Annual Report 2008

采藝多媒體控股有限公司
Brilliant Arts Multi-Media Holding Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8130)

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Law Sau Yiu, Dennis *(resigned on 9 October 2007)*
Ms. Teng Chia Lin, Chialina *(resigned on 18 September 2007)*
Ms. Chan Dao Ho *(resigned on 7 September 2007)*
Mr. Lei Hong Wai *(Chairman and Chief Executive Officer)* *(appointed as chief executive officer and executive director on 10 July 2007 and appointed as chairman on 9 October 2007)*
Mr. Yip Tai Him *(appointed on 10 July 2007)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lung Hak Kau *(resigned on 24 August 2007)*
Ms. Tsang Kei Ling *(resigned on 24 August 2007)*
Ms. Wai Lai Yung *(resigned on 18 September 2007)*
Mr. Lai Hok Lim *(appointed on 10 July 2007)*
Mr. Leung Wai Man *(appointed on 10 July 2007)*
Mr. Man Kong Yui *(appointed on 18 September 2007)*

COMPANY SECRETARY

Mr. Lee Wai Ming *(resigned on 28 July 2007)*
Mr. Chan Kwok On *(appointed on 28 July 2007 and resigned on 9 October 2007)*
Mr. Lee Chan Wah *(appointed on 9 October 2007)*

QUALIFIED ACCOUNTANT

Mr. Lee Wai Ming *(resigned on 28 July 2007)*
Mr. Chan Kwok On *(appointed on 28 July 2007 and resigned on 9 October 2007)*
Mr. Lee Chan Wah *(appointed on 9 October 2007)*

AUTHORISED REPRESENTATIVES

Mr. Law Sau Yiu, Dennis *(resigned on 28 July 2007)*
Mr. Lei Hong Wai *(appointed on 28 July 2007 and resigned on 9 October 2007)*
Mr. Yip Tai Him *(appointed on 28 July 2007)*
Mr. Lee Chan Wah *(appointed on 9 October 2007)*

COMPLIANCE OFFICER

Mr. Law Sau Yiu, Dennis *(resigned on 9 October 2007)*
Mr. Yip Tai Him *(appointed on 9 October 2007)*

AUDIT COMMITTEE

Mr. Lung Hak Kau *(resigned on 24 August 2007)*
Ms. Tsang Kei Ling *(resigned on 24 August 2007)*
Ms. Wai Lai Yung *(resigned on 18 September 2007)*
Mr. Lai Hok Lim *(appointed on 24 August 2007)*
Mr. Leung Wai Man *(appointed on 24 August 2007)*
Mr. Man Kong Yui *(appointed on 18 September 2007)*

REMUNERATION COMMITTEE

Mr. Law Sau Yiu, Dennis *(resigned on 28 July 2007)*
Mr. Lung Hak Kau *(resigned on 24 August 2007)*
Ms. Wai Lai Yung *(resigned on 18 September 2007)*
Mr. Lei Hong Wai *(appointed on 28 July 2007)*
Mr. Lai Hok Lim *(appointed on 24 August 2007)*
Mr. Leung Wai Man *(appointed on 18 September 2007)*

NOMINATION COMMITTEE

Mr. Lai Hok Lim *(appointed on 11 September 2007)*
Mr. Lei Hong Wai *(appointed on 11 September 2007)*
Mr. Leung Wai Man *(appointed on 11 September 2007)*

Corporate Information

AUDITOR

CCIF CPA Limited

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong Law

Robertsons

As to Cayman Islands Law

Conyers Dill and Pearman

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1611, 16/F.
Shun Tak Centre
West Tower
168-200 Connaught Road Central
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited
Strathvale House
North Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 25, Three Pacific Place
1 Queen's Road East
Hong Kong

PRINCIPAL BANKER

Hang Seng Bank Limited

COMPANY HOMEPAGE

www.bamm.com.hk

GEM STOCK CODE

8130

Chairman's Statement

Dear shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Brilliant Arts Multi-Media Holding Limited (the "Company"), I would like to present the results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2008.

The local film market in the financial year ended 31 March 2008 continued to be sluggish. The Group recorded a decrease in turnover of approximately 82.9% to HK$10.6 million (2007: HK$62.3 million). The decrease in the turnover was the result of a reduction in film production and film distribution. Despite the decrease in turnover, the Group recorded a profit attributable to equity holders of approximately HK$19.3 million (2007: loss attributable to equity holders of HK$16.2 million). The turnaround was mainly contributed by the disposal of its several wholly-owned subsidiaries, the increase in fair value of investment properties and the decrease in other operating expenses in current year.

During the year under review, the Board endeavoured to strengthen the capital base of the Group by raising funds from the capital market, diversify and broaden its revenue sources by extending its business into property investment and streamline the Group's business and control its operating costs by the disposal of its several wholly-owned subsidiaries.

CHANGE OF NAME

In accordance with the sale and purchase agreement for the disposal of Luminous Star Limited and Milkyway Image (Hong Kong) Limited, the Company should cease to use the words / characters "Milkyway", "Milkyway Image" and "銀河映像" in its name within one month after the date of completion. Accordingly, the name of the Company was changed to Brilliant Arts Multi-Media Holding Limited on 2 August 2007.

PROSPECTS AND APPRECIATION

The series of fund raised during the year strengthened and broadened the capital base of the Company. Financial position of the Group was ultimately improved and the gearing ratio was reduced. The acquisition of investment properties provided an opportunity for the Group to diversify its business. Benefited by the recent growth of the Hong Kong property market, the investment property located at Sheung Wan, Hong Kong recorded an increase in fair value at the year end date. The acquisition of the Canada property provides a stable source of revenue to the Group. The Board expects that revenue from the business segment of property investment will increase in the coming years. The streamline of the Group's business operation by the disposal of several wholly-owned subsidiaries enables the Group to operate in a relative cost-effective manner.

Looking forward, the Group will not only continue to focus on its business of provision of film production service and film distribution, but also continue to seek for new investment opportunities in the area of property investment. The Board will continue to put its best efforts to produce good economic results and better return to the shareholders.

Finally, I would like to thank our Board, management and staff for their contributions to the Group. I would also like to extend my sincere gratitude to our shareholders, business partners, customers and suppliers for their continued supports.

Lei Hong Wai
Chairman

Hong Kong, 25 June 2008

Management Discussion and Analysis

GENERAL

During the year under review, the Group is principally engaged in film production and film distribution, as well as investment in properties.

BUSINESS OVERVIEW

Turnover contributed from film distribution and film production business decreased as such business remained hindered by an adverse operating environment. Investors have been becoming cautious in putting funds in this industry. The Board had adopted a prudence approach in such business segment. During the year ended 31 March 2008, the Group's turnover contributed from film distribution and film production business amounted to approximately HK$2.8 million (2007: HK$40.3 million) and HK$7.5 million (2007: HK$22 million) respectively.

On 2 November 2007, the Group completed the acquisition of the entire issued share capital of Classic Grace Enterprises Limited ("Classic Grace") for a total consideration of HK$24 million. The Company issued convertible bonds to the vendor to satisfy the consideration. The sole asset of Classic Grace is a commercial property located at Sheung Wan, Hong Kong. During the year ended 31 March 2008, the convertible bonds were fully converted into shares of the Company.

On 28 January 2008, the Group completed the acquisition of the entire issued share capital of Grandeur Concord Limited ("Grandeur Concord") for a total consideration of HK$18 million. The Company issued 180,000,000 consideration shares to the vendor to satisfy the consideration. The sole asset of Grandeur Concord is a property that is utilised as a warehouse in Canada for rental income. Following the completion of the acquisition of the investment property located at Canada, a turnover of approximately HK$0.3 million (2007: Nil) was recorded from the leasing of investment property.

To stay competitive in the market, the Group has adopted measures to streamline the Group's business. On 28 June 2007, the Group completed the disposal of two wholly-owned subsidiaries, namely, Luminous Star Limited and Milkyway Image (Hong Kong) Limited for a consideration of HK$26 million. The net proceeds of approximately HK$25 million was utilised as general working capital for the Group. Such disposal was resulted a gain of approximately HK$28.3 million.

