Annual Report 2007|2008

CULTURECOM HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

(Stock Code:0343)

CONTENTS

Corporate Information

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lai Man To
Mr. Joseph Lee Chennault
Mr. Wang Tiao Chun

COMPANY SECRETARY

Ms. Lee Yuk Ping

QUALIFIED ACCOUNTANT

Ms. Lee Yuk Ping

AUDIT COMMITTEE

Mr. Lai Man To
Mr. Joseph Lee Chennault
Mr. Wang Tiao Chun

REMUNERATION COMMITTEE

Mr. Lai Man To
Mr. Wan Xiaolin
Mr. Wang Tiao Chun

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank

SOLICITORS

Michael Li & Co.
Appleby Hunter Bailhache

AUDITORS

Grant Thornton

PUBLIC RELATION

PR Concepts Company Limited

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL OFFICE

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Level 6, Core D
Cyberport 3
100 Cyberport Road
Hong Kong

PRINCIPAL REGISTRAR

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

BRANCH REGISTRAR

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

COMPANY WEBSITE

www.culturecom.com.hk

STOCK CODE

343

WARRANT CODE

453

Chairman's Statement

RESULTS

The consolidated turnover of the Company an its subsidiaries for the year ended 31 March 2008 amounted to HK$44,889,000 (2007: HK$46,642,000) of which HK$37,195,000 (2007: HK$41,143,000) was attributable to the business of comics publication of the Group, HK$52,000 (2007: HK$410,000) was attributable to the Chinese information infrastructure of the Group, HK$5,672,000 (2007:HK$5,089,000) was attributable to the rental income from investment properties of the Group and HK$1,970,000 (2007: nil) was attributable to the crude oil exploration services of the Group. Loss for the year attributable to equity holders, taking into account taxation, was HK$49,565,000 (2007: HK$33,934,000). The loss per share was HK0.89 cents (2007: HK$0.86 cents).

FINAL DIVIDEND

The Board of Directors has resolved not to declare any final dividend for the year ended 31 March 2008 (2007: Nil).

BUSINESS REVIEW

The potential slowdown of the global economy will create difficulties to those in the coming years that do not operate on the most efficient and effective enterprise. With this in mind, our Group has undertaken the necessary steps to streamline our core business processes, functions, as well as organizational composition. During the fiscal year, our Group has managed to shed the remaining operational units that were unprofitable and refocused on our core competence of comics licensing business, while continued to branch out into businesses with immediate return. Although the benefits of the restructuring may not have been fully reflected in this financial year, the management of the Group is very confident that the end of the tunnel is in sight. To this end, Culturecom is fully equipped to face the challenges ahead and adapt to any changes to our business segments.

With respect to the technology-business, our Group is at its last stage of restructuring, unloading unprofitable and non-core businesses while actively looking for suitable cooperative partners to enhance and commercialize the Chinese Character Generating Engine and related technologies. In the comic business, our Group is pursuing opportunities in animation and comics licensing within mainland China while continuing to develop in other areas such as inter-media comics, licensed movies, ancillary online games and mobile games. One of the significant ideals of Culturecom has always been about bringing Chinese culture into the mainstream; and in light of this, our Group is developing an Asian-flavor animation/comic creation interface using our very own Generating Engine technology. Our huge animation/comic image database along with this Generating Engine will allow general masses to participate in the production process; lowering cost on one hand, while creating appeal to a new generation of artists as well.

Additionally, our Group took advantage of an opportunity to tap into the resource business as increasing competition in our existing businesses has led to lower-than-expected shareholders' returns. With the continuing economic growth and accelerating urbanization in Greater China, our Group projects a high demand of energy resources in the years ahead. As the current energy supplies become scarce and alternative resources are in question, the management of our Group is confident that the ventures in the resource business will not only yield positive returns but also make significant contributions to the society.

PROSPECTS

Looking ahead, our Group will continue to fortify the relationships with its cooperative partners and business associates. We are always on the lookout for business opportunities with the potential to enhance shareholders' values while minimizing our exposure to risk. In particular, our Group recognizes the right of exploring oil in China is something that is strictly controlled by the Central Government and exclusively exercised by PetroChina, Sinopec and CNOOC. Only a limited number of oil blocks in China is available to foreign enterprises in partnership with these three large state-owned oil companies or their subsidiaries. Our Group's 100% acquisition of a company, which has the right to exploit oil with one of Sinopec Shengli Oilfield Dynamic Group Company Limited's subsidiaries, made us a new entrant to the oil exploration and production ("E&P") business. Not only does this have the potential to bring in a guaranteed profit of not less than RMB19 million for the 12 months period ending 31 December 2008, the acquisition already generated a negative goodwill that partially offset losses during year. Our group intends to seek further cooperation with Sinopec and its subsidiaries in other regions as well as other state-owned enterprises that possess natural resources extraction rights. With our forthcoming cooperation and developments in the pipeline, we look to partner up with major Chinese energy-related companies to penetrate the business of oil E&P in China and around the world.

In addition to venturing in the resource business, our Group believes that the restructuring steps and new initiatives taken so far will come to fruition as they mature over the years. Our Group is particularly excited about the prospect of bringing an animation generating engine on-line that has the potential to allow general masses to become animation creator. This will truly revolutionize the way animation/comic is created. Now and more than ever, our Group is confident of its existing businesses and optimistic of its future direction. We will continue to remain prudent in its investment decisions and explore business opportunities with great potential.

APPRECIATION

I would like to dedicate sincere gratitude to the Board of Directors, our management and all our staff for their devoted efforts over the year and to all our customers, suppliers, business partners and our shareholders for their enthusiastic support to the Group.

Cheung Wai Tung
Chairman

Hong Kong, 22 July 2008

FINANCIAL RESULTS

For the year ended 31 March 2008, the Group's overall turnover decreased by approximately 3.76% to HK$44,889,000, of which approximately HK$37,195,000, HK$52,000, HK$5,672,000 and HK$1,970,000 (2007: HK$41,143,000, HK$410,000, HK$5,089,000 and nil) were attributable to our business of comics publication, Chinese information infrastructure, rental income from investment properties and crude oil exploration service respectively.

Although the Group's consolidated net loss attributable to the shareholders of the Company increased from HK$33,934,000, or HK0.86 cents per share in 2007 to approximately HK$49,565,000, or HK0.89 cents per share in the year, the Group has already begun to turn things around. This discrepancy in performance of the Group resulted primarily from non-cash expenses such as share option expenses of HK$58,666,000 (2007: HK$11,749,000) along with an allowance on loan to associates of HK$25,636,000 (2007: HK$10,196,000), partially offset by a gain of HK$28,444,000 (2007: nil) that resulted from the acquisition of Raise Beauty Investments Limited and its subsidiaries (collectively "Raise Beauty Group") which possess the right to exploit oil with one of Sinopec Shengli Oilfield Dynamic Group Company Limited's subsidiaries. Excluding these items, the Group's operating profits would have been approximately HK$6,293,000 (2007: HK$11,989,000). Cleaning up the bad loans and freeing up capital and resources that can be redirected toward value-creating growth opportunities are only a few of the many immediate actions that the Group has taken to turn things around. The Group is optimistic of its future, as the restructuring steps taken are evidence that the end of the tunnel is in sight.

Also, as of 31 March 2008, the Group's net asset value was HK$724,786,000 and net asset value per weighted average number of 5,579,312,000 shares of the Company was approximately HK$0.13 (2007: HK$0.06). Increase in net asset value was primarily due to prudent acquisition, fund raising, and the exercise of share options and warrants that were carried out during this year.

PLACEMENT OF NEW SHARES

On 14 June 2007, the Company and placing agent made an agreement pursuant to which the Company has conditionally agreed to place, through the placing agent on a best efforts basis, a maximum of 800,000,000 new shares ("Placing Shares") to independent institutional, corporate or individual investors at a price of HK$0.22 per Placing Share (the "Placing"). The Placing was completed on 10 July 2007. The net proceeds from the Placing of approximately HK$167,030,000 will be used for the crude oil exploration services business in the PRC.

On 16 July 2007, the Company entered into a sale and purchase agreement with an independent third party whereby the Company agreed to acquire equity interests in the Raise Beauty Group for a total consideration of 1,000,000,000 new shares of the Group. The placing was completed on 21 January 2008.

WARRANTS

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

During the year and up to the date of expiry of the 2007 Warrants, 43,820,000 warrants had expired, 616,180,000 had been exercised and the Company received the net proceeds of approximately HK$105,983,000 from the exercise of the warrants.

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

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

CONVERTIBLE BONDS

On 24 April 2007, the Company has exercised the option to call for subscription of the Tranche 2 Convertible Bonds. Upon exercising of option, holders of Tranche 1 Convertible Bonds are obliged to subscribe for the Tranche 2 Convertible Bonds at the conversion price of HK$0.10 per share. The issue of the Tranche 2 Convertible Bonds was completed on 11 May 2007 and fully converted into ordinary shares during the year. The net proceeds of approximately HK$35,929,000 was used as general working capital of the Group.

ACQUISITION

On 19 March 2007, the Group entered into a conditional sale and purchase agreement with an independent third party in relation to the acquisition involving the issue of consideration shares for the PRC media design and advertising business with a total of HK$55,450,000. Due to the disagreement of some directors, a board meeting was then duly held with all directors either present in person or communicated by telephone conference in order to re-consider the acquisition on 30 March 2007. After due and careful consideration of the directors, the acquisition was not approved. On 2 April 2007, the Group entered into a deed of cancellation to cancel the agreement with a compensation that has been provided for in the year ended 31 March 2007.

On 16 July 2007, the Group entered into a sale and purchase agreement with an independent third party whereby the Group agreed to acquire equity interests in the Raise Beauty Group which primarily engages in crude oil exploration services. The consideration was settled by allotment and issue of 1,000,000,000 new shares of the Group and this acquisition together with the issue of the consideration shares was completed on 21 January 2008.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2008, the Group had bank and deposits with financial institutions balances in aggregate of approximately HK$311,302,000 and held-for-trading investments of approximately HK$75,098,000. The Group has no significant exposure to foreign exchange rate fluctuation.

As of 31 March 2008, the Group had a net current asset of approximately HK$372,125,000 (2007: HK$80,927,000) and a current ratio of 6.83 (2007: 5.81). The Group's total liabilities as of 31 March 2008 amounted to approximately HK$129,703,000 (2007: HK$22,425,000) and represented approximately 17.89% (2007: 9.97%) to shareholders' equity.

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

EMPLOYMENT AND REMUNERATION POLICIES

As of 31 March 2008, the Group had a total of 93 (2007: 86) employees of which 34 (2007: 54) are based in Hong Kong, 32 (2007: 30) in Macau and 27 (2007: 2) in the PRC. Total staff costs incurred during the year amounted to approximately HK$30,423,000 (2007: HK$27,858,000). 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 2008.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal associates and subsidiaries are set out in notes 18 and 42 to the financial statements respectively.

SUBSIDIARIES AND ASSOCIATES

Details of the Group's associates and of the Company's subsidiaries at 31 March 2008 are set out in notes 18 and 42 to the financial statements respectively.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover during the year attributable to the Group's five largest customers accounted for 74.9% of the Group's turnover, of which 47.5% was attributable to the largest customer.

The aggregate purchases during the year attributable to the Group's five largest suppliers accounted for 79.1% of the Group's total purchases, of which 53.5% was attributable to the largest supplier.

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

RESULTS

The results of the Group for the year ended 31 March 2008 are set out in the consolidated income statement on page 36.

DIVIDEND

The Directors do not recommend the payment of a final dividend in respect of the year ended 31 March 2008.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK$3,840,000 on the acquisitions of property, plant and equipment.

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

SHARE CAPITAL, WARRANTS, CONVERTIBLE BONDS AND SHARE OPTIONS

Details of movements during the year in the share capital and details of warrants, convertible bonds and the share option scheme of the Company are set out in notes 30, 32, 33 and 34 to the financial statements respectively.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in Note 31 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2008, the Company has no reserves available for distribution to shareholders.

FINANCIAL SUMMARY

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

Directors' Report

DIRECTORS

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

Executive Directors:

Mr. Cheung Wai Tung *(Chairman)*	
Mr. Chu Bong Foo *(Vice-Chairman)*	
Mr. Kwan Kin Chung *(Managing Director)*	(appointed on 6 March 2008)
Mr. Henry Chang Manayan	
Mr. Wan Xiaolin	
Mr. Tai Cheong Sao	(appointed on 18 June 2007)
Mr. Chung Billy	(re-designated on 5 November 2007)
Mr. Tang U Fai	(appointed on 6 March 2008)

Independent Non-Executive Directors:

Mr. Lai Man To
Mr. Joseph Lee Chennault
Mr. Wang Tiao Chun

The directors of the Company, including independent non-executive directors ("INEDs"), are subject to retirement by rotation and re-election at the annual general meeting of the Company. In accordance with Clauses 101, 110(A) and 190(v) of the Company's Bye-Laws. Messrs. Kwan Kin Chung, Wan Xiaolin, Chung Billy, Tang U Fai, Wang Tiao Chun and Joseph Lee Chennault, will retire and, being eligible, offer themselves, with the exception of Mr. Wang Tiao Chun for re-election at the forthcoming annual general meeting.

