

CULTURECOM

2007-2008 INTERIM REPORT



CULTURECOM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code:343)

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Cheung Wai Tung (*Chairman*)
 Mr. Chu Bong Foo (*Vice-Chairman*)
 Mr. Henry Chang Manayan
 Mr. Wan Xiaolin
 Mr. Tai Cheong Sao
 Mr. Chung Billy

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Mr. Cheung Wai Keung, Cecil

QUALIFIED ACCOUNTANT

Mr. Cheung Wai Keung, Cecil

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

PRINCIPAL BANKERS

Bank of China (Hong Kong)
 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

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

PRINCIPAL REGISTRAR

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

BRANCH REGISTRAR

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

COMPANY WEBSITE

www.culturecom.com.hk

STOCK CODE

343

CHAIRMAN'S STATEMENT

Business Review

It has been widely documented that companies can improve their profitability, productivity and competitiveness by streamlining their core business processes and functions, as well as their organizational composition. With these in mind, our Group has begun its restructuring since 2006, in which its primary interest is to provide a focused vision to all improvement initiatives at the micro or company level. On the technology-business front, our Group is at its last stage of restructuring, shedding 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. Furthermore, we are attempting to branch out to 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 and other parts of the world, our Group projects a high demand of energy sources 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 proposed 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 its exposure to risk. In particular, our Group recognizes the right of exploring oil and natural gas 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 is proposing to acquire 100% equity interest of a company, which has the right to exploit oil and natural gas with one of Sinopec's subsidiaries. Should this proposed venture materialize (details noted in the Group's circular published on 11 December 2007), we will be a new entrant to the oil and gas exploration and production ("E&P") business in China and around the world. This has the potential to bring in a guaranteed profit of not less than RMB19 million for the 12 months period ending 31 December 2008. Also, 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 and gas 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. 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 investment decisions and explore business opportunities with great potential.

Appreciation

I would like to express my sincere gratitude to the Board of Directors, our management and to all our staff for their dedicated efforts during this period; as well as to our customers, suppliers, business partners and shareholders for their continued enthusiastic support of our Group.

INTERIM RESULTS

The Board of Directors (the “Directors”) of Culturecom Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2007 together with comparative figures for the corresponding period of 2006 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	Notes	Six months ended 30 September	
		2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
Revenue	3	22,029	26,432
Cost of sales		(14,749)	(21,619)
Gross profit		7,280	4,813
Other income		8,698	695
Administrative expenses		(45,111)	(32,295)
Increase/(Decrease) in fair value of held-for-trading investments		1,537	(1,482)
Share of loss of associates		(4,663)	(672)
Gain on disposals of an associate		–	1,376
Gain on disposals of subsidiaries		–	1,726
Finance costs	4	(166)	(73)
Allowances for amounts due from an associate		(20,715)	–
Loss before income tax	5	(53,140)	(25,912)
Income tax expense	6	–	–
Loss for the period attributable to equity holders of the Company		(53,140)	(25,912)
Loss per share attributable to equity holders of the Company during the period – basic	7	HK1.08 cents	HK0.68 cents
Dividends		–	–

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2007

	Notes	30 September 2007 HK\$'000 (unaudited)	31 March 2007 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		12,571	13,230
Prepaid lease payments		24,555	24,724
Investment properties		80,026	80,026
Interests in associates		25,051	8,248
Amounts due from associates		1,873	22,030
Intangible assets – club memberships		1,385	1,385
		145,461	149,643
Current assets			
Inventories		224	139
Trade debtors	9	7,923	5,382
Prepaid lease payments		335	335
Deposit for acquisition of investment		12,355	–
Other debtors, deposits and prepayments		15,762	19,929
Amounts due from fellow subsidiaries of an associate		217	200
Amounts due from associates		5,455	4,642
Tax recoverable		35	91
Held-for-trading investments		45,838	29,877
Bank balances and deposits with financial institutions		263,231	37,154
		351,375	97,749
Current liabilities			
Trade creditors	10	6,500	6,020
Other creditors and accrued charges		9,168	9,375
Amounts due to fellow subsidiaries of an associate		1,233	1,233
Obligations under finance leases – due within one year	11	32	32
Tax payable		168	162
		17,101	16,822
Net current assets		334,274	80,927
Total assets less current liabilities		479,735	230,570

