2010 Annual Report

星 美 國 際

SMI CORPORATION LIMITED

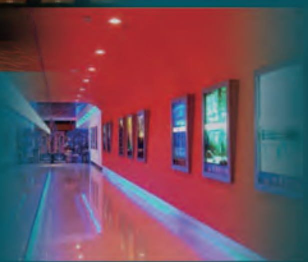
(Incorporated in Bermuda with limited liability)

Stock Code : 198

* For identification purposes only

Theaters

電影院



Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. QIN Hong *(Chairman)*
Ms. XIAO Ping *(Chief Executive Officer)*
Mr. HU Yidong
Mr. LI Kai

Independent Non-Executive Directors

Mr. HE Peigang
Mr. PANG Hong
Mr. CHAN Sek Nin, Jackey

COMMITTEES

Audit Committee

Mr. HE Peigang *(Chairman)*
Mr. PANG Hong
Mr. CHAN Sek Nin, Jackey

Remuneration Committee

Mr. HE Peigang *(Chairman)*
Mr. PANG Hong
Mr. CHAN Sek Nin, Jackey

Nomination Committee

Mr. HE Peigang *(Chairman)*
Mr. PANG Hong
Mr. CHAN Sek Nin, Jackey

COMPANY SECRETARY

Mr. LAU Chi Yuen

AUTHORIZED REPRESENTATIVES

Ms. XIAO Ping
Mr. LAU Chi Yuen

AUDITOR

SHINEWING (HK) CPA Limited

REGISTERED OFFICE

Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 6701–2 & 13, The Center,
99 Queen's Road Central,
Central, Hong Kong

SHARE REGISTRARS

Principal Share Registrar in Bermuda

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

Branch Share Registrar in Hong Kong

Tricor Progressive Limited
26th Floor,
Tesbury Centre,
28 Queen's Road East,
Wanchai,
Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

STOCK CODE

00198

WEBSITE

www.equitynet.com.hk/smi
www.smi198.com

Chairman's Statement

Dear Shareholder,

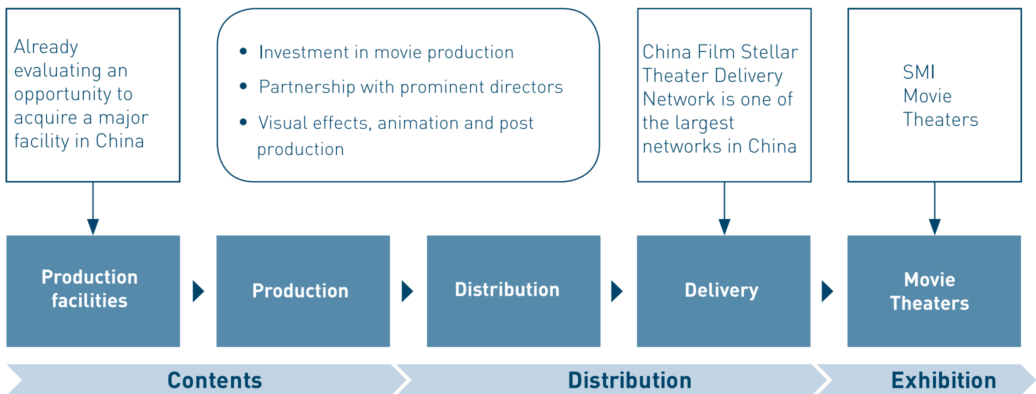
Since trading of its shares on the Hong Kong Stock Exchange resumed on 31 July 2009, the Company has taken a number of steps to restructure and improve its business, operational, management and financial conditions. The issuance of new shares in July and October 2009 and the convertible notes in October 2009 and in February 2010 which raised an aggregate of approximately HK$305.3 million in cash have restructured and stabilised the capital and liquidity conditions of the Company. The acquisition of the movie theater interests in July 2009 have resulted in the turnaround of the business and operational circumstances of the Company with the three movie theaters contributing operational profit of HK$16.4 million to the Company for the period ended 31 December 2009. The Company has also put in place a new management team with me taking over the helm of the company as Chairman. Besides stabilising the Company, the new management evaluated the resources of the Company and opportunities of which we could take advantage in order to build and grow the Company. The result is the development of a vision of the Company, the strategies and operational structure that we believe position the Company for growth in 2010 and beyond.

VISION AND STRATEGIC OBJECTIVE

Our strategic objective and vision is to build a leading integrated entertainment and media company focusing principally on the China market by focusing our efforts and leveraging on the experiences and network of the management and shareholder base of the Company.

Even in the midst of the severe economic downturn of last year, the global film industry achieved a growth rate of 6.4% from 2008 with the US market growing at 10.0% to US$10.6 billion in 2009. In the same period, China movie industry achieved 43.1% growth in total box office receipts to RMB6.2 billion. Both domestic and foreign films show substantial growth in box office receipts to RMB3.5 billion and RMB2.7 billion respectively in 2009.

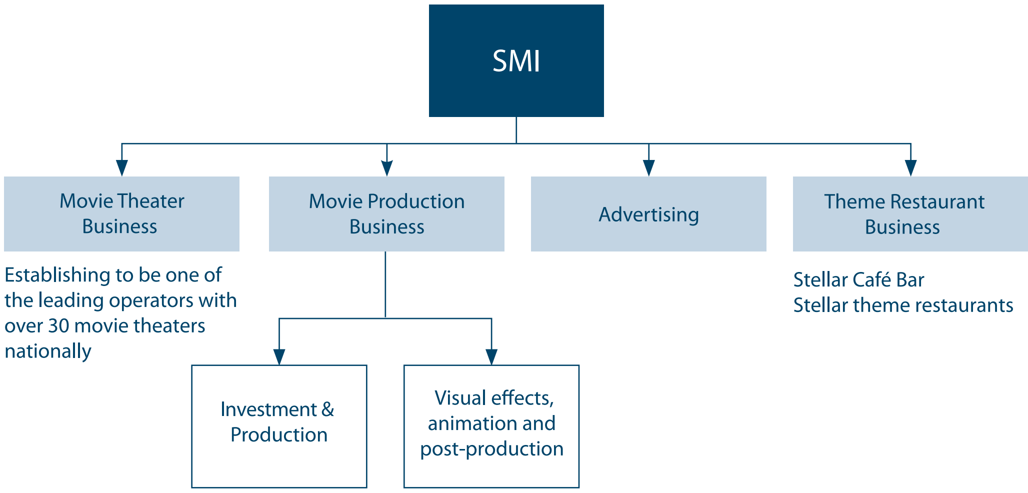
In this rapidly growing industry in China, we are involved in the entire value chain of the industry:



We have established very strong position in each of the sections of the value chain to capture and benefit from the opportunities arisen from the development of the movie industry in China. We create contents that the consumers want and provide the channel to deliver those contents to them to provide them with the best entertainment experience.

CORPORATE STRUCTURE

The corporate structure that we are in the process of building is clearly defined with each business unit focusing on its area of the value chain:



LEADING MOVIE THEATER OPERATOR IN CHINA

We are establishing ourselves as one of the leading movie theater operator in China. Our existing three theaters registered significant growth in 2009 and we are in the process of acquiring another 12 movie theaters (subject to regulatory approvals and approval of the independent shareholders of the Company) in strategically important locations in China nationally; we are adding two movie theaters in each of Beijing and Shanghai which are the two largest movie theater markets in China and we are also establishing our presence in the regional centers of Tianjin, Chongqing, Chengdu, Shenyang, Xuzhou and Lanzhou.

With the expected double digit growth in attendance, we are confident that the Company's movie theater business will continue to experience strong growth in admissions revenue. We are also confident that we could increase the other revenue streams and profitability of our movie theaters. There are substantial synergistic benefits to be derived from a national chain of movie theaters; we intend to develop theater advertising as a major national advertising medium with the increasing number of attendance and we expect to drive our advertising sales to significantly higher level. We will be setting up a new business unit to focus on the development of our advertising business by leveraging our production, contents and delivery assets. By organising more effective promotional and marketing events, we increase consumer affinity with major movie titles and their characters; increasing not only admission revenues but also merchandise and refreshment sales in our theaters which we believe could increase to 15–25% of admissions revenues.

With our movie theaters located in first and second tier cities and major regional centers in China, we will be close to end consumers nationally, allowing us to gain firsthand knowledge of the latest trends in consumers' preferences; increasing our ability to anticipate changes in consumers' preferences for our film production business.

China added 142 movie theaters in 2009, increasing the total number of screens to 4,723. There are still considerable growth potentials in China given that there are only 7.3 screens per million population in China as compared to 129.8 screens, 41.3 screens and 26.5 screens per million population in the United States, South Korea and Japan respectively. China is expected to continue to add new movie theaters each year at a rapid rate; however I believe that this would be beneficial to the industry as this will drive the growth of attendance as more title choices could be offered to consumers and thereby accelerating the development of the cinema going behavior in the modern China culture.

EXPANSION OF PRODUCTION, PRODUCTION RELATED AND DISTRIBUTION BUSINESSES IN THE CHINA MARKET

The China movie industry total revenues grew by 26.5% to RMB10.7 billion in 2009. Although foreign blockbusters still accounted for the two highest box office grossing films, Chinese films accounted for six of the 10 highest box office grossing films in China in 2009. The increasing disposable income in urban population has resulted in demand for better entertainment experience which our modern multi screen complexes could offer and better quality feature films which we intend to produce for the China and overseas markets.

I have personally been involved in film investment and production for over six years, having been involved in many high profile films such as 《如果愛》(《Perhaps Love》), 《南京!南京!》(《City of Life and Death》) and 《青紅》(《Shanghai Dreams》). These movies were resounding commercial successes. I will be directly responsible for the development of the film production business of the Company. The Company has already announced that it will invest in three new high profile films 《趙氏孤兒》(《The Orphan of Zhao》), 《神奇俠侶》(《Mr. and Mrs. Incredible》) and 《魔術時代》 (《The Era of Magic》) to be produced in 2010. We are already talking to a leading director in relation to forming a movie production joint venture and other prominent directors about setting up directors' workshops. We aim to produce or co produce three to five high quality films each year.

The Company announced that it would acquire the operational and management right of a movie production facility which is one of the largest facilities in China. Many high profile movies and TV series have been produced there. The Company is still evaluating and formulating the business plan. We are very confident with the prospect of the production facility and will make an announcement in due course.

3D presentations have been proven by the successes of Avatar, Alice in the Wonderland and Clash of the Titan. We understand that about 15 domestic movies with 3D features are to be produced in 2010 in China. There is therefore a substantial market for 3D technical production. However, the market has also demonstrated that 3D movies require high quality and advanced visual effects presentation to be successful. We are building our capability in this area for our internal requirement and for servicing the China movie industry as a whole. To gain global recognition, Chinese movie industry needs to develop domestically our own world class visual effect and post production capability and we intend to lead that development.

I am very pleased that we have entered into a letter of intent with Mr. Dale Duguid in relation to the proposed acquisition of Photon VFX based in Queensland Australia and owned by Mr. Duguid. Photon VFX is one of the world's leading visual effects, animation and post production firms. Mr. Duguid has been a prime mover in the Australian VFX industry for over the last 20 years and was awarded the Centennial Medal by Queen Elizabeth II, his works on numerous Hollywood productions have been nominated for Academy and Emmy awards. Together, the Company and Mr. Duguid will expand the business of SMI Photon globally. In China, we will integrate the advanced vocational skills, technology and experience of Photon with the Company's resources in China to form a new multinational business, aiming at revolutionizing the visual effects, animation and post production section within the movie industry in China. We expect to complete the transaction in the third quarter of this year.

I understand that we need creativity and innovations to win in the competitive movie industry in China. SMI is committed to recruit the best talent and continuously strengthen our team. I am very proud of the employees who have continuously delivered dedication, hard work and accomplishments in striving for the same strategic vision of the Company. We are committed to their success by offering a board range of career development opportunities. It is only by taking our employees seriously that we could keep the best talent.

There is still much work to be done to complete the restructuring of the Company and unfortunately the restructuring expenses and a number of provisions resulting from the restructuring of the legacies of the Company have and will drag down the overall profit of the Company in 2009 and in 2010. These costs, however, are coming to an end in 2010.

In conclusion, I am looking ahead with confidence with the new focused strategy of the Company to become the leading integrated entertainment and media company focusing principally on the China market. The industry is attractive and we have a great position in the industry. There are many challenges ahead that we need to overcome but we are firmly in control of and are extremely excited about the future and the opportunities before us. It's an honor serving as the Chairman of the Company and on behalf of the Company, I'd like to thank you for your continued support and the faith you show in the Company to keep driving us to greater achievements and performance.

Sincerely,

QIN Hong
Chairman

Hong Kong, 28 April 2010

Management Discussion and Analysis

BUSINESS REVIEW

In 2009, the Company was restructuring its businesses, capital base, financial conditions, operation and management. Loss making businesses were largely discontinued and liquidated. The formation of the new core business of the Company by the acquisition of the theater operation business in July 2009 generates high operating margin and stable to the Company. The Stellar café bar business which provided snack bar services inside the three theaters was also very profitable with 54.7% operating margin and contributing to 23.7% of the total operating profits of the three theaters.

During the period ended 31 December 2009, the Company engaged in securities trading with cash not required for the operation of or capital investment by the Company for the time being. As the Company expands and makes further investments is its core businesses, securities trading as a percentage of the total revenues of the Company will gradually become lower.

As the Company was experiencing a period of transition and transformation, relatively high operating and administration expenses and professional fees were incurred by the Company for the period ended 31 December 2009. With the Company emerging from the transitional period of last year and a stable management team is now in place, although there will still be exceptional expenses associated with the restructuring of the Company that is expected to be largely completed by the end of 2010, the total operating and administration expenses and professional fees for 2010 will be substantially lower than last year.

Theater Operation Business

The movie industry is one of the fastest growing industries of the rapidly growing consumer market in China. The movie industry grew by 43.1% in terms of gross box office receipts in 2009. With the rising consumption and income per capita in China, China's movie industry has entered a rapid development stage with increasing number of high quality and high profile domestic films being produced and increasing number of foreign movies being imported to be exhibited to the growing number of audience in China who are demanding high quality entertainment experience in modern theaters.

For the period ended 31 December 2009 (the "Reporting Period"), the three theaters generated total revenues of HK$71.7 million and gross profit of HK$25.0 million representing gross margin of 34.8% and segment operating profit of HK$16.4 million, representing segment operating margin of 22.8%.

ACQUISITION AND CONNECTED TRANSACTION

On 30 July 2009, the Company completed the acquisition of Colour Asia Pacific Limited ("Colour Asia") for a total consideration of HK$84.3 million. Colour Asia was a private company owned by Mr. QIN Hui who was the beneficial owner of 163,239,891 shares in the Company, representing 51.98% of the outstanding share capital of the Company when the acquisition was announced. Mr. QIN Hui was accordingly a connected person to the Company pursuant to the Listing Rules of the Hong Kong Stock Exchange. Colour Asia owns 72.86% and 60% equity interests in Beijing Mingxiang International Cinema Management Company Limited ("Mingxiang") and Beijing Wangjing Stellar International Cinema Management Company Limited ("Wangjing") respectively. Mingxiang operates the Jingyuan Stellar Multipex in Beijing with 1,351 seats. Wangjing operates the Stellar Wangjing Multiplex with 1,066 seats in Beijing and manages the Zhengda Stellar Multiplex with 1,158 seats in Shanghai. The acquisition of Colour Asia was a very substantial acquisition and as Mr. QIN was a connected person, connected transaction pursuant to the Listing Rules. The acquisition of Colour Asia was approved by independent shareholders in a special general meeting on 3 July 2009.

PROSPECTS

The theater operation business of the Company is expected to experience rapid growth with the continuing growth of the movie industry in China. The Company has announced that it is acquiring interests in another 12 movie theaters located in China nationally. The Company is also increasing the capacity of the Stellar Zhengda Multiplex by adding another 5 screens with 970 seats. In view of the increasing popularity of 3D presentations, The Company is adding more 3D systems to its movie theaters. The Company will continue to expand its movie theater portfolio to become one of leading movie theater operators in China.

In relation to the theater operation business and other businesses of the Company, I have set out the vision and strategies of the Company in my Chairman's statement on pages 3 to 6 of this report.

FINANCIAL REVIEW

Comparison with the preceding reporting period is not appropriate as the continued operations during the preceding reporting period related the theme restaurant business of the Company in Japan which ceased business in April 2009.

Revenues

Total turnover and revenue during the Reporting Period were HK$398.4 million in aggregate. Revenues generate from the three theaters operated by the Company amounted to HK$71.7 million.

Cost of sales

Cost of sales from the three theaters operated the Company amounted to HK$46.7 million.

Gross profit

Gross profit from the theme theaters during the Reporting Period was HK$25.0 million, representing a gross margin of 34.8%.The Company expects the theater operating business continues to generate high gross margin.

Gain on disposal on trading of listed securities amounted to HK$7.7 million during the Reported Period.

Loss for the Reporting Period from continuing operations

Loss for the period from continued operations during the Reporting Period was HK$33.1 million. The Company generated a loss before taxation of HK$28.9 million for the Reporting Period principally as a result of professional fees of HK$13.2 million in aggregate for resumption of trading of the shares of the Company on the Hong Kong Stock Exchange and impairment provisions relating to investment of HK$25.0 million.