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Cheung Wai Tung, aged 50, was appointed as the Chairman and Executive Director of the Company in December 1998 and is responsible for the corporate strategic planning of the Group. Mr. Cheung holds a Bachelor of Arts degree in Accounting and Finance from Shanghai Maritime College, Shanghai, the PRC. Prior to joining the Group, he was representative and deputy chief executive officer of COSCO Group in Singapore and Hong Kong respectively.

Mr. Chu Bong Foo, aged 70, was appointed as Vice-Chairman and Executive Director of the Company in May 1999 and is responsible for the design and development of Chinese information infrastructure of the Group. Mr. Chu is the inventor of Changjie Index System and has been engaging in the development of Chinese character generating technology over 20 years.

Mr. Kwan Kin Chung, aged 39, was appointed as Executive Director and Managing Director of the Company in 6 March 2008. He was appointed as Acting Chief Executive Officer of the Company in April 2007. Mr. Kwan held the position as Vice President of the Group from 1998 to 2002. Mr. Kwan is a managing director of China Bio Cassava Holdings Limited, whose shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He has extensive experience in business restructuring and corporate investment. He holds a Bachelor of Arts in Economics from Zhongshan University, Guangzhou, the PRC.

Mr. Henry Chang Manayan, aged 52, was appointed as Executive Director of the Company in September 1999. He was the Mayor of Milpitas, California, the USA and is the first Mayor of Asian ancestry ever elected in the City of Milpitas. He is also an attorney and business owner of a management consultancy firm. He was educated at Syracuse University, Oxford University (Great Britain), Yale-in-China College, Golden Gate University Graduate College of Banking and Finance and the University of Santa Clara School of Law, where he received his Juris Doctor. Mr. Manayan is the president and general counsel of Transpacific Capital Corporation, a finance and investment company. He also served as a board director, officer and legal counsel to several companies and organisation.

Mr. Wan Xiaolin, aged 50, joined the Group as General Manager in January 2000 and is responsible for the group administration, human resources and training, finance and accounting and information technology related management activities. Mr. Wan holds a Bachelor of Arts in Economics from Shanghai Maritime University, Shanghai, the PRC. Prior to joining the Group, he was general manager of China Merchants Transportation Group for finance and accounting division. Mr. Wan was appointed as Executive Director of the Company in July 2002. He is an executive director of China Bio Cassava Holdings Limited, whose shares are listed on GEM of the Stock Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Executive Directors (Continued)

Mr. Tai Cheong Sao, aged 64, was appointed as Executive Director of the Company in June 2007. He was a teacher for several years and then joined the Hong Kong Government where he spent the next twenty-six years in a law enforcement department. After leaving the public service, Mr. Tai joined a well-established estate development company as General Manager and was responsible for its business development and office administration. Currently, Mr. Tai is an Executive Director of ViaGOLD Capital Limited (a company whose shares are listed on the Australian Stock Exchange Limited). He had previously worked as Controller of Human Resources and Administration of the Group for the period from December 1998 to May 2001.

Mr. Chung Billy, aged 33, was appointed as INED of the Company on 18 June 2007. He has been re-designated as Executive Director on 5 November 2007 and later became the Chief Operating Officer of the Company, responsible for the Group's administration, human resources and accounting/finance related management activities. Mr. Chung holds a Bachelor of Arts degree in Accounting from the University of Waterloo and a MBA from the University of Toronto in Canada. As a member of the Canadian Institute of Chartered Accountants, he has over eight years of extensive experience in the fields of accounting, consulting, and investment banking. Mr. Chung is also an associate member of the Hong Kong Institute of Certified Public Accountant and prior to joining the Group, Mr. Chung acted as Senior Project Director at Opes Asia Development Limited, whose shares are listed on the Main Board of the Stock Exchange.

Mr. Tang U Fai, aged 34, was appointed as Executive Director of the Company in 6 March 2008. He holds a Bachelor of Science degree in Computer Science and Economics from the University of Victoria and a Master of Science degree in Software Engineering from the University of Macau. Mr. Tang joined the Group as Chief Technology Officer in May 2001. In 2003, he was further appointed as the General Manager of 網城在綫(澳門)有限公司 where he gained extensive executive experience.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Independent Non-Executive Directors

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

Mr. Wang Tiao Chun, aged 52, was appointed as INED of the Company in August 1999. Mr. Wang is currently holding various senior management positions in various companies in Taiwan.

Mr. Joseph Lee Chennault, aged 64, was appointed as INED of the Company in September 2004. Mr. Chennault holds a Bachelor of Arts in Economics from University of San Francisco and MBA from Golden Gate University. He is a member of California Society of Certified Public Accountants and has over 30 years of experience in accounting and auditing.

Senior Management

Mr. Yu Huaguo, aged 41, was appointed as Chief Executive Officer of the Company on 6 May 2008. Immediately before he joined the Group, he was an executive director of Jiuzhou Development Company Limited ("JDCL"), whose shares are listed on the Stock Exchange, and was deputy general manager of Zhuhai Jiuzhou Port Group Corporation (a substantial shareholder of JDCL). Mr. Yu obtained a Master of Business Administration (MBA) degree from the Hong Kong Polytechnic University. He has over twenty years' experience in finance, securities, capital and enterprise management.

Dr. Chen Tzyh Trong, aged 50, joined the Company as Vice President and Executive Assistant to Chairman in May 2003. Dr. Chen graduated from the National Taiwan University with LL.B degree and earned his Ph.D. degree in Law from the University of London. He is well experienced in the fields of legal affairs, market development, and corporate management, with previous senior executive appointments in various companies. Dr. Chen is a respected commentator and writer for national economic and legal affairs. Dr. Chen had served as Secretary General for the Association of Taiwan Business Association in Hong Kong and Director for the Association of Chinese Traders and he is currently a counselor for Taipei City Government.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Senior Management (Continued)

Mr. Chen Man Lung, aged 42, joined the Group as a Vice President in December 1998 and is responsible for publishing business and corporate development of the Group. Mr. Chen graduated with an Honour Diploma in sociology from Hong Kong Baptist College in 1989 and a Master degree of arts in Chinese studies from The Hong Kong University of Science and Technology in 1994. Mr. Chen has worked as an economist in a consultant firm and a bank and has over 8 years of experience in investment industry. Currently, he is an executive director of China Bio Cassava Holdings Limited, whose shares are listed on the GEM Board of the Stock Exchange.

Ms. Lee Yuk Ping, aged 40, was appointed as Company Secretary and Qualified Accountant of the Company on 1 February 2008. She is a fellow member of the Chartered Association of Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Ms. Lee holds a Master degree of Professional Accounting from The Hong Kong Polytechnic University.

SHARE OPTION SCHEMES

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

Subsequent to the termination of the 1993 Scheme, no further share options can be granted thereunder but in all other respects, the provisions of the 1993 Scheme shall remain in force and all share options granted prior to such termination shall continue to be valid and exercisable in accordance therewith. The number of shares available for issue under the 1993 Scheme and 2002 Scheme as at the date of the Annual Report is 31,965,000 and 1,446,500,000 respectively, totaling 1,478,465,000 shares which in aggregate representing approximately 20.84% of the issued share capital of the Company as of that date.

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

SHARE OPTION SCHEMES (Continued)

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

			Date of Grant	At 1 April 2007	Number of share options Transfer from other category during the period	Transfer to other category during the period	Lapsed during the period	Granted/ Exercised/ Cancelled during the period	At 31 March 2008	Exercise price per share	Exercisable Period
										HK$	
(a)	**Directors**										
	Mr. Cheung Wai Tung		3 March 2000	4,565,000	–	–	–	–	4,565,000	1.680	3 March 2000 to 2 March 2010
	Mr. Chu Bong Foo	(i)	27 August 1999	10,000,000	–	–	–	–	10,000,000	0.264	27 August 1999 to 26 August 2009
		(ii)	3 March 2000	2,000,000	–	–	–	–	2,000,000	1.680	3 March 2000 to 2 March 2010
	Mr. Henry Chang Manayan	(i)	27 August 1999	1,000,000	–	–	–	–	1,000,000	0.264	27 August 1999 to 26 August 2009
		(ii)	3 March 2000	500,000	–	–	–	–	500,000	1.680	3 March 2000 to 2 March 2010
	Mr. Wan Xiaolin		3 March 2000	1,000,000	–	–	–	–	1,000,000	1.680	3 March 2000 to 2 March 2010
	Mr. Tai Cheong Sao		3 March 2000	–	3,000,000 *(note 1)*	–	–	–	3,000,000	1.680	3 March 2000 to 2 March 2010
	Mr. Tang U Fai		3 March 2000	–	1,000,000 *(note 2)*	–	–	–	1,000,000	1.680	3 March 2000 to 2 March 2010
(b)	**Employees**		3 March 2000	17,665,000	–	(4,000,000) *(notes 1 & 2)*	(4,765,000)	–	8,900,000	1.680	3 March 2000 to 2 March 2010

SHARE OPTION SCHEMES (Continued)

Notes:

1. The share options granted Mr. Tai Cheong Sao were granted prior to his appointment as Executive Director of the Company on 18 June 2007.

2. The share options granted Mr. Tang U Fai were granted prior to his appointment as Executive Director of the Company on 6 March 2008.

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

	Date of Grant	At 1 April 2007	Number of share options Granted during the period	Transfer from other category during the period	Transfer to other category during the period	Lapsed/ Cancelled during the period	Exercised during the period	At 31 March 2008	Exercise price per share	Exercisable Period	Price of the Company's shares *(note 4)* At immediately preceding the grant date of share option	At immediately preceding the exercise date of share option
									HK$			
(a) Directors												
Mr. Cheung Wai Tung	19 December 2003	4,000,000	–	–	–	–	–	4,000,000	0.265	19 December 2003 to 18 December 2013	N/A	N/A
Mr. Kwan Kin Chung (i)	7 July 2006	–	–	8,000,000 *(note 1)*	–	–	–	8,000,000	0.101	7 July 2006 to 6 July 2016	N/A	N/A
(ii)	29 June 2007	–	–	1,000,000 *(note 1)*	–	–	–	1,000,000	0.237	29 June 2007 to 28 June 2017	0.238	N/A
(iii)	6 November 2007			8,000,000 *(note 1)*	–	–	–	8,000,000	0.156	6 November 2007 to 5 November 2017	0.152	N/A
Mr. Henry Chang Manayan	19 December 2003	1,000,000	–	–	–	–	–	1,000,000	0.265	19 December 2003 to 18 December 2013	N/A	N/A
Mr. Wan Xiaolin	19 December 2003	3,000,000	–	–	–	–	–	3,000,000	0.265	19 December 2003 to 18 December 2013	N/A	N/A

SHARE OPTION SCHEMES (Continued)

		Date of Grant	At 1 April 2007	Granted during the period	Transfer from other category during the period	Transfer to other category during the period	Lapsed/ Cancelled during the period	Exercised during the period	At 31 March 2008	Exercise price per share	Exercisable Period	Price of the Company's shares (note 4) At immediately preceding the grant date of share option	Price of the Company's shares (note 4) At immediately preceding the exercise date of share option
			Number of share options							HK$			
(a) Directors (Continued)													
Mr. Tai Cheong Sao	(i)	19 December 2003	–	–	2,000,000 *(note 2)*	–	–	–	2,000,000	0.265	19 December 2003 to 18 December 2013	N/A	N/A
	(ii)	24 March 2005	–	–	1,500,000 *(note 2)*	–	–	–	1,500,000	0.295	24 March 2005 to 23 March 2015	N/A	N/A
Mr. Tang U Fai	(i)	19 December 2003	–	–	1,000,000 *(note 3)*	–	–	–	1,000,000	0.265	19 December 2003 to 18 December 2013	N/A	N/A
	(ii)	24 March 2005	–	–	16,000,000 *(note 3)*	–	–	–	16,000,000	0.295	24 March 2005 to 23 March 2015	N/A	N/A
	(iii)	7 July 2006	–	–	1,000,000 *(note 3)*	–	–	–	1,000,000	0.101	7 July 2006 to 6 July 2016	N/A	N/A

SHARE OPTION SCHEMES (Continued)