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

AT 30 SEPTEMBER 2007

	Notes	30 September 2007 HK\$'000 (unaudited)	31 March 2007 HK\$'000 (audited)
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	12	575,688	410,698
Reserves		(101,540)	(185,731)
Total equity		474,148	224,967
Non-current liabilities			
Obligations under finance leases – due after one year	11	55	71
Deferred tax liabilities		5,532	5,532
		5,587	5,603
		479,735	230,570

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	Attributable to equity holders of the Company								Total HK\$'000 (unaudited)
	Share capital HK\$'000 (unaudited)	Share premium HK\$'000 (unaudited)	Contribution surplus HK\$'000 (unaudited)	Other reserve HK\$'000 (unaudited)	Capital redemption reserve HK\$'000 (unaudited)	Translation reserve HK\$'000 (unaudited)	Share Option reserve HK\$'000 (unaudited)	Accumulated losses HK\$'000 (unaudited)	
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	-	-	-	-	-	38	-	-	38
Loss for the period	-	-	-	-	-	-	-	(25,912)	(25,912)
Total recognised expenses during the period	-	-	-	-	-	38	-	(25,912)	(25,874)
Recognition of equity-settled share- based payments	-	-	-	-	-	-	11,749	-	11,749
Recognition of equity components of convertible bonds	-	-	-	4,184	-	-	-	-	4,184
Convertible bonds issue expenses	-	-	-	(119)	-	-	-	-	(119)
Conversion of Convertible bonds	29,000	(823)	-	(3,275)	-	-	-	-	24,902
	29,000	(823)	-	790	-	-	11,749	-	40,716
At 30 September 2006	402,398	730,607	171,671	26,563	446	(275)	12,998	(1,118,754)	225,654

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	Attributable to equity holders of the Company								
	Share capital	Share premium	Contribution surplus	Other reserve	Capital redemption reserve	Translation reserve	Share Option reserve	Accumulated losses	Total
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
At 1 April 2007	410,698	730,418	171,671	25,773	446	(261)	12,998	(1,126,776)	224,967
Exchange differences on translation of overseas operations recognised directly in equity	-	-	-	-	-	(1)	-	-	(1)
Loss for the period	-	-	-	-	-	-	-	(53,140)	(53,140)
Total recognised expenses during the period	-	-	-	-	-	(1)	-	(53,140)	(53,141)
Placement of shares	80,000	87,095	-	-	-	-	-	-	167,095
Recognition of convertible bonds	-	-	-	34,251	-	-	-	-	34,251
Exercise of convertible bonds	36,000	(71)	-	(34,251)	-	-	-	-	1,678
Exercise of share options	19,010	190	-	-	-	-	-	-	19,200
Exercise of warrants	29,980	21,586	-	-	-	-	-	-	51,566
Transfer from other reserve									
Share premium due to exercise of warrants	-	10,968	-	(10,968)	-	-	-	-	-
Share issue expenses	-	(15)	-	-	-	-	-	-	(15)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	28,547	-	28,547
	164,990	119,753	-	(10,968)	-	-	28,547	-	302,322
At 30 September 2007	575,688	850,171	171,671	14,805	446	(262)	41,545	(1,179,916)	474,148

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	(4,162)	(12,172)
Net cash (used in)/generated from investing activities	(43,354)	6,705
Net cash generated from financing activities	273,594	34,923
Net increase in cash and cash equivalents	226,078	29,456
Cash and cash equivalents at 1 April	37,154	19,536
Effect of foreign exchange rate changes	(1)	38
Cash and cash equivalents at 31 March	263,231	49,030
Analysis of the balances of cash and cash equivalents		
Bank balances and deposits with financial institutions	263,231	49,030

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIC OF PREPARATION

These unaudited condensed interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Accounting Standards ("HKAS") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in compliance with the Hong Kong Financial Reporting Standards ("HKFRS"), which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("HKAS-Int") issued by the HKICPA and accounting principles generally accepted in Hong Kong.