Profit for the Reporting period from discontinued operations

Profit from discontinued operations during the Reporting Period was HK$61.1 million profit. The profit of HK$61.1 million was largely as a result of the gain on deconsolidation of the total net liabilities of a subsidiary which was dissolved pursuant to creditors' voluntary liquidation. Please refer to page 66 and 67 of this report for additional information.

Profit for the Reporting Period

Profit for the Reporting Period attributable to shareholders of the Company was HK$24.0 million, as a result of the profit from discontinued operations of HK$61.1 million. Total comprehensive income attributable to shareholders of the Company was HK$24.7 million.

Financial resources and Liquidity

The Group's net assets as at 31 December 2009 amounted to HK$199.5 million, representing an increase of HK$283.7 million from the Group's net liabilities of HK$84.2 million as at 31 March 2009. This was due to the increases in outstanding share capital and reserves of HK$289.6 million in aggregate though the Open Offer, the acquisition of Colour Asia and the placing of new shares during the Reporting Period. The current liabilities of the Group were reduced by HK$37.6 million as a result of the deconsolidation of the net liabilities of a subsidiary which was dissolved pursuant to creditors' voluntary liquidation as referred to above. As at 31 December 2009, the Group did not have any bank borrowings or long term debts nor did it hold any financial derivatives and long term debts.

As a result of the increases in outstanding share capital and reserves of the Company which raised an aggregate of HK$162.4 million in cash, the Group had a substantial cash reserve of HK$76.2 million and held for trading investments of HK$73.3 million as at 31 December 2009. The Company has sufficient cash reserves to finance its operations and capital expenditures in the coming year.

FOREIGN EXCHANGE RISKS

The Company reports its financial statements in Hong Kong dollars ("HK$"). All of the theater operation business revenues and operating costs were denominated in Renminbi ("RMB"). The expansion of the theater operation business will be principally in China. The Company will therefore be exposed to exchange loss if HK$ strengthens against the RMB. As at 31 December 2009, the Group had exchange reserve of HK$85,000. The Directors believe that at least in the near future the HK$ is unlikely to strengthen against the RMB. If the RMB strengthens against the HK$, the Company is expected to make exchange gain from its RMB based investments in China.

EMPLOYEES

There are total 283 full-time staff as at 31 December 2009 (including directors but excluding part-time staff). The Company offers remuneration and benefit packages to its employees according to the prevailing salary levels in the market, individual merits and performance.

Employees, including executive Directors, are eligible under the Company's share option scheme in which the share options are generally exercisable in stages within a period of 10 years.

Biographical Information of Directors

EXECUTIVE DIRECTORS

Mr. QIN Hong, aged 38, was appointed executive director of the Company on 25 November 2009 and Chairman of the Company on 26 March 2010. Mr. QIN graduated from 北京城市學院 Beijing City University with a Bachelor degree in Energy Applications and has over seven years of experiences in the telecommunication industry in the People's Republic of China. He is currently Chairman of Stellar Megamedia Group Ltd. (星美傳媒集團有限公司) and Stellar Mega Films Co., Ltd. (星美 (北京) 影業有限公司). He has been engaged in the communications, television and broadcast systems integration, market operation and media investment businesses for many years, and has substantial experiences in the operation and management of telecommunication enterprises and in the investment and management of cultural media enterprises.

Ms. XIAO Ping, aged 46, was appointed executive director and Chief Executive Officer of the Company on 25 November 2009. Ms. XIAO has a Master Degree in Business Administration from Fordham University, New York and a Bachelor Degree in Economics from Tianjin University of Finance and Economics. She has over 20 years of corporate and investment banking experiences with Chinese, US and European financial institutions, including JPMorgan Chase and Hongkong and Shanghai Banking Corporation. Ms. XIAO has not held any directorship in other public listed companies in the past three years.

Mr. HU Yidong, aged 46, was appointed executive director of the Company on 7 May 2009. Mr. HU graduated from Tsinghua University with a Master degree in Executive Master of Business Administration. He is experienced in corporate management and information management system and has over seven years of experience in the management of cinema business in China. Mr. HU is currently the Chief Executive Officer of Stellar Megamedia Group Limited (星美傳媒集團有限公司). He was a Vice President of Stellar Megaunion Corporation, a company listed on the Shenzhen Stock Exchange, and an executive director of See Corporation Limited (stock code: 491), a company listed on the main board of the Hong Kong Stock Exchange.

Mr. LI Kai, aged 48, was appointed executive director of the Company on 26 March 2010. He was with the Company briefly between September 2004 and May 2009. He resigned as Deputy Chairman and executive director the Company on 29 May 2009. Mr. LI graduated from the post-graduate School of the China Academy of Social Sciences. Mr. LI has over 15 years of experience in corporate management both in China and the United States.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. HE Pei Gang, aged 63, was appointed independent non-executive director of the Company on 8 December 2009. Mr. HE is a certified public accountant with the title of senior accountant in China. He is a council member of a number of institutions such as Association of Beijing Internal Audit, Beijing Institute of Certified Public Accountants, Beijing Keji Jinrong Cujinhui, Beijing Zhongguancun Enterprises Credit Promotion Association. Mr. HE is also a perennial finance expert for Innovation Fund of the Ministry of Science and Technology, Beijing Municipal Development and Reform Commission, Audit Bureau of the Beijing Economic and Technological Development Zone and Beijing Civil Affairs Bureau. He is currently the chief accountant and chief partner of Beijing CRC United Certified Public Accountants General Partner. He attended the training for independent directorship organised by the Securities Association of China in 2003.

Mr. PANG Hong, aged 56, was appointed independent non-executive director of the Company on 28 September 2004. Mr. PANG had worked for various enterprises and government departments in China for about 20 years. He has substantial knowledge of the investment environment in China and has extensive experience in the management of Chinese companies. After studying in the United States for 3 years, he came to Hong Kong to further his career development. Mr. PANG was a former executive director of Pacmos Technologies Holdings Limited (Stock Code: 1010), a company listed on the main board of the Hong Kong Stock Exchange. He is currently engaged in providing private management consultancy services and has been appointed independent non-executive director of Ruyan Group (Holdings) Limited (Stock Code: 329), whose shares are listed on the main board of the Hong Kong Stock Exchange.

Mr. CHAN Sek Nin, Jackey, aged 53, was appointed an independent non-executive director of the Company on 14 July 2009. Mr. CHAN has over 17 years of solid experience in sales and marketing in connection with the media industry by holding senior positions in Television Broadcasts Limited as well as an extensive experience in property development, project management and strategic alliance management. He was appointed independent non-executive director of Wonson International Holdings Limited (stock code: 651) during the period from 12 April 2007 to 29 May 2008 and China Strategic Holdings Limited (stock code: 235) during the period from 6 June 2007 to 2 October 2007, both companies are listed on the main board of the Hong Kong Stock Exchange. Mr. CHAN is currently a non-executive director of PSC Corporation Limited, a company listed on the Singapore Exchange Securities Trading Limited, and the Chief Operating Officer of Hanny Holdings Limited (stock code: 275), a company listed on the main board of the Hong Kong Stock Exchange.

Directors' Report

The Directors present their annual report and the audited financial statements of the Company for the period ended 31 December 2009 (the "Reporting Period").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its principal subsidiaries are engaged in entertainment businesses relating to the production, distribution and licensing of entertainment related content for movies, television drama series, documentary and information or entertainment programs, and movie theater business. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

Details of the Company's principal subsidiaries, jointly controlled entities and associates at 31 December 2009 are set out in notes 45, 22 and note 21 to the consolidated financial statements on pages 94, 75 to 76 and 74 to 75 respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the Reporting Period are set out in the consolidated statement of comprehensive income on page 28.

No dividend was paid during the Reporting Period. The Directors do not recommend the payment of a final dividend in respect of the Reporting Period.

SHARE CAPITAL AND RESERVES

As at 31 December 2009, the total number of shares issued by the Company was 2,518,775,028 Shares.

Movements in the Company's authorized and issued share capital are set out in note 35 to the consolidated financial statements on page 84. Movements in the reserves of the Group are set out in the consolidated statement of changes in equity on page 31 and those of the Company are set out in note 45 (c) to the consolidated financial statements on page 96.

Changes in authorized and issued share capital of the Company during the Reporting Period are also outlined below:

(i) Shareholders of the Company approved an ordinary resolution at the special general meeting on 3 July 2009 to increase the authorized share capital of the Company from HK$100,000,000 to HK$500,000,000 by the creation of an additional 4,000,000,000 unissued ordinary shares of HK$0.10 each;

(ii) Pursuant to the Open Offer in which was completed on 23 July 2009, the Company issued 942,206,271 new shares, raising approximately HK$94.2 million. The outstanding share capital of the Company was enlarged to 1,256,275,028 shares;

(iii) In July 2009, the Company issued 843.5 million shares as consideration shares for the acquisition of Colour Asia as described in the section headed "Acquisition and Connected Transaction above. The outstanding share capital of the Company was further increased to 2,099,775,028 shares;

(iv) In October 2009, the Company issued 269 million new shares at a price of HK$0.265 per share, raising HK$69.6 million pursuant to a placing to independent investors and also issued convertible notes of HK$39.75 million with an conversion price of HK$0.265 per share to independent investors. After the placing of the 269 million new shares, the outstanding share capital of the company was increased to 2,368,775,028 shares; and

(v) In December 2009, holders of convertible notes referred to above converted their convertible notes into 150 million new shares in aggregate enlarging the outstanding share capital of the Company to 2,518,775,028 shares.

PROPERTY, PLANT AND EQUIPMENT

Details of the Group's property, plant and equipment as at 31 December 2009 are set out in note 20 to the consolidated financial statements on page 73.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Mr. QIN Hong	*(appointed executive director on 25 November 2009 and Chairman on 26 March 2010)*
Ms. XIAO Ping	*(appointed executive director and Chief Executive Officer on 25 November 2009)*
Mr. HU Yidong	*(appointed executive director on 7 May 2009)*
Mr. LI Kai	*(resigned as executive director and Deputy Chairman on 29 May 2009, appointed executive director on 26 March 2010)*
Mr. WONG Kui Shing	*(appointed executive director on 5 August 2009 and Chairman on 25 November 2009, redesignation as non-executive director on 1 January 2010, resigned as Chairman and non-executive director on 26 March 2010)*
Mr. CHEUK Kwong Hau, Thomas	*(appointed executive director on 19 May 2009, resigned as executive director on 24 November 2009)*
Mr. LIU Xianbo	*(resigned as executive director on 2 July 2009)*
Ms. Horfuangfung Wei HO	*(resigned as executive director on 7 May 2009)*
Mr. HAO Bin	*(resigned as executive director on 19 May 2009)*

Independent non-executive directors:

Mr. HE Peigang	*(appointed independent non-executive director on 8 December 2009)*
Mr. PANG Hong	
Mr. CHAN Sek Nin, Jackey	*(appointed independent non-executive director on 14 July 2009)*
Mr. HUNG Hing Man	*(appointed independent non-executive director on 14 July 2009 and resigned on 08 December 2009)*
Mr. LAM Tak Shing, Harry	*(resigned as independent non-executive director on 29 May 2009)*
Mr. QIAO Zhen Pu	*(resigned as independent non-executive director on 29 May 2009)*

In accordance with bye-laws 86(2), 87(1) and 87(2) of the Company's bye-laws, Messrs. LI Kai, HU Yidong and PANG Hong will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Each of the Directors has entered into a service contract with the Company for a term of three years. The service contract can be terminated by either party by giving three months' notice to the other party.

All annual remuneration packages were determined on arm's length negotiations between the parties based on their respective contributions to and responsibilities in the Company.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory compensation.

DIRECTORS AND CHIEF EXECUTIVE OFFICER'S INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED COMPANIES

As at 31 December 2009, none of the Directors and the Chief Executive Officer of the Company had any shareholding interest and short positions in the shares and underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

SHARE OPTION SCHEME

The Company adopted a new share option scheme on 30 September 2009 (the "New Scheme"). The purpose of the share option scheme is to enable the Board, at its discretion, to grant options to eligible participants, including the directors of the Company, as incentives or rewards for their contributions to the Group, details of the New Scheme were disclosed in the Company's circular dated 9 September 2009 and set out in note 39 to the consolidated financial statements. No option has been granted by the Company under the New Scheme since its adoption.

All the options that were granted under the previous share option scheme of the Company have been surrendered or lapsed. The previous share option scheme was terminated by the shareholders of the Company at the special general meeting of the Company on 30 September 2009. The Company has no options outstanding and subsisting.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2009, the following persons had interests in the shares of the Company as recorded in the register kept by the Company under section 336 of the SFO:

Substantial Shareholders	Registered shareholders	Corporate Interest	Long position	Short position	% of total issued shares
Mr. QIN Hui	843,500,000	652,959,924 (Note)	1,496,459,924	—	59.41%
Strategic Media International Ltd ("SMIL")	652,959,924	—	652,959,924	—	25.92%

Note: Mr. QIN Hui owns the entire interest in SMIL and was accordingly deemed to be interested in the latter's interest in the shares in the Company.

Save as disclosed above, to the knowledge of the Directors and Chief Executives Officer of the Company, as at 31 December 2009, no person has registered to hold interests or short positions of our Shares or underlying Shares which would fall to be recorded in the register under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, subsisted at the end of the Reporting Period or at any time during the Reporting Period.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the Reporting Period was as follows:

	Percentage of the Group's total Sales	Purchases
The largest customer	2%	
Five largest customers in aggregate	5%	
The largest supplier		45%
Five largest suppliers in aggregate		57%

None of the directors, their associates or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the Reporting Period, other than those disclosed in note 35 to the consolidated financial statements, none of the Company or any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

PUBLIC FLOAT

As at 31 December 2009 and the latest practical date prior to the issue of this annual report, the Company has maintained the prescribed public float under the Listing Rules based on the information that is publicly available to the Company and within the knowledge of the Directors.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive right 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.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefit schemes are set out in note 18 to the consolidated financial statements on page 70.

CONTINGENT LIABILITIES

As at 31 December 2009, the Group's contingent liabilities relate to the legal action against a subsidiary of the Company and the legal action against an associate of the Company for HK$2.7 million in aggregate as referred to in note 43 on page 93.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the balance sheet date are set out in note 46 to the financial statements on page 96-97.

FIVE YEAR SUMMARY

A summary of the results and the assets and liabilities of the Group for the last four financial years and the Reporting Period is set out on page 98 of the annual report.

AUDITORS

Messrs. FTW & Partners CPA Limited, resigned as auditors of the Company on 3 March 2010. On 31 March 2010, SHINEWING (HK) CPA Limited ("SHINEWING") was appointed auditor of the Company. A resolution for the reappointment of SHINEWING as auditor of the Company will be proposed at the forthcoming annual general meeting.

Messers. Ting Ho Kwan & Chan and Messrs. Cheung & Siu were the joint auditors of the consolidated financial statements of the Company for the year ended 31 March 2006 and 31 March 2007. ANDA CPA Limited who was the auditor of the consolidated financial statements of the Company for the year ended 31 March 2008 and the year ended 31 March 2009.

By order of the Board
QIN Hong
Chairman

Hong Kong, 28 April 2010

Corporate Governance Report

OVERVIEW OF CORPORATE GOVERNANCE

The Company has established a corporate governance framework comprising principally the Bye-laws and internal control handbook of the Company to implement the Code of Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the period ended 31 December 2009 (the "Reporting Period"), the Company was in compliance with the provisions of the CG Code except that of the 41 meetings of the board of directors of the Company (the "Board") held during the Reporting Period, a majority of the Directors attended only one of the 41 Board meetings. Provision A.1.1 of CG Code stipulated that the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals and such regular Board meetings should normally involve the active participation, either in person or through other electronic means of communication, of a majority of Directors of the Company entitled to be present. The Company will endeavor to ensure a majority of its Directors attend the Board meetings. The Directors are of the view that there is efficient communication by the Company and among them to keep abreast of the development of the affairs of the Company.

Save as those mentioned above, in the opinion of the Directors, the Company complied with the Provisions of the CG Code during the Reporting Period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules regarding securities transactions by Directors. Upon specific enquiries by the Company, all Directors confirmed that they have fully complied with the Model Code.

SHAREHOLDING INTERESTS OF DIRECTORS

As at 31 December 2009, none of the Directors had any interests or short positions in the shares or underlying shares in the Company or as referred to under Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571 of the Laws of Hong Kong (pursuant to Section 352 of the SFO, these interests and short positions are required to be registered in the register maintained or notified by the Directors or Supervisors to the Company and the Hong Kong Stock Exchange under the Model Code).

THE BOARD

The Company is headed by the Board which is responsible for directing and supervising the Company's affairs.

As at the date of this report, the Board comprises four executive Directors and three independent non executive Directors. Biographies of all the Directors and the relationships (if any) among them are set out on pages 10 to 11 of this annual report.

The Company has received annual confirmations from all independent non executive Directors that, save as disclosed in the annual report, they did not have any business or financial interest with the Company or its subsidiaries and were independent as at 31 December 2009 in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the existing independent non executive Directors are independent.