Management Discussion and Analysis

On 15 January 2008, the Group completed the disposal of another three wholly-owned subsidiaries, namely, Point of View Movie Production Company Limited, Inspire Film Distribution Company Limited and Brilliant Picture Movie Production Company Limited (formerly known as Milkyway Image Limited) for a consideration of HK$2 million. The net proceeds of the disposal was used for general working capital of the Group. Such disposal was resulted in a loss of approximately HK$2.6 million.

In addition to streamline the Group's business, the management had exercised prudence measures on cost control policies. As a result, other operating expenses decreased by 34.9% to approximately HK$15.9 million.

FINANCIAL REVIEW

For the year ended 31 March 2008, the Group's turnover decreased by 82.9% to approximately HK$10.6 million (2007: HK$62.3 million). Of the total turnover amount, HK$10.3 million or 97.2% was generated from film distribution and film production, HK$0.3 million or 2.8% was generated from the leasing of investment property.

Gross profit for film distribution and film production decreased from approximately HK$13.3 million in prior year to approximately HK$1.0 million in the current year. Gross profit ratio in that business segment also decreased from 21% in previous year to 9.7% in the year under review. Such decrease was caused by the increase in film production activity which had a relatively lower gross profit margin.

Profit attributable to equity holders for the year ended 31 March 2008 amounted to approximately HK$19.3 million (2007: loss attributable to equity holders of HK$16.2 million). The turnaround was mainly contributed by the disposal of several wholly-owned subsidiaries, the increase in fair value of investment properties and the decrease in other operating expenses in current year. The disposal of the subsidiaries was resulted in an aggregate gain of approximately HK$25.7 million, while the fair value of the investment properties increased by approximately HK$7.7 million as at the balance sheet date.

With the combined effect of the disposals of subsidiaries and the stringent cost control policy adopted by the Board, other operating expenses decreased by 34.9% to approximately HK$15.9 million from HK$24.4 million in prior year. Such decrease was mainly contributed by the decrease in salaries and allowances, depreciation, rent and rates and promotion expenses from HK$10.4 million, HK$3.9 million, HK$1.8 million and HK$3.9 million in last year to HK$7.8 million, HK$1.2 million, HK$0.5 million and HK$0.8 million in current year respectively.

Finance costs decreased by 10.2% to approximately HK$1.6 million from HK$1.8 million in prior year. The decrease of approximately HK$0.2 million was mainly attributed to the decrease in interest on amounts due to related companies which was partly offset by the increase in interest on convertible bonds. The interests on convertible bonds and amounts due to related companies were approximately HK$0.9 million (2007: HK$0.2 million) and HK$0.7 million (2007: HK$1.5 million) respectively.

Management Discussion and Analysis

Dividend

No dividend for the year ended 31 March 2008 has been proposed by the Directors (2007: HK$ Nil).

Liquidity, Financial Resources and Capital Structure

At 31 March 2008, the Group had total assets of approximately HK$172.7 million (2007: HK$90.8 million), including cash and bank balances of approximately HK$101.8 million (2007: HK$23.9 million). The increase in cash and bank balances was mainly contributed by cash inflow generated from financing activities during the year.

During the year under review, the Group financed its operations with internally generated cash flows and the proceeds from the disposal of wholly-owned subsidiaries, issuance of convertible bonds, open offer, exercising share options from certain option holders and placing of new shares.

On 25 May 2007, the Company issued convertible bonds in a principal amount of HK$25 million to Classical Statue Limited, a wholly-owned subsidiary of China Star Entertainment Limited. During the year ended 31 March 2008, Classical Statue Limited had converted 72,727,272 shares of HK$0.1 each at a conversion price of HK$0.33 per share. The outstanding amount of the convertible bonds was HK$1 million at 31 March 2008.

On 9 October 2007, the Company raised approximately HK$18.7 million before expenses, by way of open offer of 124,663,636 offer shares at a price of HK$0.15 per offer share on the basis of one offer share for every two existing shares. The net proceeds of approximately HK$18.1 million were utilised for potential investments or for general working capital.

On 15 November 2007, the Company raised net proceeds of approximately HK$5.8 million by way of placing of 49,860,000 new shares to independent investors at a price of HK$0.12 per share. The proceeds were utilised for potential investments or for general working capital.

On 21 February 2008, the Company raised net proceeds of approximately HK$52.7 million by way of placing of 450,000,000 new shares to independent investors at a price of HK$0.12 per share. The proceeds were utilised for potential investments or for general working capital.

During the year ended 31 March 2008, certain option holders exercised their option rights to subscribe for an aggregate of 4,988,544 shares at an exercise price of HK$0.1488, an aggregate of 3,490,534 shares at an exercise price of HK$0.118, an aggregate of 6,300,000 shares at an exercise price of HK$0.114 and 16,838,539 shares at an exercise price of HK$0.133 respectively. The net proceeds from the exercise of option rights amounted to approximately HK$4.1 million.

Management Discussion and Analysis

At 31 March 2008, the Group has pledged its investment property located at Canada with a fair value of HK$21.2 million to secure a mortgage loan amounted to approximately HK$2.6 million (2007: Nil).

At 31 March 2008, save as the mortgage loan, the Group did not have any bank borrowings nor any banking facilities. The gearing ratio, expressed as a percentage of total liabilities over total assets, was 5.1% (2007: 120%).

Treasury Policies

The Group has not used any foreign currency derivative instruments to hedge its exposure to foreign exchange risk. However, the management monitors closely the exposures and will consider hedging the exposures should the need arise.

Contingent liabilities

At 31 March 2008, the Group had no contingent liabilities.

Material acquisitions and disposal of subsidiaries and affiliated companies

Save as the disposals of subsidiaries and the acquisition of subsidiaries as mentioned above, the Group had no other material acquisitions and disposal of subsidiaries and affiliated companies during the year.

Capital Reorganisation and Change of Board Lot Size

Pursuant to the ordinary resolutions passed on 19 March 2008, capital reorganisation will be effected by the way of comprising (i) capital reduction that the nominal value of all issued and unissued shares be reduced from HK$0.10 each to HK$0.001 each; (ii) share consolidation that every 10 issued and unissued shares be consolidated into 1 consolidated share of the Company ("Consolidated Shares"); and (iii) the increase in authorised share capital from HK$3,000,000 to HK$30,000,000 by the creation of 2,700,000,000 new ordinary shares of the Company of HK$0.01 each. Upon the capital reorganisation becoming effective, the board lot size for trading of shares of the Company will be changed from 10,000 shares to 4,000 Consolidated Shares. The above transaction was approved by the Grand Court of the Cayman Islands on 20 June 2008.

Employee Information

At 31 March 2008, the Group had 6 (2007: 20) full time employees, including executive directors. The Group remunerated its employees in accordance their work performance and experience. The Directors had their discretions in granting share options and bonuses to the Group's employees depending upon the work performance of particular employee and the financial performance of the Group. For the year ended 31 March 2008, total staff costs, including directors' emoluments, amounted to approximately HK$7.9 million (2007: HK$10.7 million).

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Mr. Lei Hong Wai, aged 40, is the chairman and chief executive officer of the Company. Mr. Lei is responsible for the overall strategic planning and managing function of the Group. Mr. Lei has over 16 years experience in the entertainment industry. Mr. Lei was a director of The Chamber of Hong Kong Listed Companies Limited, which promotes interaction amongst its members, which are listed companies in Hong Kong and the People's Republic of China, in 2002. Mr. Lei was appointed as an executive director, chief executive officer and the chairman on 10 July 2007 and 9 October 2007 respectively.

Mr. Yip Tai Him aged 38, has over 16 years experience in auditing, accounting and corporate finance areas. He is the members of the Institute of Chartered Accountants in England and Wales, Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. Mr. Yip was appointed as an executive director on 10 July 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lai Hok Lim, aged 49, is a practicing solicitor in Hong Kong since 1989, He graduated from the University of Hong Kong with a Bachelor of Arts Degree and holds a Bachelor of Arts (Law) Degree from the University of Sussex in the United Kingdom and a Bachelor of Law Degree from Beijing University in the People's Republic of China. Mr. Lai was appointed as an independent non-executive director on 10 July 2007.