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost basis except for financial instruments classified as held-for-trading investments which are stated at fair value.

The accounting policies adopted in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2007 except for the adoption of new standards, amendments to standards and interpretations which are effective for accounting periods beginning on or after 1 April 2007 as set out below:

Amendment to HKAS 1	"Presentation of Financial Statements" – Capital Disclosures
HKFRS 7	"Financial Instruments: Disclosures"
HK (IFRIC) – Interpretation 7	"Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies"
HK (IFRIC) – Interpretation 8	"Scope of HKFRS 2"
HK (IFRIC) – Interpretation 9	"Reassessment of Embedded Derivatives"
HK (IFRIC) – Interpretation 10	"Interim Financial Reporting and Impairment"
HK (IFRIC) – Interpretation 11	"HKFRS 2 – Group and Treasury Share Transactions"

The adoption of the above has no material impact to the Group's condensed consolidated interim balance sheet and income statement.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

The following new standards, amendments to standards and interpretation have been issued but are not yet effective and have not been early adopted. The directors of the Company is currently assessing the impact of these standards and interpretations but are not yet in position to state whether they would have material financial impact on the Group's financial statements.

HKAS 23 (Revised)	"Borrowing Costs" ¹
HKFRS 8	"Operating Segments" ¹
HK(IFRIC) – Interpretation 12	"Service Concession Arrangements" 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

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

3. SEGMENT INFORMATION

Primary reporting format – Business segments

The Group is currently organised into three main business segments:

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

3. SEGMENT INFORMATION (CONTINUED)

Income statement for the period ended 30 September 2007

	Publishing HK\$'000	Chinese information infrastructure HK\$'000	Investment HK\$'000	Consolidated HK\$'000
Turnover	19,237	10	2,782	22,029
Segment results	545	(2,957)	(712)	(3,124)
Unallocated expenses				(24,472)
Share of loss of associates				(4,663)
Allowance for amount due from an associate				(20,715)
Finance costs				(166)
Loss before income tax				(53,140)
Income tax expense				-
Loss for the period				(53,140)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

3. SEGMENT INFORMATION (CONTINUED)

Income statement for the period ended 30 September 2006

	Publishing HK\$'000	Chinese information infrastructure HK\$'000	Investment HK\$'000	Consolidated HK\$'000
Turnover	<u>23,733</u>	<u>209</u>	<u>2,490</u>	<u>26,432</u>
Segment results	<u>1,744</u>	<u>(7,186)</u>	<u>(2,983)</u>	(8,425)
Unallocated expenses				(19,844)
Share of loss of associates				(672)
Finance costs				(73)
Gain on disposal of subsidiaries				1,726
Gain on disposal of an associate				<u>1,376</u>
Loss before income tax				(25,912)
Income tax expense				<u>–</u>
Loss for the period				<u>(25,912)</u>

Secondary reporting format – Geographical segments

The Group's operations are located in Hong Kong 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 Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Hong Kong	<u>22,019</u>	26,377
Macau	<u>10</u>	<u>55</u>
	<u>22,029</u>	<u>26,432</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

4. FINANCE COSTS

	Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Interest charges on:		
Finance charges	2	7
Convertible bonds (all issued and converted into share capital during the period)	164	66
	<u>166</u>	<u>73</u>

5. LOSS BEFORE INCOME TAX

	Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Loss before income tax has been arrived at after charging/(crediting):		
Staff costs, including directors emoluments	7,839	8,963
Recognition of equity-settled share-based Payments	28,547	11,749
Amortisation of prepaid lease payments	169	169
Depreciation of property, plant and equipment	672	2,549
Interest income	(2,259)	(243)

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been provided in the financial statements as the Group had no estimated assessable profit for the period (2006: nil). The Group also had no assessable profits in other jurisdiction in both periods.