Functions and responsibilities reserved to the Board and the functions and responsibilities delegated to management are as follows:

The Board shall be responsible for:

- Approval of corporate and business strategies of the Company
- Approval of the annual budgets and financial reports of the Group
- Monitoring the operating and financial performance of the Group
- Declaration of dividend to the shareholders of the Company
- Approval of Investment proposals of the Company
- Restructuring and spin off relating to the Group
- Overseeing the processes for evaluation of the adequacy of internal controls, risk management, financial reporting and compliance
- Corporate governance

The management shall be responsible for:

- Day to day operations of the Company and its subsidiaries as delegated by the Board to the management led by the Chief Executive Officer
- Formulation of corporate and business strategies to be approved by the Board
- Execution of corporate and business strategies approved by the Board
- Formulation of investment, acquisition, mergers or spin off proposals
- Execution of investment, acquisition, mergers or spin off proposals and approved by the Board

ATTENDANCE OF INDIVIDUAL DIRECTORS AT BOARD MEETINGS IN 2009

There were a total of 41 Board meetings held during the period ended 31 December 2009. The attendance of individual directors at the Board meetings held during the period is as follows:

Name of Director	Number of Attendance
Mr. QIN Hong (Note (a)	0/9
Ms. XIAO Ping (Note (a))	5/9
Mr. HU Yidong (Note (b))	28/40
Mr. LI Kai (Note (c))	0/8
Mr. PANG Hong	13/41
Mr. CHAN Sek Nin, Jackey (Note (d))	14/25
Mr. HE Peigang (Note (e))	2/5
Mr. WONG Kui Shing, Danny (Note (f))	14/19
Mr. CHEUK Kwong Hau, Thomas (Note (g)	27/29
Mr. HUNG Hing Man (Note (h))	12/20
Ms. Horfuangfung Wei HO (Note (i))	1/2
Mr. LIU Xianbo (Note (j))	2/14
Mr. HAO Bin (Note (k))	1/6
Mr. LAM Tak Shing, Harry (Note (l))	0/8
Mr. QIAO Zhen Pu (Note (l))	0/8

Note:

(a) Appointed executive director on 25 November 2009.

(b) Appointed executive director on 7 May 2009.

(c) Resigned as executive director and Deputy Chairman on 29 May 2009 and re-appointed executive director on 26 March 2010.

(d) Appointed independent non-executive director on 14 July 2009.

(e) Appointed independent non-executive director on 8 December 2009.

(f) Appointed executive director on 5 August 2009 and appointed Chairman on 25 November. Redesignated as non-executive director on 1 January 2010. And resigned as non-executive director and Chairman on 26 March 2010.

(g) Appointed executive director on 19 May 2009 and resigned on 24 November 2009.

(h) Appointed independent non-executive director on 14 July 2009 and resigned on 8 December 2009.

(i) Resigned as executive director on 7 May 2009.

(j) Resigned as executive director on 2 July 2009.

(k) Resigned as executive director on 19 May 2009.

(l) Resigned as independent non-executive director on 29 May 2009.

Board minutes are kept by the secretary of the Company (the "Secretary") and are open for inspection by the directors of the Company. Every director of the company is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Secretary, and has the liberty to seek external professional advice if so required.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. QIN Hong is the Chairman of the Board and Ms. XIAO Ping is the Chief Executive Officer. The Chairman shall be responsible for overseeing the operation of the Board, while the Chief Executive Officer shall oversee the business operations of the Company. The roles of the Chairman and Chief Executive Officer are set out in detail in the Bye-laws of the Company.

The Chairman and the Chief Executive Officer do not have any financial, business, family or other material relationship with each other save for working relationship.

REMUNERATION OF DIRECTORS

Since 14 July 2009, the Company has established a remuneration committee (the "Remuneration Committee") with written terms of reference. The Remuneration Committee currently comprises three independent non-executive directors, namely, Messrs. HE Peigang (as Chairman), PANG Hong and CHAN Sek Nin, Jackey.

The main functions of the Remuneration Committee are as follows:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

2. to be responsible for determining the specific remuneration packages of all executive Directors and management of the Company, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors of the Company;

3. to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

4. to review and approve the compensation payable to executive Directors and the management of the Company in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the issuer;

5. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and

6. to ensure that no Director or any of his associates is involved in deciding his own remuneration.

Attendance of Individual Members at Meetings of the Remuneration Committee in 2009

Name	Attendance
HE Peigang *(appointed on 8 December 2009)*	0/0
PANG Hong	1/1
CHAN Sek Nin, Jackey	1/1
HUNG Hing Man *(resigned on 8 December 2009)*	1/1

The Company adopted a new share option scheme on 30 September 2009. The purpose of the share option scheme is to enable the Board, at its discretion, to grant options to eligible participants, including the Directors, as incentives or rewards for their contributions to the Group.

Details of the share option scheme are set out in the directors' report on page 14 of this annual report and note 39 to the financial statements.

NOMINATION OF DIRECTORS

Since 14 July 2009, the Company has established a nomination committee (the "Nomination Committee") with written terms of reference. The Nomination Committee currently comprises three independent non-executive directors, namely, Messrs. HE Peigang (as chairman), PANG Hong and CHAN Sek Nin, Jackey.

The main functions of the Nomination Committee are as follows:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;

2. identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nomination for directorships;

3. assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment; and

4. re-appointment of Directors and succession planning for Directors in particular the Chairman and the Chief Executive Officer.

In considering the nomination of new Directors, the Nomination Committee will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in the entertainment and leisure industry and/or other professional area.

REMUNERATION OF THE AUDITORS

The remuneration in respect of audit services provided by auditors of the Group for the period ended 31 December 2009 is HK$842,000. The Company also paid to FTW Partners total audit fees of HK$2,110,000 for various audit services prior to their resignation as auditor of the Company on 3 March 2010, In addition, Grant Thornton was paid a fee of HK$500,000 for an internal control review of the Company as required by the Hong Kong Stock Exchange as part of the conditions for the Company to resume trading of its shares on the Hong Kong Stock Exchange on 31 July 2009.

AUDIT COMMITTEE

Since 14 July 2009, the Company has established an audit committee (the "Audit Committee") with written terms of reference aligned with the Provisions of the the CG Code. The Audit Committee currently comprises three independent non-executive Directors, namely, Messrs. HE Peigang (as chairman), PANG Hong and CHAN Sek Nin, Jackey.

The main functions of the Audit Committee are as follows:

1. to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

2. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

3. to develop and implement policy on the engagement of an external auditor to supply non-audit services;

4. to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and to review significant financial reporting judgments contained in them;

5. to review the Company's financial controls, internal control and risk management systems;

6. to discuss with the Management the Company's system of internal control and ensure that the Management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the issuer's accounting and financial reporting function, and their training programmes and budget;

7. to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and the Management's response;

8. to review the group's financial and accounting policies and practices;

9. to review the external auditor's management letter, any material queries raised by the auditor to the Management in respect of the accounting records, financial accounts or systems of control and the Management's response; and

10. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter.

The Audit Committee has reviewed the audited financial results for the Reporting Period ended 31 December 2009 and internal control issues of the Company.

Attendance of Individual Members at Meetings of the Audit Committee in 2009

Name	Attendance
HE Peigang *(appointed on 8 December 2009)*	1/1
PANG Hong	2/3
CHAN Sek Nin, Jackey	3/3
HUNG Hing Man *(resigned on 8 December 2009)*	2/2

INTERNAL CONTROL

The Board has overall responsibility for the internal control and risk management systems of the Company and for reviewing the effectiveness of the internal control and risk management system through the Audit Committee during the year. The Company has in place internal control and risk management systems covering financial, operational, compliance and risk management and supervised by an internal audit manager. The internal control review report prepared by Grant Thornton referred to above reveals certain inadequacies in our internal control system. The Company has already taken steps to address these inadequacies. The Company is in the process of improving and enhancing its internal control and risk management systems.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledges its responsibility to prepare the Company's financial statements for each financial year which give a true and fair view of the state of affairs of the Company and that appropriate accounting policies have been selected and applied consistently.

The responsibilities of the auditors of the Company in preparing the financial statements are set out in the independent auditor's report on pages 24 to 27 of this annual report.

Independent Auditor's Report

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

TO THE MEMBERS OF SMI CORPORATION LIMITED
(星美國際集團有限公司)
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of SMI Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 97, which comprise the consolidated statement of financial position as at 31 December 2009, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period from 1 April 2009 to 31 December 2009, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated 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 the consolidated 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the limitation in the scope of our work as described in the basis for qualified opinion paragraphs, 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated 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 consolidated financial statements.

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

BASIS FOR QUALIFIED OPINION

(a) Opening balances and corresponding figures

The auditor's opinion on the consolidated financial statements of the Group for the year ended 31 March 2009, which form the basis for the corresponding figures presented in the current period's consolidated financial statements, was qualified by the preceding auditor because of the significance of the possible effect of the limitations on the scope of the audit. Details of the qualified audit opinion are set out in the independent auditor's report dated 24 July 2009 issued by the preceding auditor and included in the Company's annual report for the year ended 31 March 2009.

(b) Interests in associates, share of results of associates, impairment loss recognised on interests in associates and loss on disposal of an associate

In respect of the Group's interests in associates, Applause Holdings Limited ("Applause") and 星美影院發展有限公司 ("星美影院發展"), no sufficient evidence has been received by us up to the date of this report to verify whether the carrying value of zero as at 31 December 2009 in respect of these investments were fairly stated in the consolidated statement of financial position.

No sufficient evidence has been received by us up to the date of this report in respect of the Group's share of results of associates from Applause, 星美影院發展 and Polyco Development Limited ("Polyco") for the period from 1 April 2009 to 31 December 2009 as included in the share of results of associates of zero in the consolidated statement of comprehensive income.

Included in the consolidated statement of comprehensive income was an impairment loss on interests in associates of approximately HK$18,189,000. No sufficient evidence has been received by us up to the date of this report in respect of the appropriateness of these impairment losses recognised in the consolidated financial statements for the period from 1 April 2009 to 31 December 2009.

The Group has disposed of Polyco during the period from 1 April 2009 to 31 December 2009. Accordingly, a loss on disposal of an associate amounted to HK$3,612,000 was recognised under continuing operations for the period ended 31 December 2009. As a result of the limitation of audit scope described in paragraph (a) above, we were unable to obtain sufficient evidence to satisfy ourselves as to (i) the accuracy of the financial position as at 1 April 2009 and at the disposal date and of the results for the period then ended of the associate being disposed of; and (ii) whether the amount of loss on disposal of an associate had been accurately recorded in the consolidated statement of comprehensive income. Any adjustments to the figures would have a consequential effect on the classification and presentation of the results and cash flows of the Group for the period from 1 April 2009 to 31 December 2009 and the related disclosures thereof in the consolidated financial statements.

(c) **Interests in jointly controlled entities, share of results of jointly controlled entities and impairment loss recognised on interests in jointly controlled entities**

In respect of the Group's interests in jointly controlled entities of Canaria Holding Limited and its subsidiary, Earn Elite Development Limited (collectively referred to as the "Canaria Group"), no sufficient evidence has been received by us up to the date of this report to ascertain as to whether the opening balance of the carrying value of approximately HK$23,727,000 were fairly stated in the consolidated statement of financial position as at 31 March 2009.

No sufficient evidence has been received by us up to the date of this report in respect of the Group's share of results of jointly controlled entities from the Canaria Group of zero for the period from 1 April 2009 to 31 December 2009 as included in the share of results of jointly controlled entities of zero in the consolidated statement of comprehensive income.

Included in the consolidated statement of comprehensive income was an impairment loss on interests in jointly controlled entities in respect of the Canaria Group of approximately HK$6,727,000. As a result of the limitation of audit scope in respect of the opening balance of the Group's interests in jointly controlled entities and the Group's share of results for the period ended 31 December 2009 in respect of the Canaria Group as mentioned above, we were unable to ascertain the accuracy of the impairment loss recognised in the consolidated financial statements for the period from 1 April 2009 to 31 December 2009.

(d) **Trade and other payables**

No sufficient direct confirmation and other sufficient evidence have been received by us up to the date of this report in respect of the trade and other payables of approximately HK$13,045,000 as included in the trade and other payables of approximately HK$87,077,000 in the consolidated statement of financial position as at 31 December 2009. We were unable to carry out other alternative procedures to satisfy ourselves as to the existence, accuracy and completeness of this balance.

(e) **Gain on deconsolidation/disposal of subsidiaries**

As detailed in note 37 and note 38 to the consolidated financial statements, the Group had deconsolidated/disposed of certain subsidiaries during the period from 1 April 2009 to 31 December 2009. Accordingly, gain on deconsolidation/disposal of subsidiaries amounted to HK$10,635,000 and HK$61,132,000 was recognised respectively under continuing and discontinued operations for the period ended 31 December 2009. As a result of the limitation of audit scope described in paragraph (a) above, we were unable to obtain sufficient evidence to satisfy ourselves as to (i) the accuracy of the financial position as at 1 April 2009 and at the respective deconsolidation/disposal date and of the results for the period then ended of the subsidiaries being deconsolidated/disposed of; and (ii) whether the amount of gain on deconsolidation/disposal of subsidiaries had been accurately recorded in the consolidated statement of comprehensive income. Any adjustments to the figures would have a consequential effect on the classification and presentation of the results and cash flows of the Group for the period from 1 April 2009 to 31 December 2009 and the related disclosures thereof in the consolidated financial statements.

Any adjustments to the figures as described in points (a) to (e) above might have a consequential effect on the consolidated financial position of the Group as at 31 March 2009 and 31 December 2009 and on the Group's result for the year ended 31 March 2009 and for the period from 1 April 2009 to 31 December 2009 and the related disclosures thereof in the consolidated financial statements.

Qualified opinion arising from limitation of audit scope

In our opinion, except for any adjustments to the figures as described in points (a) to (e) above might have been determined to be necessary had we been able to obtain sufficient evidence, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 and of the Group's results and cash flows for the period from 1 April 2009 to 31 December 2009 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.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lo Wa Kei

Practising Certificate Number: P03427

Hong Kong
28 April 2010

Consolidated Statement of Comprehensive Income

For the period from 1 April 2009 to 31 December 2009

	Notes	1.4.2009- 31.12.2009 HK$'000	1.4.2008- 31.3.2009 HK$'000
Continuing operations			
Turnover	(8)	**326,671**	—
Revenue	(8)	**71,715**	—
Cost of sales		**(46,749)**	—
Gross profit		**24,966**	—
Other income	(10)	**900**	6,973
Gain on disposal of held-for-trading investments		**7,743**	—
Gain on deconsolidation of subsidiaries	(37)	**10,326**	—
Gain on disposal of a subsidiary	(38)	**309**	—
Increase in fair value of convertible notes designated at financial assets at fair value through profit or loss		**1,258**	—
Decrease in fair value of held-for-trading investments		**(1,735)**	—
Loss on disposal of interest in an associate		**(3,612)**	—
Impairment loss on interests in associates		**(18,189)**	—
Impairment loss on interests in jointly controlled entities		**(6,727)**	(2,958)
Selling expenses		**(7,365)**	—
Administrative expenses		**(21,348)**	(10,753)
Other expenses	(11)	**(13,591)**	—
Finance costs	(12)	**(1,878)**	(3,427)
Share of results of associates		**—**	410
Loss before taxation		**(28,943)**	(9,755)
Income tax expense	(13)	**(4,196)**	—
Loss for the period/year from continuing operations	(15)	**(33,139)**	(9,755)
Discontinued operation			
Profit (loss) for the period/year from discontinued operation	(16)	**—**	(18,476)
Gain on deconsolidation of a subsidiary	(37)	**61,132**	—
Profit (loss) for the period/year		**27,993**	(28,231)

	Notes	1.4.2009- 31.12.2009 HK$'000	1.4.2008- 31.3.2009 HK$'000
Other comprehensive income (expense)			
Exchange differences on translating foreign operations		85	(725)
Release of exchange differences upon deconsolidation of a subsidiary		597	-
Other comprehensive income (expense) for the period/year		682	(725)
Total comprehensive income (expense) for the period/year		28,675	(28,956)
Profit (Loss) for the period/year attributable to:			
— Owners of the Company		24,002	(28,231)
— Minority interests		3,991	—
		27,993	(28,231)
Total comprehensive income (expense) attributable to:			
— Owners of the Company		24,656	(28,956)
— Minority interests		4,019	—
		28,675	(28,956)
Earnings (loss) per share from continuing and discontinued operation	(19)		
Basic and diluted (HK cents per share)		1.61	(8.99)
Diluted (HK cents per share)		1.60	(8.99)
Loss per share from continuing operations	(19)		
Basic and diluted (HK cents per share)		(2.49)	(3.11)
Diluted (HK cents per share)		(2.49)	(3.11)

Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	31.12.2009 HK$'000	31.3.2009 HK$'000
Non-current assets			
Property, plant and equipment	(20)	**36,599**	—
Interests in associates	(21)	**—**	28,532
Interests in jointly controlled entities	(22)	**17,000**	23,727
Deposit paid for acquisition of property, plant and equipment		**5,533**	—
Goodwill	(23)	**21,343**	—
		80,475	52,259
Current assets			
Inventories	(24)	**518**	1,000
Trade and other receivables	(25)	**51,485**	16
Film under production	(26)	**7,000**	—
Held-for-trading investments	(27)	**73,257**	—
Convertible notes designated at financial assets at fair value through profit or loss	(28)	**19,258**	—
Bank balances and cash	(29)	**76,229**	8,842
		227,747	9,858
Current liabilities			
Bank and other borrowings	(30)	**—**	34,734
Trade and other payables	(31)	**87,077**	92,088
Amounts due to related parties	(32)	**14,928**	17,477
Tax payable		**6,674**	1,988
		108,679	146,287
Net current assets (liabilities)		**119,068**	(136,429)
Total assets less current liabilities		**199,543**	(84,170)
Capital and reserves			
Share capital	(35)	**251,878**	31,407
Reserves		**(62,199)**	(115,577)
Equity attributable to owners of the Company		**189,679**	(84,170)
Minority interests		**9,864**	—
Total equity		**199,543**	(84,170)