		Date of Grant	At 1 April 2007	Number of share options: Granted during the period	Transfer from other category during the period	Transfer to other category during the period	Lapsed/ Cancelled during the period	Exercised during the period	At 31 March 2008	Exercise price per share	Exercisable Period	Price of the Company's shares (note 4): At immediately preceding the grant date of share option	At immediately preceding the exercise date of share option
										HK$			
(b) Employees	(i)	19 December 2003	31,400,000	–	–	(1,000,000) *(note 3)*	–	–	30,400,000	0.265	19 December 2003 to 18 December 2013	N/A	N/A
	(ii)	24 March 2005	67,500,000	–	–	(16,000,000) *(note 3)*	–	–	51,500,000	0.295	24 March 2005 to 23 March 2015	N/A	N/A
	(iii)	7 July 2006	34,600,000	–	–	(1,000,000) *(note 3)*	–	(24,100,000)	9,500,000	0.101	7 July 2006 to 6 July 2016	N/A	0.205
	(iv)	29 June 2007	–	107,500,000	–	(1,000,000) *(note 1)*	–	–	106,500,000	0.237	29 June 2007 to 28 June 2017	0.238	N/A
	(v)	6 November 2007	–	135,000,000	–	(8,000,000) *(note 1)*	–	–	127,000,000	0.156	6 November 2007 to 5 November 2017	0.152	N/A
(c) Others	(i)	19 December 2003	20,000,000	–	–	(2,000,000) *(note 2)*	(300,000)	–	17,700,000	0.265	19 December 2003 to 18 December 2003	N/A	N/A
	(ii)	24 March 2005	202,000,000	–	–	(1,500,000) *(note 2)*	–	–	200,500,000	0.295	24 March 2005 to 23 March 2015	N/A	N/A
	(iii)	3 October 2005	30,000,000	–	–	–	–	–	30,000,000	0.212	3 October 2005 to 2 October 2015	N/A	N/A
	(iv)	7 July 2006	295,400,000	–	–	(8,000,000) *(note 1)*	–	(170,000,000)	129,400,000	0.101	7 July 2006 to 6 July 2016	N/A	0.205
	(v)	29 June 2007	–	292,500,000	–	–	–	–	292,500,000	0.237	29 June 2007 to 28 June 2017	0.238	N/A
	(vi)	6 November 2007	–	435,000,000	–	–	–	(18,000,000)	417,000,000	0.156	6 November 2007 to 5 November 2017	0.152	N/A

SHARE OPTION SCHEMES (Continued)

Notes:

1. The share options granted Mr. Kwan Kin Chung were granted prior to his appointment as Executive Director of the Company on 6 March 2008.

2. The share options granted Mr. Tai Cheong Sao were granted prior to his appointment as Executive Director of the Company on 18 June 2007.

3. The share options granted Mr. Tang U Fai were granted prior to his appointment as Executive Director of the Company on 6 March 2008.

4. The price of the Company's share disclosed as at immediately preceding the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the share options. The price of the Company's share disclosed as at immediately preceding the date of the exercise of the share options is the weighted average of the Stock Exchange closing prices over all of the exercises of share options prior to their respective exercise dates within the disclosure line.

5. 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 2008, all options have been vested.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DISCLOSURE OF INTERESTS

(a) Interests of the Directors

As at 31 March 2008, 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 interests	Number of shares held	Approximate percentage of issued share capital
Mr. Chu Bong Foo	(i) Beneficial owner	Personal interest	160,180,000	3.99%
	(ii) Interest of a controlled corporation	Corporate interest	122,872,000 *(note)*	
Mr. Henry Chang Manayan	Beneficial owner	Personal interest	2,000,000	0.03%
Mr. Wan Xiaolin	Beneficial owner	Personal interest	500,000	0.01%

Note: 122,872,000 shares are held by Bay-Club Enterprises Inc., the entire issued share capital of which is beneficially owned by Mr. Chu Bong Foo.

All interests stated above represent long positions.

DISCLOSURE OF INTERESTS (Continued)

(a) Interests of the Directors (Continued)

Interests in share options of the Company

Name of Director		Capacity	Nature of interests	Number of share options	Exercise price per share	Exercisable period	Approximate percentage of issued share capital
					HK$		
Mr. Cheung Wai Tung	(i)	Beneficial owner	Personal interest	4,565,000	1.680	3 March 2000 to 2 March 2010	0.12%
	(ii)	Beneficial owner	Personal interest	4,000,000	0.265	19 December 2003 to 18 December 2013	
Mr. Chu Bong Foo	(i)	Beneficial owner	Personal interest	10,000,000	0.264	27 August 1999 to 26 August 2009	0.17%
	(ii)	Beneficial owner	Personal interest	2,000,000	1.680	3 March 2000 to 2 March 2010	
Mr. Kwan Kin Chung	(i)	Beneficial owner	Personal interest	8,000,000	0.101	7 July 2006 to 6 July 2016	0.24%
	(ii)	Beneficial owner	Personal interest	1,000,000	0.237	29 June 2007 to 28 June 2017	
	(iii)	Beneficial owner	Personal interest	8,000,000	0.156	6 November 2007 to 5 November 2017	
Mr. Henry Chang Manayan	(i)	Beneficial owner	Personal interest	1,000,000	0.264	27 August 1999 to 26 August 2009	0.04%
	(ii)	Beneficial owner	Personal interest	500,000	1.680	3 March 2000 to 2 March 2010	
	(iii)	Beneficial owner	Personal interest	1,000,000	0.265	19 December 2003 to 18 December 2013	
Mr. Wan Xiaolin	(i)	Beneficial owner	Personal interest	1,000,000	1.680	3 March 2000 to 2 March 2010	0.06%
	(ii)	Beneficial owner	Personal interest	3,000,000	0.265	19 December 2003 to 18 December 2013	

DISCLOSURE OF INTERESTS (Continued)

(a) Interests of the Directors (Continued)

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

Name of Director		Capacity	Nature of interests	Number of share options	Exercise price per share	Exercisable period	Approximate percentage of issued share capital
					HK$		
Mr. Tai Cheong Sao	(i)	Beneficial owner	Personal interest	3,000,000	1.680	3 March 2000 to 2 March 2010	0.09%
	(ii)	Beneficial owner	Personal interest	2,000,000	0.265	19 December 2003 to 18 November 2013	
	(iii)	Beneficial owner	Personal interest	1,500,000	0.295	24 March 2005 to 23 March 2015	
Mr. Tang U Fai	(i)	Beneficial owner	Personal interest	1,000,000	1.680	3 March 2000 to 2 March 2010	0.27%
	(ii)	Beneficial owner	Personal interest	1,000,000	0.265	19 December 2003 to 18 November 2013	
	(iii)	Beneficial owner	Personal interest	16,000,000	0.295	24 March 2005 to 23 March 2015	
	(iv)	Beneficial owner	Personal interest	1,000,000	0.101	7 July 2006 to 6 July 2016	

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 2008, all options have been vested.

All interests stated above represent long positions.

Save as disclosed above, as at 31 March 2008, none of the Directors nor chief executive of the Company had interests or short positions in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

DISCLOSURE OF INTERESTS (Continued)

(b) Interests of Substantial Shareholder

As at 31 March 2008, so far as is known to any Director or chief executive of the Company, the following person had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO:

Interests in the shares of the Company

Name	**Capacity**	**Number of shares held**	**Approximate percentage of issued share capital**
Wealthy Concept Holdings Limited	Beneficial owner	1,000,000,000	14.09%
Mr. Liao Chang Yuan	Interest in a controlled Corporation *(note 1)*	1,000,000,000	14.09%
Harvest Smart Overseas Limited ("Harvest Smart")	Beneficial owner and deemed interest *(note 2)*	1,003,698,000	14.15%

Notes:

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

2. Harvest Smart is beneficially interested in 753,546,000 shares and is deemed to be interested in the 250,152,000 held by Chamberlin Investments Limited ("Chamberlin"). Harvest Smart have a controlling interest (36.46%) in Viagold Capital Limited ("Viagold") and Chamberlin is a wholly owned subsidiary of Viagold. Therefore, Harvest Smart is deemed to be interested in the 250,152,000 held by Chamberlin.

All interests stated above represent long positions.

DISCLOSURE OF INTERESTS (Continued)

Save as disclosed above, as at 31 March 2008, the Directors and the chief executive of the Company were not aware of any person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

PRE-EMPTIVE RIGHTS

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

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries have purchased, sold or redeemed any of the listed securities in the Company during the year ended 31 March 2008.

AUDIT COMMITTEE

The Audit Committee, 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 INEDs, namely Mr. Lai Man To, Mr. Wang Tiao Chun and Mr. Joseph Lee Chennault. The Committee 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 2008.

CORPORATE GOVERNANCE

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

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

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors (the "Model Code"). Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard as set out in the Model Code during the year ended 31 March 2008.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

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

On behalf of the Board

Cheung Wai Tung
Chairman

Hong Kong, 22 July 2008

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.2.1

Under the code provision A.2.1, the roles of Chairman and Chief Executive Officer ("CEO") should be separated and should not be performed by the same individual. In previous years, the duties of a CEO are performed by Mr. Cheung Wai Tung, the Chairman of the Company, in the same capacity as the CEO of the Company. This constituted a deviation from Code Provision A.2.1. Subsequently, the Company had actively taken steps to identify a suitable candidate to take up the post of the CEO. Mr. Kwan Kin Chung was appointed as the Acting CEO of the Company in April 2007 and takes up the role of CEO to handle the day-to-day management of the Company temporary. As a result, the roles of the chairman and the CEO of the Company has since then be assumed by different individuals and accordingly the Company has no longer deviated from Code Provision A.2.1. A clear distinction between the chairman's duty to manage the Board and the CEO's to oversee the overall internal operation of the Group is also ensured. The Board appointed Mr. Yu Huaguo as CEO on 6 May 2008.

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

Code Provision E.1.2

Under the code provision E.1.2 the chairman of the board should attend the annual general meeting. The Chairman of the Board, Mr. Cheung Wai Tung was unable to attend the annual general meeting of the Company held on 21 September 2007 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 2008.

BOARD OF DIRECTORS

During the year, the Board of Directors comprised the executive Chairman, the executive Vice-Chairman, the Managing Director, five Executive Directors and three INEDs. 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
Executive Directors		
Mr. Cheung Wai Tung *(Chairman)*		**17/18**
Mr. Chu Bong Foo *(Vice-Chairman)*		**3/18**
Mr. Kwan Kin Chung *(Managing Director)*	(appointed on 6 March 2008)	**0/0**
Mr. Wan Xiaolin		**17/18**
Mr. Henry Chang Manayan		**3/18**
Mr. Tai Cheong Sao	(appointed on 18 June 2007)	**10/16**
Mr. Chung Billy	(appointed as INED on 18 June 2007 and re-designated as Executive Director on 5 November 2007)	**11/16**
Mr. Tang U Fai	(appointed on 6 March 2008)	**0/0**
Independent Non-Executive Directors		
Mr. Lai Man To		**5/18**
Mr. Joseph Lee Chennault		**2/18**
Mr. Wang Tiao Chun		**4/18**

BOARD OF DIRECTORS (Continued)

The Company has received the annual confirmation of independence from each of the INED as required under Rule 3.13 of the Listing Rules. The Company considered all INEDs 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.

During the year, the Audit Committee comprised three INEDs. The Audit Committee was chaired by Mr. Lai Man To.

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

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

Directors		**Attendance/Number of Meetings**
Mr. Lai Man To		**2/2**
Mr. Joseph Lee Chennault		**1/2**
Mr. Wang Tiao Chun		**1/2**
Mr. Chung Billy	(re-designated as Executive-Director on 5 November 2007)	**1/1**

ROLES AND RESPONSIBILITIES OF CHAIRMAN AND CEO

During the year, the roles of the Chairman and CEO are segregated and performed by Mr. Cheung Wai Tung and Mr. Kwan Kin Chung respectively. Mr. Kwan Kin Chung was appointed as Acting CEO in April 2007. The Chairman, Mr. Cheung Wai Tung is primarily responsible for the management of the Board, while the Acting CEO, Mr. Kwan Kin Chung is primarily responsible for the daily operation of the Group in accordance with the goals set up by the Board. He is also supported by other Executive Directors and senior management. Mr. Yu Huaguo was appointed as CEO on 6 May 2008.

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 INEDs of the Company are not appointed for a specific term. However, all Directors (including Executive and Non-Executive) of the Company are subject to retirement by rotation at the annual general meeting in accordance with Bye-Law 110(A) and 190(v) of the Bye-Laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

REMUNERATION COMMITTEE

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

During the year, the Remuneration Committee comprised two INEDs and one Executive Director. The Remuneration Committee was chaired by Mr. Lai Man To.

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

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

NOMINATION OF DIRECTORS

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

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 March 2008, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors' Responsibilities and Remuneration

During the year, the audit fee for the Group amounted to approximately HK$760,000.