Mr. Leung Wai Man, aged 38, has over 9 years of experience in company secretarial, accounting and financial management. He is an associate member of the Association of Chartered Certified Accountants in the United Kingdom. Mr. Leung was appointed as an independent non-executive director on 10 July 2007.

Mr. Man Kong Yui, aged 48, has been involved in the financial and securities industries for over 26 years and has extensive experience in bullion, securities, futures and foreign exchange business. He has held various senior positions with prominent banks and international financial institutions, Mr. Man holds a Bachelor Degree in Business Administration from Chinese University of Hong Kong. Mr. Man is currently an independent non-executive director of Greater China Technology Group Limited and Get Nice Holdings Limited, which all these companies are listed on the Stock Exchange. Mr. Man was appointed as an independent non-executive director on 18 September 2007.

SENIOR MANAGEMENT

Mr. Cheung Kwok Wai, Elton, aged 42, is the general manager of the Group. He holds a Master Degree in Accounting and Finance of the University of Lancaster, England. Mr. Cheung has over 20 years experience in the area of corporate finance and securities industries. He is responsible for managing the Group's investment in Canada and overseeing the Group's daily operations. Mr. Cheung joined the Group in January 2008.

Mr. Lee Chan Wah, aged 39, is the chief financial officer, qualified accountant and company secretary of the Company. Mr. Lee has over 16 years experience in auditing and accounting areas. He is a member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. Mr. Lee joined the Group in October 2007.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules. The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the year ended 31 March 2008 except for the deviation from code provision A.2.1 regarding the separate roles of chairman and chief executive officer of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 March 2008.

BOARD OF DIRECTORS AND BOARD MEETING

The Board member for the year ended 31 March 2008 and up to the date of this annual report were:

Executive Directors

Mr. Law Sau Yiu, Dennis	(resigned on 9 October 2007)
Ms. Teng Chia Lin, Chialina	(resigned on 18 September 2007)
Ms. Chan Dao Ho	(resigned on 7 September 2007)
Mr. Lei Hong Wai	(appointed on 10 July 2007)
Mr. Yip Tai Him	(appointed on 10 July 2007)

Independent non-executive Directors

Mr. Lung Hak Kau	(resigned on 24 August 2007)
Ms. Tsang Kei Ling	(resigned on 24 August 2007)
Ms. Wai Lai Yung	(resigned on 18 September 2007)
Mr. Lai Hok Lim	(appointed on 10 July 2007)
Mr. Leung Wai Man	(appointed on 10 July 2007)
Mr. Man Kong Yui	(appointed on 18 September 2007)

Corporate Governance Report

The Board is responsible for the Group's corporate policy formulation, business strategies planning, business development, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for Board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Each of the Director's biographical information is set out on page 10 of this annual report. All executive Directors have given sufficient time and attention to the affairs of the Group and each of them has sufficient experience to hold the position so as to carryout his duties effectively and efficiently.

The Company had appointed three independent non-executive Directors who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of the shareholders of the Company. All of them have been appointed for a term of one year commencing from the date of their appointment.

To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among the members of the Board.

Directors' Appointment, Re-election and Removal

All of the Directors, including the executive Directors and independent non-executive Directors, have not signed any service contract with the Company. They have been appointed for a term of one year commencing from the date of their employment.

In accordance with the Company's bye-laws, any Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Also, all Directors are subject to retirement by rotation at least once every three years. The Directors to retire every year shall be those appointed by the Board during the year and those who have been longest in office since their last election or re-election.

Independent non-executive Directors

Pursuant to the requirements of the GEM Listing Rules 5.09, the Company has received written confirmation from each of the independent non-executive Director of his independence to the Company. Based on such confirmations of independence, the Company considers all of the independent non-executive Directors to be independent.

Board Meetings and Board Practices

During the year, 38 full board meetings (of which four were regular board meetings) were held.

Details of the attendance of the meetings of the Board are as follows:

Directors		**Attendance**
Mr. Law Sau Yiu, Dennis	(resigned on 9 October 2007)	16/19
Ms. Teng Chia Lin, Chialina	(resigned on 18 September 2007)	13/15
Ms. Chan Dao Ho	(resigned on 7 September 2007)	13/14
Mr. Lung Hak Kau	(resigned on 24 August 2007)	3/13
Ms. Tsang Kei Ling	(resigned on 24 August 2007)	3/13
Ms. Wai Lai Yung	(resigned on 18 September 2007)	3/15
Mr. Lei Hong Wai	(appointed on 10 July 2007)	30/30
Mr. Yip Tai Him	(appointed on 10 July 2007)	23/30
Mr. Lai Hok Lim	(appointed on 10 July 2007)	30/30
Mr. Leung Wai Man	(appointed on 10 July 2007)	30/30
Mr. Man Kong Yui	(appointed on 18 September 2007)	23/23

Apart from regular Board meeting of the year, the Board will meet on other occasions when a board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision in advance of each Board meeting. The Company Secretary of the Company is responsible for distributing detailed documents to the Directors prior to the meetings of the Board to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings so that they may receive accurate, timely and clear information. All Directors have access to the advice and services of the Company Secretary who regularly updates the Board on governance and regulatory matters. The Company Secretary is also responsible for providing to the Board opinions on matters in relation to the compliance with the procedures of the Board meetings.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Lei Hong Wai, who is also an executive Director, has performed the roles of the chairman and chief executive officer of the company. The Board considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership, which is conducive to making and implementing decisions quickly and consistently. The Board will review the effectiveness of this arrangement from time to time and will consider appointing an individual as the chief executive officer of the Company when it thinks appropriate.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was established with written terms of reference in compliance with the code provisions. As at the date of this annual report, it consists of three members, of which the majority are independent non-executive Directors, namely Mr. Lei Hong Wai, Mr. Lai Hok Lim and Mr. Leung Wai Man, and all were appointed on 11 September 2007. The Chairman of the Nomination Committee is Mr. Lai Hok Lim.

The roles and functions of the Nomination Committee include nomination of the potential candidates for directorship, reviewing the nomination of the Directors and making recommendations to the Board for ensuring that all nominations are fair and transparent.

Details of the attendance meetings of the Nomination Committee are as follows:

Members	**Attendance**
Mr. Lai Hok Lim	1/1
Mr. Lei Hong Wai	1/1
Mr. Leung Wai Man	1/1

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established with written terms of reference in compliance with the code provisions. As at the date of this annual report, the Remuneration Committee consists of three members, of which majority are independent non-executive Directors, namely Mr. Lei Hong Wai, Mr. Lai Hok Lim and Mr. Leung Wai Man. The chairman of the Remuneration Committee is Mr. Lei Hong Wai.

The roles and functions of the Remuneration Committee include the determination of the specific remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation payment, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of all the independent non-executive Directors and the senior management of the Company.

Details of the attendance of the meetings of the Remuneration Committee are as follows:

Members		Attendance
Mr. Law Sau Yiu, Dennis	(resigned on 28 July 2007)	1/1
Mr. Lung Hak Kau	(resigned on 24 August 2007)	1/1
Ms. Wai Lai Yung	(resigned on 18 September 2007)	1/1
Mr. Lei Hong Wai	(appointed on 28 July 2007)	0/0
Mr. Lai Hok Lim	(appointed on 24 August 2007)	0/0
Mr. Leung Wai Man	(appointed on 18 September 2007)	0/0

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group, and provide advice and comments on the Company's draft annual reports and accounts, half year reports and quarterly reports to the Directors. As at the date of this annual report, the Audit Committee comprises three members, Mr. Lai Hok Lim, Mr. Leung Wai Man and Mr. Man Kong Yui, all of them are independent non-executive Directors. The chairman of the Audit Committee is Mr. Lai Hok Lim.

