |
| Mr. Wan Xiaolin | 17/17 |
| **Independent non-executive Directors** | |
| Mr. Tsang Wai Wa | 17/17 |
| Mr. Joseph Lee Chennault | 17/17 |
| Mr. Lai Qiang | 17/17 |
| Ms. Ng Ying *(appointed as Independent Non-executive Director on 31 December 2012)* | 4/17 |

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS (Continued)

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

## AUDIT COMMITTEE

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

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

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

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

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

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

## ROLES AND RESPONSIBILITIES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

## TERMS OF NON-EXECUTIVE DIRECTORS

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

## REMUNERATION COMMITTEE

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

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

Details of emoluments of the Directors from the Group for the year are as disclosed in note 17 to the consolidated financial statements.

# CORPORATE GOVERNANCE REPORT

## NOMINATION COMMITTEE

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

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

## CORPORATE GOVERNANCE COMMITTEE

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

According to the written terms of reference, the CGC comprised of 4 members. Currently, the CGC was chaired by Mr. Chen Yen Lung ("Mr. Chen"). Mr. Chen participates in international financial investment over 21 years and has a strong and long-term business relationships with a number of international financial institutions.

## ACCOUNTABILITY AND AUDIT

### Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 March 2013, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# CORPORATE GOVERNANCE REPORT

## ACCOUNTABILITY AND AUDIT (Continued)

### Auditor's Responsibilities and Remuneration

During the year, the audit fee for the Group amounted to approximately HK$1,020,000.

The statement of the auditor of the Company regarding their reporting responsibilities is set out in the Independent auditor's Report on pages 36 and 37.

### Internal Control

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

# INDEPENDENT AUDITOR'S REPORT

**Deloitte.**
**德勤**

**TO THE SHAREHOLDERS OF CULTURECOM HOLDINGS LIMITED**
*(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Culturecom Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 134, which comprise the consolidated and company statements of financial position as at 31 March 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' Responsibility for the Consolidated Financial Statements

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

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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 HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

# INDEPENDENT AUDITOR'S REPORT

## **Auditor's responsibility** (Continued)

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

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

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2013, and of the Group's loss and cash flows for the year then ended in accordance with HKFRSs and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong
26 June 2013

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2013

| | NOTES | 2013 HK$'000 | 2012 HK$'000 (Restated) |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 7 | **26,813** | 29,061 |
| Cost of sales | | **(14,258)** | (16,546) |
| Gross profit | | **12,555** | 12,515 |
| Other income and other gain and loss | 8 | **(5,793)** | 9,636 |
| Administrative expenses | | **(73,450)** | (57,784) |
| Loss on fair value change of held for trading investments | | **(15,658)** | (41,110) |
| Share of losses of associates | 19 | **(1,816)** | (7,221) |
| Impairment on goodwill | 20 | **–** | (12) |
| Impairment on available-for-sale financial assets | 22 | **(15,000)** | (5,000) |
| Cost incurred to develop online business | 10 | **(118,877)** | – |
| Finance costs | 11 | **(9)** | (9) |
| Loss before tax | 12 | **(218,048)** | (88,985) |
| Income tax expense | 13 | **(672)** | (48) |
| Loss for the year from continuing operations | | **(218,720)** | (89,033) |
| **Discontinued operations** | | | |
| (Loss) profit for the year | 14 | **(79,276)** | 39,103 |
| **Loss for the year** | | **(297,996)** | (49,930) |
| **Other comprehensive income** | | | |
| Exchange gain on translation of financial statements of foreign operations | | **5,080** | 3,735 |
| Other comprehensive income for the year | | **5,080** | 3,735 |
| Total comprehensive expense for the year | | **(292,916)** | (46,195) |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2013

| | NOTE | 2013<br>HK$'000 | 2012<br>HK$'000<br>(Restated) |
|---|---|---|---|
| **Loss for the year attributable to:** | | | |
| Owners of the Company | | | |
| – Loss for the year from continuing operations | | **(213,556)** | (88,210) |
| – (Loss) profit for the year from discontinued operations | | **(84,073)** | 39,103 |
| | | **(297,629)** | (49,107) |
| Non-controlling interests | | | |
| – Loss for the year from continuing operations | | **(5,164)** | (823) |
| – Profit for the year from discontinuing operations | | **4,797** | – |
| | | **(367)** | (823) |
| | | **(297,996)** | (49,930) |
| **Total comprehensive expense attributable to:** | | | |
| Owners of the Company | | **(291,192)** | (45,372) |
| Non-controlling interests | | **(1,724)** | (823) |
| | | **(292,916)** | (46,195) |
| **Loss per share** | 16 | | |
| **From continuing and discontinued operations** | | | |
| Basic (HK cents) | | **(28.3)** | (4.7) |
| Diluted (HK cents) | | **(28.3)** | (4.7) |
| **From continuing operations** | | | |
| Basic (HK cents) | | **(20.3)** | (8.5) |
| Diluted (HK cents) | | **(20.3)** | (8.5) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 March 2013

| | NOTES | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 18 | **12,512** | 68,043 |
| Long-term deposits | | **–** | 2,441 |
| Interests in associates | 19 | **13,028** | 15,004 |
| Intangible assets | 21 | **1,385** | 130,257 |
| Deferred tax asset | 33 | **2,178** | – |
| Loan to an associate | 19 | **24,823** | – |
| Available-for-sale financial assets | 22 | **–** | 15,000 |
| | | **53,926** | 230,745 |
| **Current assets** | | | |
| Inventories | 23 | **36,757** | 35,027 |
| Trade receivables | 24 | **6,120** | 23,376 |
| Other receivables, deposits and prepayments | 25 | **29,148** | 47,237 |
| Amounts due from associates | 19 | **41** | 67 |
| Tax recoverables | | **–** | 5 |
| Held for trading investments | 26 | **29,710** | 50,911 |
| Bank balances and cash | 27 | **300,461** | 434,531 |
| | | **402,237** | 591,154 |
| Assets classified as held for sale | 14 | **130,554** | – |
| | | **532,791** | 591,154 |
| **Current liabilities** | | | |
| Trade payables | 28 | **2,380** | 5,371 |
| Other payables and accrued charges | 28 | **31,053** | 25,334 |
| Obligations under finance leases | | | |
| – due within one year | 29 | **7** | 43 |
| Tax payables | | **–** | 2,785 |
| | | **33,440** | 33,533 |
| Liabilities associated with assets classified as held for sale | 14 | **25,625** | – |
| | | **59,065** | 33,533 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 March 2013

| | NOTES | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **Net current assets** | | **473,726** | 557,621 |
| **Total assets less current liabilities** | | **527,652** | 788,366 |
| **Non-current liabilities** | | | |
| Obligations under finance leases | | | |
| – due after one year | 29 | **–** | 7 |
| Deferred tax liabilities | 33 | **–** | 29,423 |
| | | **–** | 29,430 |
| **Net assets** | | **527,652** | 758,936 |
| **Capital and reserves** | | | |
| Share capital | 30 | **10,928** | 10,396 |
| Reserves | | **479,198** | 748,540 |
| Equity attributable to owners of the Company | | **490,126** | 758,936 |
| Non-controlling interests | | **37,526** | – |
| **Total equity** | | **527,652** | 758,936 |

The consolidated financial statements on pages 38 to 134 were approved and authorised for issue by the board of directors on 26 June 2013 and are signed on its behalf by:

**Chu Bong Foo**
*Director*

**Kwan Kin Chung**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2013

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Contribution surplus HK$'000 (Note a) | Warrant reserve HK$'000 (Note b) | 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 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| At 1 April 2011 | 10,339 | 1,728,358 | 171,671 | 128 | 446 | 21,939 | 63,619 | 2,149 | (1,220,322) | 778,327 | 823 | 779,150 |
| **Loss for the year** | - | - | - | - | - | - | - | - | (49,107) | (49,107) | (823) | (49,930) |
| **Other comprehensive income** | | | | | | | | | | | | |
| Exchange gain on translation of financial statements of foreign operations | - | - | - | - | - | 3,735 | - | - | - | 3,735 | - | 3,735 |
| Total comprehensive expense for the year | - | - | - | - | - | 3,735 | - | - | (49,107) | (45,372) | (823) | (46,195) |
| Issue of warrants (note 31) | - | - | - | 27,570 | - | - | - | - | - | 27,570 | - | 27,570 |
| Exercise of warrants | 57 | 1,542 | - | - | - | - | - | - | - | 1,599 | - | 1,599 |
| Expenses incurred on warrants issue | - | - | - | (1,018) | - | - | - | - | - | (1,018) | - | (1,018) |
| Expenses incurred on Right Issue (Note d) | - | (21) | - | - | - | - | - | - | - | (21) | - | (21) |
| Transfer from warrant reserve to share premium due to exercise of warrants | - | 1,100 | - | (1,100) | - | - | - | - | - | - | - | - |
| Transfer to gain on disposal of property | - | - | - | - | - | - | - | (2,149) | - | (2,149) | - | (2,149) |
| **At 31 March 2012** | **10,396** | **1,730,979** | **171,671** | **25,580** | **446** | **25,674** | **63,619** | **-** | **(1,269,429)** | **758,936** | **-** | **758,936** |
| **Loss for the year** | - | - | - | - | - | - | - | - | (297,629) | (297,629) | (367) | (297,996) |
| **Other comprehensive income** | | | | | | | | | | | | |
| Exchange gain on translation of financial statements of foreign operations | - | - | - | - | - | 6,437 | - | - | - | 6,437 | (1,357) | 5,080 |
| Total comprehensive expense for the year | - | - | - | - | - | 6,437 | - | - | (297,629) | (291,192) | (1,724) | (292,916) |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2013

| | Share capital HK$'000 | Share premium HK$'000 | Contribution surplus HK$'000 (Note a) | Warrant reserve HK$'000 (Note b) | 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 | Non-controlling interests HK$'000 | Total equity HK$'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Attributable to owners of the Company | | | | | | | | | | | |
| Issue of warrants (note 31) | - | - | - | 7,679 | - | - | - | - | - | 7,679 | - | 7,679 |
| Exercise of warrants | 532 | 14,358 | - | - | - | - | - | - | - | 14,890 | - | 14,890 |
| Expenses incurred on warrants issue | - | - | - | (187) | - | - | - | - | - | (187) | - | (187) |
| Transfer from warrant reserve to share premium due to exercise of warrants | - | 10,243 | - | (10,243) | - | - | - | - | - | - | - | - |
| Disposal of partial interest in a subsidiary (Note c) | - | - | - | - | - | - | - | - | - | - | 39,250 | 39,250 |
| **At 31 March 2013** | **10,928** | **1,755,580** | **171,671** | **22,829** | **446** | **32,111** | **63,619** | **-** | **(1,567,058)** | **490,126** | **37,526** | **527,652** |

Notes:

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

(b) Warrant reserve arises from the issue of warrants less the expenses incurred on warrants issue. Upon exercise of warrant, warrant reserve would be transferred to share premium (note 31).

(c) Disposal of partial interest in a subsidiary represents the disposal of 40% interest in Raise Beauty Investments Limited, (former wholly owned subsidiary of the Group), on 6 February 2013. The consideration of HK$39,250,000 is recognized as non-controlling interest accordingly (note 14).

(d) On 28 February 2011, the Company completed the issue of 344,627,982 rights shares (the "Rights Issue") at the subscription of HK$0.35 per rights share on the basis of one rights share for every two existing shares in issue on 31 January 2011. As a result, the Company's issued capital was increased from HK$6,893,000 to HK$10,339,000 as at 31 March 2011. The excess of the subscription proceeds, amounting to HK$117,174,000 over the nominal value of share capital issued is credited to the share premium account for the year ended 31 March 2011.