The consolidated financial statements on pages 28 to 97 were approved and authorised for issue by the board of directors on 28 April 2010 and are signed on its behalf by:

QIN Hong	**XIAO Ping**
Director	*Director*

Consolidated Statement of Changes in Equity

For the period from 1 April 2009 to 31 December 2009

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Other reserve (Note (a)) HK$'000	Contributed surplus (Note (b)) HK$'000	Translation reserve HK$'000	Convertible notes reserve HK$'000	Statutory reserve (Note (c)) HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 31 March 2008 and 1 April 2008	31,407	44,150	–	31,172	310	–	–	(162,253)	(55,214)	–	(55,214)
Loss for the year	–	–	–	–	–	–	–	(28,231)	(28,231)	–	(28,231)
Other comprehensive expense for the year	–	–	–	–	(725)	–	–	–	(725)	–	(725)
Total comprehensive expense for the year	–	–	–	–	(725)	–	–	(28,231)	(28,956)	–	(28,956)
At 31 March 2009 and 1 April 2009	31,407	44,150	–	31,172	(415)	–	–	(190,484)	(84,170)	–	(84,170)
Profit for the period	–	–	–	–	–	–	–	24,002	24,002	3,991	27,993
Other comprehensive income for the period	–	–	–	–	654	–	–	–	654	28	682
Total comprehensive income for the period	–	–	–	–	654	–	–	24,002	24,656	4,019	28,675
Transfer	–	–	–	–	–	–	1,665	(1,665)	–	–	–
Acquisition of subsidiaries (notes 36(a) & 36(b))	–	–	–	–	–	–	–	–	–	16,832	16,832
Dividend paid to minority shareholders	–	–	–	–	–	–	–	–	–	(10,987)	(10,987)
Shares issued (note 35)	121,121	44,385	–	–	–	–	–	–	165,506	–	165,506
Shares issued for acquisition of subsidiaries (note 35)	84,350	–	(36,615)	–	–	–	–	–	47,735	–	47,735
Transaction cost attributable to issue of shares	–	(3,085)	–	–	–	–	–	–	(3,085)	–	(3,085)
Recognition of equity component of convertible notes (note 33)	–	–	–	–	–	4,239	–	–	4,239	–	4,239
Conversion of convertible notes (notes 33 & 35)	15,000	24,037	–	–	–	(4,239)	–	–	34,798	–	34,798
At 31 December 2009	251,878	109,487	(36,615)	31,172	239	–	1,665	(168,147)	189,679	9,864	199,543

Notes:

(a) Other reserve represented the difference between the fair value of the 843,500,000 ordinary shares issued for the acquisition of the entire equity interest in Colour Asia Pacific Limited ("Colour Asia") and the issued and fully paid up amount of such ordinary shares.

(b) The contributed surplus of the Group represented the balance of credit arising from the reduction of share capital and the cancellation of share premium in relation to the capital reorganisation in 1996 less the amount transferred to accumulated losses in relation to another capital reorganisation in the years ended 3 March 2003 and 2005 and the amount released from disposal of certain associates and distribution of dividend in prior years.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if: (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

(c) As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "PRC"), the Company's PRC subsidiaries are required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial statements of the PRC subsidiaries while the amounts and allocation basis are decided by their board of directors annually. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

Consolidated Statement of Cash Flows

For the period from 1 April 2009 to 31 December 2009

	1.4.2009- 31.12.2009 HK$'000	1.4.2008- 31.3.2009 HK$'000
Operating activities		
Loss before taxation from continuing operations	(28,943)	(9,755)
Profit (loss) before taxation from discontinued operation	61,132	(18,476)
	32,189	(28,231)
Adjustments for:		
Bank interest income	(1)	—
Finance costs	1,878	3,741
Depreciation of property, plant and equipment	1,443	—
Write-back of trade and other payables	—	(6,811)
Share of results of associates	—	(410)
Decrease in fair value of held-for-trading investments	1,735	—
Increase in fair value of convertible notes designated at financial assets at fair value through profit or loss	(1,258)	—
Dividend income from held-for-trading investments	(314)	—
Loss on disposal of interest in an associate	3,612	—
Gain on deconsolidation/disposal of subsidiaries	(71,767)	—
Impairment loss on property, plant and equipment	259	—
Impairment loss on inventories	1,000	2,486
Impairment loss on interests in associates	18,189	—
Impairment loss on interests in jointly controlled entities	6,727	2,958
Impairment loss on trade receivables	—	1,627
Impairment loss on other receivables	49	—
Operating cash flows before working capital changes	(6,259)	(24,640)
Increase in inventories	(143)	(261)
Decrease in trade and other receivables	1,447	262
Additional cost incurred in film under production	(7,000)	—
Dividend income from held-for-trading investments	314	—
Increase in held-for-trading investments	(74,992)	—
Increase in trade and other payables	25,703	15,837
Cash used in operations	(60,930)	(8,802)
Tax paid	(1,891)	—
Net cash used in operating activities	(62,821)	(8,802)

	1.4.2009- 31.12.2009 HK$'000	1.4.2008- 31.3.2009 HK$'000
Investing activities		
Purchase of convertible notes designated at financial assets at fair value through profit or loss	(18,000)	—
Deposits paid for acquisition of property, plant and equipment	(5,533)	—
Net cash outflow from acquisition of subsidiaries, net of acquisition cost (note 36)	(3,919)	—
Purchase of property, plant and equipment	(2,268)	—
Net cash outflow from deconsolidation/disposal of subsidiaries (note 37 & 38)	(1,205)	—
Proceeds from disposal of an associate	6,731	—
Interest received	1	—
Net cash used in investing activities	(24,193)	—
Financing activities		
Proceeds from issue of shares, net of issuing costs	162,421	—
Proceeds from issue of convertible notes, net of issuing costs	38,955	—
Repayment of bank and other borrowings	(31,652)	(11,000)
Dividend paid to minority shareholders	(10,987)	—
(Repayment to)/advance from related parties	(2,550)	6,263
Interest paid	(1,796)	(2,787)
New bank and other borrowings raised	—	14,450
Net cash generated from financing activities	154,391	6,926
Net increase (decrease) in cash and cash equivalents	67,377	(1,876)
Effect of foreign exchange rate changes	10	(725)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR	8,842	11,443
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR, REPRESENTED BY BANK BALANCES AND CASH	76,229	8,842

1. GENERAL

SMI Corporation Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act of Bermuda. Its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business is at Suite 6701-2&13, The Center, 99 Queen's Road Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and have been suspended for trading on the Stock Exchange since 28 April 2005. Following completion of the Company's resumption proposal on 30 July 2009, trading of the Company's shares on the Stock Exchange was resumed on 31 July 2009.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). Other than those subsidiaries established in the PRC whose functional currency is Renminbi ("RMB"), the functional currency of the Company and its subsidiaries is HK$.

As the Company is listed in Hong Kong, the directors of the Company consider that it is appropriate to present the consolidated financial statements in HK$.

At 31 December 2009, the directors of the Company consider the ultimate controlling party of the Company to be Strategic Media International Limited ("SMIL"), which is incorporated in the British Virgin Islands ("BVI") with limited liability.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 45.

2. BASIS OF PREPARATION

Change of reporting period end date

During the current financial period, the reporting period end date of the Company and its subsidiaries (collectively referred to as the "Group") was changed from 31 March to 31 December because the directors of the Company determined to bring the annual reporting period end date of the Group in line with its major subsidiaries which are established in the PRC. Accordingly, the consolidated financial statements for the current period cover the nine month period ended 31 December 2009. The corresponding comparative amounts shown for the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a twelve month period from 1 April 2008 to 31 March 2009 and therefore may not be comparable with amounts shown for the current period.

2. BASIS OF PREPARATION (Continued)

Withdrawal of winding-up petition and discharge of provisional liquidators

On 18 February 2008 and 19 February 2008, a winding-up petition (the "Petition") and the application for the appointment of the provisional liquidators were presented and filed respectively by Bank of China (Hong Kong) Limited ("BOCHK"), a creditor of the Company. On 20 February 2008, Messrs. Liu Yiu Keung Stephen, Chan Wai Hing and Ernst & Young Transactions Limited, were appointed by the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the "HK High Court") as the joint and several provisional liquidators (the "Provisional Liquidators"). The HK High Court, subsequently on 9 December 2008, ordered that Ms. Chan Wai Hing, one of the Provisional Liquidators of the Company, be at liberty to resign from the office of Provisional Liquidators from the date thereof and Mr. Liu Yiu Keung Stephen remains as the sole provisional liquidator of the Company. By the HK High Court order, the Provisional Liquidators will, inter alia, take into their custody and protect all the assets of the Group and manage the Group until such time as further order is made. The Provisional Liquidators are independent third parties not connected with the Company or any of the directors, chief executive and substantial shareholders of the Company or its subsidiaries or their respective associates as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

On 15 July 2009, the HK High Court granted the withdrawal of the Petition and the discharge of the Provisional Liquidators subject to the affirmation by the Provisional Liquidators to the HK High Court confirming that the restructuring of the Company (the "Restructuring") has been completed. On 30 July 2009, the Provisional Liquidators submitted such affirmation to the HK High Court confirming the same.

Resumption proposal

On 7 March 2008, the Provisional Liquidators, the Company, Cenith Capital Limited ("Cenith"), P.C. Woo & Co. (the "Escrow Agent") and Strategic Media International Limited (the "Controlling Shareholder") (collectively as the "Parties") entered into an escrow agreement. The Parties agreed that Cenith to deposit to the Escrow Agent a maximum of HK$15 million for the expenses to be incurred by the Provisional Liquidators during the implementation of the resumption proposal (the "Deposit for Resumption Proposal"). It was also agreed that a sum of HK$5 million would be deposited in the Escrow Agent's account as escrow money to the creditors (the "Escrow Money to Creditors"), in the event that the proposed restructuring could not proceed further due to the action done or not done by the Controlling Shareholder.

A supplemental agreement dated 13 March 2008 was executed by the Parties to extend the date to deposit HK$3 million of the Escrow Money to Creditors to the Escrow Agent.

During the year ended 31 March 2009, the Escrow Agent had received the Deposit for Resumption Proposal and the Escrow Money to Creditors of HK$9 million and HK$5 million respectively according to the above agreements.

On 11 March 2008, a Memorandum of Understanding ("MOU") was signed between the Provisional Liquidators, the Company and the Controlling Shareholder. The purpose of the MOU is to record the agreement and arrangements of the parties regarding the proposed restructuring of the Company for the purpose of resuming the trading of the Company's shares on the Stock Exchange.

2. BASIS OF PREPARATION (Continued)

Resumption proposal (Continued)

On 28 March 2008, the Company, the Provisional Liquidators, the Controlling Shareholder and Mr. Qin Hui entered into a formal agreement ("the Formal Agreement") in relation to the proposed restructuring of the Company to supersede the MOU.

Three supplemental agreements to the Formal Agreement were entered into subsequently on 30 September 2008, 31 March 2009 and 11 May 2009, respectively.

On 11 March 2008, a resumption proposal and subsequently on 9 May 2008, 7 August 2008 and 2 February 2009 respectively, one set of supplementary information for the resumption proposal and two sets of supplements to the resumption proposal (collectively the "Resumption Proposal") were submitted to the Stock Exchange requesting the resumption of trading of the Company's shares.

On 6 February 2009, the Stock Exchange issued a letter to the Company informing its decision to allow the Company to proceed with the Resumption Proposal, subject to prior compliance with various conditions to the satisfaction of the Listing Division of the Stock Exchange within six months from the date of the letter.

On 15 May 2009, the Company made an announcement of the Restructuring involving, inter alia, (i) an increase in authorised share capital from HK$100,000,000 to HK$500,000,000 by the creation of an additional 4,000,000,000 unissued ordinary shares of HK$0.10 each; (ii) a group reorganisation in which the Company would wind up some subsidiaries (the "CVL Subsidiaries") by way of creditors' voluntary liquidations; (iii) an acquisition (the "Acquisition") of Colour Asia Pacific Limited ("Colour Asia") as a very substantial acquisition and connected transaction; and (iv) a proposed open offer (the "Open Offer") of 942,206,271 offer shares at HK$0.10 each to the qualifying shareholders on the basis of three shares for every one share held on the record date.

Following the announcement regarding the Restructuring of the Company on 15 May 2009, the Company, the Controlling Shareholder and Emperor Securities Limited (the "Underwriter") entered into an underwriting agreement on 22 May 2009 in which the Underwriter agreed to undertake the issue of 452,486,328 offer shares under the Open Offer (which formed part of the Restructuring of the Company). Pursuant to the Formal Agreement, the Controlling Shareholder undertook that it would take up or procure the taking up of all its entitlements under the Open Offer being not less than 489,719,943 offer shares. On 3 June 2009, the Company despatched the circular in relation to the Restructuring to the shareholders.

On 16 June 2009, Cenith and the Controlling Shareholder entered into a deed of assignment (the "Deed") in which Cenith agreed to assign absolutely to the Controlling Shareholder all its interest, title, benefit and advantage in the escrow agreement dated 7 March 2008, the supplemental agreement to the escrow agreement dated 13 March 2008 and the funding deed dated 9 December 2008.

On 3 July 2009, the Company held a special general meeting (the "SGM") and all the resolutions in relation to the Restructuring proposed at the SGM were duly passed by the shareholders attending and eligible to vote by way of poll at the SGM. On 6 July 2009, the Company despatched the prospectus in relation to the Open Offer to the shareholders.

2. BASIS OF PREPARATION (Continued)

Resumption proposal (Continued)

On 23 July 2009, the Company completed the Open Offer and raised approximately HK$94,221,000, before expenses, by issuing 942,206,000 ordinary shares of HK$0.10 per share by way of an open offer on the basis of three offer shares for every one existing share held on the record date, payable in full upon acceptance.

On 30 July 2009, the Group acquired the entire equity interest in Colour Asia by the allotment and issuance of a total of 843,500,000 of new shares at an issue price of HK$0.10 per share.

The Group has completed its Resumption Proposal on 30 July 2009. The Company has submitted its application to the Stock Exchange for approval to resume of trading in the shares on the Stock Exchange on 31 July 2009.

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

In the current period, the Group has applied the following new and revised standards, amendments to standards and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Hong Kong Accounting Standards ("HKAS") 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating segments
HK (IFRIC)-Interpretations ("Int") 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK (IFRIC)-Int 13	Customer Loyalty Programmes
HK (IFRIC)-Int 15	Agreements for the Construction of Real Estates
HK (IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operations
HK (IFRIC)-Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) "Presentation of Financial Statements"

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the consolidated financial statements.

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

New and revised HKFRSs affecting presentation and disclosure only (Continued)

HKFRS 8 "Operating segments"

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK (IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK (IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

[1] Effective for annual periods beginning on or after 1 July 2009.
[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.
[3] Effective for annual periods beginning on or after 1 January 2010.
[4] Effective for annual periods beginning on or after 1 February 2010.
[5] Effective for annual periods beginning on or after 1 July 2010.
[6] Effective for annual periods beginning on or after 1 January 2011.
[7] Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

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

New and revised HKFRSs affecting presentation and disclosure only (Continued)

***Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)* (Continued)**

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

Basis of consolidation

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Investment in a subsidiary

Investment in a subsidiary is stated at cost less any identified impairment loss on the Company's statement of financial position.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

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

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. 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 associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets 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, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Revenue recognition

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

Income from box office takings is recognised when the services have been rendered to the buyers.

Income from screen advertising is recognised when the services are provided.

Income from sales of food and beverage, posters and audio-visual products is recognised when the goods are delivered and title has passed.

Gain or losses on sale of trading securities are recognised on a trade date basis when the relevant transactions are executed.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from held-for-trading investments is recognised when the shareholders' rights to receive payment have been established.

Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Retirement benefits scheme contribution

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars or HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

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

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Film under production

Film under production includes production costs, costs of services, direct labour costs, facilities and raw materials consumed in the creation of a film. Upon completion, these films under production are reclassified as film products. Films under production are accounted for on a film-by-film basis and are stated at cost incurred to date, less any identified impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at FVTPL and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade dates basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets at fair value through profit or loss

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

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or

- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held-for-trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. Other income recognised in profit or loss includes any dividend or interest earned on the financial assets.

Convertible notes acquired by the Group (including related embedded derivatives) are designated at financial assets at FVTPL on initial recognition. Subsequent to initial recognition, the entire convertible notes are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment loss on financial assets

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

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

— significant financial difficulty of the issuer or counterparty; or

— default or delinquency in interest or principal payments; or

— it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables, assets that are not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Financial liabilities including trade and other payables, amounts due to related parties and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Convertible notes

Convertible notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity (convertible notes reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes reserve until the embedded option is exercised (in which case the balance stated in convertible notes reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes reserve will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to directors and employees of the Group

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

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

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

Share options granted to contracted celebrity, consultants, adviser and agent of the Group

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

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

Estimated impairment loss on trade and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2009, the carrying amount of trade and other receivable is approximately HK$51,485,000 (net of allowance for doubtful debts of HK$49,000) (31 March 2009: carrying amount of HK$16,000, net of allowance for doubtful debts of HK$1,627,000).