The Audit Committee held 4 meetings during the year under review. Details of the attendance of the Audit Committee meetings are as follows:

Members		Attendance
Mr. Lung Hak Kau	(resigned on 24 August 2007)	1/1
Ms. Tsang Kei Ling	(resigned on 24 August 2007)	1/1
Ms. Wai Lai Yung	(resigned on 18 September 2007)	1/1
Mr. Lai Hok Lim	(appointed on 24 August 2007)	3/3
Mr. Leung Wai Man	(appointed on 24 August 2007)	3/3
Mr. Man Kong Yui	(appointed on 18 September 2007)	3/3

The Group's unaudited quarterly and interim results, also, the audited annual results for the year ended 31 March 2008 have been reviewed by the Audit Committee during the year, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

Corporate Governance Report

AUDITOR'S REMUNERATION

The Company has appointed CCIF CPA Limited as the auditor (the "Auditor") of the Group. The Board is authorised in the annual general meeting of Company to determine the remuneration of the Auditor. During the year, the Auditor performed the work of statutory audit for the year ended 31 March 2008 and also involved in non-audit assignment of the Group. The remuneration of the Auditor for the year ended 31 March 2008 for the work of statutory audit and non-audit assignments are approximately HK$260,000 and HK$1,060,000 respectively.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The Directors acknowledge their responsibility for the preparation of the financial statements of the Company. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made.

The Board is not aware of any material uncertainties relating to the events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the on-going concern basis in preparing the financial statements.

The Auditor's responsibilities are set out in the section headed "Independent Auditor's Report".

INVESTOR RELATION AND SHAREHOLDERS' RIGHT

The Board recognises the importance of maintaining clear, timely and effective communication with the shareholders of the Company and investors. Therefore, the Company use a number of formal communication channels to account to shareholders and investors for the performance of the Company, which include the publication of the reports on the website of the Company, holding of the annual general meeting providing a forum for shareholders of the Company to raise comments and exchanging view with the Board and updating key information of the Group available on the website of the Company.

Directors' Report

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the activities of its subsidiaries are set out in Note 20 to the financial statements.

RESULTS

The results of the Group for the year ended 31 March 2008 are set out in the consolidated income statement on page 30 of this annual report.

The directors do not recommend the payment of any dividend in respect of the year.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 96 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in Note 17 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's share capital and share options during the year are set out in Notes 30 and 39 to the financial statements respectively.

RESERVES

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

Directors' Report

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association and there is no restriction against such rights under the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CONVERTIBLE BONDS

Details of the movements in convertible bonds during the year are set out in Note 28 to the financial statements.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to shareholders as at 31 March 2008 amounting to approximately HK$28,457,000 (2007: HK$Nil).

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK$Nil (2007: HK$1,000).

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in Note 40 to the financial statements.

CONNECTED TRANSACTIONS

Details of connected transactions are set out in Note 38 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2008.

Directors' Report

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Executive directors:

Mr. Law Sau Yiu, Dennis *(Chairman)*	(resigned on 9 October 2007)
Ms. Teng Chia Lin, Chialina	(resigned on 18 September 2007)
Ms. Chan Dao Ho	(resigned on 7 September 2007)
Mr. Lei Hong Wai *(Chairman)*	(appointed on 10 July 2007)
Mr. Yip Tai Him	(appointed on 10 July 2007)

Independent non-executive directors:

Mr. Lung Hak Kau	(resigned on 24 August 2007)
Ms. Wai Lai Yung	(resigned on 18 September 2007)
Ms. Tsang Kei Ling	(resigned on 24 August 2007)
Mr. Lai Hok Lim	(appointed on 10 July 2007)
Mr. Leung Wai Man	(appointed on 10 July 2007)
Mr. Man Kong Yui	(appointed on 18 September 2007)

In accordance with article 87 of the Company's articles of association, Mr. Lei Hong Wai and Mr. Man Kong Yui shall retire by rotation. Both directors, being eligible, offer themselves for re-election.

Directors' Report

DIRECTORS' SERVICE CONTRACTS

Mr. Law Sau Yiu, Dennis and Ms. Teng Chia Lin, Chialina, both of whom are executive directors, have entered into service agreements with the Company for an initial fixed term of three years commencing from 9 October 2003 and shall continue thereafter until terminated by six months prior written notice served by either party on the other.

Under the said service agreements, Mr. Law Sau Yiu, Dennis and Ms. Teng Chia Lin, Chialina are entitled to an annual salary of HK$1,800,000 and HK$456,000 respectively, subject to any increment at such rate as the board of directors may at its absolute discretion determine and Mr. Law Sau Yiu, Dennis and Ms. Teng Chia Lin, Chialina shall abstain from voting in respect of the resolution regarding such increase.

Mr. Lung Hak Kau entered into a letter of appointment with the Company on 10 July 2004 for a term of one year commencing on 4 August 2004 and will continue thereafter unless and until terminated by either the Company or Mr. Lung Hak Kau and such appointment is subject at all times to the articles of association of the Company.

Ms. Wai Lai Yung entered into a letter of appointment with the Company on 24 September 2004 for a term of one year commencing on 28 September 2004 and will continue thereafter unless and until terminated by either the Company or Ms. Wai Lai Yung and such appointment is subject at all times to the articles of association of the Company.

Ms. Tsang Kei Ling entered into a letter of appointment with the Company on 20 January 2005 for a term of one year commencing on 21 January 2005 and will continue thereafter unless and until terminated by either the Company or Ms. Tsang Kei Ling and such appointment is subject at all times to the articles of association of the Company.

Save as disclosed above, none of the directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 31 March 2008, the interests and short positions of the directors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO); or which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of the Stock Exchange (the "GEM Listing Rules"), were as follows:

a) Long positions in the ordinary shares of HK$0.1 each of the Company

Name of director	Interest in shares	Interest in underlying shares	Total interest in shares	Percentage of the Company's issued share capital
Mr. Lei Hong Wai	32,718,539 (Note 1)	–	32,718,539	2.60%
Mr. Yip Tai Him	–	4,238,539	4,238,539	0.33%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (Continued)

a) Long positions in the ordinary shares of HK$0.1 each of the Company (Continued)

Note:

1. 22,180,000 shares are held by Mander International Limited, which is wholly and beneficially owned by Business Power Holdings Limited. Mr. Lei Hong Wai, an executive director, who owns 50% interest in Business Power Holdings Limited. Mr. Lei also owns 10,538,539 shares in his personal capacity.

b) Long positions in shares options

				Number of share options				
Name of director	Date of grant	Exercise price	Exercise period	Balance as at 1 April 2007	Granted during the year	Exercised during the year	Cancelled during the year	Balance as at 31 March 2008
Mr. Lei Hong Wai	30/10/2007	HK$0.1488	30/10/2007 to 29/10/2017	–	2,493,272	2,493,272	–	–
	29/11/2007	HK$0.1180	29/11/2007 to 28/11/2017	–	1,745,267	1,745,267	–	–
	5/3/2008	HK$0.1330	5/3/2008 to 4/3/2011	–	6,300,000	6,300,000	–	–
Mr. Yip Tai Him	30/10/2007	HK$0.1488	30/10/2007 to 29/10/2017	–	2,493,272	–	–	2,493,272
	29/11/2007	HK$0.1180	29/11/2007 to 28/11/2017	–	1,745,267	–	–	1,745,267

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (Continued)

Save as disclosed above, at 31 March 2008, none of the directors or chief executives of the Company or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provision of the SFO); or which were required to be 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 pursuant to Rule 5.46 of the GEM Listing Rules.

SHARE OPTION SCHEMES

Particulars of the Company's share option schemes are set out in Note 39 to the financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes disclosed above and in Note 39 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN CONTRACTS

During the year, private companies of which Mr. Law Sau Yiu, Dennis and Ms. Teng Chia Lin, Chialina are the then directors advanced HK$18,500,000 (2007: HK$34,500,000) to the Group. The loans are unsecured, bear interest at commercial rates and are repayable within one year from the date of advance.