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2013

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Loss for the year | **(297,996)** | (49,930) |
| Adjustments for: | | |
| Income tax credit | **(14,494)** | (2,848) |
| Finance cost | **9** | 9 |
| Interest income | **(1,429)** | (2,526) |
| Share of loss of associates | **1,816** | 7,221 |
| Amortisation of intangible assets | **9,689** | 11,840 |
| Depreciation of property, plant and equipment | **7,291** | 8,097 |
| Impairment loss on property, plant and equipment | **25,926** | – |
| Impairment loss on intangible asset | **51,054** | – |
| Impairment loss on prepayment | **7,450** | – |
| Impairment loss on available-for-sale financial assets | **15,000** | 5,000 |
| Impairment loss on interests in associates | **160** | – |
| Impairment loss on other receivables | **623** | – |
| Impairment loss on goodwill | **–** | 12 |
| Recovery of impairment loss on trade receivables | **(235)** | (18) |
| Loss on fair value change of held for trading investments | **15,658** | 41,110 |
| Loss on disposals of property, plant and equipment | **–** | 1,677 |
| Gain on disposal of an investment property | **–** | (55,477) |
| Operating cash flows before movements in working capital | **(179,478)** | (35,833) |
| Increase in inventories | **(1,730)** | (32,175) |
| Increase in trade receivables | **(3,147)** | (2,338) |
| Decrease (increase) in other receivables, deposits and prepayments | **7,235** | (26,686) |
| Increase (decrease) in trade payables | **191** | (1,366) |
| Increase in other payables and accrued charges | **7,976** | 118 |
| Decrease (increase) in held for trading investments | **5,543** | (29,950) |
| Net cash used in operations | **(163,410)** | (128,230) |
| Interest paid | **(9)** | (9) |
| Income tax paid | **–** | (21) |
| NET CASH USED IN OPERATING ACTIVITIES | **(163,419)** | (128,260) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2013

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| INVESTING ACTIVITIES | | |
| Interest received | 1,429 | 2,526 |
| Proceeds from disposal of investment property | - | 278,907 |
| Proceeds from disposal of property, plant and equipment | - | 18 |
| Purchases of property, plant and equipment | (10,360) | (2,977) |
| Acquisition of subsidiaries | - | (132) |
| Repayment from associates | 26 | – |
| Advance to associates | - | (15) |
| Investment in an associate | - | (3) |
| Loan to an associate | (24,823) | – |
| NET CASH (USED IN) FROM INVESTING ACTIVITIES | (33,728) | 278,324 |
| FINANCING ACTIVITIES | | |
| Proceeds from issue of warrants | 7,679 | 27,570 |
| Proceeds from exercise of warrants issued | 14,890 | 1,599 |
| Proceeds from disposal of partial interest in a subsidiary without losing control | 39,250 | – |
| Repayments of obligations under finance leases | (43) | (43) |
| Repayment to an associate | - | (1,144) |
| Expenses paid on rights issue | - | (21) |
| Expenses paid on warrants issue | (187) | (1,018) |
| NET CASH FROM FINANCING ACTIVITIES | 61,589 | 26,943 |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (135,558) | 177,007 |
| CASH AND CASH EQUIVALENTS AT 1 APRIL | 434,531 | 258,176 |
| Effect of foreign exchange rate changes | 2,477 | (652) |
| CASH AND CASH EQUIVALENTS AT 31 MARCH | 301,450 | 434,531 |
| Represented by: | | |
| Bank balances and deposits with financial institutions | 300,461 | 434,531 |
| Cash and cash equivalent classified as assets held for sale | 989 | – |
| | 301,450 | 434,531 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 1. GENERAL INFORMATION

Culturecom Holdings Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business is Suite 1102, 11/F, Chinachem Tower, 34-37 Connaught Road Central, Hong Kong.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 39. The Group's principal places of the business are in Hong Kong, the People's Republic of China (the "PRC") and Macau.

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

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group and the Company has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

| | |
|---|---|
| Amendments to HKAS 12 | Deferred Tax: Recovery of Underlying Assets; and |
| Amendments to HKFRS 7 | Financial Instruments: Disclosures - Transfers of Financial Assets. |

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and the Group's and the Company's financial positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

### New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2009 - 2011 Cycle[1] |
| Amendments to HKFRS 1 | Government Loans[1] |
| Amendments to HKFRS 7 | Disclosures - Offsetting Financial Assets and Financial Liabilities[1] |
| Amendments to HKFRS 9 and HKFRS 7 | Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3] |
| Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 | Investment Entities[2] |
| HKFRS 9 | Financial Instruments[3] |
| HKFRS 10 | Consolidated Financial Statements[1] |
| HKFRS 11 | Joint Arrangements[1] |
| HKFRS 12 | Disclosure of Interests in Other Entities[1] |
| HKFRS 13 | Fair Value Measurement[1] |
| HKAS 19 (as revised in 2011) | Employee Benefits[1] |
| HKAS 27 (as revised in 2011) | Separate Financial Statements[1] |
| HKAS 28 (as revised in 2011) | Investments in Associates and Joint Ventures[1] |
| Amendments to HKAS 1 | Presentation of Items of Other Comprehensive Income[4] |
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities[2] |
| Amendments to HKAS 36 | Recoverable Amount Disclosures for Non-Financial Assets[2] |
| HK(IFRIC) - Int 20 | Stripping Costs in the Production Phase of a Surface Mine[1] |
| HK(IFRIC) - Int 21 | Levies[2] |

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 July 2012.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

### HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes requirements for classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 March 2016.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

### HKFRS 9 Financial Instruments (Continued)

The Group is in the process of making an assessment of the impact of this standard and amendments to the Group's results and financial position in the period of initial application. So far it has concluded that the adoption of this standard and the related amendments is unlikely to have a significant impact on the Group's results of operations and the Group's and the Company's financial positions.

### New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HK(SIC) - Int 12 Consolidation - Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK(SIC) - Int 13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

### New and revised Standards on consolidation, joint arrangements, associates and disclosures (Continued)

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

Based on the existing group structure, the application of these five standards is not expected to have a significant impact on the amounts reported in the consolidated financial statements.

### HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

### HKFRS 13 Fair Value Measurement (Continued)

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 April 2013 and the application of the new standard is not likely to have material impact to the amounts reported in the consolidated financial statements but may result in more, extensive disclosure in the consolidated financial statements.

### Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for the Group for annual period beginning on 1 April 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

The directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Basis of consolidation** (Continued)

*Allocation of total comprehensive income to non-controlling interests*

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

*Changes in the Group's ownership interests in existing subsidiaries*

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Business combinations (Continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

### Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

### Interests in subsidiaries

Interests in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss. Results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that 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 an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

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

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Interests in associates (Continued)

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

### Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income and management fee income are recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

*The Group as lessee*

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Foreign currencies (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 April 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of translation reserve.

### Retirement benefit costs

Payments to defined contribution retirement benefit plans/the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Taxation (Continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### Intangible assets

*Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses/ revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Intangible assets (Continued)

*Research and development expenditure*

Expenditure on research activities in planning stage is recognised as an expense in the period in which it is incurred.

An internally-generated intangible assets arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all the followings have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Application and infrastructure development stage, graphical design stage and content development stage of a website development are similar in nature to the development phase of an intangible asset. Expenditure incurred in these stages is recognised as an expense when incurred, unless the expenditure is incurred for purchasing or developing hardware which is capitalised as property, plant and equipment or directly attributed to preparing the web site of the online platform in the manner intended by management and meet all the recognition criteria of internally-generated intangible assets listed above.

Expenditure incurred in the content development stage to the extent that content is developed to advertise and promote the Group's own products and services is recognised as an expense when incurred (e.g. when the advertising services are received).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Intangible assets (Continued)

*Research and development expenditure (Continued)*

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

*Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses/ revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### *Financial assets*

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is excluded in net gains or losses.

#### Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Financial instruments** (Continued)

*Financial assets (Continued)*

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the 'loss on fair value change of held for trading investments' line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in note 26.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loan to an associate, trade receivables, other receivables, amounts due from associates and bank balance and cash are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated the investments in unlisted shares as available-for-sale financial assets on initial recognition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Financial instruments** (Continued)

*Financial assets (Continued)*

Available-for-sale financial assets (Continued)

Available-for-sale financial assets equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale financial assets equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

*Financial assets (Continued)*

Impairment of financial assets (Continued)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 0 to 90 days for receivables of publishing and retailing and wholesales business and 180 to 360 days for crude oil exploration services business, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Financial instruments** (Continued)

*Financial liabilities and equity instruments*

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including, trade payables and other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

*Financial liabilities and equity instruments (Continued)*

Derecognition (Continued)

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### Share-based payment transactions

*Equity-settled share-based payment transactions*

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

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, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value 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 assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### *Useful lives and impairment on property, plant and equipment*

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are expected to be shorter than previously estimated, or it will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold.

In determining whether certain property, plant and equipment is impaired requires an estimation of the value in use of those property, plant and equipment. The value in use calculation requires the Group to estimate the future cash flows expected to arise from those property, plant and equipment and a suitable discount rate in order to calculate the present value. During the years ended 31 March 2013 and 2012, no impairment losses on property, plant and equipment of continuing operations is recognised in profit or loss. Where the actual future cash flows are less than expected due to unfavourable changes in the major assumption adopted in the Group's estimation, such as market demand, utilisation rate of the Group's production plants and unit production cost, a greater impairment loss may arise.

As at 31 March 2013, the carrying amount of property, plant and equipment is HK$12,512,000 (2012: HK$68,043,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### *Impairment on property, plant and equipment and intangible assets of crude oil exploration services business*

Crude oil exploration services business is one of the cash generating units of the Group that consists of property, plant and equipment and intangible assets. As at 31 March 2013, the carrying amount (net of impairment loss) of the property, plant and equipment and intangible assets of crude oil exploration services business are HK$34,259,000 and HK$69,384,000 (included in assets classified as held for sale) (2012: HK$60,185,000 and HK$128,872,000) respectively.

In determining whether assets of such the cash-generating unit are impaired requires an estimation of its recoverable amount that is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of the cash generating unit in an arm's length transaction between knowledgeable, wiling parties, less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss may arise. In current year, impairment losses on property, plant and equipment and intangible assets of the crude oil exploration services business of approximately HK$25,926,000 and HK$51,054,000 respectively (2012: HK$nil) are recognised in profit and loss. Details are set out in notes 14.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

*Estimated impairment on trade and other receivables, loan to an associate and amounts due from associates*

Where there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment 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). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2013, the carrying amount of trade receivables is HK$6,120,000 (2012: HK$23,376,000), net of allowance for doubtful debts of HK$385,000 (2012: HK$1,292,000). The impairment loss on other receivables and prepayments is HK$623,000 (2012: HK$nil) and HK$7,450,000 (2012: HK$nil), respectively.

Additionally, as at 31 March 2013, the carrying amount of loan to an associate and amounts due from associates are HK$24,823,000 and HK$41,000 (2012: HK$nil and HK$67,000) respectively. There is no impairment loss or allowance on the loan to an associate and amounts due from associates for the years ended 31 March 2013 and 2012.