Fair value of convertible notes designated at financial assets at FVTPL

The fair value of the convertible notes involves assumptions on the issuer's credit spread, discount rate, expected credit rating and future cash flows. Should these assumptions change, there would be material changes to the valuation. As at 31 December 2009, the carrying amount of the convertible notes is HK$19,258,000 (31 March 2009: nil).

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Estimated impairment loss on inventories

The Group makes allowance for inventories based on assessment of the net realisable value of inventories. Allowance is applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories required the use of judgement and estimates on the conditions and usefulness of the inventories. During the period, the Group wrote down of inventories of approximately HK$1,000,000 (31 March 2009: HK$2,486,000).

Estimated impairment loss on goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2009, the carrying amount of goodwill is approximately HK$21,343,000 (net of accumulated impairment loss of nil). Details of the recoverable amount calculation are disclosed in note 23.

Estimated impairment loss on interests in associates and interests in jointly controlled entities

Determining whether interests in associates and interests in jointly controlled entities are impaired requires an estimation of the recoverable amount, representing the greater of the asset's fair value less cost to sell or its value in use. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generation unit and a suitable discount rate in order to calculate the present value where the actual future cash flow are less than expected, a material impairment loss may arise. As at 31 December 2009, the carrying amount of interests in associates is nil (net of accumulated impairment loss of approximately HK$18,189,000) and the carrying amount of interests in jointly controlled entities is approximately HK$17,000,000 (net of accumulated impairment loss of approximately HK$9,685,000).

Depreciation of property, plant and equipment

The Group's carrying values of property, plant and equipment as at 31 December 2009 were approximately HK$36,599,000 (31 March 2009: nil). The Group depreciates the property, plant and equipment on a straight-line basis over the estimated useful lives of 3 years to 10 years and after taking into account of their estimated residual values, using the straight-line method, at the rate of 10% to 33.33% per annum, commencing from the date in which the property, plant and equipment are available for use. The estimated useful lives that the Group places the property, plant and equipment into productive use reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

Estimated impairment loss on property, plant and equipment

The impairment loss for property, plant and equipment is recognised for the amounts by which the carrying amounts exceed its recoverable amount, in accordance with the Group's accounting policy. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The Group has assessed and reviewed annually for impairment loss whenever events or change in circumstances indicate that the carrying amount may not recoverable. Such estimations were based on certain assumptions, which are subject to uncertainty and might materially differ from actual results. Impairment loss of approximately HK$259,000 was recognised during the period (31 March 2009: nil).

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Estimated impairment loss on film under production

At the end of the reporting period, when the present value of the expected future net revenue of film under production is estimated to be less than its carrying amount, the carrying amount of film under production will be written down to its present value of the expected future net revenue. If the actual revenue differs from the estimated net revenue expected to be realised, such difference may result in further impairment loss. As at 31 December 2009, the carrying amount of films under production is HK$7,000,000 (net of accumulated impairment loss of nil).

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year. As mentioned in note 30, the Group had defaulted in respect of the repayment of a bank loan as at 31 March 2009, and during the current period, the Group has settled the bank loan.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividend, new share issues as well as the issue of new debt or the redemption of existing debts.

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31.12.2009 HK$'000	31.3.2009 HK$'000
Financial assets		
FVTPL		
— Held-for-trading investments	73,257	—
— Designated as at FVTPL	19,258	—
Loans and receivables (including cash and cash equivalents)	142,986	8,858
Financial liabilities		
Other financial liabilities at amortised cost	84,352	144,299

7. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, held-for-trading investments, convertible notes designated at financial assets at FVTPL, bank balances and cash, trade and other payables, amounts due to related parties and bank and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, market risk (currency risk, interest rate risk and equity price risk), and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

As at 31 December 2009, the functional currency of certain subsidiaries is RMB since certain of the revenue of the Group are derived from operations in the PRC. The RMB is not freely convertible into other currencies however, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

For the period ended 31 December 2009 and year ended 31 March 2009, the Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group. The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

The Group's exposure to changes in interest rate risk is mainly attributable to its bank balances and bank and others borrowings. Bank balances and bank and other borrowings at variable-interest rate expose the Group to cash flow interest rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. The Group has not formulated a policy to manage the interest rate risk.

7. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for financial instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (31 March 2009: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If the interest rates had been 100 basis points (31 March 2009: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the period ended 31 December 2009 would decrease/increase by approximately HK$762,000 (31 March 2009: increase/decrease by approximately HK$84,000). The assumed changes have no impact on the Group's other components of equity. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits and bank and other borrowings.

Equity price risk

The Group is exposed to equity price risk through its investments in listed equity securities and convertible notes designated at financial assets at FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange.

Sensitivity analysis for held-for-trading investments

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

If the prices of the respective equity securities included in held-for-trading investments had been 10% (31 March 2009: 10%) higher/lower, the post-tax loss for the period ended 31 December 2009 would decrease/increase by approximately HK$7,326,000 (31 March 2009: nil) as a result of the changes in fair value of held-for-trading investments.

Sensitivity analysis for convertible notes designated at financial assets at FVTPL

The sensitivity analyses below have been determined based on the exposure to the change of share price and its volatility of the convertible notes at the reporting date only.

If the share prices of convertible notes had been 10% (31 March 2009: 10%) higher/lower and all other variables were held constant, the Group's post-tax loss for the period ended 31 December 2009 would increase by HK$405,000 (31 March 2009: nil) and decrease by HK$415,000 (31 March 2009: nil) respectively, as a result of changes in fair value of convertible notes designated at financial assets at FVTPL.

7. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk

As at 31 December 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its amounts due from associates, amounts due from jointly controlled entities, trade and other receivables and bank balances.

In order to minimise the credit risk, the Group reviews the recoverable amount of each individual at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 26% (31 March 2009: nil) and 54% (31 March 2009: nil) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% (31 March 2009: nil) of the total trade receivable as at 31 December 2009.

In addition, the Group has concentration of credit risk on amounts due from associates and amounts due from jointly controlled entities, as the total amounts of the amounts due from associates and jointly controlled enities were due from several parties.

The credit risk on liquid funds is limited because the counterparties are state-owned banks with good reputation with high credit ratings assigned by international credit-rating agencies.

None of the Group's financial assets are secured by collateral or other credit enhancements.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group's exposure to liquidity risk is minimal. As mentioned in note 30, the Group had defaulted in respect of the repayment of a bank loan as at 31 March 2009, and during the current period, the Group has settled the bank loan, this had been enable the Group to mitigate its liquidity risk.

7. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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

31 December 2009	**Weighted average interest rates %**	**Within 1 year HK$'000**	**Total undiscounted cash flows HK$'000**	**Carrying amount HK$'000**
Non-derivative financial liabilities				
Trade and other payables	—	**69,424**	**69,424**	**69,424**
Amounts due to related parties	—	**14,928**	**14,928**	**14,928**
		84,352	**84,352**	**84,352**

31 March 2009	Weighted average interest rates %	Within 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities				
Trade and other payables	—	92,088	92,088	92,088
Amounts due to related parties	—	17,477	17,477	17,477
Bank and other borrowings	6.4	34,734	34,734	34,734
		144,299	144,299	144,299

7. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Fair values of financial assets and liabilities

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

— The fair value of held-for-trading investments with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

— The fair value of convertible notes designated as financial assets at FVTPL are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to short-term maturities.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 2 based on the degree to which the fair value is observable.

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

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

	31.12.2009		
	Level 1	**Level 2**	**Total**
	HK$'000	HK$'000	HK$'000
Held-for-trading investments			
— listed equity securities	73,257	—	73,257
Convertible notes designated as			
financial assets at FVTPL	—	19,258	19,258
	73,257	19,258	92,515

There have no transfers between levels 1 and 2 during the reporting period.

Loss arising from fair value changes of held-for-trading investments of approximately of HK$1,735,000 was included in the consolidated statement of comprehensive income of the period ended 31 December 2009.

Included in the consolidated statement of comprehensive income is amounting approximately HK$1,258,000 fair value gain related to convertible notes designated at financial assets at FVTPL.

8. TURNOVER AND REVENUE

Turnover represents the amounts received and receivable from box office takings; screen advertising; sales of food and beverage, dividend income and trading of equity securities during the period/year from continuing operations.

	1.4.2009- 31.12.2009 HK$'000	1.4.2008- 31.3.2009 HK$'000
Film exhibition		
— box office income	62,155	—
— screen advertising income	2,480	—
Sales of food and beverage	7,080	—
Proceeds from held-for-trading investments	254,642	—
Dividend income from held-for-trading investments	314	—
	326,671	—

An analysis of the Group's revenue for the period/year from continuing operations is as follows:

	1.4.2009- 31.12.2009 HK$'000	1.4.2008- 31.3.2009 HK$'000
Film exhibition		
— box office income	62,155	—
— screen advertising income	2,480	—
Sales of food and beverage	7,080	—
	71,715	—

9. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14, *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The Group's operating and reportable segments under HKFRS 8 are as follows:

(a) Film exhibition — box office income and screen advertising income

(b) Café bars — sales of food and beverage

(c) Securities trading — trading of marketable securities

(d) Film production and distribution — production and distribution of films

9. SEGMENT INFORMATION (Continued)

The operation of a theme restaurant discontinued in the current period was reported as separate business segments under HKFRS 8. The segment information reported on the next pages does not include any amounts for this discontinued operation, which are described in details in note 16.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment.

	Segment revenue		Segment profit	
	Period ended 31.12.2009	Year ended 31.3.2009	Period ended 31.12.2009	Year ended 31.3.2009
Film exhibition	64,635	—	12,481	—
Café bars	7,080	—	3,870	—
Securities trading	—	—	6,322	—
Film production and distribution	—	—	—	107
Total for continuing operations	71,715	—	22,673	107
Unallocated income			174	6,866
Unallocated expenses			(33,277)	(10,753)
Gain on deconsolidation of subsidiaries			10,326	—
Gain on disposal of a subsidiary			309	—
Increase in fair value of convertible notes designated at financial assets at FVTPL			1,258	—
Loss on disposal of interest in an associate			(3,612)	—
Impairment loss on interests in associates			(18,189)	—
Impairment loss on interests in jointly controlled entities			(6,727)	(2,958)
Finance costs			(1,878)	(3,427)
Share of results of associates			—	410
Loss before taxation (continuing operations)			(28,943)	(9,755)

Revenue reported above represents revenue generated from external customers. The Group did not generate inter-segment sales during the period (31 March 2009: nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 4. Segment profit represents the profit earned by each segment without allocation of central administrative expenses, gain on deconsolidation of subsidiaries, gain on disposal of a subsidiary, increase in fair value of convertible notes designated at financial assets at FVTPL, loss on disposal of interest in an associate, impairment loss on interests in associates, impairment loss on interests in jointly controlled entities, finance costs and share of results of associates. This is the measure reported to the CODM, the directors of the Company, for the purposes of resource allocation and performance assessment.

9. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

Segment assets

	31.12.2009 HK$'000	31.3.2009 HK$'000
Continuing operations		
Film exhibition	**97,744**	—
Café bars	**390**	—
Securities trading	**79,525**	—
Film production and distribution	**7,000**	1,153
Total segment assets	**184,659**	1,153
Unallocated	**123,563**	59,822
Consolidated assets	**308,222**	60,975

Segment liabilities

	31.12.2009 HK$'000	31.3.2009 HK$'000
Continuing operations		
Film exhibition	**35,853**	—
Café bars	**735**	—
Securities trading	**34,515**	—
Film production and distribution	**—**	6,052
Total segment liabilities	**71,103**	6,052
Unallocated	**37,576**	77,364
Consolidated liabilities	**108,679**	83,416

9. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

For the purposes of monitoring segment performances and allocating resources between segments:

— all assets are allocated to reportable segments other than interests in associates, interests in jointly controlled entities, convertible notes designated at financial assets at FVTPL, bank balances and cash, assets of headquarter and other receivables of the headquarter; and

— all liabilities are allocated to reportable segments other than amounts due to related parties, tax payable and other payables of the headquarter.

Other segment information

For the period ended 31 December 2009

	Continuing operations					Discontinued operation		
	Film exhibition HK$'000	Café bars HK$'000	Securities trading HK$'000	Film production and distribution HK$'000	Total HK$'000	Theme restaurant HK$'000	Unallocated HK$'000	Consolidated HK$'000
Additions to property, plant and equipment (note)	1,777	331	—	—	2,108	—	160	2,268
Depreciation	1,380	22	—	—	1,402	—	41	1,443
Impairment of property, plant and equipment	259	—	—	—	259	—	—	259
Impairment of other receivables	49	—	—	—	49	—	—	49
Impairment loss on interests in associates	—	—	—	—	—	—	18,189	18,189
Impairment loss on interests in jointly controlled entities	—	—	—	—	—	—	6,727	6,727
Impairment loss on inventories	—	—	—	1,000	1,000	—	—	1,000

For the year ended 31 March 2009

	Continuing operations					Discontinued operation		
	Film exhibition HK$'000	Café bars HK$'000	Securities trading HK$'000	Film production and distribution HK$'000	Total HK$'000	Theme restaurant HK$'000	Unallocated HK$'000	Consolidated HK$'000
Additions to property, plant and equipment	—	—	—	—	—	—	—	—
Depreciation	—	—	—	—	—	—	—	—
Impairment of property, plant and equipment	—	—	—	—	—	—	—	—
Impairment of other receivables	—	—	—	—	—	—	—	—
Impairment loss on interests in associates	—	—	—	—	—	—	—	—
Impairment loss on interests in jointly controlled entities	—	—	—	—	—	—	2,958	2,958
Impairment loss on inventories	—	—	—	—	—	2,486	—	2,486
Impairment loss on trade receivables	—	—	—	—	—	1,627	—	1,627

Notes: The amount excluded the property, plant and equipment acquired on subsidiaries.

9. SEGMENT INFORMATION (Continued)

Geographical information

The Group principally operates in the RPC (country of domicile) with revenue and profit derived mainly from its operations in the PRC.

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location of assets are detailed below:

	Revenue from external customers		Non- current assets	
	31.12.2009	31.3.2009	**31.12.2009**	31.3.2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**71,715**	—	**42,132**	—

Non-current assets excluded those relating to discontinued operation, interests in associates, interests in jointly controlled entities and goodwill.

Information about major customers

No customer with whom transactions have exceeded 10% of the Group's aggregate revenue during the period/year ended 31 December 2009 and 31 March 2009.

10. OTHER INCOME

	1.4.2009- 31.12.2009 HK$'000	1.4.2008- 31.3.2009 HK$'000
Continuing operations		
Write-back of trade and other payables	**—**	6,811
Bank interest income	**1**	—
Dividend income from held-for-trading investments	**314**	—
Net sales of posters and audio-visual products	**412**	—
Interest income from convertible notes designated at financial assets at FVTPL	**145**	—
Others	**28**	162
	900	6,973

11. OTHER EXPENSES

	1.4.2009- 31.12.2009 HK$'000	1.4.2008- 31.3.2009 HK$'000
Continuing operations		
Expenses related to Resumption Proposal:		
— Liquidation fee	4,387	—
— Listing fee	3,605	—
— Financial advisor fee	2,677	—
— Legal fee	2,541	—
Impairment loss on property, plant and equipment	259	—
Impairment loss on other receivables	49	—
Others	73	—
	13,591	—

12. FINANCE COSTS

	1.4.2009- 31.12.2009 HK$'000	1.4.2008- 31.3.2009 HK$'000
Continuing operations		
Interest on:		
— Bank loans wholly repayable within the period/year	713	1,919
— Other borrowings wholly repayable within the period/year	—	1,508
Interest on securities margin facilities	1,083	—
Effective interest expenses on convertible notes (note 33)	82	—
	1,878	3,427

13. INCOME TAX EXPENSE

	1.4.2009- 31.12.2009 HK$'000	1.4.2008- 31.3.2009 HK$'000
Current tax:		
— Hong Kong Profits Tax	69	—
— PRC Enterprises Income Tax	4,127	—
	4,196	—

13. INCOME TAX EXPENSE (Continued)

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the current period.

No provision for Hong Kong Profits Tax had been made for the year ended 31 March 2009 as the Group did not generate any assessable profits arising in Hong Kong during that year.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

The tax charge for the period/year can be reconciled to the loss before taxation per the consolidated statement of comprehensive income as follows:

	1.4.2009- 31.12.2009 HK$'000	1.4.2008- 31.3.2009 HK$'000
Loss before taxation from continuing operations	**(28,943)**	(9,755)
Tax at the domestic income tax rate of 16.5% (31 March 2009: 16.5%)	**(4,776)**	(1,609)
Tax effect of expenses not deductible	**5,776**	2,810
Tax effect of income not taxable	**(2,064)**	(1,133)
Tax effect of share of result of an associate	**—**	(68)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**577**	—
Tax effect of temporary differences not recognised	**4,315**	—
Tax effect of current year tax loss not recognised	**368**	—
Tax charge for the period/year relating to continuing operations	**4,196**	—

As at 31 December 2009, the Group has unused tax losses of approximately HK$2,230,000 (31 March 2009: nil) and unrecognised temporary differences of approximately HK$26,151,000 (31 March 2009: nil) available to offset against future profits. No deferred tax asset has been recognised in respect of such unused tax losses due to the unpredictability of future profit steams. The losses may be carried forward indefinitely.

14. DIVIDEND

No dividend was paid or proposed during the period ended 31 December 2009, nor has any dividend been proposed since the end of the reporting period (31 March 2009: nil).