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

COMPETING INTERESTS

At 31 March 2008, none of the directors, the substantial shareholders nor their respective associates had any interests in any business which competes or may compete with the business of the Group pursuant to Rule 11.04 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2008, the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain directors, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Long positions in the ordinary shares of HK$0.1 each of the Company

Name of shareholder	Capacity	Interest in shares	Interest in underlying shares	Total interest in shares	Percentage of the Company's issued share capital
Mr. Cheung Kwok Wai, Elton	Personal and interest of controlled corporation (Note 1)	190,538,539	–	190,538,539	15.16%
Eagle Mate Limited	Beneficial owner (Note 1)	180,000,000	–	180,000,000	14.32%
Mr. Leong Chi Meng	Interest of controlled corporation (Note 2)	171,428,571	–	171,428,571	13.64%
Billion Era Group Limited	Beneficial owner (Note 2)	171,428,571	–	171,428,571	13.64%
China Star Entertainment Limited	Interest of controlled corporation (Note 3)	109,090,908	5,181,347	114,272,255	9.09%
China Star Entertainment (BVI) Limited	Interest of controlled corporation (Note 3)	109,090,908	5,181,347	114,272,255	9.09%
Classical Statue Limited	Beneficial owner (Note 3)	109,090,908	5,181,347	114,272,255	9.09%

SUBSTANTIAL SHAREHOLDERS (Continued)

Notes:

(1) 180,000,000 shares are beneficially owned by Eagle Mate Limited, which is wholly and beneficially owned by Mr. Cheung Kwok Wai, Elton. Mr. Cheung also owns 10,538,539 in his personal capacity.

(2) These shares are beneficially owned by Billion Era Group Limited, which is wholly and beneficially owned by Mr. Leong Chi Meng.

(3) Classical Statue Limited is a company wholly owned by China Star Entertainment (BVI) Limited, which in turn is a wholly-owned subsidiary of China Star Entertainment Limited. Classical Statue Limited was interested in 109,090,908 shares and 5,181,347 underlying shares.

Save as disclosed above, at 31 March 2008, the Company has not been notified of any persons (other than the Directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which were to be recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

RETIREMENT BENEFITS SCHEME

Particulars of the retirement benefits scheme of the Group are set out in Note 3(q)(ii) to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Major customers

The directors are of the view that the film industry in Hong Kong is largely dominated by a few major film companies. The Group's largest five customers accounted for 96% (2007: 91%) of the Group's turnover. The largest customer accounted for approximately 71% (2007: 33%) of the Group's turnover.

MAJOR CUSTOMERS AND SUPPLIERS (Continued)

Major suppliers

The only raw material required by the Group's operations is film negatives supplied by a number of film manufacturers in Hong Kong.

Total purchases of the Group amounted to approximately HK$0.3 million (2007: HK$1.6 million) representing approximately 3.3% (2007: 3.4%) of the Group's cost of sale.

Purchases from the largest supplier accounted for 100% (2007: the largest four suppliers accounted for 100%) of the Group's purchases. Purchases from the largest supplier accounted for approximately 100% (2007: 36%) of the Group's purchases.

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

AUDIT COMMITTEE

The Company has established an Audit Committee on 2 August 2002 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee comprises the three independent non-executive directors namely, Mr. Lai Hok Lim, Mr. Leung Wai Man and Mr. Man Kong Yui. During the year, the Audit Committee held four meetings to review the Group's annual report, half-year report and quarterly reports.

REMUNERATION COMMITTEE

A Remuneration Committee has been established with written terms of reference in accordance with the requirements of the Code on Corporate Governance Practices. The Remuneration Committee comprises two independent non-executive Directors, namely Mr. Lai Hok Lim and Mr. Leung Wai Man and one executive director, Mr. Lei Hong Wai, being the chairman of the Remuneration Committee. The principal responsibilities of the Remuneration Committee include recommendation to the Board on the Group's policy and structure for all remuneration of directors and senior managements, the determination of specific remuneration packages of all executive directors and senior managements, and review and approve performance-based remuneration.

NOMINATION COMMITTEE

A Nomination Committee has been established with written terms of reference in accordance with the requirements of the Code on Corporate Governance Practices. The Nomination Committee comprises two independent non-executive directors, namely Mr. Lai Hok Lim and Mr. Leung Wai Man and one executive director, Mr. Lei Hong Wai. The roles and functions of the Nomination Committee include nomination of the potential candidates for directorship, reviewing the nomination of the Directors and making recommendations to the Board for ensuring that all nominations are fair and transparent.

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less than exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors have complied with such code of conduct and the required standard of dealings regarding directors' securities throughout the year ended 31 March 2008.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

AUDITOR

A resolution for the re-appointment of CCIF CPA Limited as auditor of the Company for the ensuring year will be prepared at the forthcoming annual general meeting.

On behalf of the Board

Lei Hong Wai
Chairman

Hong Kong, 25 June 2008

Independent Auditor's Report

CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BRILLIANT ARTS MULTI-MEDIA HOLDING LIMITED
(FORMERLY KNOWN AS MILKYWAY IMAGE HOLDINGS LIMITED)
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Brilliant Arts Multi-Media Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 95, which comprise the consolidated and Company balance sheets as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report.

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

AUDITOR'S RESPONSIBILITY (Continued)

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

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

OPINION

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

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 25 June 2008

Chan Wai Dune, Charles
Practising Certificate Number P00712

Consolidated Income Statement

For the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Turnover	7	**10,632**	62,288
Cost of sales		**(9,261)**	(49,004)
Gross profit		**1,371**	13,284
Fair value gain on investment properties	18	**7,700**	–
Other revenue and other income	7	**3,345**	813
Other operating expenses		**(15,906)**	(24,430)
Provision for litigation	25	**–**	(4,000)
Loss from operations	9	**(3,490)**	(14,333)
Gain on disposal of subsidiaries	33	**25,736**	–
Finance costs	10	**(1,635)**	(1,821)
Profit/(loss) before taxation		**20,611**	(16,154)
Taxation	13	**(1,322)**	–
Profit/(loss) for the year		**19,289**	(16,154)
Earnings/(loss) per share	16		
– Basic		**HK4.9 cents**	(HK18.9 cents)
– Diluted		**HK4.1 cents**	N/A

Consolidated Balance Sheet

As at 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	17	**1,333**	9,952
Investment properties	18	**55,506**	–
Goodwill	19	**1,449**	–
		58,288	9,952
Current assets			
Film rights	21	**–**	2,397
Films in progress	21	**12,315**	9,110
Production in progress		**–**	25,522
Trade debtors	22	**159**	13,812
Deposits, prepayments and other debtors		**213**	6,116
Bank balances and cash		**101,760**	23,877
		114,447	80,834
Current liabilities			
Trade creditors	23	**–**	2,762
Other creditors and accruals		**1,212**	1,117
Receipt in advance		**–**	46,347
Amounts due to directors	24	**–**	2,484
Amounts due to related companies	38(a)	**–**	37,755
Provision for litigation	25	**–**	4,000
Obligations under finance leases			
– due within one year	26	**–**	380
Bank loan	27	**397**	–
		1,609	94,845
Net current assets/(liabilities)		**112,838**	(14,011)
Total assets less current liabilities		**171,126**	(4,059)

Consolidated Balance Sheet

As at 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Capital and reserves			
Share capital	30	**125,690**	10,620
Reserves	31	**38,279**	(28,764)
Total equity		**163,969**	(18,144)
Non-current liabilities			
Convertible bonds	28	**662**	13,841
Obligations under finance leases			
– due after one year	26	**–**	244
Bank loan	27	**2,229**	–
Deferred tax liabilities	29	**4,266**	–
		7,157	14,085
		171,126	(4,059)

Approved and authorised for issue by the board of directors on 25 June 2008

On behalf of the board

Lei Hong Wai
Director

Yip Tai Him
Director

Balance Sheet

As at 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Interests in subsidiaries	20	**13,205**	468
Current assets			
Deposits, prepayments and other debtors		**177**	300
Amounts due from subsidiaries	20	**65,178**	16,070
Bank balances and cash		**79,886**	17,813
		145,241	34,183
Current liabilities			
Other creditors and accruals		**687**	642
Amount due to a subsidiary	20	**29**	–
Amounts due to directors	24	**–**	2,484
Amounts due to related companies	38(a)	**–**	15,129
		716	18,255
Net current assets		**144,525**	15,928
Total assets less current liabilities		**157,730**	16,396
Capital and reserves			
Share capital	30	**125,690**	10,620
Reserves	31	**31,378**	(8,065)
Total equity		**157,068**	2,555
Non-current liabilities			
Convertible bonds	28	**662**	13,841
		157,730	16,396