## 5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years. The capital structure of the Group consists of obligations under finance lease disclosed in note 29, and equity attributable to owners of the Company, comprising share capital, share premium and reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 6. FINANCIAL INSTRUMENTS

### 6a. Categories of financial instruments

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables (including cash and cash equivalents) | **343,156** | 477,441 |
| Available-for-sale financial assets | **–** | 15,000 |
| Held for trading investments | **29,710** | 50,911 |
| **Financial liabilities** | | |
| Liabilities at amortised cost | **8,264** | 19,345 |

### 6b. Financial risk management objectives and policies

The Group's major financial instruments include loan to an associate, trade receivables, other receivables, amounts due from associates, held for trading investments, bank balances and cash and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*Market risk*

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risks.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 6. FINANCIAL INSTRUMENTS (Continued)

### 6b. Financial risk management objectives and policies (Continued)

*Market risk (Continued)*

Currency risk

Several subsidiaries of the Group have foreign currency revenues and expenses giving rise to investments, receivables, payables and bank balances which expose the Group to foreign currency risk. They are mainly denominated in United States dollars ("USD"), Australian dollars ("AUD"), Euro ("EUR"), Macau Pataca ("MOP") and Renminbi ("RMB"). As HK$ is pegged to USD and MOP, the Group does not expect any significant movements in the USD/HK$ and MOP/HK$ exchange rates. The Group is mainly exposed to foreign exchange risk arising from transactions that are denominated in AUD, EUR and RMB. The management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | **2013 HK$'000** | 2012 HK$'000 | **2013 HK$'000** | 2012 HK$'000 |
| AUD | **1,871** | 2,130 | **–** | – |
| RMB | **52,221** | 71,157 | **1,350** | 5,232 |
| EUR | **3,821** | 3,882 | **–** | 9,354 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 6. FINANCIAL INSTRUMENTS (Continued)

### 6b. Financial risk management objectives and policies (Continued)

*Market risk (Continued)*

Sensitivity analysis

The Group is mainly exposed to the AUD, RMB and EUR. The Group does not have significant foreign currency exposure in relation to monetary items that are denominated in USD and MOP as HK$ is pegged to USD and MOP. The following table details the Group's sensitivity to a 5% (2012: 5%) increase and decrease in the entity's respective functional currency against its relevant foreign currencies. 5% (2012: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2012: 5%) change in foreign currency rates. A negative number below indicates an increase in loss for the year where HK$ strengthen against the relevant currency. For a 5% (2012: 5%) weakening of HK$ against the relevant currency, there would be an equal and opposite impact on the loss for the year, and the balances negative below would be positive.

| | AUD Impact | | RMB Impact | | EUR Impact | |
|---|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| (Loss) profit after tax | **(78)** | (89) | **(2,124)** | (2,752) | **(160)** | 228 |

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

## 6. FINANCIAL INSTRUMENTS (Continued)

### 6b. Financial risk management objectives and policies (Continued)

*Market risk (Continued)*

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing bank balances. The management have considered the Group's exposure to cash flow interest rate risk in relation to variable-rate bank balances (note 27) to be limited because the current market interest rates on general deposits are relatively low and stable.

Other price risk

The Group is exposed to equity price risk through its investment in listed equity securities which are classified as held for trading investments. 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.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date.

If the equity prices had been 15% higher/lower (2012: 15%), post-tax loss (2012: post-tax loss) for the year ended 31 March 2013 would decrease/increase (2012: decrease/increase) by HK$3,721,000 (2012: HK$6,377,000). This is mainly due to the changes in fair value of the held for trading investments.

*Credit risk*

As at 31 March 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the Group's consolidated statement of financial position.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 6. FINANCIAL INSTRUMENTS (Continued)

### 6b. Financial risk management objectives and policies (Continued)

*Credit risk (Continued)*

In order to minimise the credit risk, the Group reviews the recoverable amount of each individual trade debt periodically to ensure that adequate impairment losses are made for irrecoverable amounts. Each major operating business has a policy of credit control in place under which credit evaluations of customers are performed on all customers requiring credit.

The management of the Group also has monitoring procedures to ensure the follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of its financial assets including trade and other receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Credit risk on bank balances is limited because the counterparties are reputable banks in the Hong Kong, Macau and the People of Republic of China.

The Group has concentration of credit risk on the loan to an associate which is due in April 2015. In order to minimise the credit risk, the Group reviews the financial statements of the associate on a regular basis to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk on the loan to an associate is minimised.

The Group has concentration of credit risk as 70% (2012: 76%) of the total trade receivables was due from one customer from publishing segment with credit terms of 60 days. 93% (2012: 95%) of the total trade receivables was due from the Group's top three customers within the publishing and crude oil exploration services business segments with credit terms of 30 to 360 days. These customers have good credit and repayment history and settled the amount within credit period. In order to minimise the credit risk, management continuously monitors the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower the risk exposure or to recover overdue balances.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 6. FINANCIAL INSTRUMENTS (Continued)

### 6b. Financial risk management objectives and policies (Continued)

*Liquidity risk*

In the management of the liquidity risk, the Group monitor and maintain a level of cash and cash equivalents by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

As at 31 March 2013, the Group had net current assets of HK$473,726,000 (2012: HK$557,621,000) and bank balances and cash of HK$300,461,000 (2012: HK$434,531,000). Management considered the liquidity risk is minimal.

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment term. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate as at the end of the reporting period.

Liquidity and interest risk table

| | Weighted average interest rate | Repayable on demand | Within one year | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|
| | % | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **2013** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Trade and other payables | - | 661 | 7,603 | 8,264 | 8,264 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 6. FINANCIAL INSTRUMENTS (Continued)

### 6b. Financial risk management objectives and policies (Continued)

*Liquidity risk (Continued)*

Liquidity and interest risk table (Continued)

| | Weighted average interest rate | Repayable on demand | Within one year | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|
| | % | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **2012** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Trade and other payables | – | 675 | 18,670 | 19,345 | 19,345 |

### 6c. Fair values

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices; and

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 6. FINANCIAL INSTRUMENTS (Continued)

### 6d. Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

| | Level 1 | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| Held for trading investments: | | |
| Listed securities | **29,710** | 50,911 |

There were no transfers between Levels 1 and 2 in the current and prior years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 7. REVENUE

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

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| | | (Restated) |
| **Revenue on continuing operations** | | |
| Publishing | **17,324** | 21,586 |
| Retailing and wholesales | **8,968** | 5,141 |
| Catering | **521** | 2,307 |
| Others | **–** | 27 |
| | **26,813** | 29,061 |

## 8. OTHER INCOME AND OTHER GAIN AND LOSS

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| | | (Restated) |
| **Continuing operations** | | |
| Impairment loss on interests in associates (note 19) | **(160)** | – |
| Impairment loss on other receivables | **(623)** | – |
| Recovery of impairment loss on trade receivables | **235** | 18 |
| Interest income on bank deposits | **1,429** | 2,412 |
| Dividend received from listed equity securities | **103** | 38 |
| Net foreign exchange (loss) gain | **(261)** | 1,184 |
| Impairment loss on prepayments (Note) | **(7,450)** | – |
| Loss on disposal of property, plant and equipment | **–** | (1,677) |
| Sundry income | **934** | 7,661 |
| | **(5,793)** | 9,636 |

Note: During the year ended 31 March 2013, an impairment loss on prepayments has been recognised in profit or loss mainly related to the prepayment for services of TV drama projects and games production projects of which no progress had been noted. The management determined that the recoverability is remote and hence full impairment loss had been recognised.

## 9. SEGMENT INFORMATION

Information reported to the executive directors, being the Group's chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised and specifically focuses on the Group's operating divisions. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments from continuing operations under HKFRS 8 *operating segments* are as follows:

### Continuing operations

- Publishing: publication of comic books and royalty income from licensing comic books.

- Chinese information infrastructure and online social music gaming platform: provision of server management, data warehousing services and provision of online social music gaming and online shopping via an online platform (Note b).

- Retailing and wholesales: retailing of clothes, cosmetics and ladies accessories and red wine in Hong Kong and Macau and wholesales of insulation materials in Japan.

- Catering: catering services in Macau.

### Discontinued operations

- Crude oil exploration services: crude oil exploration services in the People's Republic of China (the "PRC") (Note c).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 9. SEGMENT INFORMATION (Continued)

Notes:

(a) All transactions between different operating segments are charged at prevailing market rates.

(b) The management targets the customers mainly in the PRC, Hong Kong and Taiwan for this segment. The operation of this segment has not started during the year and is planned to be commenced in the financial year of 2014.

(c) On 6 February 2013, the Group has entered into a sales and purchase agreement to dispose of 100% equity interest in Raise Beauty Investments Limited and its subsidiaries to an independent third party. In accordance with HKFRS 5, the Group's business of crude oil exploration services is regarded as discontinued operations. Comparative information for the year ended 31 March 2012 was re-presented.

The segment information reported below does not include any amounts from these discontinued operations, which are described in more detail in note 14. Accordingly, the comparative figures have been re-presented.

(d) For the year ended 31 March 2013, one of the businesses regarding the electronic card payment services in convenience stores, supermarkets, fast-food restaurants, hotel, online shopping and other point-of-sale applications (i.e. the "Electronic card service") that had been identified as a separate reportable segment in previous year, is ceased to be treated as a separate reportable segment by the CODM since its revenue, profit or loss and assets are far less than 10% of the combined of all operating segments and has no longer been reviewed by the CODM as a separate reportable segment. The related revenue and result of the operation has been included in "Others" and comparative figure has been re-presented.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 9. SEGMENT INFORMATION (Continued)

### Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segments.

For the year ended 31 March 2013

**Continuing operations**

| | Publishing HK$'000 | Chinese information infrastructure and online social music gaming platform HK$'000 | Retailing and wholesales HK$'000 | Catering HK$'000 | Others HK$'000 | Elimination HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|---|---|---|
| Revenue | | | | | | | |
| External sales | 17,324 | - | 8,968 | 521 | - | - | 26,813 |
| Inter-segment sales | 6 | - | 9,000 | - | - | (9,006) | - |
| | 17,330 | - | 17,968 | 521 | - | (9,006) | 26,813 |
| Segment results | 806 | (161,118) | (1,870) | (1,886) | - | - | (164,068) |
| Unallocated expenses | | | | | | | (55,317) |
| Unallocated incomes | | | | | | | 1,346 |
| Finance costs | | | | | | | (9) |
| Loss before tax from continuing operations | | | | | | | (218,048) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 9. SEGMENT INFORMATION (Continued)

### Segment revenue and results (Continued)

For the year ended 31 March 2012

**Continuing operations**

| | Publishing | Chinese information infrastructure and online social music gaming platform | Retailing and wholesales | Catering | Others | Elimination | Consolidated |
|---|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 (Restated) |
| Revenue | | | | | | | |
| External sales | 21,586 | - | 5,141 | 2,307 | 27 | - | 29,061 |
| Inter-segment sales | 1 | - | 1,123 | - | - | (1,124) | - |
| | 21,587 | - | 6,264 | 2,307 | 27 | (1,124) | 29,061 |
| Segment results | (6,383) | (17,003) | (5,333) | (4,207) | - | - | (32,926) |
| Unallocated expenses | | | | | | | (57,121) |
| Unallocated incomes | | | | | | | 1,071 |
| Finance costs | | | | | | | (9) |
| Loss before tax from continuing operations | | | | | | | (88,985) |

Segment result represents the profit (loss) before tax incurred by each segment without the allocation of incomes or expenses resulted from loss on fair value change of held for trading investments, impairment on available-for-sale financial assets, share of losses of associates, unallocated corporate expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