7. 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 period of HK\$53,140,000 (2006: HK\$25,912,000) and the weighted average number of 4,910,613,975 (2006: 3,809,935,926) ordinary shares in issue during the period.

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, the Group acquired equipment amounting to HK\$13,000 (2006:HK\$59,000).

At 30 September 2007, the directors considered the carrying amount of the Group's leasehold land and buildings carried at revalued amounts and estimated that the carrying amounts does not differ significantly from that which would be determined fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

The Group's investment properties were fair-value by the director at 30 September 2007. There was no change in fair value on the investment property as at 30 September 2007.

9. TRADE DEBTORS

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

	30 September 2007 HK\$'000	31 March 2007 HK\$'000
0 – 60 days	4,494	3,975
61 – 90 days	2,081	333
Over 90 days	1,348	1,074
	<u>7,923</u>	<u>5,382</u>

10. TRADE CREDITORS

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

	30 September 2007 HK\$'000	31 March 2007 HK\$'000
0 – 60 days	3,305	744
61 – 90 days	2,192	1,653
Over 90 days	1,003	3,623
	<u>6,500</u>	<u>6,020</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

11. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease Payments		Present value of minimum lease payments	
	30 September 2007 HK\$'000	31 March 2007 HK\$'000	30 September 2007 HK\$'000	31 March 2007 HK\$'000
Amounts payable under finance leases:				
Within one year	36	38	32	32
In the second to fifth years inclusive	63	79	55	71
	99	117	87	103
Less: Future finance charges	(12)	(14)	–	–
Present value of lease obligations	87	103	87	103
Less: Amounts due within one year			(32)	(32)
Amounts due after one year			55	71

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 period ended 30 September 2007, the average effective borrowing rate was 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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

12. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 31 March 2007 & 30 September 2007	<u>10,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
At 1 April 2007	4,106,980	410,698
Issue of shares on placement	800,000	80,000
Exercise of share options	190,100	19,010
Exercise of warrants	299,800	29,980
Exercise of convertible bonds	<u>360,000</u>	<u>36,000</u>
At 30 September 2007	<u>5,756,880</u>	<u>575,688</u>

13. WARRANTS

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

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

During the period, registered holders of 299,800,000 units of the Warrants exercised their rights to subscribe for 299,800,000 shares in the Company at HK\$0.172 per share.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

14. ISSUE OF CONVERTIBLE BONDS

On 24 April 2007, the Company has exercised its option to the holders of the HK\$36 million convertible bonds ("Tranche 1 Convertible Bonds") for the subscription of another HK\$36 million convertible bonds ("Tranche 2 Convertible Bonds"). On 11 May 2007, the Tranche 2 Convertible Bonds have been issued to nine holders of the Tranche 1 Convertible Bonds. The conversion price of Tranche 2 Convertible Bonds is HK\$0.1 per new ordinary share of HK\$0.1 each in the share capital of the Company. The net proceeds of the issue of the Tranche 2 Convertible Bonds which are expected to be HK\$35.5 million will be 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 30 September 2007, all holders of Tranche 2 Convertible Bonds for the principle amount of HK\$36 million had converted their Tranche 2 Convertible Bonds into ordinary shares of the Company.

15. PLACEMENT OF NEW SHARES

On 14 June 2007, the Company and the placing agent entered into placing agreement pursuant to which the Company has conditionally agreed to place, through the placing agent on a best efforts basis, a maximum of 800,000,000 new shares ("Placing Shares") to independent 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 maximum net proceeds from the Placing of approximately HK\$172 million is intended to be used for possible investment in energy related business of which the Company has announced on 28 May 2007.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

16. RELATED PARTY TRANSACTIONS

During the period, 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	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Associates	391	163	-	-	49	30	235	192	7,328	50,202
Fellow subsidiaries of associates	-	56	-	-	18	19	70	-	217	194
Related companies by common directors	113	-	60	60	-	-	40	-	-	-

17. CAPITAL COMMITMENTS

At the balance sheet date, the Company has no significant capital commitments.