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

Internal Control

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

Independent Auditors' Report

Grant Thornton
均富

Member of Grant Thornton International Ltd

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

We have audited the consolidated financial statements of Culturecom Holdings Limited (the "Company") set out on pages 36 to 124, which comprise the consolidated and company balance sheets as at 31 March 2008 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

Auditors' responsibility (Continued)

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Hong Kong, 22 July 2008

Consolidated Income Statement

for the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Revenue	5	**44,889**	46,642
Cost of sales		**(29,906)**	(33,448)
Gross profit		**14,983**	13,194
Other income	6	**13,475**	3,196
Administrative expenses		**(100,936)**	(55,096)
(Decrease)/Increase in fair value of held-for-trading investments		**(4,019)**	6,675
Share of loss of associates	18	**(11,051)**	(1,662)
Allowances for amounts due from associates	18	**(25,636)**	(10,196)
Gain on disposal of an associate	39	**–**	891
Gain on disposals of subsidiaries	38	**–**	1,765
Gain arising on acquisition of a subsidiary	37	**28,444**	–
Valuation surplus on investment properties	16	**43,124**	12,533
Finance costs	8	**(789)**	(187)
Impairment loss of property, plant and equipment	14	**–**	(2,827)
Loss before income tax	9	**(42,405)**	(31,714)
Income tax expense	11	**(7,160)**	(2,220)
Loss for the year attributable to equity holders of the Company	13	**(49,565)**	(33,934)
Loss per share attributable to equity holders of the Company during the year – basic	12	**HK0.89 cents**	HK0.86 cents
Dividends		**–**	–

Consolidated Balance Sheet

as at 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	14	**31,172**	13,230
Prepaid lease payments	15	**19,281**	24,724
Investment properties	16	**130,816**	80,026
Development costs	17	**–**	–
Interests in associates	18	**25,758**	8,248
Amounts due from associates	18	**–**	22,030
Interest in a jointly controlled entity	19	**–**	–
Intangible assets	20	**211,506**	1,385
		418,533	149,643
Current assets			
Inventories	21	**223**	139
Trade receivables	22	**11,623**	5,382
Prepaid lease payments	15	**504**	335
Other receivables, deposits and prepayments		**36,913**	19,929
Amounts due from fellow subsidiaries of an associate	23	**236**	200
Amounts due from associates	18	**12**	4,642
Tax recoverable		**45**	91
Held-for-trading investments	24	**75,098**	29,877
Bank balances and deposits with financial institutions	25	**311,302**	37,154
		435,956	97,749
Current liabilities			
Trade payables	26	**4,926**	6,020
Other payables and accrued charges		**32,430**	9,375
Other borrowings	28	**24,966**	–
Amounts due to fellow subsidiaries of an associate	27	**1,233**	1,233
Obligations under finance leases – due within one year	29	**32**	32
Tax payable		**244**	162
		63,831	16,822
Net current assets		**372,125**	80,927
Total assets less current liabilities		**790,658**	230,570

Consolidated Balance Sheet

as at 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	30	**709,526**	410,698
Reserves		**15,260**	(185,731)
Total equity		**724,786**	224,967
Non-current liabilities			
Obligations under finance leases – due after one year	29	**40**	71
Deferred tax liabilities	35	**65,832**	5,532
		65,872	5,603
		790,658	230,570

Cheung Wai Tung
Director

Wan Xiaolin
Director

Balance Sheet

as at 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Investments in subsidiaries	42	**215,144**	80,709
Amounts due from an associate	18	**–**	2,800
		215,144	83,509
Current assets			
Amounts due from a subsidiary	42	**280,977**	136,870
Other receivables, deposits and prepayments		**1,166**	6,005
Bank balances	25	**216,458**	279
		498,601	143,154
Current liabilities			
Other payables and accrued charges		**664**	1,006
Net current assets		**497,937**	142,148
Net assets		**713,081**	225,657
EQUITY			
Share capital	30	**709,526**	410,698
Reserves	31	**3,555**	(185,041)
Total equity		**713,081**	225,657

Cheung Wai Tung
Director

Wan Xiaolin
Director

Consolidated Cash Flow Statement

for the year ended 31 March 2008

	2008 HK$'000	2007 HK$'000
Cash flows from operating activities		
Loss before income tax	**(42,405)**	(31,714)
Adjustments for:		
Allowances for trade receivables	**571**	–
Allowances for amounts due from associates	**25,636**	10,196
Amortisation of prepaid lease payments	**335**	335
Amortisation of intangible assets	**2,879**	–
Decrease/(Increase) in fair value of held-for-trading investments	**4,019**	(6,675)
Depreciation of property, plant and equipment	**2,778**	5,518
Dividend income	**(21)**	(34)
Gain on disposals of an associate	**–**	(891)
(Gain)/Loss on disposals of held-for-trading investments	**(6,772)**	1,549
Gain on disposals of subsidiaries	**–**	(1,765)
Gain arising on acquisition of a subsidiary	**(28,444)**	–
Impairment loss of property, plant and equipment	**–**	2,827
Interest expense	**789**	187
Interest income	**(5,837)**	(781)
Recognition of equity-settled share-based payments	**58,666**	11,749
Share of loss of associates	**11,051**	1,662
Valuation surplus on investment properties	**(43,124)**	(12,533)
Write-down of inventories	**–**	1,512
Operating loss before changes in working capital	**(19,879)**	(18,858)
Increase in inventories	**(84)**	(1,547)
(Increase)/Decrease in trade receivables	**(3,201)**	1,186
Decrease/(Increase) in other receivables, deposits and prepayments	**4,465**	(10,625)
Increase in amounts due from fellow subsidiaries of an associate	**(36)**	(200)
Decrease in trade payables	**(3,047)**	(1,343)
Decrease in other payables and accrued charges	**(10,337)**	(633)
Increase in amounts due to fellow subsidiaries of an associate	**–**	1,200
Increase in held-for-trading investments	**(42,468)**	(316)
Dividend received from held-for-trading investments	**21**	34
Net cash used in operations	**(74,566)**	(31,102)
Interest received	**5,837**	781
Hong Kong profits tax refunded	**35**	–
Hong Kong profits tax paid	**(17)**	(40)
Net cash used in operating activities	**(68,711)**	(30,361)

Consolidated Cash Flow Statement

for the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Cash flows from investing activities			
Acquisition of a subsidiary	37	**19,610**	–
Investment in an associate		**(26,061)**	(5,862)
Proceeds from disposal of an associate	40	**–**	891
Proceeds from disposals of subsidiaries	39	**–**	1,144
Purchases of property, plant and equipment		**(3,840)**	(64)
(Advance)/Repayment (to)/from associates		**(1,476)**	15,770
Net cash (used in)/generated from investing activities		**(11,767)**	11,879
Cash flows from financing activities			
Proceeds from placing of shares		**176,000**	–
Net proceeds from issue of convertible bonds		**35,929**	34,978
Net proceeds from issue of warrants		**23,105**	–
Net proceeds from exercise of warrants		**105,983**	–
Net proceeds from exercise of share option		**22,412**	1,313
Interest paid		**(789)**	(187)
Repayments of obligations under finance leases		**(31)**	(48)
Share issue expenses in respect of placing of shares		**(8,969)**	(3)
Net cash generated from financing activities		**353,640**	36,053
Net increase in cash and cash equivalents		**273,162**	17,571
Cash and cash equivalents at 1 April		**37,154**	19,536
Effect of foreign exchange rate changes		**986**	47
Cash and cash equivalents at 31 March		**311,302**	37,154
Analysis of the balances of cash and cash equivalents			
Bank balances and deposits with financial institutions		**311,302**	37,154

Consolidated Statement of Changes in Equity

for the year ended 31 March 2008

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

Consolidated Statement of Changes in Equity

for the year ended 31 March 2008

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Contribution surplus HK$'000	Other reserve HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Investment property revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 31 March and 1 April 2007	410,698	730,418	171,671	25,773	446	(261)	12,998	–	(1,126,776)	224,967
Exchange differences on translation of overseas operations recognised directly in equity	–	–	–	–	–	1,983	–	–	–	1,983
Loss for the year	–	–	–	–	–	–	–	–	(49,565)	(49,565)
Total recognised income/ (expenses) during the year	–	–	–	–	–	1,983	–	–	(49,565)	(47,582)
Revaluation gain on buildings upon transfer to investment properties	–	–	–	–	–	–	–	1,275	–	1,275
Placing of shares	80,000	96,000	–	–	–	–	–	–	–	176,000
Net proceeds of issue of consideration shares	100,000	33,000	–	–	–	–	–	–	–	133,000
Recognition of convertible bonds	–	–	–	34,253	–	–	–	–	–	34,253
Conversion of convertible bonds	36,000	–	–	(34,253)	–	–	–	–	–	1,747
Exercise of share options	21,210	9,247	–	–	–	–	(8,045)	–	–	22,412
Exercise of warrants	61,618	66,907	–	(22,542)	–	–	–	–	–	105,983
Lapse of warrants	–	–	–	(1,603)	–	–	–	–	1,603	–
Issue of warrants	–	–	–	25,080	–	–	–	–	–	25,080
Share issue expenses	–	(8,969)	–	–	–	–	–	–	–	(8,969)
Warrants issue expenses	–	–	–	(1,975)	–	–	–	–	–	(1,975)
Convertible bonds issue expenses	–	(71)	–	–	–	–	–	–	–	(71)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	58,666	–	–	58,666
	298,828	196,114	–	(1,040)	–	–	50,621	1,275	1,603	547,401
At 31 March 2008	709,526	926,532	171,671	24,733	446	1,722	63,619	1,275	(1,174,738)	724,786

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

Other reserve includes the share of other reserve of an associate amounting to HK$1,500,000 (2007: HK$1,500,000).

1. GENERAL

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

The principal activities of the Company and its subsidiaries (collectively the "Group") include publishing, Chinese information infrastructure, investment holding and exploration of crude oil services.

On 21 January 2008, the Group acquired 100% equity interest in Raise Beauty Investments Limited ("Raise Beauty") and its subsidiaries, Keenwell Energy Technology Limited ("Keenwell") and 東營健宏石油技術服務有限公司 as identified as Dong Ying Jian Hong Petroleum Technology Services Limited ("Dong Ying") (collectively the "Raise Beauty Group"). The Raise Beauty Group is engaged in the provision of extraction and exploration of crude oil services in the People's Republic of China ("PRC"). The consideration of the acquisition (the "Acquisition"), amounted to HK$134,435,000, was satisfied by the issuance of 1,000,000,000 new ordinary shares. Details of the Acquisition are set out in note 37 to the financial statements.

The financial statements on pages 36 to 124 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange.

The financial statements for the year ended 31 March 2008 were approved for issue by the board of directors on 22 July 2008.

2. ADOPTION OF NEW OR AMENDED HKFRSs

2.1 In the current year, the Group has applied, for the first time, the following new standards, amendment and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements beginning on 1 April 2007.

HKAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

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

HKAS 1 (Amendment) – Presentation of Financial Statements – Capital Disclosures

In accordance with the HKAS 1 (Amendment) – Presentation of Financial Statements – Capital Disclosures, the Group now reports on its capital management objectives, policies and procedures in each annual financial report. The new disclosures that become necessary due to this change are detailed in note 44.

HKFRS 7 – Financial Instruments: Disclosures

HKFRS 7 – Financial Instruments: Disclosures is mandatory for reporting periods beginning on 1 January 2007 or later. The new standard replaces and amends the disclosure requirements previously set out in HKAS 32 Financial Instruments: Presentation and Disclosures and has been adopted by the Group in its financial statements for the year ended 31 March 2008. All disclosures relating to financial instruments including the comparative information have been updated to reflect the new requirements. In particular, the Group's financial statements now feature:

– a sensitivity analysis explained the Group's market risk exposure in regard to its financial instruments, and

– a maturity analysis that shows the remaining contractual maturities of financial liabilities,

each as at the balance sheet date. The first-time application of HKFRS 7, however, has not resulted in any prior-period adjustments on cash flows, net income or balance sheet items.

HK(IFRIC) – Int 10 – Interim Financial Reporting and Impairment

The Group has adopted this interpretation as of 1 April 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

2. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

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

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective.

HKAS 1 (Revised)	"Presentation of Financial Statements" [1]
HKAS 23 (Revised)	"Borrowing Costs" [1]
HKAS 27 (Revised)	"Consolidated and Separate Financial Statements" [4]
HKFRS 2 (Amendment)	"Share-based Payment – Vesting Conditions and Cancellations" [1]
HKFRS 3 (Revised)	"Business Combinations" [4]
HKFRS 8	"Operating Segments" [1]
HKAS 1 (Amendment)	Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKAS 32 (Amendment)	Financial Instruments: Presentation – Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HK(IFRIC) – Interpretation 12	"Service Concession Arrangement" [2]
HK(IFRIC) – Interpretation 13	"Customer Loyalty Programmes" [3]
HK(IFRIC) – Interpretation 14	"HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" [2]
HK(IFRIC) – Interpretation 2 (Amendment)	Members' Shares in Co-operative Entities and Similar Instruments[1]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 January 2008
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 July 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

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

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

3.2 Basis of consolidation

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

3.3 Subsidiaries

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Subsidiaries (Continued)

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

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

Goodwill arising from the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the fair value of the identifiable assets acquired and liabilities including contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is initially recognised in the consolidation balance sheet as an asset at cost and subsequently measured at cost less any impairment losses.