As the Group's assets and liabilities are only reviewed by the CODM as a whole and hence no analysis of the Group's assets and liabilities by operating segments is disclosed.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 9. SEGMENT INFORMATION (Continued)

### Other segment information

For the year ended 31 March 2013

**Continuing operations**

| | Publishing HK$'000 | Chinese information Infrastructure and online social music gaming platform HK$'000 | Retailing and wholesales HK$'000 | Catering HK$'000 | Unallocated HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|---|---|
| **Amounts regularly provided to the CODM:** | | | | | | |
| Addition to non-current assets (Note) | 32 | 6,798 | 171 | 350 | 712 | 8,063 |
| **Amounts included in the measure of segment profit or loss:** | | | | | | |
| Depreciation of property, plant and equipment | 159 | 1,240 | 273 | 818 | 601 | 3,091 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 9. SEGMENT INFORMATION (Continued)

### Other segment information (Continued)

For the year ended 31 March 2012

**Continuing operations**

| | Publishing | Chinese information Infrastructure and online social music gaming platform | Retailing and wholesales | Catering | Unallocated | Consolidated |
|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 (Restated) |
| **Amounts regularly provided to the CODM:** | | | | | | |
| Addition to non-current assets (Note) | 877 | 685 | 226 | 75 | 980 | 2,843 |
| **Amounts included in the measure of segment profit or loss:** | | | | | | |
| Depreciation of property, plant and equipment | 162 | 594 | 635 | 2,126 | 530 | 4,047 |
| Loss on disposal of property, plant and equipment | 439 | - | - | - | 1,238 | 1,677 |

Note: Non-current assets excluded those relating to discontinued operations and excluded long-term deposits, interests in associates, deferred tax asset, loan to an associate and available-for-sale financial assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 9. SEGMENT INFORMATION (Continued)

### Geographic information

The Group's operations are located in Hong Kong, the PRC, Macau and Japan.

Information about the Group's revenue from continuing operations from external customers is presented based on the location of goods physically delivered to or location of services provided to the customers and information about its non-current assets is based on geographical location of the assets.

| | **Revenue from external customers** | | **Non-current assets** (Note) | |
|---|---|---|---|---|
| | **2013 HK$'000** | 2012 HK$'000 (Restated) | **2013 HK$'000** | 2012 HK$'000 |
| Hong Kong (place of domicile) | **17,829** | 22,879 | **23,993** | 21,724 |
| The PRC | **–** | 364 | **372** | 191,983 |
| Macau | **506** | 2,527 | **2,361** | 1,952 |
| Japan | **8,478** | 3,291 | **199** | 86 |
| | **26,813** | 29,061 | **26,925** | 215,745 |

Note: Non-current assets excluded financial assets and deferred tax assets.

### Information about major customers

During the year, there were three (2012: two) customers with whom transactions of each have exceeded 10% of the Group's revenue from continuing operations. Total revenue from these three (2012: two) customers accounted for 25% (2012: 33%), from publishing segment, 24% (2012: 21%), from publishing segment and 22%, from retailing and wholesales segment (2012: nil), respectively, of the Group's revenue from continuing operations for the year respectively.

## 10. COST INCURRED TO DEVELOP ONLINE BUSINESS

For the year ended 31 March 2013, the Group started to invest in a new business – development of an online social platform called Ucan.com. that aims to provide virtual-reality social gaming platform to users who could interact with others in an online city. The online social platform is at the development stage. The expenditures incurred for the current year of HK$118,877,000 (2012: HK$nil) to develop the platform are expensed when they are incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 11. FINANCE COSTS

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| **Continuing operations** | | |
| Interest charges on finance leases | **9** | 9 |

## 12. LOSS BEFORE TAX

| | 2013<br>HK$'000 | 2012<br>HK$'000<br>(Restated) |
|---|---|---|
| **Continuing operations** | | |
| Loss before income tax has been arrived at after charging (crediting): | | |
| Staff costs | | |
| Directors' emoluments (note 17) | **5,113** | 4,625 |
| Other staff costs: | | |
| – Retirement benefits schemes contributions | **357** | 271 |
| – Salaries and other benefits | **12,796** | 13,681 |
| | **18,266** | 18,577 |
| Auditor's remuneration | **1,009** | 663 |
| Depreciation of property, plant and equipment | | |
| – Owned assets | **3,059** | 4,015 |
| – Assets held under finance leases | **32** | 32 |
| | **3,091** | 4,047 |
| Cost of inventories recognised as expenses | **14,258** | 16,546 |
| Loss on disposal of property, plant and equipment (note 8) | **-** | 1,677 |
| Recovery of impairment loss on trade receivables (note 8) | **(235)** | (18) |
| Net foreign exchange loss (gain) | **261** | (1,184) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 13. INCOME TAX EXPENSE

Pursuant to the rules and regulations of Bermuda, the Group is not subject to any income tax in Bermuda for both years.

Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) on the estimated assessable profits for both years. Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

| | **2013**<br>**HK$'000** | 2012<br>HK$'000<br>(Restated) |
|---|---|---|
| **Continuing operations** | | |
| Income tax expense comprises: | | |
| Current tax | **-** | 48 |
| Underprovision in prior years | | |
| – Hong Kong | **284** | – |
| Deferred tax | | |
| – Deferred tax expense | **388** | – |
| Income tax expense | **672** | 48 |

Details of deferred tax are set out in note 33.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 13. INCOME TAX EXPENSE (Continued)

Reconciliation between income tax credit and accounting loss at applicable tax rates:

| | 2013<br>HK$'000 | 2012<br>HK$'000<br>(Restated) |
|---|---|---|
| Loss before income tax from continuing operations | **(218,048)** | (88,985) |
| Tax at Hong Kong Profits Tax rate of 16.5% | **(35,978)** | (14,683) |
| Tax effect of income not taxable for tax purpose | **(384)** | (1,053) |
| Tax effect of expense not deductible for tax purpose | **33,428** | 5,345 |
| Tax effect of unused tax losses not recognised | **6,204** | 8,450 |
| Utilisation of tax losses previously not recognised | **(284)** | – |
| Underprovision for current tax in prior years | **284** | – |
| Tax effect on deductible temporary difference not recognised | **-** | (608) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **(1,798)** | 2,597 |
| Others | **(800)** | – |
| Total income tax expenses | **672** | 48 |

## 14. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE

(Loss) profit for the year of the discontinued operations for the years ended 31 March 2013 and 2012 are as follow:

| | 2013<br>HK$'000 | 2012<br>HK$'000<br>(Restated) |
|---|---|---|
| Loss for the year of discontinued operation on the crude oil exploration services business (note a) | **(79,276)** | (14,993) |
| Profit for the year of discontinued operation on the disposal of an investment property (note b) | **-** | 54,096 |
| | **(79,276)** | 39,103 |

## 14. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE (Continued)

### (a) Discontinued operation on the crude oil exploration services business

On 6 February 2013, the Group has entered into a sales and purchase agreement (the "Agreement") regarding the disposal of 100% equity interest of Raise Beauty Investments Limited ("Raise Beauty" or the "Disposal Group"), one of the subsidiaries of the Group, which has crude oil exploration services business in the PRC (the "Disposal") at the total consideration of RMB80 million (approximately equivalent to HK$98,789,000), to an independent third party, Waveon Holdings Limited (the "Buyer").

As at 31 March 2013, 40% of the equity interest of Raise Beauty and the respective 40% of shareholder's right were transferred to the Buyer and the Group received 40% of the consideration of RMB32 million (approximately equivalent to HK$39,250,000), which is non-refundable even if the disposal of the remaining 60% equity interest does not take place in accordance with the time schedule set out in the relevant agreement. The Disposal is expected to be completed before 20 August 2013 and the remaining 60% of equity interest would be transferred to the Buyer when the remaining consideration for the 60% equity interest of Raise Beauty (approximately equivalent to HK$59,273,000) is paid to the Group. No change of the board of directors of the Disposal Group as at 31 March 2013.

For the year ended 31 March 2013, the disposal of the 40% equity interest of Raise Beauty was treated as a transaction that does not give rise to the Group losing control over Raise Beauty and hence the 40% equity interest disposed of to the Buyer was recognised as non-controlling interest of the Group as at 31 March 2013. The crude oil exploration services business is presented as a discontinued operation and the comparative figures in the consolidated statement of comprehensive income and the respective disclosure notes for the year ended 31 March 2012 have been re-presented accordingly.

The assets and liabilities attributable to the crude oil exploration services business, which are expected to be disposed of within twelve months from 31 March 2013, have been classified as the disposal group held for sale as at 31 March 2013.

The crude oil exploration services business is a cash generating unit ("CGU") for the purpose of impairment testing of the tangible assets and exploration and production services rights. A CGU is considered to be impaired when its recoverable amount declines below its carrying amount.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 14. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE (Continued)

### (a) Discontinued operation on the crude oil exploration services business (Continued)

The management conducted an impairment assessment of the Group's crude oil exploration services business during the year ended 31 March 2013 and determined that the recoverable amount of the CGU that is determined by reference to the sales consideration set out in the Agreement. Accordingly, impairment losses on property, plant and equipment and exploration and production services right of approximately HK$25,926,000 and HK$51,054,000, respectively had been recognised in profit or loss, on a pro-rata basis based on the carrying amounts of the assets in the unit for the impairment loss allocation.

Loss for the year from discontinued operation was as follows:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Revenue | **2,033** | 4,899 |
| Cost of sales | **(1,413)** | (3,231) |
| Other income | **7** | 162 |
| Administrative expenses | **(18,089)** | (19,761) |
| Impairment on property, plant and equipment | **(25,926)** | – |
| Impairment on intangible asset | **(51,054)** | – |
| Loss before tax | **(94,442)** | (17,931) |
| Income tax credit | **15,166** | 2,938 |
| Loss for the year from discontinued operation | **(79,276)** | (14,993) |
| Loss for the year for discontinued operation | | |
| – attributable to the owners of the Company | **(84,073)** | (14,993) |
| – attributable to non-controlling interests | **4,797** | – |
| | **(79,276)** | (14,993) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 14. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE (Continued)

### (a) Discontinued operation on the crude oil exploration services business (Continued)

Loss for the year from the discontinued operation included follows:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Staff costs | 1,113 | 1,092 |
| Auditor's remuneration | 240 | 200 |
| Amortisation of intangible asset | 9,689 | 11,840 |
| Depreciation of property, plant and equipment | 4,200 | 4,050 |
| Bank interest income | – | 114 |
| Operating lease rentals in respect of rental premises | 375 | – |

Cash flows for the year from the discontinued operation were as follows:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Net cash outflows from operating activities | (7,035) | (6,565) |
| Net cash outflows from investing activities | (5) | (138) |
| Net cash inflows (outflows) from financing activities | 5,022 | (19,998) |
| Net cash outflows | (2,018) | (26,701) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 14. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE (Continued)

### (a) Discontinued operation on the crude oil exploration services business (Continued)

The major classes of assets and liabilities of the crude oil exploration services business as at 31 March 2013, which have been presented separately in the consolidated statement of financial position, are as follows:

| | HK$'000 |
|---|---|
| Property, plant and equipment, net of impairment | 34,259 |
| Intangible asset, net of impairment | 69,384 |
| Trade receivables | 20,638 |
| Other receivable | 5,284 |
| Bank balances and cash | 989 |
| Total assets classified as held for sale | 130,554 |
| Trade payables | (3,182) |
| Other payables and accrued charges | (5,041) |
| Deferred tax liability | (17,402) |
| Total liabilities associated with assets classified as held for sale | (25,625) |