18. POST BALANCE SHEET EVENTS

i) Exercise of warrants

Subsequent to the balance sheet date, 316,380,000 units of outstanding Warrants were exercised to subscribe for 316,380,000 shares in the Company at HK\$0.172 per share. The net proceeds were amounted to approximately HK\$54,417,000. The remaining 43,820,000 of Warrants were expired on 3 October 2007.

ii) Placing of Warrant

On 31 October 2007, the Company entered into the Placing Agreement with the Placing Agent in connection with the Placing, on a best endeavours basis, to place 1,140,000,000 Warrants conferring rights to subscribe, up to HK\$157,320,000 in aggregate in cash, for 1,140,000,000 new Shares at an initial subscription price of HK\$0.138 per Share for the subscription period from 7 January 2008 to 6 January 2010, both days inclusive. The Warrants are placed at a Placing Price of HK\$0.022 per Warrant. The placing of Warrants will be completed on 4 January 2008.

The net proceeds of the placing of approximately HK\$24,000,000 will be mainly used as general working capital of the Company and the net proceeds of approximately HK\$157,000,000 from exercise of the Warrants will be used for possible investment or project which is expected to improve the profitability, sustain its growth momentum and broaden the revenue stream of the Group.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

18. POST BALANCE SHEET EVENTS (CONTINUED)

iii) Proposed acquisition in energy related businesses

On 28 May 2007, the Company announced that on 11 May 2007, the Group entered into a non-binding memorandum of understanding with an independent third party regarding a possible investment of not less than 51% equity interests in a company which is principally engaged in energy related businesses. A refundable deposit of US\$1.5 million (equivalent to approximately HK\$12 million) has been paid by the Group for this proposed acquisition investment. On 16 July 2007, the Group entered into the Sale and Purchase Agreement to acquire from the Vendor the Sale Shares for a total consideration of HK\$213 million. The Consideration shall be settled by issuing the Consideration shares to the Vendor credited as fully paid, at the Issue Price on Completion.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the period ended 30 September 2007, the Group's overall turnover decreased by approximately 16.66% to HK\$ 22,029,000, of which approximately HK\$19,237,000, HK\$10,000 and HK\$2,782,000 (2006: HK\$23,733,000, HK\$209,000 and HK\$2,490,000) were attributable to our business of comics publication, Chinese information infrastructure and rental income from investment properties respectively.

Although the Group's consolidated net loss attributable to the equity holders of the Company increased from HK\$25,912,000, or HK0.68 cents per share in 2006 to approximately HK\$53,140,000, or HK1.08 cents per share in this period, 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-based payment of HK\$ 28,547,000 (2006: HK\$ 11,749,000) along with an allowance on loan from an associate of HK\$ 20,715,000 (2006: nil). Excluding these expenses, the Group's operating loss would have been approximately HK\$ 3,878,000 (2006: HK\$ 14,163,000). 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 evident that the end of the tunnel is in sight.

Also, as of 30 September 2007, the Group's net asset value was HK\$474,148,000 and net asset value per weighted average number of 4,910,613,975 shares of the Company was approximately HK\$0.09 (2006: HK\$0.06). Increase in net asset value was primarily due to fund raising, issue of convertible bonds, and the exercise of share options and warrants that were carried out during this period.

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 maximum net proceeds from the Placing of approximately HK\$172,000,000 will be used for possible investment on energy-related business.

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 shares during the period. The net proceeds of approximately HK\$35,500,000 will be 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 a company which primarily engages in energy-related businesses for a total consideration of HK\$ 213 million. The consideration shall be settled by allotment and issue of consideration shares of the Group to the Vendor credited as fully paid on completion. A refundable deposit of US\$1.5 million has been paid by the Group for this investment. This proposed acquisition together with the issue of the consideration shares will be subject to the approval of the shareholders at the Special General Board Meeting to be held on 27 December 2007.