Goodwill is reviewed for impairment annually at the balance sheet date or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired. On subsequent disposal of a subsidiary the carrying amount of goodwill relating to the entity sold is included in determining the amount of gain or loss on the disposal.

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of the subsidiaries is recognised immediately in the income statements.

3.4 Associates

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which are neither subsidiaries nor investment in a joint venture. In consolidated financial statements, investment in associates is initially recognised at cost and subsequently accounted for using the equity method. Under the equity method, the Group's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on goodwill relating to the investment in associate recognised for the year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Associates (Continued)

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

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

3.5 Jointly controlled entity

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

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

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

In respect of the Group's interests in jointly controlled operations, the Group recognised in the financial statements:

(a) the assets that it controls and the liabilities that it incurs; and

(b) the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint venture.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Foreign currency translation

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Revenue recognition

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

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

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

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

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

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

3.8 Borrowing costs

All borrowing costs are expensed as incurred.

3.9 Intangible assets

Intangible assets

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

Intangible assets include exploration and production services rights in respect of the cooperation right of crude oil extraction which are recognised at fair value upon business combination (note 37) and are amortised on a straight-line basis over the period of the related service contract.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Research and development activities

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

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

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

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

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

(iv) the intangible asset can be reliably measured.

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

All other development costs are expensed as incurred.

3.11 Property, plant and equipment

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Property, plant and equipment (Continued)

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

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

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

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

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

3.12 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Investment properties (Continued)

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

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

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

3.13 Impairment of assets

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

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

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under the Group's accounting policy, in which case the impairment loss is treated as a revaluation decrease according to that policy (refer to note 3.12 for details). The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Impairment of assets (Continued)

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

Impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.14 Leases

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

(i) *Classification of assets leased to the Group*

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

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Leases (Continued)

(ii) Assets acquired under finance leases

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

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

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

(iii) Operating lease charges as the lessee

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the accounting period in which they are incurred.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial assets

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

Financial assets are classified into the following categories:

– Held-for-trading investments

– Loans and receivables

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

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

(i) Held-for-trading investments

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

Held-for-trading investments are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments or financial guarantee contracts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial assets (Continued)

(i) Held-for-trading investments (Continued)

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

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

– the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

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

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

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in income statement.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial assets (Continued)

(ii) Loans and receivables

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

Impairment of financial assets

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

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

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

(i) Held-for-trading investments

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Inventories

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

3.17 Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Cash and cash equivalents

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

3.19 Share capital

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

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

3.20 Retirement benefit costs and short term employee benefits

Retirement benefits to employees are provided through defined contribution plans.

Defined contribution plan

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Defined contribution plan (Continued)

The employees of the subsidiaries in the PRC are members of retirement benefits schemes operated by the PRC government. The relevant PRC subsidiaries are required to contribute a certain percentage of the relevant portion of the payroll of their current employees to the pension scheme to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of services in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff.

Short-term employee benefits

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

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

3.21 Equity-settled share-based payment transactions

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

Share options granted to employee of the Group

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Share options granted to employee of the Group (Continued)

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

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

Share options granted to suppliers/consultants

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

3.22 Financial liabilities

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 Financial liabilities (Continued)

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

Finance lease liabilities

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

Convertible bonds

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Provisions, contingent liabilities and contingent assets

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

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

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

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

3.24 Segment reporting

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.24 Segment reporting (Continued)

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

Impairment of property, plant and equipment

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

Estimation of exploration and production service rights

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

Estimation of consideration of acquisition on subsidiary

As further discussed in note 37 to the financial statements, the actual consideration for the acquisition of the subsidiaries during the year is subject to a guarantee of profit by the vendor which is to be determined in accordance with the financial results of the subsidiaries for the year ending 31 December 2008. In making its judgment in determining the consideration to be recognised as at 31 March 2008, the Group considers information from existing plan on the business for the coming year results. The total consideration is subjected to the final financial results of the subsidiary for the year ending 31 December 2008.

Estimate fair value of investment properties

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

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

Estimate fair value of investment properties (Continued)

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Impairment of receivables

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

Net realisable value of inventories

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

Deferred tax

As at 31 March 2008, deferred tax assets of HK$5,163,000 (2007: HK$3,845,000) in relation to unused tax losses have been recognised in the consolidated balance sheet. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a reversal of the deferred tax assets may arise, which would be recognised in the consolidated income statement for the period in which such a reversal takes place.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

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

There are a number of assumptions used in estimating the fair value of embedded conversion option of convertible bonds and share options, details of which are set out in note 33 and 34 to the financial statements.

Carrying value of held-for-trading investments

The Group's held-for-trading investments comprise various unlisted securities that do not have a quoted market price in an active market and whose fair value, in the opinion of the directors, cannot be reliably measured. Accordingly the Group has reflected these held-for-trading investments at cost less accumulated impairment losses.

The carrying amount of the Group's held-for-trading investments at 31 March 2008 was HK$75,098,000 (2007: HK$29,877,000). Further details of which are set out in note 24 to the financial statements.

5. REVENUE AND TURNOVER

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

	2008 **HK$'000**	2007 HK$'000
Sales of goods	**37,247**	41,553
Rental income	**5,672**	5,089
Exploration and production services income	**1,970**	–
	44,889	46,642

6. OTHER INCOME

	2008 HK$'000	2007 HK$'000
Gain on disposals of held-for-trading investments	**6,772**	–
Interest income on bank deposits	**5,837**	781
Management fee income	**120**	120
Sundry income	**725**	2,261
Dividend from listed equity securities	**21**	34
	13,475	3,196

7. SEGMENT INFORMATION

Primary reporting format – Business segments

The Group is currently organised into four main business segments:

Publishing	– publishing of comics and related business
Chinese information infrastructure	– sales of Chinese operating system, processor, eTextbook and application software
Property Investment	– rental income from investment properties
Crude oil exploration services	– services income from crude oil exploration services (a new business during the year)

7. SEGMENT INFORMATION (Continued)

Primary reporting format – Business segments (Continued)

Income statement for the year ended 31 March 2008

	Publishing HK$'000	Chinese information infrastructure HK$'000	Property investment HK$'000	Crude oil exploration services HK$'000	Consolidated HK$'000
Turnover	37,195	52	5,672	1,970	44,889
Segment results	(11,174)	(24,745)	43,158	(9,539)	(2,300)
Unallocated expenses					(31,073)
Share of loss of associates					(11,051)
Gain arising on acquisition of a subsidiary					28,444
Allowances for amounts due from associates					(25,636)
Finance costs					(789)
Loss before income tax					(42,405)
Income tax expense					(7,160)
Loss for the year					(49,565)

7. SEGMENT INFORMATION (Continued)

Primary reporting format – Business segments (Continued)

Income statement for the year ended 31 March 2007

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

7. SEGMENT INFORMATION (Continued)

Primary reporting format – Business segments (Continued)

Balance sheet at 31 March 2008

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

7. SEGMENT INFORMATION (Continued)

Primary reporting format – Business segments (Continued)

Balance sheet at 31 March 2007

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

7. SEGMENT INFORMATION (Continued)

Primary reporting format – Business segments (Continued)

Other information for the year ended 31 March 2008

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

Other information for the year ended 31 March 2007

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

7. SEGMENT INFORMATION (Continued)

Secondary reporting format – Geographical segments

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

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

	Revenue	
	2008	2007
	HK$'000	HK$'000
Hong Kong	**42,867**	46,330
PRC	**1,970**	–
Macau	**52**	312
	44,889	46,642

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

	Segment assets		Capital expenditures	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**181,572**	235,949	**2,886**	34
PRC	**308,622**	900	**231,273**	–
Macau	**7,781**	10,543	**569**	30
	497,975	247,392	**234,728**	64

8. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest charges on:		
Finance leases	4	9
Other borrowings wholly repayable within five years	621	–
Convertible bonds (all issued and converted into share capital during the year)	164	178
	789	187

9. LOSS BEFORE INCOME TAX

	2008 HK$'000	2007 HK$'000
Loss before income tax has been arrived at after charging/(crediting):		
Staff costs		
Directors' emoluments *(note 10)*	**4,129**	2,564
Other staff costs:		
– Retirement benefits schemes contributions	**360**	375
– Share option expense	**12,058**	11,749
– Salaries and other benefits	**13,876**	13,170
	30,423	27,858
Auditors' remuneration	**760**	700
Allowances for trade and other receivables	**571**	–
Write-down of inventories	**–**	1,512
Amortisation of prepaid lease payments	**335**	335
Amortisation of intangible assets	**2,879**	–
Depreciation of property, plant and equipment		
– Owned assets	**2,754**	5,469
– Assets held under finance leases	**24**	49
	2,778	5,518
Cost of inventories recognised as expenses	**24,829**	29,801
Compensation costs *(note i)*	**–**	2,000
Operating lease rentals in respect of rented premises	**3,633**	1,713
Loss on disposals of held-for-trading investments	**–**	1,549
Property rental income under operating leases, net of direct outgoings of HK$122,000 (2007: HK$193,000)	**(5,550)**	(4,896)

Note i: Following the board meeting held on 30 March 2007, where the proposed acquisition of a PRC media design and advertising business (as more particularly described in the announcement dated 23 March 2007) was not approved, on 2 April 2007, the Group entered into a deed of cancellation with the vendor to cancel the sale and purchase agreement. The compensation costs amounted to HK$2,000,000 due to the vendor had been included in the Group's expenses for the year ended 31 March 2007.

10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

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

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

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

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

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

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

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.

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest emoluments in the Group for the year included two (2007: two) directors whose emoluments are included in the disclosure in note 10(a) above. The emoluments payable to the remaining three (2007: three) individuals during the year were as follows:

	2008	2007
	HK$'000	HK$'000
Salaries and other benefits	**3,155**	1,931
Retirement benefits scheme contributions	**31**	36
	3,186	1,967

The emoluments of these three (2007: three) individuals fell within the following bands:

	Number of individuals	
	2008	2007
Emolument bands		
Nil to HK$1,000,000	**2**	3
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 or above	**1**	–
	3	3

11. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profit for the year. No PRC Enterprise Income Tax has been provided as the Group did not derive any assessable income in the PRC during the year.

	2008	2007
	HK$'000	HK$'000
Current tax		
– Hong Kong profit tax	**110**	27
Deferred tax	**7,050**	2,193
	7,160	2,220

Details of the deferred tax are set out in note 35.

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

	2008	2007
	HK$'000	HK$'000
Loss before income tax	**(42,405)**	(31,714)
Notional tax on profit calculated at the rates applicable to profits in the jurisdiction concerned (2007: Hong Kong profits tax rate of 17.5% only)	**(6,483)**	(5,550)
Tax effect of income not taxable	**(5,103)**	(4,109)
Tax effect of expenses not deductible	**17,246**	10,713
Tax effect of unused tax losses not recognised	**1,500**	1,166
Total income tax expense	**7,160**	2,220

12. LOSS PER SHARE

The calculation of the basic loss per share attributable to the equity holders of the Company is based on the loss for the year of HK$49,565,000 (2007: HK$33,934,000) and the weighted average number of 5,579,312,000 (2007: 3,942,563,000) ordinary shares in issue during the year.

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

13. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the consolidated loss attributable to the equity holders of the Company of HK$49,565,000 (2007: HK$33,934,000), a loss of HK$58,702,000 (2007: HK$86,819,000) has been dealt with in the financial statements of the Company.

14. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Exploration and production properties HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Vehicles, furniture and equipment HK$'000	Total HK$'000
At 1 April 2006						
Cost	–	30,735	32,202	14,450	46,567	123,954
Accumulated depreciation	–	(12,581)	(30,013)	(13,243)	(36,812)	(92,649)
Net book amount	–	18,154	2,189	1,207	9,755	31,305
Year ended 31 March 2007						
Opening net book amount	–	18,154	2,189	1,207	9,755	31,305
Additions	–	–	35	–	29	64
Transfer to investment properties	–	(9,657)	–	–	–	(9,657)
Depreciation	–	(1,329)	(472)	(552)	(3,165)	(5,518)
Impairment	–	–	–	–	(2,827)	(2,827)
Disposals	–	–	–	–	(7)	(7)
Disposals of subsidiaries	–	–	–	–	(130)	(130)
Closing net book amount	–	7,168	1,752	655	3,655	13,230
At 31 March and 1 April 2007						
Cost	–	21,078	32,237	14,450	46,459	114,224
Accumulated depreciation	–	(13,910)	(30,485)	(13,795)	(42,804)	(100,994)
Net book amount	–	7,168	1,752	655	3,655	13,230
Year ended 31 March 2008						
Opening net book amount	–	7,168	1,752	655	3,655	13,230
Acquisition of a subsidiary	17,163	–	–	285	439	17,887
Additions	–	–	2,795	–	1,045	3,840
Transfer to investment properties	–	(1,452)	–	–	–	(1,452)
Depreciation	(199)	(870)	(636)	(558)	(515)	(2,778)
Exchange realignment	421	–	–	8	16	445
Closing net book amount	17,385	4,846	3,911	390	4,640	31,172
At 31 March 2008						
Cost	17,584	17,362	35,032	14,743	47,959	132,680
Accumulated depreciation	(199)	(12,516)	(31,121)	(14,353)	(43,319)	(101,508)
Net book amount	17,385	4,846	3,911	390	4,640	31,172

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

The buildings of the Group at 31 March 2008 and 2007 are situated in Hong Kong and are situated on land held under medium-term leases.