15. LOSS FOR THE PERIOD/YEAR

The Group's loss for the period/year is stated after charging the following:

	1.4.2009-31.12.2009 HK$'000	1.4.2008-31.3.2009 HK$'000
Continuing operations		
Auditor's remuneration	**840**	500
Cost of inventories recognised as an expense (excluding staff costs and depreciation on property, plant and equipment)	**2,586**	—
Impairment loss on inventories (included in cost of sales)	**1,000**	—
Directors' emoluments (note 17)	**1,796**	—
Depreciation on property, plant and equipment	**1,443**	—
Operating lease charges of land and buildings		
— minimum lease payments	**6,881**	13,312
— contingent rent	**1,155**	—
Staff costs		
— salaries, bonus and allowances	**4,649**	15,468
— retirement benefits scheme contributions	**218**	519
	4,867	15,987

16. DISCONTINUED OPERATION

On 7 April 2009, the Tokyo District Court of Japan had made a judgment against Planet Hollywood (Japan) K.K. ("PHJ"), a wholly owned subsidiary of the Group which carried out all of the Group's theme restaurant operation, that it was obliged to pay The Disney Store Japan ("TDSJ") the outstanding rental expenses being claimed. Subsequently on 12 April 2009, PHJ closed its operation and vacated the premises. On 17 July 2009, Star East (Japan) Limited, the immediate holding company of PHJ, was placed under liquidation. Since then, the Group had lost control over Star East (Japan) Limited and PHJ and both companies were deconsolidated from the Group's consolidated financial statements. Details of the carrying amount of the assets and liabilities deconsolidated and the calculation of the profit or loss on deconsolidation of Star East (Japan) Limited and PHJ are disclosed in note 37(b).

The gain (loss) for the period/year from the discontinued operation is analysed as follows:

	1.4.2009-31.12.2009 HK$'000	1.4.2008-31.3.2009 HK$'000
Loss of theme restaurant operation for the period/year	**—**	(18,476)
Gain on deconsolidation of theme restaurant operation (note 37(b))	**61,132**	—
	61,132	(18,476)

16. DISCONTINUED OPERATION (Continued)

The results of the discontinued operation for the period from 1 April 2009 to 17 July 2009, which have been included in the consolidated statement of comprehensive income, were as follows:

	Period ended 17 July 2009 HK$'000	Year ended 31 March 2009 HK$'000
Revenue	—	35,551
Cost of sales	—	(47,044)
Gross loss	—	(11,493)
Other income	—	753
Administrative expenses	—	(2,764)
Selling expenses	—	(545)
Other expenses	—	(4,113)
Finance costs	—	(314)
Loss before taxation	—	(18,476)
Income tax expense	—	—
Loss for the period/year	—	(18,476)

Losses for the period/year from discontinued operation include the followings:

	Period ended 17 July 2009 HK$'000	Year ended 31 March 2009 HK$'000
Depreciation and amortisation	—	—
Employee benefit expenses	—	15,810
Impairment loss on trade receivables	—	1,627
Impairment loss on inventories	—	2,486

Cash flows from discontinued operation:

	Period ended 17 July 2009 HK$'000	Year ended 31 March 2009 HK$'000
Net cash outflows from operating activities	—	(2,709)
Net cash inflows from investing activities	—	—
Net cash inflows from financing activities	—	—
Net cash outflows	—	(2,709)

17. DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

The emoluments of each director were as follows:

		Other emoluments		
	Directors' fees HK$'000	Salaries and other benefits HK$'000	Contributions to retirement benefits scheme HK$'000	Total emoluments HK$'000
Executive directors:				
Mr. Wong Kui Shing, Danny (Note a)	—	500	5	505
Mr. Hu Yidong (Note b)	68	—	—	68
Mr. Qin Hong (Note c)	24	—	—	24
Ms. Xiao Ping (Note c)	156	—	—	156
Mr. Cheuk Kwong Hau, Thomas (Note d)	—	223	5	228
Mr. Liu Xianbo (Note e)	50	—	—	50
Mr. Li Kai (Note f)	—	—	—	—
Mr. Hao Bin (Note k)	—	—	—	—
Ms. Horfuangfung Wei Ho (Note g)	—	—	—	—
Independent non-executive directors:				
Mr. Pang Hong	56	—	—	56
Mr. He Peigang (Note h)	8	—	—	8
Mr. Chan Sek Nin, Jacky (Note i)	56	—	—	56
Mr. Hung Hing Man (Note j)	48	—	—	48
Mr. Lam Tak Shing, Harry (Note f)	597	—	—	597
Mr. Qiao Zhen Pu (Note f)	—	—	—	—
Total for the period ended 31 December 2009	1,063	723	10	1,796

Notes:

(a) Appointed on 5 August 2009.

(b) Appointed on 7 May 2009.

(c) Appointed on 25 November 2009.

(d) Appointed on 19 May 2009 and resigned on 24 November 2009.

(e) Resigned on 2 July 2009.

(f) Resigned on 29 May 2009.

(g) Resigned on 7 May 2009.

(h) Appointed on 8 December 2009.

(i) Appointed on 14 July 2009.

(j) Appointed on 14 July 2009 and resigned on 8 December 2009.

(k) Resigned on 19 May 2009.

17. DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS (Continued)

		Other emoluments		
	Directors' fees HK$'000	Salaries and other benefits HK$'000	Contributions to retirement benefits scheme HK$'000	Total emoluments HK$'000
Executive directors:				
Mr. Liu Xianbo (Note a)	—	—	—	—
Mr. Li Kai (Note d)	—	—	—	—
Mr. Hao Bin (Note c)	—	—	—	—
Ms. Horfuangfung Wei Ho (Note b)				
Independent non-executive directors:				
Mr. Pang Hong	—	—	—	—
Mr. Lam Tak Shing, Harry (Note d)	—	—	—	—
Mr. Qiao Zhen Pu (Note d)	—	—	—	—
Total for the year ended 31 March 2009	—	—	—	—

(a) Appointed on 5 July 2007 and resigned on 2 July 2009.

(b) Appointed on 5 July 2007 and resigned on 7 May 2009.

(c) Resigned on 19 May 2009.

(d) Resigned on 29 May 2009.

Of the five individuals with the highest emoluments in the Group, four (31 March 2009: nil) were directors of the Company whose emoluments are included in the disclosure in note 17 above. The emoluments of the remaining one (31 March 2009: five) individual was as follows:

	1.4.2009-31.12.2009 HK$'000	1.4.2008-31.3.2009 HK$'000
Basic salaries and allowances	**170**	1,887
Retirement benefits scheme contributions	**5**	81
	175	1,968

17. DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS (Continued)

The emoluments fell within the following band:

	Number of individuals	
	1.4.2009-31.12.2009	1.4.2008-31.3.2009
Nil — HK$1,000,000	**1**	5

During both period/year, no emoluments were paid by the Group to any of the directors and five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. No director waived any emoluments for the period ended 31 March 2009.

18. RETIREMENT BENEFIT SCHEMES

The Company's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in retirement benefits operated by the relevant local government authorities. The Group is required to make contributions on behalf of employees who are registered permanent residents in the PRC. The Group's contributions for the period ended 31 December 2009 were amounted to approximately HK$165,000 (31 March 2009: nil).

The Group's Hong Kong office implemented a Mandatory Provident Fund Scheme (the "MPF") in compliance with the applicable regulations in Hong Kong for its staff at the end of 2009. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated 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. The Group's contribution to the MPF amounted to approximately HK$53,000 (31 March 2009: HK$519,000).

19. EARNINGS (LOSS) PER SHARE

For continuing and discontinued operations

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

	1.4.2009- 31.12.2009 HK$'000	1.4.2008- 31.3.2009 HK$'000
Earnings (loss)		
Earnings for the purpose of basic earnings (loss) per share	**24,002**	(28,231)
Profit (loss) for the period/year attributable to owners of the Company		
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	**82**	—
Earnings for the purpose of diluted earnings (loss) per share	**24,084**	(28,231)

Number of shares

	1.4.2009- 31.12.2009 HK$'000	1.4.2008- 31.3.2009 HK$'000
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**1,492,151,487**	314,068,757
Effect of dilutive potential ordinary shares:		
Convertible notes	**8,189,781**	—
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**1,500,341,268**	314,068,757

19. EARNINGS (LOSS) PER SHARE

From continuing operations

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

Earnings figures are calculated as follows:

	1.4.2009- 31.12.2009 HK$'000	1.4.2008- 31.3.2009 HK$'000
Profit (loss) for the year attributable to owners of the Company	**24,002**	(28,231)
Less:		
Profit for the year from discontinued operations	**61,132**	18,476
Earnings for the purpose of basic earnings per share from continuing operations	**(37,130)**	(9,755)
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	**82**	—
Earnings for the purpose of diluted earnings per share from continuing operations	**(37,048)**	(9,755)

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic earnings per share for the discontinued operation is HK4.10 cents per share (31 March 2009: loss of HK5.88 cents per share) and diluted earnings per share for the discontinued operation is HK4.07 cents per share (31 March 2009: loss of HK5.88 cents per share), based on the profit for the period from the discontinued operation of approximately HK$61,132,000 (31 March 2009: loss for the period from discontinued operation of approximately HK$18,476,000) and the denominators detailed above for both basic and diluted earnings per share.

Diluted loss per share

The diluted loss per share for the period ended 31 December 2009 is not presented as it resulted in a decrease in loss per share from continuing operations. Accordingly, the basic and diluted loss per share are the same.

20. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
COST				
At 1 April 2008 and 31 March 2009	43,129	14,842	443	58,414
Additions	168	1,309	791	2,268
Acquired on acquisition of subsidiaries (note 36)	23,847	11,937	170	35,954
Exchange differences	53	29	—	82
At 31 December 2009	67,197	28,117	1,404	96,718
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 April 2008 and 31 March 2009	43,129	14,842	443	58,414
Charge for the period	607	822	14	1,443
Impairment recognised during the period	—	259	—	259
Exchange differences	1	2	—	3
At 31 December 2009	43,737	15,925	457	60,119
CARRYING AMOUNTS				
At 31 December 2009	23,460	12,192	947	36,599
At 31 March 2009	—	—	—	—

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	the term of the lease
Furniture and equipment	10% to 33.33%
Motor vehicle	20%

During the current period, the directors of the Company conducted a review of the Group's cinema equipment and determined that a number of those assets were impaired, due to physical damage. Accordingly, an impairment loss of HK$259,000 (31 March 2009: nil) have been recognised in respect of furniture and equipment, which are used in the Group's film exhibition segment.

21. INTERESTS IN ASSOCIATES

	31.12.2009 HK$'000	31.3.2009 HK$'000
Share of net assets other than goodwill	2,163	5,782
Goodwill	2,010	2,010
Net assets	4,173	7,792
Amount due from Polyco	—	6,724
Amount due from Applause	14,016	14,016
	18,189	28,532
Less: accumulated impairment loss	(18,189)	—
	—	28,532

The amounts due from associates were unsecured, interest-free and have no fixed repayment terms. For the year ended 31 March 2009, in the opinion of the directors of the Company, the amount would not be repayable within twelve months of the reporting period and were accordingly classified as non-current.

During the period ended 31 December 2009, the Group carried out a review of the recoverable amount of its interests in associates. The review led to the recognition of an impairment loss of HK$18,189,000, which has been recognised in the consolidated statement of comprehensive income. The directors of the Company considered that the recoverable amount of these investments is less than their carrying amounts by reference to the latest available financial information.

Details of the Group's associates which are held indirectly by the Company are as follows:

Name	Place of incorporation/ registration and operation	Forms of business structure	Percentage of ownership interest/ voting power/ profit sharing 31.12.2009	31.3.2009	Principal activities
星美影院發展	The PRC	Equity joint venture	25%	25%	Movie distribution and exhibition
Polyco (note)	Hong Kong	Incorporated	—	20%	Property investment
Applause	BVI	Incorporated	40%	40%	Movie production and distribution

The above associates are limited liability companies incorporated in their respective jurisdictions.

Note: The associate was disposed to an independent third party on 24 November 2009 and a loss on disposal of approximately HK$3,612,000 was recognised during the period ended 31 December 2009.

21. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information in respect of the Group's associate, Polyco, as at 31 March 2009 is set out below:

	31.3.2009 HK$'000
Total assets	52,551
Total liabilities	(34,459)
Net assets	18,092
Group's share of net assets of an associate	3,619

	1.4.2009-31.3.2009 HK$'000
Revenue	**3,068**
Profit for the year	**2,048**
Group's share of results of an associate	**410**

22. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	31.12.2009 HK$'000	31.3.2009 HK$'000
Share of net assets	**—**	—
Amounts due from jointly controlled entities	**26,685**	26,685
	26,685	26,685
Less: accumulated impairment losses	**(9,685)**	(2,958)
	17,000	23,727

The balances are unsecured, interest-free and have no fixed repayment terms of repayment. In the opinion of the directors of the Company, the amount will not be repayable within the next twelve months from end of the period/year and are accordingly classified as non-current.

During the period ended 31 December 2009, the Group carried out a review of the recoverable amount of its interests in jointly controlled entities. The review led to the recognition of an impairment loss of HK$6,727,000, which has been recognised in the consolidated statement of comprehensive income. The directors of the Company considered that the recoverable amount of these investments is less than their carrying amounts by reference to the consideration received from disposal of the interests in jointly controlled entities which was subsequently completed on 11 February 2010.

22. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Details of the Group's principal jointly controlled entities which are held indirectly by the Company are as follows:

Name	Place of incorporation/ registration and operation	Percentage of ownership interest/ voting power/ profit sharing 31.12.2009	31.3.2009	Principal activities
Canaria Holding Limited ("Canaria")	BVI	50%	50%	Investment holding
Earn Elite Development Limited ("Earn Elite")	Hong Kong	50%	50%	Property investment

The above jointly controlled entities are limited liability companies incorporated in their respective jurisdictions.

Summarised financial information on jointly controlled entities related to the Group's interests is set out as below:

	31.12.2009 HK$'000	31.3.2009 HK$'000
Non-current assets	**46,825**	22,244
Current assets	**3,416**	1,571
Non-current liabilities	**(123,254)**	(60,006)
Current liabilities	**(186)**	(88)
Net liabilities	**(73,199)**	(36,279)

	1.4.2009- 31.12.2009 HK$'000	1.4.2008- 31.3.2009 HK$'000
Income	**3,580**	438
Expenses	**(3,760)**	(4,993)
Loss for the period/year	**(180)**	(4,555)

23. GOODWILL

	31.12.2009 HK$'000
Carrying values	
At 1 April 2008 and 31 March 2009	—
Arising on acquisition of subsidiaries	21,343
At 31 December 2009	21,343

23. GOODWILL (Continued)

Goodwill arose from the acquisition of Colour Asia and Step Delight Limited ("Step Delight") in July 2009 and November 2009 respectively.

Impairment testing on goodwill

Goodwill acquired through business combination of Colour Asia during the period ended 31 December 2009 had been allocated to film exhibition cash-generating units, which is a reportable segment, for impairment testing. Goodwill acquired through business combination of Step Delight during the period ended 31 December 2009 had been allocated to provision for entertainment arts education cash-generating units, which is not a separate reportable segment, for impairment testing.

The carrying amount of goodwill was allocated to cash-generating units as follows:

	31.12.2009 HK$'000
Film exhibition	15,431
Provision of entertainment arts education	5,912
	21,343

Film exhibition

The recoverable amount of the film exhibition segment and cash-generating unit is determined based on a value-in-use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a discount rate of 15% per annum. This growth rate is based on the relevant industry growth forecasts and does not exceed the average growth rate for the relevant industry. Cash flows beyond that five-year period have been extrapolated using a steady 3% growth rate. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

The directors of the Company believe that any reasonably possible change in the key assumptions on which the recoverable amount based would not cause the carrying amount of the unit to exceed the aggregate recoverable amount of the cash-generating unit.

Provision of entertainment arts education

Step Delight was principally engaged in the provision of entertainment arts education and training services. The recoverable amount of the investment in Step Delight has been determined using the discounted cash flow approach, based on the valuation performed by Greater China Appraisal Limited, an independent valuer to the Group.

That calculation uses cash flow projections based on the financial budgets approved by management covering five-year period, and discount rate of 20.09%. Cash flow projections during the budget period are based on the expected market demand in the entertainment arts education and training courses and gross margins. The directors of the Company believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed the aggregate recoverable amount of the cash-generating unit.

24. INVENTORIES

	31.12.2009 HK$'000	31.3.2009 HK$'000
Food and beverage	**178**	—
Posters and audio-visual products	**340**	1,000
	518	1,000

25. TRADE AND OTHER RECEIVABLES

	31.12.2009 HK$'000	31.3.2009 HK$'000
Trade receivables	**6,788**	—
Deposits	**3,010**	—
Margin deposit placed with a financial institution (Note a)	**6,268**	—
Amount due from a minority shareholder of a subsidiary	**10,029**	—
Prepayments and other receivables (Note b)	**25,390**	16
	51,485	16

Notes:

(a) The deposits are placed with a financial institution for trading of securities. The deposits carried interest at market rates at 0.01% per annum. The amount are secured and repyable on demand.

(b) Included in the prepayments and other receivables of approximately of HK$10,023,000 was guaranteed by a minority shareholder of a subsidiary. The amount is unsecured, interest-free and repayable on demand.