Liquidity and financial resources

As at 30 September 2007, the Group had bank and deposits with financial institutions balances in aggregate of approximately HK\$263,231,000 and held-for-trading investments of approximately HK\$45,838,000. The Group's net cash used in operating activities was lower and stood at HK\$4,162,000 in this period compared to HK\$12,172,000 in the comparable period last year and from HK\$139,440,000 in 2005. The Group has no significant exposure to foreign exchange rate fluctuation.

As at 30 September 2007, the Group had a net current asset of approximately HK\$334,274,000 (31 March 2007: HK\$80,927,000) and a current ratio of 20.55 (31 March 2007: 5.81). The Group's total liabilities as of 30 September 2007 amounted to approximately HK\$22,688,000 (31 March 2007: HK\$22,425,000) and represented approximately 4.79% (31 March 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 the upcoming 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 at 30 September 2007, the Group had a total of 83 employees of which 52 are based in Hong Kong, 29 in Macau and 2 in the PRC. Total staff costs incurred during the period amounted to approximately HK\$7,839,000 (2006: HK\$8,963,000). 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.

INTERIM DIVIDEND

The Board of Directors of the Company has resolved not to declare an interim dividend for the six months ended 30 September 2007 (2006: nil).

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 six months ended 30 September 2007.

SHARE OPTION SCHEME

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.

SHARE OPTION SCHEME (CONTINUED)

Details of the movement of the share options granted to the Directors and employees of the Company under the 1993 Scheme during the six months ended 30 September 2007 are as follows:

	Date of Grant	At 1 April 2007	Number of share options			Granted/ Exercised/ Cancelled during the period	At 30 September 2007	Exercise price per share <i>HK\$</i>	Exercisable Period
			Transfer from other category during the period	Transfer to other category during the period	Lapsed during the period				
(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 <i>(note)</i>	-	-	-	3,000,000	1.680	3 March 2000 to 2 March 2010
(b) Employees	3 March 2000	17,665,000	-	(3,000,000) <i>(note)</i>	(4,765,000)	-	9,900,000	1.680	3 March 2000 to 2 March 2010

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

SHARE OPTION SCHEME (CONTINUED)

Details of the movement of the share options granted under the 2002 Scheme during the six months ended 30 September 2007 are as follows:

	Date of Grant	At 1 April 2007	Number of share options					At 30 September 2007	Exercise price per share	Exercisable Period	Price of the Company's shares (note 1)	
			Granted during the period	Transferred from other category during the period	Transferred to other category during the period	Lapsed/ Cancelled during the period	Exercised during the period				At immediately preceding the grant date of share options	At immediately preceding the exercise date of share options
									HK\$	HK\$	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. 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
Mr. Tai Cheong Sao	19 December 2003	-	-	2,000,000 (note 2)	-	-	-	2,000,000	0.265	19 December 2003 to 18 December 2013	N/A	N/A
	24 March 2005	-	-	1,500,000 (note 2)	-	-	-	1,500,000	0.295	24 March 2005 to 23 March 2015	N/A	N/A
(b) Employees	(i)	19 December 2003	31,400,000	-	-	-	-	31,400,000	0.265	19 December 2003 to 18 December 2013	N/A	N/A
	(ii)	24 March 2005	67,500,000	-	-	-	-	67,500,000	0.295	24 March 2005 to 23 March 2015	N/A	N/A
	(iii)	7 July 2006	34,600,000	-	-	-	(24,100,000)	10,500,000	0.101	7 July 2006 to 6 July 2016	N/A	0.205
	(iv)	29 June 2007	-	107,500,000	-	-	-	107,500,000	0.237	29 June 2007 to 28 June 2017	0.238	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 2013	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	-	-	-	(166,000,000)	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

SHARE OPTION SCHEME (CONTINUED)

- Notes:
1. The price of the Company's shares disclosed as at immediately preceding the date of the grant of the share options is The Stock Exchange of Hong Kong Limited (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 shares 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.
 2. The share options granted to Mr. Tai Cheong Sao were granted prior to his appointment as Executive Director of the Company on 18 June 2007.