Ageing analysis of trade receivables of the discontinued operation presented based on invoice date as at 31 March 2013 was as follows:

| | HK$'000 |
|---|---|
| 0 – 60 days | 2,845 |
| 61 – 90 days | 7,300 |
| 91 – 180 days | – |
| Over 180 days | 10,493 |
| | 20,638 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 14. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE (Continued)

### (a) Discontinued operation on the crude oil exploration services business (Continued)

Ageing analysis of trade payables of the discontinued operation presented based on invoice date as at 31 March 2013 was as follows:

| | HK$'000 |
|---|---|
| 0 – 60 days | 1,503 |
| 61 – 90 days | – |
| Over 90 days | 1,679 |
| | 3,182 |

### (b) Disposal of an investment property

The Group entered into an agreement with an independent third party in relation to the disposal of an investment property in Hong Kong, for net proceeds of HK$278,907,000. The transaction was completed on 23 September 2011. In accordance with HKFRS 5, the profit or loss items and the balance of the disposed investment property of the Group is classified as the discontinued operations. The analysis of the results of which for the year ended 31 March 2012 is as follows:

| | HK$'000 |
|---|---|
| Revenue | 2,365 |
| Cost of sales | (405) |
| Gross profit | 1,960 |
| Other income | 1 |
| Administrative expenses | (3,300) |
| Gain on disposal of the investment property | 55,477 |
| Profit before income tax | 54,138 |
| Income tax expense | (42) |
| Profit for the year from the discontinued operation attributable to the owners of the Company | 54,096 |
| Investing cash inflows from disposal of investment property | 278,907 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 14. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE (Continued)

### (b) Disposal of an investment property (Continued)

Rental income from the investment property under operating leases, net of direct outgoings of the discontinued operations for the year ended 31 March 2012 amounting to approximately HK$1,960,000 included net direct outgoings of approximately HK$405,000.

## 15. DIVIDENDS

No dividend was paid or proposed during the year of 2013, nor has any dividend been proposed since the end of reporting period (2012: nil).

## 16. LOSS PER SHARE

### From continuing and discontinued operations

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

### Loss

| | **2013**<br>**HK$'000** | 2012<br>HK$'000<br>(Restated) |
|---|---|---|
| Loss for the year attributable to owners of the Company and loss for the purposes of basic and diluted loss per share | **(297,629)** | (49,107) |

| | **2013**<br>**'000** | 2012<br>'000 |
|---|---|---|
| Number of shares | | |
| Weighted average number of shares for the purposes of basic and diluted loss per share | **1,051,676** | 1,035,758 |

## 16. LOSS PER SHARE (Continued)

### From continuing operations

The calculation of basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| | | (Restated) |
| Figures are calculated as follows: | | |
| Loss for the year attributable to owners of the company | **(297,629)** | (49,107) |
| Less: (Loss) profit for the year from discontinued operations | **(84,073)** | 39,103 |
| Loss for the purposes of basic and diluted loss per share from continuing operations | **(213,556)** | (88,210) |

The denominators used are the same as those detailed above for basic loss per share.

The computation of diluted loss per share does not assume the exercise of the Company's warrant and share options because their exercise prices are higher than the average market price for shares for both 2013 and 2012.

### From discontinued operations

For the year ended 31 March 2013, basic loss per share for the discontinued operations were HK8.0 cents per share respectively (2012: basic earnings per share from discontinued operation was HK3.8 cents per share as restated), based on loss for the year attributable to owners of the Company from the discontinued operations HK$84,073,000 (2012: profit for the year of HK$39,103,000 as restated) and the denominators detailed above for basic and diluted loss per share.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 17. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S EMOLUMENTS

### (a) Directors' and chief executive's emoluments

The emoluments of each of the directors and chief executive of the Company are set out below:

| | Fees<br>HK$'000 | Salaries and other benefits<br>HK$'000 | Retirement benefits scheme contributions<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|---|
| 2013 | | | | |
| **Non-executive director** | | | | |
| Chu Bong Foo | - | 519 | - | 519 |
| **Executive directors** | | | | |
| Chow Lai Wah Livia | 120 | 276 | 15 | 411 |
| Kwan Kin Chung | 120 | 725 | 15 | 860 |
| Chung Billy | 120 | 684 | 15 | 819 |
| Tang U Fai | 120 | 341 | - | 461 |
| Tang Kwing Chuen Kenneth | 120 | 195 | 6 | 321 |
| Chen Man Lung | 120 | 312 | 10 | 442 |
| Wan Xiaolin | 120 | 636 | 14 | 770 |
| **Independent non-executive directors** | | | | |
| Tsang Wai Wa | 120 | - | - | 120 |
| Joseph Lee Chennault | 240 | - | - | 240 |
| Lai Qiang | 120 | - | - | 120 |
| Ng Ying (Note) | 30 | - | - | 30 |
| | 1,350 | 3,688 | 75 | 5,113 |
| **Chief executive officer** | | | | |
| Yu Huaguo | - | 600 | 14 | 614 |
| Total | 1,350 | 4,288 | 89 | 5,727 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 17. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

### (a) Directors' and chief executive's emoluments (Continued)

| | Fees | Salaries and other benefits | Retirement benefits scheme contributions | Total |
|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| 2012 | | | | |
| **Non-executive director** | | | | |
| Chu Bong Foo | – | 547 | – | 547 |
| **Executive directors** | | | | |
| Chow Lai Wah Livia | 110 | 286 | 12 | 408 |
| Kwan Kin Chung | 120 | 725 | 12 | 857 |
| Chung Billy | 120 | 684 | 12 | 816 |
| Tang U Fai | – | 341 | – | 341 |
| Tang Kwing Chuen Kenneth | 120 | 158 | 5 | 283 |
| Chen Man Lung | 120 | – | 5 | 125 |
| Wan Xiaolin | 120 | 636 | 12 | 768 |
| **Independent non-executive directors** | | | | |
| Tsang Wai Wa | 120 | – | – | 120 |
| Joseph Lee Chennault | 240 | – | – | 240 |
| Lai Qiang | 120 | – | – | 120 |
| | 1,190 | 3,377 | 58 | 4,625 |
| **Chief executive officer** | | | | |
| Yu Huaguo | – | 600 | 12 | 612 |
| Total | 1,190 | 3,977 | 70 | 5,237 |

Note: Ng Ying was appointed on 31 December 2012.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 17. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

### (a) Directors' and chief executive's emoluments (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) Employee's emoluments

Of the five individuals with the highest emoluments in the Group four (2012: four) were the directors and the chief executive of the Company whose emoluments are included in the disclosure in note 17(a) above. Emoluments of the remaining one (2012: one) individual were as follows:

| | **2013 HK$'000** | 2012 HK$'000 |
|---|---|---|
| Salaries and other benefits | **600** | 578 |
| Retirement benefits scheme contributions | **15** | 11 |
| | **615** | 589 |

The emoluments of the above employees all fell within the band of nil to HK$1,000,000 during each of the years ended 31 March 2013 and 2012.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 18. PROPERTY, PLANT AND EQUIPMENT

| | Crude oil exploration and production equipment HK$'000 | Leasehold improvements HK$'000 | Plant and machinery HK$'000 | Vehicles, furniture and equipment HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| COST | | | | | |
| At 1 April 2011 | 69,420 | 40,021 | 15,647 | 53,088 | 178,176 |
| Additions | 134 | 77 | 17 | 2,749 | 2,977 |
| Disposals | - | (32,098) | (14,146) | (17,079) | (63,323) |
| Exchange realignment | 1,699 | - | 54 | 75 | 1,828 |
| At 31 March 2012 | 71,253 | 8,000 | 1,572 | 38,833 | 119,658 |
| Additions | 2,692 | 1,374 | 77 | 6,217 | 10,360 |
| Disposals | - | - | - | (860) | (860) |
| Impairment losses recognised in profit or loss | (25,926) | - | - | - | (25,926) |
| Classified as held for sale (Note) | (49,741) | - | (1,311) | (1,465) | (52,517) |
| Exchange realignment | 1,722 | - | 31 | 224 | 1,977 |
| At 31 March 2013 | - | 9,374 | 369 | 42,949 | 52,692 |
| ACCUMULATED DEPRECIATION | | | | | |
| At 1 April 2011 | 8,438 | 36,415 | 14,685 | 45,314 | 104,852 |
| Provided for the year | 3,689 | 1,945 | 66 | 2,397 | 8,097 |
| Elimination on disposal | - | (30,568) | (14,146) | (16,914) | (61,628) |
| Exchange realignment | 238 | - | 9 | 47 | 294 |
| At 31 March 2012 | 12,365 | 7,792 | 614 | 30,844 | 51,615 |
| Provided for the year | 3,767 | 647 | 162 | 2,715 | 7,291 |
| Elimination on disposal | - | - | - | (642) | (642) |
| Eliminated on amount classified as held for sale (Note) | (16,246) | - | (599) | (1,413) | (18,258) |
| Exchange realignment | 114 | - | 14 | 46 | 174 |
| **At 31 March 2013** | **-** | **8,439** | **191** | **31,550** | **40,180** |
| CARRYING VALUES | | | | | |
| **At 31 March 2013** | **-** | **935** | **178** | **11,399** | **12,512** |
| At 31 March 2012 | 58,888 | 208 | 958 | 7,989 | 68,043 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 18. 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:

| | |
|---|---|
| Leasehold improvements | Shorter of the lease term or 10% |
| Plant and machinery | 7% to 20% |
| Vehicles, furniture and equipment | 15% to 20% |
| Crude oil exploration and production equipment | 5% |

Note: As at 31 March 2013, all the assets and liabilities from the crude oil exploration services business has been classified as assets/liabilities held for sale in accordance to HKFRS 5 (note 14).

At the reporting date, included in vehicles, furniture and equipment are assets held under finance leases with an aggregate net carrying amount of HK$62,000 (2012: HK$94,000).

## 19. INTERESTS IN ASSOCIATES/LOAN TO AN ASSOCIATE/AMOUNTS DUE FROM ASSOCIATES

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Cost of investments in associates | | |
| Listed in Hong Kong | **75,493** | 75,493 |
| Unlisted | **162** | 162 |
| Share of post-acquisition losses | **(32,893)** | (31,077) |
| | **42,762** | 44,578 |
| Less: accumulated impairment losses | **(29,734)** | (29,574) |
| | **13,028** | 15,004 |
| Fair value of listed investments | **94,432** | 123,811 |

## 19. INTERESTS IN ASSOCIATES/LOAN TO AN ASSOCIATE/AMOUNTS DUE FROM ASSOCIATES (Continued)

For impairment assessment, the Group had estimated the value in use of the interests in associates for impairment purpose, based on the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal. For the year ended 31 March 2013, after management's considerations in the recoverable amount of investments in three dormant associates of which no cash inflows was generated, an impairment loss of HK$160,000 (2012: HK$nil) was recognised in profit and loss.