Approved and authorised for issue by the board of directors 25 June 2008

On behalf of the board

Lei Hong Wai
Director

Yip Tai Him
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2008

	Attributable to equity holders of the Company							
	Share capital	**Share premium**	**Contributed surplus**	**Share-based compensation reserve**	**Convertible bonds reserve**	**Translation reserve**	**Accumulated losses**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2006	8,050	15,050	10	1,030	–	–	(34,093)	(9,953)
Loss for the year	–	–	–	–	–	–	(16,154)	(16,154)
Issue of shares	1,610	1,932	–	–	–	–	–	3,542
Share issue expenses	–	(159)	–	–	–	–	–	(159)
Issue of convertible bonds	–	–	–	–	2,692	–	–	2,692
Conversion into shares from convertible bonds	960	1,251	–	–	(323)	–	–	1,888
At 31 March 2007 and 1 April 2007	10,620	18,074	10	1,030	2,369	–	(50,247)	(18,144)
Profit for the year	–	–	–	–	–	–	19,289	19,289
Issue of shares	80,452	16,230	–	–	–	–	–	96,682
Share issue expenses	–	(2,241)	–	–	–	–	–	(2,241)
Recognition of equity-settled share-based payments	–	–	–	4,370	–	–	–	4,370
Issue of convertible bonds	–	–	–	–	10,107	–	–	10,107
Conversion into shares from convertible bonds	31,456	30,855	–	–	(12,226)	–	–	50,085
Shares issued upon exercise of share options	3,162	2,650	–	(1,699)	–	–	–	4,113
Cancellation of share options	–	–	–	(1,030)	–	–	1,030	–
Exchange differences arising on translation of financial statements of foreign operation	–	–	–	–	-	(292)	–	(292)
At 31 March 2008	125,690	65,568	10	2,671	250	(292)	(29,928)	163,969

Consolidated Cash Flow Statement

For the year ended 31 March 2008

	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES		
Profit/(loss) before taxation	**20,611**	(16,154)
Adjustments for:		
Interest income	**(1,274)**	(183)
Loss on disposal of property, plant and equipment	**3**	–
Gain on disposal of subsidiaries	**(25,736)**	–
Fair value gain on investment properties	**(7,700)**	–
Excess of interest in fair value of acquiree's identifiable assets and liabilities over the cost of a business combination	**(2,057)**	–
Depreciation	**1,236**	3,941
Amortisation of film rights	**2,976**	30,058
Finance charges on finance leases	**8**	45
Impairment loss of films in progress	**–**	1,600
Interest expenses	**1,627**	1,776
Provision for litigation	**–**	4,000
Share-based payments	**4,370**	–
Operating cash flows before movements in working capital	**(5,936)**	25,083
Increase in films in progress	**(24,395)**	(4,227)
Decrease/(increase) in production in progress	**3,667**	(13,158)
Decrease/(increase) in trade debtors	**5,629**	(13,395)
Decrease/(increase) in deposits, prepayments and other debtors	**86**	(1,172)
(Decrease)/increase in trade creditors	**(2,166)**	303
Increase in other creditors and accruals	**482**	212
Increase in receipt in advance	**2,272**	14,534
Decrease/(increase) in amounts due to directors	**(2,484)**	1,242
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	**(22,845)**	9,422
INVESTING ACTIVITIES		
Interest received	**1,274**	183
Acquisition of subsidiaries	**311**	–
Additions of film rights	**(4,697)**	(27,196)
Disposal of subsidiaries	**21,136**	–
Proceeds from disposal of property, plant and equipment	**3**	–
Purchase of property, plant and equipment	**(1,510)**	(1,365)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	**16,517**	(28,378)

Consolidated Cash Flow Statement

For the year ended 31 March 2008

	2008 HK$'000	2007 HK$'000
FINANCING ACTIVITIES		
Interest paid	**(1,305)**	(1,397)
Finance charges on finance leases paid	**(8)**	(45)
Repayment of bank loan	**(65)**	(3,000)
Net amounts due to related companies	**18,500**	22,500
Proceeds from issue of shares	**78,682**	3,542
Proceeds from issue of convertible bonds	**22,500**	18,200
Proceeds from issue of shares under share option scheme	**4,113**	–
Repayment of amounts due to related companies	**(36,000)**	–
Repayment of obligations under finance leases	**(96)**	(418)
Share issue expenses	**(2,241)**	(159)
NET CASH GENERATED FROM FINANCING ACTIVITIES	**84,080**	39,223
NET INCREASE IN CASH AND CASH EQUIVALENTS	**77,752**	20,267
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**23,877**	3,610
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**131**	–
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**101,760**	23,877
CASH AND CASH EQUIVALENTS ANALYSIS		
Bank balances and cash	**101,760**	23,877

1. GENERAL

The Company was incorporated in the Cayman Islands on 9 November 2001 under the Companies Law of Cayman Islands as an exempted company with limited liability and its shares are being listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Unit 1611, 16/F., Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong respectively.

The principal activities of the Group are the provision of film production services, production of television movies, investment in film productions and worldwide film distribution and properties investment.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new standards, amendments and interpretations of Hong Kong Financial Reporting Standards ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for current accounting period.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of embedded derivatives
HK(IFRIC) – Int 10	Interim financial reporting and impairment
HK(IFRIC) – Int 11	HKFRS2: Group and Treasury Share Transactions

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

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the disclosure requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and separate financial statements[2]
HKFRS 2 (Amendment)	Vesting conditions and cancellatoon[1]
HKFRS 3 (Revised)	Business combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 12	Service Concession Arrangements[3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

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

The adoption 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 that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTS POLICIES

a) *Statement of compliance*

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements are prepared under the historical cost convention except for investment properties, which are measured at fair value, as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

3. SIGNIFICANT ACCOUNTS POLICIES (Continued)

a) *Statement of compliance (Continued)*

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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 6 to the financial statement.

These financial statements also comply with the applicable disclosure required by the Rules Governing the Listing of Securities on the GEM ("GEM Listing Rules") of the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

b) *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

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

Where necessary, adjustments are made to the consolidated 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 and unrealised gains on transactions within the Group are eliminated on consolidation.

c) *Business combination*

The acquisition of business 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 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 exceeds is recognised immediately in the consolidated income statement.

d) *Goodwill*

Goodwill arising on an acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

3. SIGNIFICANT ACCOUNTS POLICIES (Continued)

d) *Goodwill (Continued)*

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 the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

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

e) *Interests in subsidiaries*

A subsidiary is a company controlled by the Company. Subsidiaries are considered to be controlled if the Company has the power directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from its activities.

In the Company's balance sheet, interests in subsidiaries are stated at cost less impairment losses, unless the investment is classified as held for sale.

f) *Property, plant and equipment*

Property, plant and equipment is stated at cost less accumulated depreciation and any 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 their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold improvements	20%
Furniture and fixtures	20%
Machinery and equipment	10%-20%
Motor vehicles	20%
Office equipment	20%

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 the consolidated income statement in the year in which the item is derecognised.

Property, plant and equipment held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the terms of the relevant leases.

3. SIGNIFICANT ACCOUNTS POLICIES (Continued)

f) Property, plant and equipment (Continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

g) Investment properties

Investment properties are properties held to earn rentals or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair value using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. 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 asset) is include in the consolidated income statement in the year in which the item is derecognised.

h) Leasing

i) Finance leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation.

Payments to the lessor are treated as consisting of capital and interest elements. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce an approximately periodic rate of charge on the remaining balance of the obligations for each accounting period.

ii) Operating leases

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct cots incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line bass over the lease term.

Rentals payable under operating leases are charges to the income statement 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.

3. SIGNIFICANT ACCOUNTS POLICIES (Continued)

i) *Revenue recognition*

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

Income from the production of films and television movies is recognised when the production is completed, which is usually upon delivery of the film negatives to the customers.

Income from the distribution of films is recognised when the master materials have been delivered to customers.

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

j) *Film rights*

Film rights represent film produced or acquired by the Group and are stated at cost less accumulated amortisation and any identified impairment losses.

The cost of film rights is amortised in the proportion of actual income earned during the year to the total estimated income after taking into account their estimated residual value. Where there is an impairment in value, the unamortised balance is written down to its estimated recoverable amount. The estimated residual value is reported as a non-current asset.