At the balance sheet date, included in vehicles, furniture and equipment are assets held under finance leases with an aggregate net book value of HK$94,800 (2007: HK$119,000).

15. PREPAID LEASE PAYMENTS – GROUP

	2008 HK$'000	2007 HK$'000
Balance at the beginning of the year	25,059	25,394
Charge for the year	(335)	(335)
Transfer to investment properties	(4,939)	–
Balance at the end of the year	19,785	25,059
Analysis for reporting purposes as:		
Non-current asset	19,281	24,724
Current asset	504	335
Total (Medium-term leasehold land in Hong Kong)	19,785	25,059

16. INVESTMENT PROPERTIES – GROUP

	2008 HK$'000	2007 HK$'000
Balance at the beginning of the year	80,026	57,836
Transfer from property, plant and equipment*	2,727	9,657
Transfer from prepaid lease payments	4,939	–
Valuation surplus recognised in the income statement	43,124	12,533
Balance at the end of the year	130,816	80,026

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

16. INVESTMENT PROPERTIES – GROUP (Continued)

The fair value of the Group's investment properties, situated in Hong Kong and held under medium term leases, at 31 March 2008 has been arrived at on the basis of a valuation carried out by RHL Appraisal Ltd., independent qualified professional valuers not connected with the Group and with appropriate qualifications and experiences in the valuation of similar properties in the relevant locations. The valuation conformed to Hong Kong Institute of Surveyors Valuation Standards on Properties and was arrived at by reference to market evidence of transaction prices for similar properties.

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

17. DEVELOPMENT COSTS – GROUP

	2008 **HK$'000**	2007 HK$'000
Cost		
At 1 April	**112,961**	112,961
Written off	**(112,961)**	–
At 31 March	**–**	(112,961)
Accumulated amortisation and impairment		
At 1 April	**(112,961)**	(112,961)
Written off	**112,961**	–
At 31 March	**–**	(112,961)
Carrying value at 31 March	**–**	–

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

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

18. INTERESTS IN ASSOCIATES – GROUP

	2008 HK$'000	2007 HK$'000
Cost of investment in associates		
Listed in Hong Kong	**70,615**	44,554
Unlisted	**5,569**	3,069
Share of post-acquisition losses	**(50,426)**	(39,375)
	25,758	8,248
Market value of listed investments	**172,833**	130,776

Amounts due from associates are interest free (2007: interest-bearing at 7.75% per annum) and unsecured. These are:

	2008 HK$'000	2007 HK$'000
Amounts due from associates	**35,844**	36,868
Less: provision of allowances for amounts due from associates	**(35,832)**	(10,196)
	12	26,672
Less: Amounts due within one year	**(12)**	(4,642)
	–	22,030

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

18. INTERESTS IN ASSOCIATES – GROUP (Continued)

Movement in the provision for impairment of amounts due from associates are as follows:

	2008 HK$'000	2007 HK$'000
At 1 April	**10,196**	–
Allowances charged to the income statement	**25,636**	10,196
At 31 March	**35,832**	10,196

Particulars of the Group's principal associates as at 31 March 2008 are as follows:

Name	**Form of business structure**	**Place of incorporation/ operation**	**Class of share held**	**Proportion of nominal value of issued share capital held by the Group** %	**Principal activities**
Chinese2 Linux (Holdings) Limited ("C2L")	Incorporated	British Virgin Islands ("BVI")/ Hong Kong	Ordinary	41% (2007: 41%)	Development of Chinese language computer operating system
GlobalRes Group Limited	Incorporated	BVI/Hong Kong	Ordinary	23% (2007: 30%)	Provision of computer and telecommunications services to travel agents
Bio Cassava Technology Holdings Limited ("Bio Cassava") (previously known as "Q9 Technology Holdings Limited") *(note)*	Incorporated	Cayman Islands/ Hong Kong	Ordinary	26% (2007: 24%)	Development, packing and retailing of Chinese language encryption software

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

18. INTERESTS IN ASSOCIATES – GROUP (Continued)

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

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

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

	2008 HK$'000	2007 HK$'000
Total assets	**90,669**	84,356
Total liabilities	**(107,488)**	(144,530)
Net liabilities	**(16,819)**	(60,174)
Group's share of net assets of associates	**9,026**	9,370
Revenue	**393,561**	343,900
Loss for the year	**(44,683)**	(46,033)
Group's share of losses of associates for the year	**(11,051)**	(1,662)

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

	2008 HK$'000	2007 HK$'000
Unrecognised share of losses of associates for the year	**493**	13,670
Accumulated unrecognised share of losses of associates	**45,192**	44,699

19. INTERESTS IN A JOINTLY CONTROLLED ENTITY – GROUP

	2008 HK$'000	2007 HK$'000
Cost of unlisted investment in a jointly controlled entity	–	9,500
Share of post-acquisition losses	–	(9,500)
	–	–

Details of the jointly controlled entity as at 31 March 2007 were as follows:

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

Although the Group held 51% of the registered capital of 北京人教 and controlled 51% of the voting power in general meeting, under the shareholders' agreement, 北京人教 was jointly controlled by the Group and the other significant equity holder as at 31 March 2007. On 27 August 2007, 北京人教 was approved by local authority to be wound up voluntarily, thus the balance of interests in a jointly controlled entity is nil as at 31 March 2008 (2007: nil).

20. INTANGIBLE ASSETS – GROUP

	Club memberships HK$'000	Exploration and production services rights HK$'000	Total HK$'000
At 1 April 2006			
Cost	1,385	–	1,385
Accumulated amortisation	–	–	–
Net book amount	1,385	–	1,385
Year ended 31 March 2007			
Opening net book amount	1,385	–	1,385
Amortisation	–	–	–
Closing net book amount	1,385	–	1,385
At 31 March and 1 April 2007			
Cost	1,385	–	1,385
Accumulated amortisation	–	–	–
Net book amount	1,385	–	1,385
Year ended 31 March 2008			
Opening net book amount	1,385	–	1,385
Acquisition of a subsidiary	–	213,000	213,000
Amortisation	–	(2,879)	(2,879)
Closing net book amount	1,385	210,121	211,506
At 31 March 2008			
Cost	1,385	213,000	214,385
Accumulated amortisation	–	(2,879)	(2,879)
Net book amount	1,385	210,121	211,506

20. INTANGIBLE ASSETS – GROUP (Continued)

Club memberships are life corporate club memberships in recreational clubs.

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

Exploration and production services rights (the "Cooperation right") are the cooperation right of crude oil extraction of the Group which was acquired on 21 January 2008 following the acquisition of the Raise Beauty Group as discussed in notes 1 and 37.

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

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

The amortisation period of the Cooperation right was 20 years, in accordance with the terms of the Da Ming agreement. At 31 March 2008, the remaining amortisation period of the Cooperation right was 18.25 years.

21. INVENTORIES – GROUP

These are finished goods and an amount of HK$223,000 (2007: HK$139,000) is carried at net realisable value at the balance sheet date.

22. TRADE RECEIVABLES – GROUP

	2008 HK$'000	2007 HK$'000
Trade receivables	**14,395**	7,583
Less: Impairment of trade receivables	**(2,772)**	(2,201)
	11,623	5,382

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

	2008 HK$'000	2007 HK$'000
0 – 60 days	**6,066**	3,975
61 – 90 days	**1,003**	333
Over 90 days	**4,554**	1,074
	11,623	5,382

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

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

	2008 HK$'000	2007 HK$'000
Not yet past due nor impaired	**10,502**	2,815
Past due but not considered impaired		
0 – 60 days	**133**	1,160
61 – 90 days	**46**	333
Over 90 days	**942**	1,074
	11,623	5,382

22. TRADE RECEIVABLES – GROUP (Continued)

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

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

	2008 **HK$'000**	2007 HK$'000
At 1 April	**2,201**	2,201
Impairment loss charged to the income statement	**571**	–
	2,772	2,201

Ageing analysis of impaired trade receivables was as follows:

	2008 **HK$'000**	2007 HK$'000
Over 90 days	**2,772**	–

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

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

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

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

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

	2008 HK$'000	2007 HK$'000
Amounts due from fellow subsidiaries of an associate	**6,777**	6,741
Less: Impairment loss	**(6,541)**	(6,541)
	236	200

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

24. HELD-FOR-TRADING INVESTMENTS – GROUP

	2008 HK$'000	2007 HK$'000
Listed equity shares, at fair value:		
Hong Kong	**52,744**	27,161
Overseas	**2,936**	2,716
	55,680	29,877
Unlisted equity shares, at cost:		
Overseas	**19,418**	–
	75,098	29,877

The fair values of the above investments are determined based on the quoted market bid prices available on the relevant stock exchanges and at cost for the unlisted equity shares.

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

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

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Japanese Yen	**30**	1,036	**–**	–
Macau Pataca ("MOP")	**368**	–	**–**	–
Renminbi ("RMB")	**14,046**	–	**–**	–
US Dollar ("USD")	**33,875**	–	**–**	–

Bank balances and deposits with financial institutions are short term bank deposits carrying interest at an average market rate of 3.1% (2007: 2.5%) and are readily convertible into known amounts of cash. RMB is not a freely convertible currency.

26. TRADE PAYABLES – GROUP

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

	2008	2007
	HK$'000	HK$'000
0 – 60 days	**2,290**	744
61- 90 days	**908**	1,653
Over 90 days	**1,728**	3,623
	4,926	6,020

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

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

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

Amounts due to fellow subsidiaries of an associate are all aged over 90 days at the balance sheet date.

28. OTHER BORROWINGS – GROUP

	2008	2007
	HK$'000	HK$'000
Unsecured	**24,966**	–

Other borrowings were obtained from independent individuals and bear the fixed interest rate at 10% per annum (2007: nil). The balances are repayable on demand and are denominated in USD.

29. OBLIGATIONS UNDER FINANCE LEASES – GROUP

	Minimum lease payments		**Present value of minimum lease payments**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**37**	38	**32**	32
In the second to fifth years inclusive	**45**	79	**40**	71
	82	117	**72**	103
Less: Future finance charges	**(10)**	(14)	**–**	–
Present value of lease obligations	**72**	103	**72**	103
Less: Amounts due within one year			**(32)**	(32)
Amounts due after one year			**40**	71

29. OBLIGATIONS UNDER FINANCE LEASES – GROUP (Continued)

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

The lease term in respect of the vehicles, furniture and equipment held under the finance lease is 5 years. For the year ended 31 March 2008, the average effective borrowing rate was 8% (2007: 8%). Interest rate is fixed at the contract date.

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

30. SHARE CAPITAL

	Number of shares '000	**Share capital** HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 April 2006	6,000,000	600,000
Increase on 24 August 2006 *(note a)*	4,000,000	400,000
At 31 March 2007 and 2008	10,000,000	1,000,000
Issued and fully paid:		
At 1 April 2006	3,733,980	373,398
Exercise of share options *(note b)*	13,000	1,300
Conversion of convertible bonds *(note 33)*	360,000	36,000
At 31 March and 1 April 2007	4,106,980	410,698
Exercise of share options *(note b)*	212,100	21,210
Exercise of warrants *(note 32)*	616,180	61,618
Conversion of convertible bonds *(note 33)*	360,000	36,000
Placing of shares *(note c)*	800,000	80,000
Issue of consideration shares *(note 37)*	1,000,000	100,000
At 31 March 2008	7,095,260	709,526

30. SHARE CAPITAL (Continued)

Notes:

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

(b) During the year, the subscription rights attaching to 212,100,000 (2007: 13,000,000) share options were exercised at weighted average subscription prices of HK$0.106 (2007: HK$0.101) per share, resulting in the issue of 212,100,000 (2007: 13,000,000) shares of HK$0.10 each for a total consideration of approximately HK$22,412,000 (2007: HK$1,313,000).

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

31. RESERVES

GROUP

Please refer to the Consolidated Statement of Changes in Equity for reserves of the Group on pages 42 and 43.