Particulars of the Group's principal associates as at 31 March 2013 and 2012 are as follows:

| Name | Form of business structure | Place of incorporation/ operation | Class of shares held | Proportion of nominal value of issued share capital held by the Group % | Principal activities |
|---|---|---|---|---|---|
| Chinese2 Linux (Holdings) Limited ("C2L") | Incorporated | British Virgin Islands ("BVI")/ Hong Kong | Ordinary | 41% (2012: 41%) | Development of Chinese language computer operating system |
| China Bio Cassava Holdings Limited ("Bio Cassava") (Note) | Incorporated | Cayman Islands/ Hong Kong | Ordinary | 21% (2012: 26%) | Development, packing and retailing of Chinese language encryption software |
| Ucan Mobile Limited | Incorporated | Hong Kong/ Hong Kong | Ordinary | 30% (2012: 30%) | Dormant |

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

The above table lists the major associates of the Group which, in the opinion of the directors of the Group, principally affected the results of the year or form a substantial portion of the net assets of Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 19. INTERESTS IN ASSOCIATES/LOAN TO AN ASSOCIATE/AMOUNTS DUE FROM ASSOCIATES (Continued)

The financial year end date for Bio Cassava is 31 December. For the purpose of applying the equity method of accounting for the Group, a separate set of financial statements of Bio Cassava as of 31 March are prepared.

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

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Total assets | **79,231** | 11,509 |
| Total liabilities | **(32,271)** | (9,080) |
| Net assets | **46,960** | 2,429 |
| Group's share of net assets of associates | **9,962** | 2,521 |
| Revenue | **4,071** | 4,793 |
| Loss for the year | **(8,733)** | (28,247) |
| Group's share of losses of associates for the year | **(1,816)** | (7,221) |

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

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Unrecognised share of losses of associates for the year | **38** | 8 |
| Accumulated unrecognised share of losses of associates | **46,129** | 46,091 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 19. INTERESTS IN ASSOCIATES/LOAN TO AN ASSOCIATE/AMOUNTS DUE FROM ASSOCIATES (Continued)

As at 31 March 2013, the Group has an interest-free loan of HK$24,823,000 to an associate that is repayable in April 2015.

Amounts due from associates are interest free, unsecured and repayable on demand. Included in the carrying amount of amounts due from associates as at 31 March 2013 is accumulated impairment loss of HK$5,687,000 (2012: HK$5,687,000).

The management believes that no impairment allowance is necessary in respect of the net balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

## 20. GOODWILL

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Net carrying amount at 1 April | **-** | – |
| Acquisition of subsidiaries | **-** | 12 |
| Less: Impairment losses | **-** | (12) |
| Net carrying amount at 31 March | **-** | – |

As at 31 March 2012, goodwill arising from the acquisition of China Mahjong Super League Group Limited and China Super Mahjong League Group Limited (note 34) had been fully impaired due to the uncertain market conditions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 21. INTANGIBLE ASSETS

| | Crude oil exploration and production services right HK$'000 (Note b) | Club memberships HK$'000 (Note a) | Computer software HK$'000 (Note c) | Licence HK$'000 (Note c) | Customer relationship HK$'000 (Note c) | Retailer contracts HK$'000 (Note c) | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| COST | | | | | | | |
| At 1 April 2011 | 230,911 | 1,385 | 1,513 | 1,143 | 439 | 2,502 | 237,893 |
| Exchange realignment | 6,541 | - | 43 | 32 | 12 | 71 | 6,699 |
| At 31 March 2012 | 237,452 | 1,385 | 1,556 | 1,175 | 451 | 2,573 | 244,592 |
| Classified as held-for-sale (note 14) | (242,889) | - | - | - | - | - | (242,889) |
| Exchange realignment | 5,437 | - | 36 | 27 | 10 | 59 | 5,569 |
| **At 31 March 2013** | **-** | **1,385** | **1,592** | **1,202** | **461** | **2,632** | **7,272** |
| ACCUMULATED AMORTISATION | | | | | | | |
| At 1 April 2011 | 93,911 | - | 1,513 | 1,143 | 439 | 2,502 | 99,508 |
| Amortisation | 11,840 | - | - | - | - | - | 11,840 |
| Exchange realignment | 2,829 | - | 43 | 32 | 12 | 71 | 2,987 |
| At 31 March 2012 | 108,580 | - | 1,556 | 1,175 | 451 | 2,573 | 114,335 |
| Amortisation | 9,689 | - | - | - | - | - | 9,689 |
| Impairment loss recognised for the year | 51,054 | - | - | - | - | - | 51,054 |
| Classified as held-for-sale (note 14) | (173,505) | - | - | - | - | - | (173,505) |
| Exchange realignment | 4,182 | - | 36 | 27 | 10 | 59 | 4,314 |
| **At 31 March 2013** | **-** | **-** | **1,592** | **1,202** | **461** | **2,632** | **5,887** |
| CARRY VALUES | | | | | | | |
| **At 31 March 2013** | **-** | **1,385** | **-** | **-** | **-** | **-** | **1,385** |
| At 31 March 2012 | 128,872 | 1,385 | - | - | - | - | 130,257 |

## 21. INTANGIBLE ASSETS (Continued)

Notes:

(a) 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. After considering the prices quoted in the second hand market, no impairment of the club memberships is made during both years.

(b) Crude oil exploration and production services rights (the "Crude Oil Exploration Right") are the right of crude oil extraction of the Group, in respect of the extraction and exploration of oil resources within the area of Yi Dong Oilfield in Shangdong Province, PRC.

The amortisation period of the Crude Oil Exploration Right was 20 years. As at 31 March 2012, the remaining amortisation period of the Crude Oil Exploration Right was 14.25 years.

As at 31 March 2013, all the assets and liabilities from the crude oil exploration services business has been classified as held for sale (note 14).

(c) The computer software, licence, customer relationship and retailer contracts are intangible assets acquired on 31 May 2009 through the acquisition of one subsidiary, 上海旅聯信息服務有限公司. The fair values of these intangible assets were carried out by Ascent Partners, an independent qualified professional valuer, not connected with the Group and with appropriate qualification and experience in the valuation of similar assets in the relevant industry.

They were recognised at fair value on business combination and were amortised on straight-line method over their estimated useful lives of 4 years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| Unlisted equity shares: Overseas, at cost | **20,000** | 20,000 |
| Less: accumulated impairment loss | **(20,000)** | (5,000) |
| | **–** | 15,000 |

The only investee of the available-for-sale investment engaged in electric car production has ceased its operations and production activities since May 2012. The directors estimated no future economic benefit would be generated from the investment. As at 31 March 2013, an impairment loss amounting to HK$15,000,000 (2012: HK$5,000,000) was recognised.

## 23. INVENTORIES

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| Finished goods | **36,757** | 35,027 |

## 24. TRADE RECEIVABLES

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| Trade receivables | **6,505** | 24,668 |
| Less: allowance for doubtful debts | **(385)** | (1,292) |
| | **6,120** | 23,376 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 24. TRADE RECEIVABLES (Continued)

The Group allows the general credit period of ranges from 0 to 90 days to customers of publishing and retailing and wholesales segments and 180 to 360 days to customers of crude oil exploration services segment, respectively. The following is the aged analysis of trade receivables net of allowance for doubtful debts presented based on invoice date which is the same as the date of recognising the revenue at the end of reporting period, which approximated the respective revenue recognition dates. As at 31 March 2013, the analysis does not include the crude oil exploration segment which is classified as part of disposal group held for sale.

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| 0 - 60 days | **2,354** | 3,762 |
| 61 - 90 days | **66** | 1,868 |
| 91 - 180 days | **54** | 1,532 |
| Over 180 days | **3,646** | 16,214 |
| | **6,120** | 23,376 |

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

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Past due but not impaired | | |
| 0 - 60 days | **429** | 479 |
| 61 - 90 days | **41** | – |
| 91 - 180 days | **–** | 85 |
| Over 180 days | **3,646** | 12,952 |
| | **4,116** | 13,516 |

Trade receivables that were not yet past due relate to a wide range of customers for whom there was no recent history of default. Trade receivables that were past due but not impaired related to a number of independent customers that have a good repayment history record with the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 24. TRADE RECEIVABLES (Continued)

Trade receivables that were past due over 180 days but not impaired related to two different customers and amounting to approximately HK$3,646,000 and HK$12,952,000 as at 31 March 2013 and 2012, respectively. These two customers have long business relationship with the Group and have settled the overdue balance according to the repayment agreements, with the whole amount to be settled within 2014, signed with the Group. With the exception of the above, and based on past experience, management believes that no additional impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| At 1 April | **1,292** | 1,310 |
| Recovery of allowance for doubtful debts | **(235)** | (18) |
| Amounts written off as uncollectible | **(672)** | – |
| At 31 March | **385** | 1,292 |

At the end of each reporting date, the Group assesses whether objective evidence of impairment exists individually for trade receivables that are individually significant, and individually or collectively for trade receivables that are not individually significant. The Group also assesses collectively for trade receivables with similar credit risk characteristics for impairment. As at 31 March 2013, included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$385,000 (2012: HK$1,292,000) which have delayed payments with poor settlement record. The Group does not hold any collateral over these balances.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 25. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | **2013 HK$'000** | 2012 HK$'000 |
|---|---|---|
| Other receivables | **11,711** | 19,467 |
| Deposits and prepayments | **17,437** | 27,770 |
| | **29,148** | 47,237 |

### Movement in the allowance for doubtful debts on other receivables

| | **2013 HK$'000** | 2012 HK$'000 |
|---|---|---|
| At 1 April | **–** | – |
| Impairment losses recognised on other receivables | **623** | – |
| At 31 March | **623** | – |

Included in the allowance for doubtful debts on other receivables are individually impaired other receivables due from non-trade debtors with an aggregate balance of HK$623,000 (2012: HK$nil) which have delayed payments with poor settlement record.

## 26. HELD FOR TRADING INVESTMENTS

| | **2013 HK$'000** | 2012 HK$'000 |
|---|---|---|
| Listed equity shares, at fair value: | | |
| Hong Kong | **27,839** | 46,112 |
| Overseas | **1,871** | 4,799 |
| | **29,710** | 50,911 |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 27. BANK BALANCES AND CASH

Bank balances carrying interest at market rate ranges from of 0.1% to 1.0% (2012: from 0.1% to 1.0%) per annum.

## 28. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

The following is an aged analysis of trade payables presented based on the invoice dates at the end of the reporting period. As at 31 March 2013, the analysis does not include the crude oil exploration segment which is classified as part of disposal group held for sale.

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0 - 60 days | **1,584** | 1,174 |
| 61 - 90 days | **6** | 1,251 |
| Over 90 days | **790** | 2,946 |
| | **2,380** | 5,371 |

The average credit period on purchases of goods ranges from 30 to 90 days except for those over 360 days for the crude oil exploration service business which are based on agreed contract terms. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Other payables and accrued charges mainly represent the payable balance of expenses and cost incurred to develop the online business.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 29. OBLIGATIONS UNDER FINANCE LEASES

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Amounts payable under finance leases: | | | | |
| Within one year | **8** | 52 | **7** | 43 |
| In the second to fifth years inclusive | **–** | 8 | **–** | 7 |
| | **8** | 60 | **7** | 50 |
| Less: Future finance charges | **–** | (10) | **–** | – |
| Present value of lease obligations | **8** | 50 | **7** | 50 |
| Less: Amounts due within one year | | | **(7)** | (43) |
| Amounts due after one year | | | **–** | 7 |

The balances are secured by the lessor's charge over the leased assets. The lease terms in respect of assets held under finance leases are 5 years. During the year, average effective borrowing rate was 4.2% (2012: 4.2%) per annum. Interest rate is fixed at the contract date.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 30. SHARE CAPITAL

| | Number of shares '000 | Share capital HK$'000 |
|---|---|---|
| Ordinary shares of HK$ 0.01 each | | |
| Authorised | | |
| At 1 April 2011, 31 March 2012 and 31 March 2013 | 200,000,000 | 2,000,000 |

| | Number of shares | | Share capital | |
|---|---|---|---|---|
| | **2013 '000** | 2012 '000 | **2013 HK$'000** | 2012 HK$'000 |
| Issued and fully paid | | | | |
| At beginning of year | **1,039,594** | 1,033,884 | **10,396** | 10,339 |
| Exercise of warrant subscription rights (note 31) | **53,180** | 5,710 | **532** | 57 |
| At end of year | **1,092,774** | 1,039,594 | **10,928** | 10,396 |

During the year ended 31 March 2013, registered holders of 53,180,000 shares (2012: 5,710,000 shares) of 2013 Warrants exercised their rights to subscribe for 53,180,000 new shares (2012: 5,710,000 shares) of the Company at HK$0.28 per share disclosed in note 31. The new shares subscribed by exercising the warrants rank pari passu in all respects with the issued shares.