During the period, 400,000,000 share options were granted on 29 June 2007. The fair value of the share options determined at the date of grant using the Black-Scholes Model, Binomial Model and its variant was HK\$28,547,000.

The following assumptions were used to calculate the fair value of share options:

Weighted average share price	HK\$0.225
Exercise price	HK\$0.237
Expected volatility	72%
Exercise multiple	1.50
Employee exit rate	15.0%
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 behavioral considerations.

The Group recognised the total expenses of approximately HK\$28,547,000 for the period ended 30 September 2007 in relation to share options granted by the Company.

DISCLOSURE OF INTERESTS

(a) Interests of the Directors

As at 30 September 2007, 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	4.92%
	(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 the share option of the Company

Name of Director	Capacity	Nature of interests	Number of share options	Exercise price per share HK\$	Exercisable period	Approximate percentage of issued share capital
Mr. Cheung Wai Tung	(i)	Beneficial owner	Personal interest 4,565,000 <i>(note 1)</i>	1.680	3 March 2000 to 2 March 2010	0.15%
	(ii)	Beneficial owner	Personal interest 4,000,000 <i>(note 1)</i>	0.265	19 December 2003 to 18 December 2013	
Mr. Chu Bong Foo	(i)	Beneficial owner	Personal interest 10,000,000 <i>(note 2)</i>	0.264	27 August 1999 to 26 August 2009	0.21%
	(ii)	Beneficial owner	Personal interest 2,000,000 <i>(note 2)</i>	1.680	3 March 2000 to 2 March 2010	
Mr. Henry Chang Manayan	(i)	Beneficial owner	Personal interest 1,000,000 <i>(note 3)</i>	0.264	27 August 1999 to 26 August 2009	0.04%
	(ii)	Beneficial owner	Personal interest 500,000 <i>(note 3)</i>	1.680	3 March 2000 to 2 March 2010	
	(iii)	Beneficial owner	Personal interest 1,000,000 <i>(note 3)</i>	0.265	19 December 2003 to 18 December 2013	
Mr. Wan Xiaolin	(i)	Beneficial owner	Personal interest 1,000,000 <i>(note 4)</i>	1.680	3 March 2000 to 2 March 2010	0.07%
	(ii)	Beneficial owner	Personal interest 3,000,000 <i>(note 4)</i>	0.265	19 December 2003 to 18 December 2013	
Mr. Tai Cheong Sao	(i)	Beneficial owner	Personal interest 3,000,000 <i>(note 5)</i>	1.680	3 March 2000 to 2 March 2010	0.11%
	(ii)	Beneficial owner	Personal interest 2,000,000 <i>(note 5)</i>	0.265	19 December 2003 to 18 December 2013	
	(iii)	Beneficial owner	Personal interest 1,500,000 <i>(note 5)</i>	0.295	24 March 2005 to 23 March 2015	

DISCLOSURE OF INTERESTS (CONTINUED)

(a) Interests of the Directors (continued)

Notes:

1. Pursuant to the 1993 Scheme, Mr. Cheung Wai Tung was granted share options by the Company on 3 March 2000 to subscribe for 4,565,000 shares at the exercise price of HK\$1.680 per share for the exercisable period from 3 March 2000 to 2 March 2010. On 19 December 2003, Mr. Cheung was further granted share options by the Company to subscribe for 4,000,000 shares at the exercise price of HK\$0.265 for the exercisable period from 19 December 2003 to 18 December 2013 under the 2002 Scheme.
2. Pursuant to the 1993 Scheme, Mr. Chu Bong Foo was granted share options by the Company (i) on 27 August 1999 to subscribe for 10,000,000 shares at the exercise price of HK\$0.264 per share for the exercisable period from 27 August 1999 to 26 August 2009; and (ii) on 3 March 2000 to subscribe for 2,000,000 shares at the exercise price of HK\$1.680 per share for the exercisable period from 3 March 2000 to 2 March 2010.
3. Pursuant to the 1993 Scheme, Mr. Henry Chang Manayan was granted share options by the Company (i) on 27 August 1999 to subscribe for 3,000,000 shares at the exercise price of HK\$0.264 per share for the exercisable period from 27 August 1999 to 26 August 2009; and (ii) on 3 March 2000 to subscribe for 500,000 shares at the exercise price of HK\$1.680 per share for the exercisable period from 3 March 2000 to 2 March 2010. Mr. Henry Chang Manayan exercised his share options to subscribe for the aggregate of 2,000,000 shares at the exercise price of HK\$0.264 on 18 February 2000 and 6 April 2004 respectively. On 19 December 2003, he was further granted share options by the Company to subscribe for 1,000,000 shares at the exercise price of HK\$0.265 for the exercisable period from 19 December 2003 to 18 December 2013 under the 2002 Scheme.
4. Pursuant to the 1993 Scheme, Mr. Wan Xiaolin was granted share options by the Company on 3 March 2000 to subscribe for 1,000,000 shares at the exercise price of HK\$1.680 per share for the exercisable period from 3 March 2000 to 2 March 2010. On 19 December 2003, Mr. Wan was further granted share options by the Company to subscribe for 3,000,000 shares at the exercise price of HK\$0.265 for the exercisable period from 19 December 2003 to 18 December 2013 under the 2002 Scheme.
5. Pursuant to the 1993 Scheme, Mr. Tai Cheong Sao was granted share options by the Company on 3 March 2000 to subscribe for 3,000,000 shares at the exercise price of HK\$1.680 per share for the exercisable period from 3 March 2000 to 2 March 2010. On 19 December 2003, Mr. Tai was further granted share options by the Company to subscribe for 2,000,000 shares at the exercise price of HK\$0.265 for the exercisable period from 19 December 2003 to 18 December 2013 under the 2002 Scheme. Mr. Tai Cheong Sao was further granted share options on 24 March 2005 to subscribe for 1,500,000 shares at the exercise price of HK\$0.295 per share for the exercisable period from 24 March 2005 to 23 March 2015 under the 2002 Scheme.

All interests stated above represent long positions.

DISCLOSURE OF INTERESTS (CONTINUED)

(a) Interests of the Directors (continued)

Save as disclosed above, as at 30 September 2007, none of the Directors nor chief executive of the Company had interests or short positions in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

(b) Interests of Substantial Shareholders

As at 30 September 2007, so far as is known to any Director or chief executive of the Company, the following corporation and person had interests or short positions 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	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	4.92%
	(ii) Interest of a controlled corporation	Corporate interest	122,872,000 (note 1)	
Wealthy Concept Holdings Limited	Beneficial owner	Beneficial interest	1,000,000,000	17.37%
Mr. Liao Chang Yuan	Interest in a controlled corporation	Corporate interest	1,000,000,000 (note 2)	17.37%

DISCLOSURE OF INTERESTS (CONTINUED)

(b) Interests of Substantial Shareholders (continued)

Notes:

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

All interests stated above represent long positions.

Interest in the share options of the Company

Name	Capacity	Nature of interest	Number of share options	Approximate percentage of issued share capital
Mr. Chu Bong Foo	Beneficial owner	Personal interest	12,000,000	0.21%

Save as disclosed above, as at 30 September 2007, 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.

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 Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, currently comprises three independent non-executive Directors, 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 unaudited interim results for the six months ended 30 September 2007.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code as set out in Appendix 14 to the Listing Rules during the six months ended 30 September 2007 except for 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. During the period, the Company did not have any officer with the title of “CEO” but instead 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. The Board believed that vesting the roles of both Chairman and CEO in the same person provided the Group with strong and consistent leadership and allowed for more effective planning and execution of long term business strategies. However with increasing workload of the Chairman, the Company resolved to appoint Mr. Kwan Kin Chung as the Acting CEO of the Company in April 2007.

Code Provision A.4.1

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

Code Provision E.1.2

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

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 six months ended 30 September 2007.

By Order of the Board
Cheung Wai Tung
Chairman

Hong Kong, 18 December 2007