COMPANY

	Share premium HK$'000	Contribution surplus HK$'000	Other reserve HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2006	731,430	262,143	24,145	446	1,249	(1,128,372)	(108,959)
Recognition of convertible bonds	(1,022)	–	4,184	–	–	–	3,162
Conversion of convertible bonds	–	–	(4,184)	–	–	–	(4,184)
Exercise of share options	13	–	–	–	–	–	13
Share issue expenses	(3)	–	–	–	–	–	(3)
Recognition of equity-settled share-based payments	–	–	–	–	11,749	–	11,749
Loss for the year	–	–	–	–	–	(86,819)	(86,819)
At 31 March and 1 April 2007	730,418	262,143	24,145	446	12,998	(1,215,191)	(185,041)
Placing of shares	96,000	–	–	–	–	–	96,000
Net proceeds of issue of consideration shares	33,000	–	–	–	–	–	33,000
Recognition of convertible bonds	–	–	34,253	–	–	–	34,253
Conversion of convertible bonds	–	–	(34,253)	–	–	–	(34,253)
Exercise of share options	9,247	–	–	–	(8,045)	–	1,202
Exercise of warrants	66,907	–	(22,542)	–	–	–	44,365
Lapse of warrants	–	–	(1,603)	–	–	1,603	–
Issue of warrants	–	–	25,080	–	–	–	25,080
Share issue expenses	(8,969)	–	–	–	–	–	(8,969)
Warrants issue expenses	–	–	(1,975)	–	–	–	(1,975)
Convertible bonds issue expenses	(71)	–	–	–	–	–	(71)
Recognition of equity-settled share-based payments	–	–	–	–	58,666	–	58,666
Loss for the year	–	–	–	–	–	(58,702)	(58,702)
At 31 March 2008	926,532	262,143	23,105	446	63,619	(1,272,290)	3,555

31. RESERVES (Continued)

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

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

32. WARRANTS

In 2005, the Company entered into a conditional placing agreement with a placing agent in relation to the private placing of 660,000,000 warrants ("2007 Warrants") conferring rights to subscribe up to approximately HK$113,520,000 in cash for shares of HK$0.10 each in the share capital of the Company at an initial subscription price of HK$0.172 per share during the period from 3 October 2005 to 2 October 2007, both days inclusive. The placing of 2007 Warrants was completed on 28 September 2005. The net proceeds from the placing of 2007 Warrants of approximately HK$24,145,000 were used for general working capital of the Group.

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

On 31 October 2007, the Company entered into a conditional placing agreement with a placing agent in relation to the private placing of 1,140,000,000 warrants ("2010 Warrants") conferring rights to subscribe up to approximately HK$157,320,000 in cash for shares of HK$0.10 each in the share capital of the Company at an initial subscription price of HK$0.138 per share during the period from 7 January 2008 to 6 January 2010, both days inclusive. The placing of 2010 Warrants was completed on 4 January 2008. The net proceeds of the placing of the 2010 Warrants of approximately HK$23,105,000 were used for general working capital of the Group.

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

Exercise in full of all the outstanding warrants as at 31 March 2008 would, under the present share capital structure of the Company as of 31 March 2008, result in the issue of 1,140,000,000 additional shares of HK$0.10 each in the Company.

33. CONVERTIBLE BONDS

On 19 June 2006, the Company and the placing agent entered into a conditional placing agreement, pursuant to which the placing agent agreed to place up to an aggregate principal amount of HK$36,000,000 convertible bonds ("Tranche 1 Convertible Bonds") to be issued by the Company. The Company might at its option, further by written notice to require the respective holders of the Tranche 1 Convertible Bonds to subscribe for another convertible bonds ("Tranche 2 Convertible Bonds") up to an aggregate principal amount of HK$36,000,000 to be issued by the Company. The conversion price of Tranche 1 Convertible Bonds and Tranche 2 Convertible Bonds (collectively "Convertible Bonds") is HK$0.10 per new ordinary share of HK$0.10 each in the share capital of the Company. As at 31 March 2007, all registered holders of Tranche 1 Convertible Bonds had converted their convertible bonds into ordinary shares of the Company. The net proceeds of the issue of the Tranche 1 Convertible Bonds were approximately HK$34,978,000 and were used as general working capital of the Group.

On 24 April 2007, the Company has exercised its option to the holders of the Tranche 1 Convertible Bonds for the subscription of the Tranche 2 Convertible Bonds. On 11 May 2007, the Tranche 2 Convertible Bonds have been issued to the holders of the Tranche 1 Convertible Bonds. The conversion price of Tranche 2 Convertible Bonds is HK$0.10 per new ordinary share of HK$0.10 each in the share capital of the Company. The net proceeds of the issue of the Tranche 2 Convertible Bonds which amounted to approximately HK$35,929,000 were used as general working capital of the Group.

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

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

As at 31 March 2008, all registered holders of Tranche 2 Convertible Bonds had converted their convertible bonds into ordinary shares of the Company.

34. SHARE OPTION SCHEMES

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

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

(i) The purpose was to provide incentives to the participants.

(ii) The participants included any employee or director of the Group.

(iii) The maximum number of shares of the Company in respect of which share options might be granted under the Old Option Scheme must not exceed 10% of the issued share capital of the Company from time to time.

(iv) The maximum number of shares of the Company in respect of which share options might be granted to a participant, when aggregated with the Company's shares issued and issuable under any share option granted to the same participant under the Old Option Scheme, must not exceed 25% of the maximum shares issuable under the Old Option Scheme from time to time.

(v) The exercisable period of a share option granted must not exceed a period of 10 years commencing on the date of grant.

(vi) The acceptance of a share option, if accepted, must be made within 21 days from the date of grant with a non-refundable payment of HK$10 from the grantee to the Company.

(vii) The exercise price of a share option must be the higher of:

- 80% of the average closing price of a share of the Company for the 5 trading days immediately preceding the grant; and

- the nominal value of a share of the Company.

(viii) On 21 August 2002, the shareholders of the Company resolved that the Old Option Scheme should be cancelled. However, the share options granted under the Old Option Scheme are still exercisable in accordance with the terms of the Old Option Scheme.

34. SHARE OPTION SCHEMES (Continued)

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

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

(i) The purpose is to provide incentives to:

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

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

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

(iii) The maximum number of shares of the Company in respect of which share options might be granted under the New Option Scheme must not exceed 10% of the issued share capital of the Company as at the date of approval of the New Option Scheme. However this limit might be refreshed by shareholders in a general meeting. The total maximum number of shares of the Company which might be issued upon exercise of all outstanding share options granted and yet to be exercised under the New Option Scheme and any other share option scheme must not exceed 30% of the shares of the Company in issue from time to time.

(iv) The maximum number of shares of the Company in respect of which share options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding share options and the options cancelled) under any share option granted to the same participant under the New Option Scheme or any other share option scheme within any 12 month period, must not exceed 1 % of the shares of the Company in issue from time to time.

34. SHARE OPTION SCHEMES (Continued)

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

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

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

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

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

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

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

34. SHARE OPTION SCHEMES (Continued)

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

					Number of share options									
Category participants	Name of scheme	Date of grant	Exercisable period	Exercise price HK$	Outstanding at 1.4.2006	Granted during 2006/07	Exercised during 2006/07 (note 30)	Lapsed during 2006/07	Outstanding at 31.3.2007 and 1.4.2007	Granted during 2007/08	Exercised during 2007/08 (note 30)	Lapsed during 2007/08	Reclassification 2007/08	Outstanding at 31.3.2008
Directors	Old Option Scheme	27.8.1999	27.8.1999 – 26.8.2009	0.264	11,000,000	–	–	–	11,000,000	–	–	–	–	11,000,000
		3.3.2000	3.3.2000 – 2.3.2010	1.680	8,065,000	–	–	–	8,065,000	–	–	–	4,000,000	12,065,000
	New Option Scheme	19.12.2003	19.12.2003 – 18.12.2013	0.265	8,000,000	–	–	–	8,000,000	–	–	–	3,000,000	11,000,000
		24.3.2005	24.3.2005 – 23.3.2015	0.295	–	–	–	–	–	–	–	–	17,500,000	17,500,000
		7.7.2006	7.7.2006 – 6.7.2016	0.101	–	–	–	–	–	–	–	–	9,000,000	9,000,000
		29.6.2007	29.6.2007 – 28.6.2017	0.237	–	–	–	–	–	–	–	–	1,000,000	1,000,000
		6.11.2007	6.11.2007 – 5.11.2017	0.156	–	–	–	–	–	–	–	–	8,000,000	8,000,000
					27,065,000	–	–	–	27,065,000	–	–	–	42,500,000	69,565,000
Employees	Old Option Scheme	3.3.2000	3.3.2000 – 2.3.2010	1.680	25,035,000	–	–	(7,370,000)	17,665,000	–	–	(4,765,000)	(4,000,000)	8,900,000
	New Option Scheme	19.12.2003	19.12.2003 – 18.12.2013	0.265	37,700,000	–	–	(6,300,000)	31,400,000	–	–	–	(1,000,000)	30,400,000
		24.3.2005	24.3.2005 – 23.3.2015	0.295	71,000,000	–	–	(3,500,000)	67,500,000	–	–	–	(16,000,000)	51,500,000
		7.7.2006	7.7.2006 – 6.7.2016	0.101	–	46,600,000	(12,000,000)	–	34,600,000	–	(24,100,000)	–	(1,000,000)	9,500,000
		29.6.2007	29.6.2007 – 28.6.2017	0.237	–	–	–	–	–	107,500,000	–	–	–	107,500,000
		6.11.2007	6.11.2007 – 5.11.2017	0.156	–	–	–	–	–	83,000,000	–	–	–	83,000,000
					133,735,000	46,600,000	(12,000,000)	(17,170,000)	151,165,000	190,500,000	(24,100,000)	(4,765,000)	(22,000,000)	290,800,000
Others	New Option Scheme	19.12.2003	19.12.2003 – 18.12.2013	0.265	20,000,000	–	–	–	20,000,000	–	–	(300,000)	(2,000,000)	17,700,000
		24.3.2005	24.3.2005 – 23.3.2015	0.295	202,000,000	–	–	–	202,000,000	–	–	–	(1,500,000)	200,500,000
		3.10.2005	3.10.2005 – 2.10.2015	0.212	30,000,000	–	–	–	30,000,000	–	–	–	–	30,000,000
		7.7.2006	7.7.2006 – 6.7.2016	0.101	–	296,400,000	(1,000,000)	–	295,400,000	–	(170,000,000)	–	(8,000,000)	117,400,000
		29.6.2007	29.6.2007 – 28.6.2017	0.237	–	–	–	–	–	292,500,000	–	–	(1,000,000)	291,500,000
		6.11.2007	6.11.2007 – 5.11.2017	0.156	–	–	–	–	–	487,000,000	(18,000,000)	–	(8,000,000)	461,000,000
					252,000,000	296,400,000	(1,000,000)	–	547,400,000	779,500,000	(188,000,000)	(300,000)	(20,500,000)	1,118,100,000
					412,800,000	343,000,000	(13,000,000)	(17,170,000)	725,630,000	970,000,000	(212,100,000)	(5,065,000)	–	1,478,465,000
Weighted average exercise price (HK$)					0.394	0.101	0.101	0.878	0.250	0.190	0.106	1.596	N/A	0.226
Weighted average share price at the date of exercise (HK$)							0.115				0.201			

* Reclassification represents those individuals whom where 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.

34. SHARE OPTION SCHEMES (Continued)

Notes:

(a) On 29 June 2007, 400,000,000 share options (the "June Options") were granted. The estimated fair value of the options granted to consultants and employees of the Company for business development in the PRC is HK$28,547,000. As the fair value of the services provided by these consultants and employees could not be estimated reliably, the fair value of the services is measured by the reference to the fair value of options granted at the date the services are performed.

Total consideration received during the year from the consultants and employees for taking up the June Options granted amounted to HK$34.

The fair value was calculated using The Binomial Model pricing model. The inputs into the model were as follows:

Share price at grant date	HK$0.225
Exercise price	HK$0.237
Expected volatility	72%
Expected life	10 years
Risk-free rate	4.775%
Expected dividend yield	0%

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

34. SHARE OPTION SCHEMES (Continued)

Notes: (Continued)

(b) On 6 November 2007, 570,000,000 share options (the "November Options") were granted. The estimated fair value of the options granted to consultants and employees of the Company for business development in the PRC is HK$30,119,000. As the fair value of the services provided by these consultants and employees could not be estimated reliably, the fair value of the services is measured by the reference to the fair value of options granted at the date the services are performed.

Total consideration received during the year from the consultants and employees for taking up the November Options granted amounted to HK$20.

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

Share price at grant date	HK$0.154
Exercise price	HK$0.156
Expected volatility	74%
Expected life	10 years
Risk-free rate	3.665%
Expected dividend yield	0%

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

The Group recognised the total expenses of the June Options and the November Options of approximately HK$58,666,000 (2007:HK$11,749,000) for the year ended 31 March 2008 in relation to share options granted by the Company.