## 31. WARRANTS

On 7 March 2011, the Company entered into a placing agreement with an independent placing agent in relation to the private placing of up to 137,850,000 warrants (the "2013 Warrants"), with subscription price of HK$0.2, conferring rights to subscribe for up to 137,850,000 new ordinary shares of the Company at an exercise price of HK$0.28 per share, to not less than 300 placees who are independent third parties, which are exercisable during the two years period from 3 May 2011 to 2 May 2013, both days inclusive. The placing of the 2013 Warrants was completed on 29 April 2011 and was classified as equity instruments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 31. WARRANTS (Continued)

The proceeds from the placing of approximately HK$26,552,000, net of expenses incurred on warrants issue amounting HK$1,018,000, were used as general working capital of the Company. For the year ended 31 March 2013, registered holders of 53,180,000 shares (2012: 5,710,000 shares) units of the 2013 Warrants exercised their right to subscribe for 53,180,000 shares (2012: 5,710,000 shares) in the Company at exercise price of HK$0.28 per share.

On 20 July 2012, the Company proposed to enter into a warrant subscription agreement in relation to the private placing of up to 76,790,000 warrants (the "2017 Warrants"), with subscription price of HK$0.1, conferring rights to subscribe up to 76,790,000 new ordinary shares of the Company at an exercise price of HK$1.20 per share, to not less than 6 warrant subscribers who are independent individual and/or corporate investor, which are exercisable during the 5 years period from 2 August 2012 to 1 August 2017, both days inclusive. The 2017 Warrants are classified as equity instruments. The placement is completed on 2 August 2012.

The proceeds from the warrant subscription of approximately HK$7,492,000, net of expenses incurred on warrants issue amounting HK$187,000, will be applied as general working capital of the Group. The net proceeds from the full exercise of 2017 Warrants of approximately HK$92,148,000 will be applied as development and launching of the Group's "Ucan portal" - an online social platform being developed by the Group for gamers, animators, shoppers, developers, and music lovers to share their creative ideas to anyone worldwide.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 32. SHARE OPTION SCHEMES

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

Pursuant to an ordinary resolution passed on 21 August 2002, the Company adopted the Option Scheme with the major terms being summarised as follows:

(i) The purpose is to provide incentives to:

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

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

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

(iii) The maximum number of shares of the Company in respect of which share options might be granted under the Option Scheme must not exceed 10% of the issued share capital of the Company as at the date of approval of the Option Scheme, however this limit might be refreshed by shareholders in a general meeting. However, total maximum number of shares of the Company which might be issued upon exercise of all outstanding share options granted and yet to be exercised under the 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 Option Scheme or any other share option scheme within any 12 month period, must not exceed 1% of the shares of the Company in issue from time to time.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 32. SHARE OPTION SCHEMES (Continued)

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

(v) There was no requirement for a grantee to hold the share option for a certain period before exercising the share option save as determined by the board of directors and provided in the offer of grant of share option.

(vi) The exercise period should be any period fixed by the board of directors upon grant of the share option but in any event the share option period should not go beyond 10 years from the date of offer for grant.

(vii) The acceptance of a share option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK$1 from the grantee to the Company.

(viii) The exercise price of a share option must be the highest of:

- the closing price of a share of the Company on the date of grant which must be a trading day;
- the average closing price of a share of the Company for the 5 trading days immediately preceding the date of grant; and
- the nominal value of a share of the Company.

(ix) The life of the Option Scheme is effective for 10 years from the date of adoption until 20 August 2012.

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

| | 2013 & 2012 | |
|---|---|---|
| | Number '000 | Weighted average exercise price HK$ |
| Outstanding at 1 April | 158,681 | 1.866 |
| Exercisable at the end of the year | 158,681 | 1.866 |

Note: All the share option under the Option Scheme were vested on grant date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 32. SHARE OPTION SCHEMES (Continued)

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

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

**2013**

| | | | Number of share options | | | | |
|---|---|---|---|---|---|---|---|
| Category participants | Name of scheme | Date of grant | Share option as at 1 April 2012 | Transfer from (to) other category during the year | Balance as at 31 March 2013 | Exercise price per share HK$ | Exercisable period |
| Directors | Option Scheme | 19.12.2003 | 438,800 | - | 438,800 | 2.42 | 19.12.2003 - 18.12.2013 |
| | | 24.3.2005 | 3,181,300 | - | 3,181,300 | 2.69 | 24.3.2005 - 23.3.2015 |
| | | 7.7.2006 | 2,303,700 | - | 2,303,700 | 0.92 | 7.7.2006 - 6.7.2016 |
| | | 29.6.2007 | 1,316,400 | - | 1,316,400 | 2.16 | 29.6.2007 - 28.6.2017 |
| | | 6.11.2007 | 2,523,100 | - | 2,523,100 | 1.42 | 6.11.2007 - 5.11.2017 |
| | | | **9,763,300** | **-** | **9,763,300** | | |
| Employees | Option Scheme | 19.12.2003 | 3,554,280 | - | 3,554,280 | 2.42 | 19.12.2003 - 18.12.2013 |
| | | 24.3.2005 | 4,388,000 | - | 4,388,000 | 2.69 | 24.3.2005 – 23.3.2015 |
| | | 7.7.2006 | 329,100 | - | 329,100 | 0.92 | 7.7.2006 – 6.7.2016 |
| | | 29.6.2007 | 10,476,350 | - | 10,476,350 | 2.16 | 29.6.2007 – 28.6.2017 |
| | | 6.11.2007 | 12,286,400 | - | 12,286,400 | 1.42 | 6.11.2007 – 5.11.2017 |
| | | | **31,034,130** | **-** | **31,034,130** | | |
| Others | Option Scheme | 19.12.2003 | 2,490,190 | - | 2,490,190 | 2.42 | 19.12.2003 - 18.12.2013 |
| | | 24.3.2005 | 21,994,850 | - | 21,994,850 | 2.69 | 24.3.2005 - 23.3.2015 |
| | | 3.10.2005 | 3,291,000 | - | 3,291,000 | 1.93 | 3.10.2005 - 2.10.2015 |
| | | 7.7.2006 | 12,275,430 | - | 12,275,430 | 0.92 | 7.7.2006 - 6.7.2016 |
| | | 29.6.2007 | 32,087,250 | - | 32,087,250 | 2.16 | 29.6.2007 - 28.6.2017 |
| | | 6.11.2007 | 45,744,900 | - | 45,744,900 | 1.42 | 6.11.2007 - 5.11.2017 |
| | | | **117,883,620** | **-** | **117,883,620** | | |
| | Total | | **158,681,050** | **-** | **158,681,050** | | |

No option was granted, exercised, cancelled or lapsed during the year. The weighted average remaining contractual life is 4 years (2012: 5 years).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 32. SHARE OPTION SCHEMES (Continued)

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

2012

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

No option was granted, exercised or cancelled for the year ended 31 March 2012.

* 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 33. DEFERRED TAX (ASSETS) LIABILITIES

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

| | Accelerated tax depreciation | Fair value adjustments of business combination on intangible assets | Estimated tax losses | Total |
|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| At 1 April 2011 | 2,862 | 34,307 | (5,754) | 31,415 |
| Exchange realignment | - | 925 | - | 925 |
| (Credited) charged to profit or loss for the year | (1,802) | (2,959) | 1,844 | (2,917) |
| At 31 March 2012 and 1 April 2012 | 1,060 | 32,273 | (3,910) | 29,423 |
| Reclassification | - | (284) | 284 | - |
| Exchange realignment | - | 579 | - | 579 |
| Charged (credited) to profit or loss for the year | 388 | (2,403) | - | (2,015) |
| Release upon impairment on intangible asset | - | (12,763) | - | (12,763) |
| Classified as liabilities associated with assets classified as held for sale | - | (17,402) | - | (17,402) |
| **At 31 March 2013** | **1,448** | **-** | **(3,626)** | **(2,178)** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 33. DEFERRED TAX (ASSETS) LIABILITIES (Continued)

At 31 March 2013, the Group estimated unused tax losses of approximately HK$688,714,000 (2012: HK$654,559,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$21,976,000 (2012: HK$23,697,000) of such losses. No deferred tax asset has been recognised in respect of remaining tax losses of approximately HK$666,738,000 (2012: HK$630,862,000) due to the unpredictability of future profit streams. The estimated tax losses may be carried forward indefinitely.

For the year ended 31 March 2012, deductible temporary differences mainly arising from depreciation allowances on property, plant and equipment of HK$3,685,000 (2013: HK$nil) has not been recognised as deferred tax liabilities due to the unpredictability of future profit streams.

## 34. ACQUISITIONS OF SUBSIDIARIES

In August 2011, the Group completed the acquisition of 100% equity interest in China Mahjong Super League Group Limited and China Super Mahjong League Group Limited, which became two indirectly wholly owned subsidiaries of the Company, for total cash consideration of HK$132,000 from an associate (note 36).

Details of the net assets acquired were as follows:

| | **Carrying amount** HK$'000 | **Fair value** HK$'000 |
|---|---|---|
| Net assets acquired | 120 | 120 |
| Goodwill on acquisition (Note) | – | 12 |
| Total consideration | | 132 |
| Satisfied by: | | |
| Cash | | 132 |
| Net cash outflow arising on acquisition | | |
| Cash consideration | | 132 |

Note: As at 31 March 2012, goodwill arising from the acquisition of China Mahjong Super League Group Limited and China Super Mahjong League Group Limited had been fully impaired as the directors expected the investment cost is not recoverable (note 20).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 35. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in Funds under the control of trustees.

The Group's and the employees' contributions to the MPF Scheme are each set at 5% of the employees' salaries up to a maximum of HK$1,000 for period 1 April 2012 to 31 May 2012 and HK$1,250 since 1 June 2012 (2012: HK$1,000) per employee per month. The Group's contributions to the MPF Scheme are fully and immediately vested to the employees once they are paid.

Total cost charged to profit or loss of HK$432,000 (2012: HK$329,000) represents the contributions payable to these schemes by the Group during the year.