The portion of film rights expected to be amortised within twelve months from the balance sheet date is recognised as current asset. The portion of films rights expected not to amortised within twelve months from the balance sheet date is recognised as a non-current asset.

k) *Production in progress*

Production in progress represents films and television series under production and is stated at production costs incurred to date, less foreseeable losses. Such production costs are carried forward as production in progress in the consolidated balance sheet and are transferred to film production costs in the consolidated income statement upon completion.

l) *Films in progress*

Films in progress represent films and television series under production and are stated at production costs incurred to date, less any identified impairment loss. Such production costs are transferred to film rights upon completion of production.

3. SIGNIFICANT ACCOUNTS POLICIES (Continued)

m) *Impairment losses*

i) Impairment of other receivables

Other current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment.

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

– significant financial difficulty of the debtor;

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

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

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

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

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective Group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTS POLICIES (Continued)

m) Impairment losses (Continued)

ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– intangible assets;

– investment in subsidiaries (except for those classified as being held for sale); and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

3. SIGNIFICANT ACCOUNTS POLICIES (Continued)

m) Impairment losses (Continued)

ii) Impairment of other assets (Continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

iii) Interim financial reporting and impairment

Under the GEM Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Note 3(m)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

n) Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instruments. 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 and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

Financial assets

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

3. SIGNIFICANT ACCOUNTS POLICIES (Continued)

n) Financial instruments (Continued)

– 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 on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or where appropriate, a shorter period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade debtors, prepayments, deposits and other debtors, amounts due from directors and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Financial liabilities and equity instruments

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 financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

– 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 than those financial liabilities designated as at fair value through profit or loss, of which the interest expense is included in net gain or losses.

3. SIGNIFICANT ACCOUNTS POLICIES (Continued)

n) Financial instruments (Continued)

Other financial liabilities

Other financial liabilities including trade payables, other creditors and accruals, bank loan, amounts due to directors and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

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 the cumulative gain or loss that had been recognised directly in equity is recognised in the income statement.

For financial liabilities, they are removed from the Group's balance sheet when, and only when, they are extinguished (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expired). The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in the income statement.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

3. SIGNIFICANT ACCOUNTS POLICIES (Continued)

n) Financial instruments (Continued)

Convertible bonds

Convertible bonds issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option 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 as an equity instrument.

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

In subsequent year, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the conversion option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to the retained profits. No gain or loss is recognised in the income statement upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the 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 component and amortised over the year of the convertible bonds using the effective interest method.

o) Receipt in advance

Receipt in advance represents deposits received from film companies before the completion of production of films and television movies pursuant to the production agreements and will be recognised as income when the production has been completed.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

3. SIGNIFICANT ACCOUNTS POLICIES (Continued)

q) Employee benefits

i) Short-term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees, where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii) Retirement benefit obligations

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. The Group's contributions to the scheme are expensed as incurred and vested in accordance with the scheme's vesting scales. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

iii) Share-based payment expenses

The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the consolidated income statement on a straight-line basis over the vesting period, with a corresponding increase in equity (share-based compensation reserve).

The total amount to be expensed over the vesting period is determined with reference to the fair value of the share options granted. At each balance sheet date, the Company revises its estimates of the number of share options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, and a corresponding adjustment to equity (Share-based compensation reserve) in the consolidated balance sheet will be made over the remaining vesting periods.

The proceeds received, net of any directly attributable transaction cost, are credited to share capital and share premium accounts when the share options are exercised. When the share options are still not exercised at the expiry date, the amount previously recognised in share-based compensation reserve will be transferred to retained profits.

3. SIGNIFICANT ACCOUNTS POLICIES (Continued)

r) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items of income or expense that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or excess of interest in fair value of acquiree's identifiable assets and liabilities over the cost of a business combination) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity in which case the deferred tax is also dealt with in equity.

s) Provision and contingent liabilities

A provision is recognised when there is a present obligation, legal or constructive, as a result of past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

3. SIGNIFICANT ACCOUNTS POLICIES (Continued)

t) 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 each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet 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 translation of monetary items, are recognised in the income statement in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements.

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) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in the consolidated income statement in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identified assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange difference arising are recognised in the translation reserve.

u) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are charged to the income statement in the year in which they are incurred.

3. SIGNIFICANT ACCOUNTS POLICIES (Continued)

v) *Related parties*

For the purpose of these financial statements, parties are considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
(ii) the Group and the party are subject to common control;
(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals; or
(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals, or
(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

w) *Segment reporting*

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purpose of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

4. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of total assets and total liabilities. Consistent with industry practice, the Group monitors its capital structure on the basis of a gearing ratio.

As at 31 March 2008 and 2007, the gearing ratio determined as the proportion of total liabilities to total assets was 5% (2007: 120%). The Group's strategy was to maintain the gearing ratio at the lower end of the range 5% to 20%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

5. FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its own equity share price.

a) *Fair values*

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flows analysis using prices or rates from observable current market transactions as input.

The directors consider the carrying amounts of financial assets and liabilities recorded at amortised cost in these financial statements approximate their fair values.

b) *Credit risk*

The Group is exposed to credit risk that any single counter party or group of counter parties having similar characteristics will be unable to pay amounts in full when due. Credit risks associated with these transactions are closely monitored by management of the Group. The Group's customers are film producers in Hong Kong and PRC which the Group believes have reliable credit standing. Taking into account the creditworthiness of the Group's customers and the past history of settlement, the credit risk measures and the historical levels of the bad debts, the Directors consider that such concentration of credit risk would not result in significant credit default exposure to the Group. The default risk of the industry and the country in which customers operate also has an influence on credit risk but a lesser extent.

In respect of trade and other debtors, credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are normally due within 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The carrying amount of each financial asset in the consolidated balance sheet after deducting any impairment allowance represents the Group's maximum exposure to credit risk in relation to financial assets.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

5. FINANCIAL INSTRUMENTS (Continued)

c) *Interest rate risk*

The Group is exposed to fair value interest rate risk only in relation to fixed-rate borrowings, fixed-rate bank deposits and fixed rate convertible bonds issued. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's convertible bonds issued at fixed rates expose the Group to fair value interest rate risk. The interest rates and terms of repayment of the convertible bonds of the Group are disclosed in Note 28.

At 31 March 2008, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after taxation and retained profits by approximately HK$985,000 (2007: approximately HK$94,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

d) *Liquidity risk*

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the directors to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank loan and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. This table has been drawn up based on 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.

5. FINANCIAL INSTRUMENTS (Continued)

d) Liquidity risk (Continued)

The Group

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total undiscounted cash flow	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2008							
Other creditors and accruals	–	1,212	–	–	–	1,212	1,212
Bank loans*	5.78%	397	421	1,415	393	2,626	2,626
Convertible bonds*	9.00%	–	–	662	–	662	662
		1,609	421	2,077	393	4,500	4,500
2007							
Trade creditors	–	2,762	–	–	–	2,762	2,762
Other creditors and accruals	–	1,117	–	–	–	1,117	1,117
Receipt in advance	–	46,347	–	–	–	46,347	46,347
Amounts due to directors	–	2,484	–	–	–	2,484	2,484
Amounts due to related companies	5.12%	37,755	–	–	–	37,755	37,755
Obligations under finance leases*	–	380	244	–	–	624	624
Convertible bonds*	9.00%	–	–	13,841	–	13,841	13,841
		90,845	244	13,841	–	104,930	104,930

The Company

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total undiscounted cash flow	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2008							
Other creditors and accruals	–	697	–	–	–	697	697
Amount due to a subsidiary	–	29	–	–	–	29	29
Convertible bonds*	9.00%	–	–	662	–	662	662
		726	–	662	–	1,388	1,388
2007							
Other creditors and accruals	–	642	–	–	–	642	642
Amounts due to directors	–	2,484	–	–	–	2,484	2,484
Amounts due to related companies	5.12%	15,129	–	–	–	15,129	15,129
Convertible bonds*	9.00%	–	–	13,841	–	13,841	13,841
		18,255	–	13,841	–	32,096	32,096

* No discounted cash flow is calculated as the effect of discounting would be immaterial.