The Group allows an average credit period of 90 days to its trade customers. The aging analysis of the Group's trade receivables based on the invoice date at end of reporting period is as follow:

	31.12.2009 HK$'000	31.3.2009 HK$'000
0 to 30 days	**4,839**	—
31 to 90 days	**1,949**	—
	6,788	—

As at 31 December 2009 and 31 March 2009, no trade receivable balances are past due as at reporting dates for which the Group has not provided for impairment loss.

Impairment loss on other receivables are recorded using an allowance account unless the Group is satisfied that the recovery of the amount is remote, in which case the impairment loss is written off against other receivable balance directly.

25. TRADE AND OTHER RECEIVABLES (Continued)

The movement in the impairment loss of other receivables is as follow:

	31.12.2009 HK$'000	31.3.2009 HK$'000
Balance at the beginning of the period/year	—	—
Impairment loss recognised	49	—
Balance at the end of the period/year	49	—

At the end of each reporting period, the Group's other receivables were individually to be impaired. The individually impaired receivables are recognised based on the credit history of the counterparties, such as financial difficulties or default in payments. Consequently, specific impairment loss was recognised.

The Group does not hold any collateral over trade and other receivables.

26. FILM UNDER PRODUCTION

	31.12.2009 HK$'000	31.3.2009 HK$'000
Film under production	7,000	—

27. HELD-FOR-TRADING INVESTMENTS

	31.12.2009 HK$'000	31.3.2009 HK$'000
Listed securities held-for-trading, at fair value		
— Equity securities listed in Hong Kong	73,257	—

The fair values of the above listed securities are determined based on the quoted market bid prices available on the Stock Exchange.

At 31 December 2009, the Group's held-for-trading investments amounting to HK$60,884,000 (31 March 2009: nil) were pledged to secure margin account facilities granted to the Group.

28. CONVERTIBLE NOTES DESIGNATED AT FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.12.2009 HK$'000	31.3.2009 HK$'000
Convertible notes designated at financial assets at FVTPL	19,258	—

28. CONVERTIBLE NOTES DESIGNATED AT FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

During the period ended 31 December 2009, the Group acquired a 5% coupon rate convertible notes, with the maturity date on 2 November 2011, with a principal amount of HK$18,000,000 issued by ITC Corporation Limited ("ITC"), a company listed on the Stock Exchange. The convertible notes can be converted, in amounts of not less than HK$1,000,000, into new ordinary shares of ITC at any time within a period of two years following the date of issue at a conversion price of HK$0.50 per share. No early redemption is allowed. The Group has designated the convertible notes as financial assets at fair value through profit or loss.

A fair value gain of approximately HK$1,258,000 was recorded for the period ended 31 December 2009 (for the year ended 31 March 2009: nil).

The fair value of the convertible notes at 31 December 2009 have been arrived at on the basis of a valuation carried out on that date by Roma Appraisals Limited, independent qualified professional valuers not connected to the Group. Roma Appraisals Limited is member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of similar financial assets. Black-Scholes option pricing model is used for valuation for conversion option element of convertible notes designated at fi nancial assets at FVTPL.

At 31 December 2009, the Group's convertible notes designated at financial assets at FVTPL amounted to approximately HK$19,258,000 (31 March 2009: nil) were pledged to secure margin account facilities granted to the Group.

29. BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0% to 0.01% (31 March 2009: 0% to 0.01%) per annum.

As at 31 December 2009, the bank balances and cash of the Group denominated in RMB and JPY amounted to approximately HK$5,435,000 and nil respectively (31 March 2009: nil and HK$1,142,000).

As at 31 December 2009, no bank and cash balances included the Deposit for Resumption Proposal and the Escrow Money to Creditors (31 March 2009: HK$2,326,000 and HK$5,000,000 respectively).

30. BANK AND OTHER BORROWINGS

	31.12.2009 **HK$'000**	31.3.2009 HK$'000
Bank loan — unsecured	—	17,203
Other borrowings — unsecured (Note)	—	17,531
Total borrowings	—	34,734
The borrowings are repayable as follows:		
On demand or within one year	—	34,734

30. BANK AND OTHER BORROWINGS (Continued)

Note: The amount of other borrowing of approximately HK$17,531,000 as at 31 March 2009 included a loan of approximately HK$14,450,000 from Mr. Qin Hui. It was used to repay the principal and accrued interest and to redeem the assets used to secure the other borrowing from Sunday Inn Limited, which represented 50% equity interest in jointly controlled entities, Canaria and Earn Elite, details of which had been disclosed in note 34. Pursuant to the loan agreement entered into between Mr. Qin Hui, Silver Epoch Limited ("SEL") and Fung Ming Venture Limited ("FMVL") on 22 December 2008, the loan from Mr. Qin Hui was unsecured, interest-free and repayable upon the occurrence of a number of events and it had been agreed upon that SEL is to repay the loan from Mr. Qin Hui only from the proceeds realised from the assets held by FMVL previously charged to Sunday Inn Limited. SEL and FMVL are the wholly-owned subsidiaries of the Company. Bank and other borrowings were fully repaid during the period. Subsequent to the period ended 31 December 2009, the amount due to Mr. Qin Hui was fully repaid by the proceeds received from the disposal of Canaria and Earn Elite.

The average interest rates at 31 March 2009 were as follows:

Bank loan — unsecured	11.1%
Other borrowings — unsecured	1.8%

Except for the loan from Mr. Qin Hui as mentioned above, the bank and other borrowing were arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

The Group had defaulted in respect of the repayment of a bank loan from BOCHK totaling approximately HK$17,203,000 as at 31 March 2009 and such amounts have become repayable on demand. On 18 February 2008, BOCHK presented a petition for the winding-up of the Company. During the current period, the Group has settled the bank loan from BOCHK together with the interest accrued. The petition for the winding up of the Company is withdrawn on 15 July 2009.

31. TRADE AND OTHER PAYABLES

	31.12.2009 **HK$'000**	31.3.2009 HK$'000
Trade payables	**18,181**	2,980
Customers' deposits	**16,010**	—
PRC business and other tax payables	**618**	—
Payroll and welfare payables	**847**	—
Margin payable due to financial institutions (Note)	**34,315**	—
Accrued charges and other payable	**17,106**	89,108
	87,077	92,088

Note: The margin payable due to financial institutions are secured and repayable on demand. The interest are range from 8% to 9.38% per annum.

The average credit period on purchases of goods is 30 to 60 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	31.12.2009 **HK$'000**	31.3.2009 HK$'000
Up to 30 days	**7,917**	1,316
31 to 60 days	**6,459**	—
Over 60 days	**3,805**	1,664
	18,181	2,980

32. AMOUNTS DUE TO RELATED PARTIES

	31.12.2009	31.3.2009
	HK$'000	HK$'000
Mr. Qin Hui (note a)	**13,877**	—
SMIL (note b)	**1,051**	17,477
	14,928	17,477

Note a: Mr. Qin Hui is the beneficial owner of SMIL.

Note b: SMIL is the ultimate holding company of the Company.

The amounts are unsecured, interest-free and repayable on demand.

33. CONVERTIBLE NOTES

The Company issued HK$39,750,000, 1% Convertible Notes on 27 November 2009. The Convertible Notes are denominated in Hong Kong dollars and entitle the holder to convert them into ordinary shares of the Company at any business days after the date of issue of the Convertible Notes up to and including the date which is 7 business days prior to the maturity date on 27 November 2011 at a conversion price of HK$0.265. If the Convertible Notes have not been converted, they will be redeemed at 100% of its principal amount on the maturity date. No early redemption is allowed. Interest of 1% will be paid semi-annually up until the settlement date.

The Convertible Notes contain two components, liability and equity element. The equity element is presented in equity heading "convertible notes reserve". The effective interest rate of the liability component is 8.12%.

On 3 December 2009, 11 December 2009 and 22 December 2009, respectively, convertible notes in aggregate principal amounts of HK$39,750,000 were converted into an aggregate of 150,000,000 new ordinary shares of the Company at a conversion price of HK$0.265 per share.

33. CONVERTIBLE NOTES (Continued)

The movement of the liability component and conversion option derivative of the convertible notes for the period is set out below:

	Liability component HK$'000	Conversion option derivative HK$'000
Carrying amount at 1 April 2009	—	—
Issue of Convertible Notes, net of issuing costs	38,955	—
Recognition of equity component, net of issuing costs	(4,239)	4,239
Finance costs (note 12)	82	—
Conversion of Convertible Notes	(34,798)	(4,239)
Carrying amount at 31 December 2009	—	—

34. PLEDGE OF ASSETS

The Group entered into a share mortgage agreement (the "Share Mortgage Agreement") and a loan assignment agreement (the "Loan Assignment Agreement") with Sunday Inn Limited (the "Lender") on 27 December 2006. Pursuant to the Share Mortgage Agreement, the Group agreed to pledge its 50% interest in Canaria Holding Limited, which in turn owns 100% interest in Earn Elite, in favour of the Lender. Pursuant to the Loan Assignment Agreement, the Group agreed to assign to the Lender absolutely all its right, title, interest and benefit in and to the assigned monies of loans with the carrying amount of approximately HK$14,227,000 and HK$9,500,000 due from Canaria and its subsidiary, Earn Elite, respectively (the "Secured Assets") as at 31 March 2009. Both aforesaid agreements were entered into as the security to secure a loan of HK$11,000,000 granted by the Lender to the Group.

On 26 September 2008 and 2 October 2008, the Group paid sums of approximately HK$13,465,000 and HK$321,000 respectively to the Lender representing the outstanding loan and accrued interest to redeem the Secured Assets together with legal fees. The said sums (the "Sums") used for financing the redemption was provided by Mr. Qin Hui to SEL, being the major creditor and sole shareholder of FMVL. In return, on 22 December 2008, SEL and FMVL entered into an agreement with Mr. Qin Hui to repay the Sums upon the occurrence of a number of events and it has been agreed upon that SEL is to repay the Sums only from the proceeds realised from the Secured Assets. On 7 January 2009, the Lender confirmed that the loan was fully repaid and that the pledge of the Secured Assets was released and discharged.

At 31 December 2009, the Group's held-for-trading investments and convertible notes designated at financial assets at FVTPL amounted to approximately HK$60,884,000 and HK$19,258,000 were pledged to secure margin account facilities granted to the Group.

35. SHARE CAPITAL

	Number of shares	HK$'000
Authorised:		
Ordinary shares of HK$0.1 each at 1 April 2008, 31 March 2009 and 1 April 2009	1,000,000,000	100,000
Additions (Note (a))	4,000,000,000	400,000
Ordinary shares of HK$0.1 each at 31 December 2009	5,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each at 1 April 2008, 31 March 2009 and 1 April 2009	314,068,757	31,407
Issue of shares — open offer (Note (b))	942,206,271	94,221
Issue of shares — acquisition of subsidiaries (Note (c))	843,500,000	84,350
Issue of shares — placing (Note (d))	269,000,000	26,900
Issue of shares — conversion of convertible notes on 3 December 2009 (Note (e))	15,000,000	1,500
Issue of shares — conversion of convertible notes on 11 December 2009 (Note (e))	113,000,000	11,300
Issue of shares — conversion of convertible notes on 22 December 2009 (Note (e))	22,000,000	2,200
Ordinary shares of HK$0.1 each at 31 December 2009	2,518,775,028	251,878

Notes:

(a) Pursuant to an ordinary resolution passed by the Company's shareholders at a special general meeting held on 3 July 2009, the Company increased its share capital from HK$100,000,000 to HK$500,000,000 by the creation of additional 4,000,000,000 ordinary shares of HK$0.1 each.

(b) On 23 July 2009, the Company raised approximately HK$94,221,000, before expenses, by issuing 942,206,271 ordinary shares of HK$0.1 per share by way of an open offer on the basis of three offer shares for every one existing share held and payable in full upon acceptance. The share capital of the Company was increased by approximately HK$94,221,000 as a result. Further details of the above transaction are set out in the announcement of the Company dated 24 July 2009 and the Circular dated 6 July 2009, respectively.

(c) On 30 July 2009, the Group acquired the entire equity interest in Colour Asia by the allotment and issuance of a total of 843,500,000 of new shares at an issue price of HK$0.10 per share. Further details of the above transaction are set out in the announcement of the Company dated 15 May 2009 and notes 36 to the consolidated financial statements.

(d) On 9 October 2009, the Company entered into a top-up placing and subscription agreement pursuant to which the Company could issue, a maximum of 269,000,000 new shares of HK$0.1 each at the subscription price of HK$0.265 per share. The gross proceeds from this top-up subscription was approximately HK$71,285,000. The agreement was completed and the 269,000,000 new shares in the Company were duly issued and allotted on 22 October 2009. Further details of the above transactions are set out in the announcements of the Company dated 12 October 2009 and 22 October 2009, respectively.

(e) On 3 December 2009, 11 December 2009 and 22 December 2009, the note holders exercised their conversion rights to convert the convertible notes of HK$3,975,000 into the Company's ordinary shares of 15,000,000 shares; HK$29,945,000 into the Company's ordinary shares of 113,000,000 shares; and HK$5,830,000 into the Company's ordinary shares of 22,000,000 shares respectively, at a conversion price of HK$0.265 per ordinary share. Note 33 sets out the details of the convertible notes.

All the shares which were issued during the period rank *pari passu* with the then existing shares in all respects.

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the current period.

36. ACQUISITION OF SUBSIDIARIES

(a) On 30 July 2009, the Group acquired the entire equity interest in Colour Asia by the allotment of 843,500,000 new shares at an issue price of HK$0.10 per share. Colour Asia is an investment holding company and its principal assets are its 72.86% and 60% equity interests in 北京名翔國際影院管理有限公司 Beijing Mingxiang International Cinema Management Company Limited ("Beijing Mingxiang") and 北京望京星美國際影城管理有限公司 Beijing Wangjing Stellar International Cinema Management Company Limited ("Beijing Wangjing") respectively. Each of Beijing Mingxiang and Beijing Wangjing is principally engaged in the operation of cinemas in the PRC. The acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was approximately HK$15,431,000.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's carrying amount before combination HK$'000	Fair value adjustment HK$'000	Fair value HK$'000
Net assets acquired:			
Property, plant and equipment	36,478	(1,059)	35,419
Trade and other receivables	53,167	—	53,167
Inventories	374	—	374
Bank balances and cash	2,292	—	2,292
Trade and other payables	(38,131)	—	(38,131)
Tax payables	(4,357)	—	(4,357)
	49,823	(1,059)	48,764
Minority interests			(16,460)
Goodwill			15,431
Total consideration satisfied by:			
Shares issued (Note)			47,735
Net cash inflow arising on acquisition:			
Bank balances and cash acquired			2,292

Note: The fair value of the ordinary shares of the Company at the date of issuance of 843,500,000 shares is approximately HK$0.056 per share, has been arrived on the basis of a valuation carried out by Avista Valuation Advisory Limited, an independent valuer to the Group.

36. ACQUISITION OF SUBSIDIARIES (Continued)

(a) (Continued)

The share price is determined with reference to the respective implied equity value per share at the respective dates using discounted cash flow approach. The inputs into the model at the date of acquisition were as follows:

	As 30 July 2009
Discount rate	15%
Terminal growth	3%

The discounted cash flow approach uses cash flow projections based on a 5-year financial budget approved by management and applying a perpetuity growth rate of 3% per annum thereafter. The growth rate is based on the relevant industry growth forecasts and does not exceed the average long term growth rate for the relevant industry. Another key assumption for the valuation is the budgeted sales and gross margin, which is determined based on the past performance and management's expectation for the market development.

Goodwill arose in the acquisition of Colour Asia because of the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of revenue growth, future market development and the assembled workforce of Colour Asia. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Impact of acquisitions on the results of the Group

Colour Asia contributed HK$64,635,000 and HK$9,919,000 to the Group's revenue and profit for the period respectively between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 April 2009, total Group revenue for the period would have been approximately HK$108,815,000, and profit for the period would have been approximately HK$16,785,000 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2009, nor is it intended to be a projection of future results.

36. ACQUISITION OF SUBSIDIARIES (Continued)

(b) On 24 November 2009, the Group acquired 100% equity interest in Step Delight from an independent third party for consideration of HK$6,300,000. Step Delight is an investment holding company which indirectly owned 51% equity interest in LS Education Centre Company Limited ("LS Education"). LS Education is principally engaged in the provision of entertainment arts education and training services. The acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$5,912,000.

	Fair value recognised on acquisition and carrying amount before combination HK$'000
Net assets acquired:	
Property, plant and equipment	535
Other receivables	128
Bank balances and cash	107
Other payables	(10)
	760
Minority interests	(372)
Goodwill	5,912
Total consideration satisfied by:	
Cash	6,300
Net cash outflow arising on acquisition:	
Bank balances and cash acquired	107
Cash consideration paid	(6,300)
	(6,193)

The carrying amount of the net assets of the acquiree was approximate to its fair value at the date of acquisition.

Goodwill arose in the acquisition of Step Delight because the combination effectively included amounts in relation to the benefit of expected management synergies, and the assembled workforce of Step Delight. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Step Delight and its subsidiaries did not contribute revenue to the Group but incurred loss of approximately HK$71,000 for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed 1 April 2009, no revenue for the period would have been generated, and loss for the period would have been approximately HK$883,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2009, nor is it intended to be a projection of future results.

36. ACQUISITION OF SUBSIDIARIES (Continued)

(c) On 16 June 2009, the Group acquired 100% equity interest of 北京星美匯餐飲管理有限公司 PRC Café Bar Management Company Limited ("PRC Café Bar Management Company") for a consideration of HK$120,000. The acquisition has been accounted for using the purchase method. No goodwill was recognised as a result of the acquisition.