## 36. RELATED PARTY TRANSACTIONS/BALANCES

Details of related party transactions/balances are as follows:

### (a) Compensation of key management personnel

The remuneration of directors, chief executive and other members of key management during the year was as follows:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Short-term benefits | **6,238** | 5,745 |
| Retirement benefits scheme contribution | **104** | 81 |
| | **6,342** | 5,826 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 36. RELATED PARTY TRANSACTIONS/BALANCES (Continued)

### (b) Related party transactions/balances

For the years ended 31 March 2013 and 2012, the Group had transactions with the following related parties during the year:

| Nature of transaction | Name of related company/person | Relationship with the Group | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|---|
| Service fee paid | Q9 Technology Company Limited | Associate | **240** | 120 |
| Rental paid | Dizon Basilio | Spouse of a director | **226** | - |
| Other income received | Ucan Mobile Limited | Associate | **(5)** | - |
| | Kwan Kin Chung | Director | **(4)** | - |
| Acquisitions of subsidiaries | Q9 Technology Company Limited | Associate | **-** | 132 |

In addition to above related party transactions from continuing operations, related party transactions from discontinued operations included rental income received from China Bio Cassava Holdings Limited of approximately HK$230,000 (2013: HK$nil) for the year ended 31 March 2012.

At 31 March 2013, amounts due from associates amounting HK$41,000 (2012: HK$67,000) and loan to an associate amounting HK$24,823,000 (2012: HK$nil) is disclosed in note 19.

At 31 March 2012, the Group, as a lessor, had contracted with the tenants for the future minimum lease payments within one year amounting HK$368,000 (2013: HK$nil).

At 31 March 2013, the Group, as a lessee, had commitment to Mr. Dizon Basilio, spouse of a director, for future minimum lease payments in respect of rented premises which fall due within one year amounting HK$101,000 (2012: HK$nil) which is included in the operating lease commitments disclosed in note 37.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 37. OPERATING LEASE ARRANGEMENTS AND COMMITMENTS

### THE GROUP AS LESSEES

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| Minimum lease payments paid under operating leases during the year: | | |
| Premises | **6,074** | 4,288 |
| | **6,074** | 4,288 |

At 31 March 2013, the Group had commitments for future minimum lease payments in respect of rented premises which fall due as follows:

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| Within one year | **3,447** | 3,108 |
| In the second to fifth year inclusive | **2,670** | 6,202 |
| After the fifth year | **-** | 3,300 |
| | **6,117** | 12,610 |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 38. CAPITAL AND OTHER COMMITMENTS

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

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Capital expenditure in respect of acquisition of property, plant and equipment: | | |
| – Contracted for but not provided in | | |
| crude oil exploration and production equipment | **-** | 7,131 |
| other property, plant and equipment | **-** | 62 |
| | **-** | 7,193 |
| – Authorised, but not contracted for, | | |
| capital contributions to a jointly-controlled entity | **-** | 623 |
| | **-** | 7,816 |
| Other commitment in respect of business development | | |
| – Contracted for but not provided in the consolidated | | |
| financial statements (Note) | **2,986** | 44,266 |

The Company did not have any capital commitments as at 31 March 2013.

Note: Being commitment for the development of online social music gaming platform, "Ucan.com", which is expected to be launched within 12 months after the end of the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 39. PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries as at 31 March 2013 and 2012 are as follows:

| Name | Place/country of incorporation or registration/ operation | Issued and fully paid share capital/ registered capital | Proportion of nominal value of issued share capital indirectly held by the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | **2013** **%** | 2012 % | |
| Citicomics Limited | Hong Kong | Ordinary HK$2 | **100** | 100 | Publishing |
| Culturecom Centre Limited | Hong Kong | Ordinary HK$2 | **100** | 100 | Property holding |
| China Mahjong Super League Group Limited | Hong Kong | Ordinary HK$100 | **100** | 100 | Dormant |
| China Super Mahjong League Group Limited | Hong Kong | Ordinary HK$100 | **100** | 100 | Dormant |
| Culturecom e-publication Limited | Hong Kong | Ordinary HK$2 | **100** | 100 | Electronic publication |
| Culturecom Enterprises Limited | Hong Kong | Ordinary HK$2 | **100** | 100 | Provision of management services to group companies |
| Culturecom Limited | Hong Kong | Ordinary HK$1,000 | **100** | 100 | Investment holding and publishing |
| Culturecom Investments Limited | Hong Kong | Ordinary HK$2 | **100** | 100 | Investment holding and securities trading |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 39. PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Particulars of the Company's principal subsidiaries as at 31 March 2013 and 2012 are as follows:

| Name | Place/country of incorporation or registration/ operation | Issued and fully paid share capital/ registered capital | Proportion of nominal value of issued share capital indirectly held by the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | **2013** **%** | 2012 % | |
| Culture.com Technology Limited | Hong Kong | Ordinary HK$2 | **100** | 100 | Investment holding |
| Culture.com Technology (BVI) Limited | BVI/ Hong Kong | Ordinary US$1 | **100** | 100 | Investment holding |
| Culturecom Media Limited | Hong Kong | Ordinary HK$2 | **100** | 100 | Provision for multimedia service |
| Chinese 2000 Online Limited | BVI | Ordinary HK$2 | **100** | 100 | Investment holding |
| Etown Online Macau Limited | Macau | Ordinary MOP$5,000,000 | **100** | 100 | Trading of wine |
| Raise Beauty Investments Limited | BVI | Ordinary US$10 | **60** | 100 | Investment holding |
| Success Dynasty Limited | BVI | Ordinary US$1 | **100** | 100 | Investment holding |
| Winway H.K. Investments Limited | Hong Kong | Ordinary HK$2 | **100** | 100 | Investment holding and securities trading |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 39. PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Particulars of the Company's principal subsidiaries as at 31 March 2013 and 2012 are as follows:

| Name | Place/country of incorporation or registration/ operation | Issued and fully paid share capital/ registered capital | Proportion of nominal value of issued share capital indirectly held by the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | **2013** **%** | 2012 % | |
| Ucan Technology (Macau) Company Limited | Macau | Ordinary MOP$100,000 | **91.7** | 100 | Development of online social music gaming platform |
| Ucan.com Group Limited (formerly known as Comics Daily Publication Limited) | Hong Kong | Ordinary HK$10,000 | **100** | 100 | Investment holding and development of online social music gaming platform |
| 東營健宏石油技術服務有限公司 | PRC | Registered US$12,280,000 | **60** | 100 | Provision of petroleum technology related services |
| 上海旅聯信息服務有限公司 | PRC | Registered RMB10,000,000 | **53** | 53 | Sales of smart cards (Note) |

Note: The subsidiary ceased the business and became dormant during the year.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 40. INFORMATION ABOUT FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| **Assets** | | |
| Unlisted investments in subsidiaries | **58,472** | 112,246 |
| Amounts due from subsidiaries | **114,170** | 427,244 |
| Other receivables, deposits and prepayments | **624** | 4 |
| Bank balances | **183,033** | 197,879 |
| | **356,299** | 737,373 |
| **Liabilities** | **554** | 491 |
| **Capital and reserves** | | |
| Share capital (note 30) | **10,928** | 10,396 |
| Reserves (Note) | **344,817** | 726,486 |
| | **355,745** | 736,882 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 40. INFORMATION ABOUT FINANCIAL POSITION OF THE COMPANY (Continued)

Note: movement in reserves

| | Share premium HK$'000 | Contribution surplus HK$'000 | Warrant reserve HK$'000 | Capital redemption reserve HK$'000 | Share option reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| THE COMPANY | | | | | | | |
| At 1 April 2011 | 1,728,358 | 262,143 | - | 446 | 63,619 | (1,355,381) | 699,185 |
| Loss for the year | - | - | - | - | - | (772) | (772) |
| Issue of warrants | - | - | 27,570 | - | - | - | 27,570 |
| Exercise of warrants | 1,542 | - | - | - | - | - | 1,542 |
| Expenses incurred on warrants issue | - | - | (1,018) | - | - | - | (1,018) |
| Expenses incurred on Rights Issue | (21) | - | - | - | - | - | (21) |
| Transfer from warrant reserve to share premium due to exercise of warrants | 1,100 | - | (1,100) | - | - | - | - |
| At 31 March 2012 | 1,730,979 | 262,143 | 25,452 | 446 | 63,619 | (1,356,153) | 726,486 |
| Loss for the year | - | - | - | - | - | (403,519) | (403,519) |
| Issue of warrants | - | - | 7,679 | - | - | - | 7,679 |
| Exercise of warrants | 14,358 | - | - | - | - | - | 14,358 |
| Expenses incurred on warrants issue | - | - | (187) | - | - | - | (187) |
| Transfer from warrant reserve to share premium due to exercise of warrants | 10,243 | - | (10,243) | - | - | - | - |
| At 31 March 2013 | 1,755,580 | 262,143 | 22,701 | 446 | 63,619 | (1,759,672) | (344,817) |

# FINANCIAL SUMMARY

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 | | | | |
|---|---|---|---|---|---|
| | 2009 HK$'000 | 2010 HK$'000 | 2011 HK$'000 | 2012 HK$'000 (Restated) | **2013 HK$'000** |
| **RESULTS** | | | | | |
| Continuing operations: | | | | | |
| Revenue | 40,356 | 36,624 | 38,333 | 29,061 | **26,813** |
| Loss before tax | (85,314) | (27,875) | (81,013) | (88,985) | **(218,048)** |
| Income tax credit (expense) | 4,242 | 10,881 | 8,937 | (48) | **(672)** |
| Loss after income tax from continuing operations | (81,072) | (16,994) | (72,076) | (89,033) | **(218,720)** |
| Discontinued operation: | | | | | |
| (Loss) profit for the year | (11,817) | 27,555 | 78,406 | 39,103 | **(79,276)** |
| (Loss) profit for the year | (92,889) | 10,561 | 6,330 | (49,930) | **(297,996)** |
| Attributable to: | | | | | |
| Owners of the Company | (92,889) | 11,731 | 9,006 | (49,107) | **(297,629)** |
| Non-controlling interests | – | (1,170) | (2,676) | (823) | **(367)** |
| | (92,889) | 10,561 | 6,330 | (49,930) | **(297,996)** |

# FINANCIAL SUMMARY

| | As at 31 March | | | | |
|---|---|---|---|---|---|
| | 2009<br>HK$'000 | 2010<br>HK$'000 | 2011<br>HK$'000 | 2012<br>HK$'000 | **2013**<br>**HK$'000** |
| **ASSETS AND LIABILITIES** | | | | | |
| Property, plant and equipment | 71,603 | 91,107 | 73,324 | 68,043 | **12,512** |
| Investment property | 120,251 | 151,236 | – | – | **-** |
| Long term deposits | 2,268 | 2,284 | 2,375 | 2,441 | **-** |
| Loan to an associate | – | – | – | – | **24,823** |
| Interests in associates | 25,084 | 23,718 | 22,222 | 15,004 | **13,028** |
| Goodwill | – | 2,617 | – | – | **-** |
| Intangible assets | 207,000 | 167,870 | 138,385 | 130,257 | **1,385** |
| Available-for-sale financial assets | – | 10,000 | 20,000 | 15,000 | **-** |
| Deferred tax asset | – | – | – | – | **2,178** |
| Net current assets | 261,156 | 253,283 | 554,309 | 557,621 | **473,726** |
| | 687,362 | 702,115 | 810,615 | 788,366 | **527,652** |
| Non - current liabilities | (60,933) | (56,215) | (31,465) | (29,430) | **-** |
| | 626,429 | 645,900 | 779,150 | 758,936 | **527,652** |
| Share capital | 689,456 | 689,256 | 10,339 | 10,396 | **10,928** |
| Reserves | (63,027) | (46,855) | 767,988 | 748,540 | **479,198** |
| Equity attributable to owners of the Company | 626,429 | 642,401 | 778,327 | 758,936 | **490,126** |
| Non-controlling interest | – | 3,499 | 823 | – | **37,526** |
| | 626,429 | 645,900 | 779,150 | 758,936 | **527,652** |