35. DEFERRED TAX LIABILITIES – GROUP

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

	Accelerated tax depreciation HK$'000	Revaluation of investment properties HK$'000	Revaluation of intangible assets HK$'000	Estimated tax losses HK$'000	Total HK$'000
At 1 April 2006	2,163	5,901	–	(4,725)	3,339
Charge/(credit) to income statement for the year	(880)	2,193	–	880	2,193
At 31 March and 1 April 2007	1,283	8,094	–	(3,845)	5,532
Acquisition of a subsidiary	–	–	53,250	–	53,250
Charge/(credit) to income statement for the year	1,318	7,770	(720)	(1,318)	7,050
At 31 March 2008	2,601	15,864	52,530	(5,163)	65,832

At 31 March 2008, the Group has estimated unused tax losses of HK$588,295,000 (2007: HK$580,577,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$29,503,000 (2007: HK$21,971,000) of such losses. No deferred tax asset has been recognised in respect of remaining tax losses of HK$558,792,000 (2007: HK$558,606,000) due to the unpredictability of future profit streams. The estimated tax losses may be carried forward indefinitely.

36. RETIREMENT BENEFITS SCHEMES

The total cost charged to income statement of HK$389,000 (2007: HK$399,000) represents contributions payable to these schemes by the Group in respect of the current accounting year.

37. BUSINESS COMBINATION

On 21 January 2008, the Group completed the Acquisition in the Raise Beauty Group as described in note 1, through Success Dynasty Limited, a 100% indirectly-owned subsidiary of the Company, at the total consideration of HK$134,435,000 by the issuance of 1,000,000,000 new shares to Wealthy Concept Holdings Limited. The principal activity of the Raise Beauty Group is the provision of crude oil exploration services.

Details of the net assets acquired and goodwill are as follows:

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

As described in the circular on 11 December 2007, the purchase consideration is contingent on the results of the Raise Beauty Group where its guarantee profit for the year ending 31 December 2008 shall be no less than RMB19,000,000 (the "Guarantee Profit"). If the results of the Raise Beauty Group for the year ending 31 December 2008 (the "Actual Profit") is less than the Guarantee Profit, the vendor shall compensate an amount, which is equivalent to the difference between the Guarantee Profit and the Actual Profit, to the Group. However, as the Directors are of the view that the Guarantee Profit will be achievable, no adjustment is deducted from the purchase consideration.

The assets and liabilities arising from the Acquisition are as follows:

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

37. BUSINESS COMBINATION (Continued)

An analysis of the net cash outflow arising on the Acquisition is as follows:

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

Notes:

(a) The above fair values of the assets and liabilities acquired are determined provisionally based on the information available up to the date of these financial statements.

(b) The fair value of the shares issued was based on the published share price on the date of completion of the Acquisition.

(c) Since its acquisition, the Raise Beauty Group contributed a revenue and a loss of HK$1,970,000 and HK$2,920,000 respectively to the Group for the year ended 31 March 2008.

(d) Had the acquisition been taken place at 1 April 2007, the revenue and the loss of the Group for the year ended 31 March 2008 would have been approximately HK$49,244,000 and HK$38,505,000 respectively. The proforma information is for illustrative purposes only and is not necessary indicative of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2007 nor are they intended to be projection of future results.

(e) This fair value of the Cooperation right at the date of the Acquisition has been arrived at on the basis of a valuation carried out by BMI Appraisals Limited, independent qualified professional valuers not connected with the Group and with appropriate qualifications and experiences in the valuation of similar assets in the relevant industry.

38. DISPOSAL OF SUBSIDIARIES

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

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

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

	2007 **HK$'000**
Net liabilities disposed of	
Property, plant and equipment	**141**
Cash and cash equivalents	**56**
Inventories	**39**
Other receivables and prepayments	**923**
Other payables and accrued charges	**(1,724)**
	(565)
Gain on disposals	**1,765**
Total consideration	**1,200**
Satisfied by cash and net cash inflow arising on disposal	**1,144**

38. DISPOSAL OF SUBSIDIARIES (Continued)

An analysis of net inflow of cash and cash equivalents in respect of the disposal of the subsidiaries was as follows:

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

The subsidiaries disposed of during 2007 had no contribution to the Group's turnover and contributed approximately HK$1,024,000 to the Group's loss before income tax for the year ended 31 March 2007.

39. DISPOSAL OF ASSOCIATE

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

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

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

40. RELATED PARTY TRANSACTIONS – GROUP

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

	Rental income received from related companies		Management fee received from related companies		Other income received from related companies		Other expense paid to related companies		Amounts due from related companies	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Associates	**645**	511	**–**	–	**167**	145	**99**	315	**12**	26,672
Fellow subsidiaries of associates	**–**	56	**–**	–	**36**	38	**–**	96	**236**	200
Related companies by common directors	**–**	226	**120**	120	**–**	120	**40**	663	**–**	–

Compensation of key management personnel represents directors' remuneration as set out in note 10(a). The directors' remuneration is determined by the remuneration committee having regard to the performance, responsibilities and experiences of individuals and market trends.

41. OPERATING LEASE ARRANGEMENTS – GROUP AND COMPANY

The Group and the Company as lessee

At 31 March 2008, the Group and the Company had commitments for future minimum lease payment in respect of rented premises which fall due as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**4,030**	1,156	**3,433**	–
In the second to fifth year inclusive	**4,870**	95	**4,863**	–
	8,900	1,251	**8,296**	–

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

The Group as lessor

Property rental income earned during the year was amounted to HK$5,672,000 (2007: HK$5,089,000).

At 31 March 2008, the Group had contracted with tenants for the following future minimum lease payments:

	2008	2007
	HK$'000	HK$'000
Within one year	**4,318**	2,340
In the second to fifth year inclusive	**3,183**	1,433
	7,501	3,773

Lease is negotiated for an average term of two years.

42. INVESTMENTS IN SUBSIDIARIES – COMPANY

	2008 HK$'000	2007 HK$'000
Unlisted investments, at cost	**508,681**	374,246
Provision for impairment	**(293,537)**	(293,537)
	215,144	80,709
Amounts due from a subsidiary	**1,194,345**	1,050,238
Provision for impairment	**(913,368)**	(913,368)
	280,977	136,870

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

Particulars of the Company's principal subsidiaries as at 31 March 2008 are as follows:

Name	**Place/country of incorporation or registration/ operation**	**Issued and fully paid share capital/ registered capital**	**Proportion of nominal value of issued share capital held by the Company** %	**Principal activities**
Citicomics Limited	Hong Kong	Ordinary HK$2	100	Publishing
Culturecom Centre Limited	Hong Kong	Ordinary HK$2	100	Property holding
Culturecom e-publication Limited	Hong Kong	Ordinary HK$2	100	Electronic publication

42. INVESTMENTS IN SUBSIDIARIES – COMPANY (Continued)

Particulars of the Company's principal subsidiaries as at 31 March 2008 are as follows: (Continued)

Name	Place/country of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital held by the Company %	Principal activities
Culturecom Enterprises Limited	Hong Kong	Ordinary HK$2	100	Provision of management services to group companies
Culturecom Holdings (BVI) Limited	BVI/Hong Kong	Ordinary US$2	100*	Investment holding
Culturecom Limited	Hong Kong	Ordinary HK$1,000	100	Investment holding and publishing
Culturecom Investments Limited	Hong Kong	Ordinary HK$2	100	Investment holding and securities trading
Culture.com Technology Limited	Hong Kong	Ordinary HK$2	100	Development of Chinese language computer processor
Culture.com Technology (BVI) Limited	BVI/Hong Kong	Ordinary US$1	100	Investment holding
Keenwell Energy Technology Limited	Hong Kong	Ordinary HK$4,000,000	100	Investment holding

42. INVESTMENTS IN SUBSIDIARIES – COMPANY (Continued)

Particulars of the Company's principal subsidiaries as at 31 March 2008 are as follows: (Continued)

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

* Issued capital held directly by the Company.

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

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

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

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

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group does not have written risk management policies and guidelines. However, the board of directors meets on a timely basis to analyse and formulate strategies to manage and monitor these exposures and to ensure appropriate measures are implemented on a timely and effective manner. The Group has not used any derivatives or other instruments for hedging purposes.

The major financial instruments of the Group and the Company are categorised as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Held-for-trading investment	**75,098**	29,877	**–**	–
Loans and receivables				
Trade and other receivables	**24,154**	16,734	**1,166**	6,005
Amounts due from related parties	**248**	26,872	**280,977**	139,670
Cash at banks and in hand	**311,302**	37,154	**216,458**	279
Financial liabilities				
Amortised costs				
Trade and other payables	**37,356**	15,395	**664**	1,006
Other borrowings	**24,966**	–	**–**	–
Amounts due to related parties	**1,233**	1,233	**–**	–
Obligation under finance leases	**72**	103	**–**	–

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

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Market risk

Foreign currency risk

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

As HK Dollar is linked to US Dollar, the Group does not have material exchange risk on such currencies. In relation to the fluctuation on RMB against HK Dollar, the directors consider that the exchange risk arising from those currencies does not have significant financial impact to the Group.

Interest rate risk

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

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

Equity price risk

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

At 31 March 2008, it is estimated that there is a reasonably possible change of 10% in stock price in the next twelve moths. If equity price had increased/(decreased) by 10% and all other variables were held constant, loss for the year and accumulated losses would (decrease)/increase by approximately HK$7,510,000 (2007: HK$2,988,000). This is mainly due to the change in financial assets at fair value through profit or loss. This sensitivity analysis has been determined assuming that the price change had occurred at the balance sheet date and had been applied to the Group's investment on that date.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2008 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

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

(c) Liquidity risk

As at 31 March 2008, the Group had net current assets of HK$372,125,000 and bank balances and deposits with financial institutions of HK$311,302,000. 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.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Continued)

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

The Group:

	Carrying amount HK'000	Total contractual undiscounted cash flow HK'000	On demand HK'000	Within one year HK'000	Between one to three years HK'000
As at 31 March 2008					
Amortised costs					
Trade and other payables	37,356	37,356	–	37,356	–
Other borrowings	24,966	24,966	–	24,966	–
Amounts due to related parties	1,233	1,233	1,233	–	–
Obligation under finance leases	72	72	–	32	40
As at 31 March 2007					
Amortised costs					
Trade and other payables	15,395	15,395	–	15,395	–
Amounts due to related parties	1,233	1,233	1,233	–	–
Obligation under finance leases	103	103	–	32	71

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Continued)

The Company:

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year HK$'000
As at 31 March 2008			
Amortised costs			
Trade and other payables	664	664	664
As at 31 March 2007			
Amortised costs			
Trade and other payables	1,006	1,006	1,006

(d) Fair values

The fair values of held-for-trading investments, cash and cash equivalents, trade receivables, balance with related companies, trade payables, other payables and accrued expenses, other borrowings and finance leases, are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

44. CAPITAL MANAGEMENT

The Group's objective when managing capital are:

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

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

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

Management regards total equity of HK$724,786,000 (2007: HK$224,967,000) as capital, for capital management purpose.

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

	Year ended 31 March				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	40,655	51,354	46,221	46,642	**44,889**
Loss before income tax	(72,481)	(162,931)	(159,357)	(31,714)	**(42,405)**
Income tax credit/(expenses)	–	–	–	(2,220)	**(7,160)**
Loss for the year	(72,481)	(162,931)	(159,357)	(33,934)	**(49,565)**
Attributable to:					
Equity holders of the Company	(72,467)	(162,931)	(159,357)	(33,934)	**(49,565)**
Minority interests	(14)	–	–	–	**–**
	(72,481)	(162,931)	(159,357)	(33,934)	**(49,565)**

Financial Summary

	As at 31 March				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Property, plant and equipment	70,989	36,275	31,305	13,230	**31,172**
Prepaid lease payments					
– non current portion	–	25,394	25,059	24,724	**19,281**
Investment properties	–	56,015	57,836	80,026	**130,816**
Development costs	45,557	32,955	–	–	**–**
Interests in associates	86,274	12,171	3,931	8,248	**25,758**
Interests in a jointly controlled entity	5,757	740	–	–	**–**
Investments in securities	1,385	1,385	–	–	**–**
Amounts due from associates					
– non current portion	–	–	21,739	22,030	**–**
Intangible assets	–	–	1,385	1,385	**211,506**
Net current assets	180,824	135,192	72,999	80,927	**372,125**
	390,786	300,127	214,254	230,570	**790,658**
Long-term liabilities	(50)	(3,355)	(3,442)	(5,603)	**(65,872)**
	390,736	296,772	210,812	224,967	**724,786**
Share capital	332,352	346,160	373,398	410,698	**709,526**
Reserves	58,384	(49,388)	(162,586)	(185,731)	**15,260**
Attributable to the equity holders of the Company	390,736	296,772	210,812	224,967	**724,786**

Note: The consolidated results for the years ended 31 March 2004 have not been adjusted for the New HKFRSs.