	Fair value recognised on acquisition and carrying amount before combination HK$'000
Net assets acquired:	
Other receivables	18
Bank balances and cash	102
	120
Goodwill	—
Total consideration satisfied by:	
Cash	120
Net cash outflow arising on acquisition:	
Bank balances and cash acquired	102
Cash consideration paid	(120)
	(18)

PRC Café Bar Management Company contributed revenue of approximately HK$1,053,000 but loss of approximately HK$91,000 to the Group for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 April 2009, no revenue and a loss of approximately HK$91,000 for the period would have been generated since PRC Café Bar Management Company only commenced operation in November 2009. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2009, nor is it intended to be a projection of future results.

37. DECONSOLIDATION OF SUBSIDIARIES

During the period ended 31 December 2009, certain subsidiaries of the Group ("CVL Subsidiaries") were put under creditors' voluntary liquidations ("CVL"):

With appointment of the liquidators and commencement of liquidation, the liquidators had full control over the CVL Subsidiaries and their subsidiaries (the "CVL Group"). Since then, the Group lost control over these subsidiaries. The assets, liabilities and financial results of the CVL Group were deconsolidated from the Group's consolidated financial statements.

(a) Except for PHJ which was included in discontinued operation of the Group during the period, the net assets (liabilities) of the CVL Group at the respective date of deconsolidation are as follows:

	Total HK$'000
Net assets (liabilities) disposed of:	
Other receivables	444
Bank balances and cash	363
Trade and other payables	(6,063)
Tax payables	(1,988)
Other borrowings	(3,082)
	(10,326)
Gain on deconsolidation of subsidiaries	10,326
Total consideration	—
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	(363)

The deconsolidation of the subsidiaries did not result in significant impact on the Group's cash flow or operating results for the period.

(b) On 17 July 2009, PHJ, which was included in discontinued operation of the Group during the period, was deconsolidated from the consolidated financial statements. Further details were included in note 16 to the consolidated financial statements.

37. DECONSOLIDATION OF SUBSIDIARIES (Continued)

(b) (Continued)

The net assets (liabilities) of PHJ at the respective date of deconsolidation are as follows:

	17.7.2009 HK$'000
Net assets (liabilities) deconsolidated of:	
Bank balances and cash	1,142
Trade and other payables	(62,871)
	(61,729)
Release of foreign currency translation reserve upon deconsolidation	597
	(61,132)
Gain on deconsolidation of a subsidiary	61,132
Total consideration	—
Net cash outflow arising on deconsolidation:	
Bank balances and cash disposed of	(1,142)

The impact of PHJ on the Group's results and cash flows in the current and prior periods is disclosed in note 16.

38. DISPOSAL OF A SUBSIDIARY

On 10 September 2009, the Group disposed of its entire equity interest of Charmwin International Limited, which is inactive during the current period, to an independent third party for a cash consideration of approximately HK$300,000. The net liability of the disposed subsidiary at the date of disposal is as follows:

	10.9.2009 HK$'000
Net assets (liabilities) disposed of:	
Accruals and other payables	(9)
	(9)
Gain on disposal of a subsidiary	309
Total consideration satisfied by:	
Cash	300
Net cash inflow arising on disposal:	
Consideration received in cash	300

The disposal of the subsidiary did not result in significant impact on the Group's cash flow or operating results for the period.

39. SHARE-BASED PAYMENT

Equity-settled share option scheme

On 28 August 2002, the Company adopted a share option scheme (the "2002 Scheme") under which the board of directors may at its discretion offer to any director (including non-executive director), employee and contracted celebrity, consultant, adviser or agent of any member of the Group or any entity in which the Group holds an equity interests (the "Eligible Person(s)") of the Company and/or its subsidiaries options to subscribe for shares in the Company in accordance with the terms of the 2002 Scheme. The principal purpose of the 2002 Scheme is to recognise the significant contributions of the eligible persons to the growth of the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the 2002 Scheme and any other share option schemes of the Company cannot exceed 10% of the issued share capital as at 28 August 2002, i.e. 245,137,515 shares unless a fresh approval from the shareholders of the Company has been obtained. However, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Scheme and any other share option schemes of the Company cannot in aggregate exceed 30% of the issued share capital of the Company from time to time.

The total number of shares issued and may be issued upon exercise of the options granted to each Eligible Person under the 2002 Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the issued share capital of the Company.

Options granted under the 2002 Scheme must be accepted within 28 days from the date of grant. Upon acceptance, the grantee is required to pay HK$1 to the Company as consideration for the grant.

The subscription price for the shares under the 2002 Scheme must be a price determined by the board of directors of the Company at its absolute discretion but cannot be less than the highest of: (i) the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share of the Company.

The 2002 Scheme will remain in force for a period of 10 years commencing on 28 August 2002, after which no further options shall be granted but the options which are granted during the life of 2002 Scheme may continue to be exercisable in accordance with their terms of issue and, in all other respects, the provisions of the 2002 Scheme shall remain in full force and effect.

On 30 September 2009, an ordinary resolution was proposed at the special general meeting of the Company to approve the adoption of a new share option scheme ("New Share Option Scheme") and termination of the operation of the 2002 Scheme. The resolution was approved by the shareholders and the New Share Option Scheme became effective for a period of 10 years commencing on 30 September 2009. Option granted during the life of the 2002 Scheme and remain unexpired prior to the expiry of the 2002 Scheme shall continue to be exercisable in accordance with their terms of issue after the expiry of the 2002 Scheme.

39. SHARE-BASED PAYMENT (Continued)

Equity-settled share option scheme (Continued)

Under the New Share Option Scheme, the consideration paid for each grant of share options will be HK$1.00. The subscription price shall be determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share. Details of the principal terms of the New Share Option Scheme were summarised and set out in a circular to shareholders dated 9 September 2009. As at 31 December 2009, no option was granted under the New Share Option Scheme.

40. MAJOR NON-CASH TRANSACTIONS

(i) During the period ended 31 December 2009, the Company acquired the entire equity interest in Colour Asia by the allotment and issuance of a total of 843,500,000 new shares at an issue price of HK$0.1 per share. The fair value of the ordinary shares of the Company is approximately HK$0.056 per share.

(ii) On 3 December 2009, 11 December 2009 and 22 December 2009, the note holders exercised their conversion rights to convert the convertible notes in aggregate of HK$3,975,000 into the Company's ordinary shares of 150,000,000 shares in aggregate, at a conversion price of HK$0.265 per ordinary share. Note 32 sets out the details of the convertible notes.

41. LEASE COMMITMENTS

At 31 December 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	31.12.2009	31.3.2009
	HK$'000	HK$'000
Within one year	**23,714**	13,119
In the second to fifth years inclusive	**92,941**	52,261
After five years	**193,717**	91,457
	310,372	156,837

Except the lease in respect of two cinema premises in the PRC which have a lease term of 15 years, leases are negotiated for an average term of 2 years.

The above lease commitments only include commitments for basic rentals, and do not include commitments for additional rental payable (contingent rents), if any, which are to be determined generally by applying pre-determined percentages to future revenue less the basic rentals of the respective leases, as it is not possible in advance the amount of such additional rentals.

42. OTHER COMMITMENTS

	31.12.2009 HK$'000	31.3.2009 HK$'000
Amount contracted for but not provided in the consolidated financial statements in respect of:		
Film under production	**1,575**	—

43. CONTINGENT LIABILITIES

The Group had the following outstanding litigations as at 31 December 2009 that the directors of the Company are of the opinion that the estimated contingent liabilities arising from the litigations cannot be reasonably ascertained at the current stage.

(a) On 8 November 2007, Tilpifa Company Limited (an independent third parties) issued a writ of summons against Star East Management Limited ("Star East Management"), a subsidiary of the Company, claiming the money due on it amounting to approximately HK$263,000.

(b) Legal actions have also been taken against an associate company of the Group, M Channel. M Channel was sued for debts as brought about by The Stock Exchange, Composers and Authors Society of Hong Kong Limited, Lu Lai & Li and Charltons in the amount of HK$150,000, HK$1,247,000, HK$723,000 and HK$303,000 respectively.

The Company, at this stage, is unable to ascertain if the aforesaid proceedings will have any material and adverse impact on the financial position, cash flow and business operations of the Company.

44. RELATED PARTY TRANSACTIONS

Other than the amounts due to related parties as disclosed in note 32, the followings are significant transactions with related parties were entered into during the period ended 31 December 2009.

(a) On 30 July 2009, the Company completed the acquisition of the entire equity interest in Colour Asia from Mr. Qin Hui who has the entire interest of SMIL of which is the substantial shareholder of the Company. The consideration was paid by issuance of a total of 843,500,000 new ordinary shares at an issue price of HK$0.10 per share. The fair value of the ordinary shares of the Company is approximately HK$0.056 each.

(b) Compensation to key management personnel

The remuneration of directors and other members of key management during the period/year were as follows:

	31.12.2009 HK$'000	31.3.2009 HK$'000
Salaries and other benefits	**1,645**	—
Retirement benefits scheme contributions	**15**	—
	1,660	—

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	31.12.2009 HK$'000	31.3.2009 HK$'000
Non-current asset			
Investment in subsidiaries	(a)	**76,821**	52,259
Current assets			
Other receivables		**7,060**	16
Amounts due from subsidiaries	(b)	**80,945**	—
Bank balances and cash		**54,436**	7,401
		142,441	7,417
Current liabilities			
Bank and other borrowings		**—**	17,203
Trade and other payables		**2,073**	10,941
Amounts due to related parties	(b)	**852**	17,278
Amount due to a subsidiary	(b)	**21,474**	13,788
		24,399	59,210
Net current assets (liabilities)		**118,042**	(51,793)
Total assets less current liabilities		**194,863**	466
Capital and reserves			
Share capital	(35)	**251,878**	31,407
Reserves	(c)	**(57,015)**	(30,941)
Shareholders' equity		**194,863**	466

(a) Investment in subsidiaries

	The Company 31.12.2009 HK$'000	The Company 31.3.2009 HK$'000
Unlisted shares, at cost	**76,821**	52,259

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

(a) Investments in subsidiaries (Continued)

The following is a list of principal subsidiaries of the Company as at 31 December 2009 and 31 March 2009:

Name of subsidiary	Legal form of entity	Place of incorporation/ establishment/ operations	Issued and fully paid share capital/ registered capital	Proportion ownership interest held by the Company				Principal activities
				Directly		Indirectly		
				31.12.2009	31.3.2009	**31.12.2009**	31.3.2009	
SMI Management (HK) Limited	Limited liability	Hong Kong	Ordinary shares of HK$1	**100%**	–	**–**	–	Provision of management services
SMI Investment (HK) Limited	Limited liability	Hong Kong	Ordinary shares of HK$1	**100%**	–	**–**	–	Trading of securities
Colour Asia	Limited liability	Hong Kong	Ordinary shares of HK$2	**100%**	–	**–**	–	Investment holding
Able Charm Limited	Limited liability	Hong Kong	Ordinary shares of HK$10,000	**100%**	–	**–**	–	Investment holding
Planet Hollywood (Japan) K.K	Limited liability	Japan	Ordinary shares of JPY25,000,000	**–**	–	**–**	80%	Operation of theme restaurant
Cornhill Development Limited	Limited liability	Hong Kong	Ordinary shares of HK$2	**–**	–	**–**	100%	Provision of finance
LS Education	Limited liability	Hong Kong	Ordinary shares of HK$10,000	**–**	–	**51%**	–	Provision of entertainment arts education and training services
Beijing Mingxiang	Limited liability	PRC	Registered capital of RMB7,000,000	**–**	–	**72.86%**	–	Operation of cinema
Beijing Wangjing	Limited liability	PRC	Registered capital of RMB7,500,000	**–**	–	**60%**	–	Operation of cinema
PRC Café Bar Management Company	Limited liability	PRC	Registered capital of RMB100,000	**–**	–	**100%**	–	Operation of café bars

Note:

The above table lists the subsidiaries of the Company, which, in the opinion of the directors of the Company, principally affected the results for the period/year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of both period/year or at any time during the period/year.

(b) Amounts due from (to) subsidiaries/related parties/a subsidiary

The amounts are unsecured, interest-free and repayment on demand.

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

(c) Reserves of the Company

	Share premium HK$'000	Other reserve HK$'000	Contributed surplus HK$'000	Conversion notes reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2008	44,150	—	36,003	—	(101,201)	(21,048)
Loss and other comprehensive expense for the year	—	—	—	—	(9,893)	(9,893)
At 31 March 2009 and 1 April 2009	44,150	—	36,003	—	(111,094)	(30,941)
Loss and other comprehensive expense for the period	—	—	—	—	(54,796)	(54,796)
Shares issued	44,385	—	—	—	—	44,385
Shares issued for acquisition of subsidiaries (note 36(a))	—	(36,615)	—	—	—	(36,615)
Transaction cost attributable to issue of shares	(3,085)	—	—	—	—	(3,085)
Recognition of equity component of convertible notes (note 33)	—	—	—	4,239	—	4,239
Conversion of convertible notes (note 33)	24,037	—	—	(4,239)	—	19,798
At 31 December 2009	109,487	(36,615)	36,003	—	(165,890)	(57,015)

46. EVENTS AFTER THE REPORTING PERIOD

(a) Issue of convertible notes and connected parties transaction

As announced on 25 January 2010, the Company issued a HK$100,000,000, 1% convertible notes ("2nd Convertible Notes") on 25 January 2010 to Mr. Qin Hui. The 2nd Convertible Notes are denominated in Hong Kong dollars and entitles the holder to convert them into ordinary shares of the Company at any business days after the date of issue of the 2nd Convertible Notes up to and including the date which is 7 business days prior to the maturity date on 25 January 2012 at a conversion price of HK$0.295. The Company will redeem the 2nd Convertible Notes at 100% of its principal amount on the maturity date.

46. EVENTS AFTER THE REPORTING PERIOD (Continued)

(b) **Disposal of equity interest in and loans due from jointly controlled entities**

As announced by the Company on 11 February 2010, the Group entered into a sale and purchase agreement with an independent third party to dispose of 50% equity interest in Canaria and Earn Elite, and the loans to Canaria and Earn Elite for a consideration of HK$17,000,000, subject to adjustment after completion. In relation to the disposal of Canaria Group as a discloseable transaction, details of which had been disclosed in the Company's announcement on 11 February 2010. The disposal was completed on 11 February 2010 and the consideration was satisfied in cash.

(c) **Very substantial acquisition, connected parties transactions in relation to acquisition of interests in 12 movie theaters in the PRC**

As announced by the Company on 29 December 2009 and 25 March 2010, the Group entered into an acquisition agreement with Mr. Qin Hui, for the acquisition of 100% equity interest in Admiral Team Limited and its subsidiaries (collectively referred as "Admiral Team") and the shareholder's loan due to Mr. Qin Hui by Admiral Team ("Shareholder's Loan") conditional upon the completion of the reorganisation. The reorganisation relates to a series of transactions involving the reorganisation of equity interests in GDL Nominee Limited ("GDL") and SMI International Cinemas Limited ("SMIC"). GDL and SMIC will hold their respective equity interests in the companies operating the 12 multi-screen movie theaters in the PRC.

The consideration for the acquisition of 100% equity interest in Admiral Team and Shareholder's Loan is approximately HK$1,200,000,000 based on the Mr. Qin's guaranteed profit of HK$80,000,000 and 15 times price to earnings multiple. The consideration shall be satisfied by a combination of (1) issuing of 0.25% convertible notes in amount of approximately HK$744,000,000 ("Acquisition Convertible Note") and (2) allotting 1,545,762,712 new shares by the Company ("Consideration Shares"). The issue price of the consideration shares and the conversion price for the acquisition convertible notes shall both be HK$0.295 per share.

(d) **Letter of intent in relation to possible acquisition of a business of visual effect and animation in Australia**

As announced by the Company on 23 April 2010, the Group and Mr. Dale Duguid entered into a non-legally binding letter of intent in relation to the proposed acquisition of Photon VFX ("Photon"). Photon is one of the world's leading visual effects, animation and post production firms, having been involved in many high profile Hollywood movie productions. Photon is based in Queensland, Australia.

Financial Summary

Results	1.4.2005- 31.3.2006 HK'000	1.4.2006- 31.3.2007 HK'000	1.4.2007- 31.3.2008 HK'000	1.4.2008- 31.3.2009 HK'000	**1.4.2009- 31.12.2009 HK'000**
Revenue	59,617	38,797	29,675	35,551	**71,715**
(Loss) Profit before taxation	(49,021)	(24,965)	(90,442)	(28,231)	**32,189**
Taxation	(24)	(15)	(13)	—	**(4,196)**
(Loss) Profit before minority interests	(49,045)	(24,980)	(90,455)	(28,231)	**27,993**
Minority interests	—	—	—	—	**(3,991)**
Net (loss) profit for the year/period	(49,045)	(24,980)	(90,455)	(28,231)	**24,002**

Assets and liabilities	31.3.2006 HK'000	31.3.2007 HK'000	31.3.2008 HK'000	31.3.2009 HK'000	**31.12.2009 HK'000**
Total assets	166,652	131,002	71,380	62,117	**308,222**
Total liabilities	(106,625)	(94,934)	(126,594)	(146,287)	**(108,679)**
Total equity	60,027	36,068	(55,214)	(84,170)	**199,543**

Blockbusters
矚目影片