5. FINANCIAL INSTRUMENTS (Continued)

e) *Foreign currency risk*

The Group is exposed to currency risk primarily through receipt of rented income by a subsidiary, that are denominated in foreign currency. Approximately 3.5% (2007: Nil) of the Group's turnover are denominated in currency other than the functional currency of the Group entity making the income.

The carrying amount of this subsidiary's Canadian dollars denominated monetary assets representing trade debtors and other debtors and bank balances; and monetary liabilities representing other creditors and accruals, loans payable with the Group and bank loan at 31 March 2008 was HK$556,000 and HK$9,780,000 (2007: Nil and Nil) respectively.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to a 5% increase and decrease in Hong Kong dollars against Canadian dollars. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding amounts of a subsidiary's Canadian dollars denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. For a 5% strengthening of Hong Kong dollars against Canadian dollars, the profit for the year ended 31 March 2008 would be reduced by HK$461,000 (2007: Nil). For a 5% weakening of Hong Kong dollars against Canadian dollars, there would be an equal an opposite impact on the profit or loss.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) *Impairment of film rights*

The Group performs annual tests on whether there has been impairment of film rights in accordance with the accounting policy stated in Note 3m. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates and other assumptions underlying the value-in-use calculations.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

b) *Trade debtors*

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtors balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade debtors balances are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade debtors balances and write-off history. Certain debtors may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the income statement. Changes in the collectibility of trade debtors for which provisions are not made could affect the Group's results of operations.

c) *Useful lives of property, plant and equipment*

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

d) *Impairment of films in progress*

The management of the Group reviews an aging analysis at each balance sheet date, and identify the slow-moving films in progress that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods of the films in progress based primarily on the latest contract prices and current market conditions. In addition, the Group carries out review on each film at each balance sheet date and makes allowance for any films in progress that production no longer proceed.

e) *Deposits, prepayments and other debtors*

The Group makes impairment loss for doubtful debts based on an assessment of the recoverability of deposits, prepayments and other debtors. Provisions are applied to deposits, prepayments and other debtors where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates based on the credit history of the customers and the current market conditions. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed.

7. TURNOVER, OTHER REVENUE AND OTHER INCOME

Turnover represents the net amounts received and receivables for goods sold and rendering of services by the Group.

Turnover, other revenue and other income consist of:

	2008 HK$'000	2007 HK$'000
Turnover		
Film production	7,500	22,030
Film distribution	2,755	40,258
Gross rentals from investment properties	377	–
	10,632	62,288
Other revenue		
Bank interest income	1,274	183
Others	14	630
	1,288	813
Other income		
Excess of interest in fair value of acquiree's identifiable assets and liabilities over the cost of a business combination (Note 32(a))	2,057	–
Other revenue and other income	3,345	813
Total	13,977	63,101

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

a) *Business segments*

For management purposes, the Group is currently organised into three operating divisions, namely, film production, film distribution and properties investment. These divisions are the basis on which the Group reports its primary segment information.

Film production:	production of films to customers
Film distribution:	distribution of films through the distributors to various licencees
Properties investment:	leasing of properties to generate rental income

Income statement

	Film production		Film distribution		Properties investment		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	7,500	22,030	2,755	40,258	377	–	10,632	62,288
Segment results	1,215	4,684	(221)	4,654	8,077	–	9,071	9,338
Unallocated corporate income							2,071	630
Unallocated corporate expenses							(15,906)	(24,484)
Loss from operations							(4,764)	(14,516)
Interest income							1,274	183
Gain on disposal of subsidiaries							25,736	–
Finance costs							(1,635)	(1,821)
Profit/(loss) before taxation							20,611	(16,154)
Taxation							(1,322)	–
Profit/(loss) for the year							19,289	(16,154)

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

a) Business segments (Continued)

Balance sheet

	Film production		Film distribution		Properties investment		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	–	29,693	33,848	25,193	57,376	500	91,224	55,386
Unallocated corporate assets							81,511	35,400
Consolidated total assets							172,735	90,786
Segment liabilities	–	(43,028)	–	(6,081)	(7,413)	–	(7,413)	(49,109)
Unallocated corporate liabilities							(1,353)	(59,821)
Consolidated total liabilities							(8,766)	(108,930)

Other information

	Film production		Film distribution		Properties investment		Unallocated		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Additions of property, plant and equipment	4	–	77	–	1,429	–	–	2,195	1,510	2,195
Depreciation	102	–	393	–	95	–	646	3,941	1,236	3,941
Additions of film rights	–	–	4,697	27,196	–	–	–	–	4,697	27,196
Share-based payment expense	–	–	–	–	–	–	4,370	–	4,370	–
Amortisation of film rights	–	–	2,976	30,058	–	–	–	–	2,976	30,058
Impairment loss of films in progress	–	–	–	1,600	–	–	–	–	–	1,600
Loss on disposal of property, plant and equipment	–	–	3	–	–	–	–	–	3	–

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

b) Geographical segments

The Group's film distribution and film production income are derived from Hong Kong and overseas distribution and rental income is derived from properties located at Canada. The following table provides an analysis of the Group's sales revenue by geographical market:

	2008	2007
	HK$'000	HK$'000
Hong Kong	**8,551**	39,372
Overseas	**2,081**	22,916
	10,632	62,288

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

	Carrying amount of segment assets		**Additions to property, plant and equipment**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**149,554**	90,786	**1,510**	2,195
Overseas	**23,181**	–	**–**	–
	172,735	90,786	**1,510**	2,195

9. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging/(crediting):

	2008 HK$'000	2007 HK$'000
Auditor's remuneration	260	220
Amortisation of film rights (included in cost of sales)	2,976	30,058
Impairment loss of films in progress (included in cost of sales)	–	1,600
Production costs (included in cost of sales)	6,285	17,346
Depreciation of property, plant and equipment		
– assets held under finance leases	49	176
– owned assets	1,187	3,765
Net foreign exchange loss	140	–
Operating lease rental in respect of rental premises	793	1,866
Loss on disposal of property, plant and equipment	3	–
Rental income from investment properties less direct outgoings of HK$195,000 (2007: HK$Nil)	(182)	–
Staff costs (include Directors' remuneration (Note 11)		
Salaries and allowances	3,437	10,434
Share-based payment expenses	4,370	–
Staff welfare and messing	9	89
Contribution to retirement benefits scheme	90	131
Total staff costs	7,906	10,654

10. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interests on:		
Bank loan wholly repayable within five years	–	10
Bank loan not wholly repayable within five years	25	–
Amounts due to related companies (Note 38(a))	667	1,545
Effective interest expenses on convertible bonds wholly repayable within five years	935	221
Finance charges on obligations under finance leases	8	45
Total interest expense on financial liabilities not at fair value through profit or loss	1,635	1,821

11. DIRECTORS' REMUNERATION

The remuneration of every director of the Company for the year disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is analysed as follows:

For the year ended 31 March 2008

	Directors' fee HK$'000	Salaries and other allowances HK$'000	Share-based payments HK$'000	Retirement benefits scheme contribution HK$'000	Total HK$'000
Executive directors					
Mr. Yip Tai Him (Note a)	–	84	368	3	455
Mr. Lei Hong Wai (Note b)	–	84	713	3	800
Mr. Law Sau Yiu, Dennis (Note c)	–	(444)	–	–	(444)
Ms. Teng Chia Lin, Chialina (Note d)	–	(108)	–	–	(108)
Ms. Chan Dao Ho (Note e)	–	248	–	2	250
Independent non-executive directors					
Mr. Lai Hok Lim (Note f)	84	–	–	3	87
Mr. Leung Wai Man (Note g)	84	–	–	3	87
Mr. Man Kong Yui (Note h)	62	–	–	2	64
Mr. Lung Hak Kau (Note i)	38	–	–	–	38
Ms. Wai Lai Yung (Note j)	45	–	–	–	45
Ms. Tsang Kei Ling (Note k)	24	–	–	–	24
	337	(136)	1,081	16	1,298

11. DIRECTORS' REMUNERATION (Continued)

For the year ended 31 March 2007

	Directors' fee HK$'000	Salaries and other allowances HK$'000	Share-based payments HK$'000	Retirement benefits scheme contribution HK$'000	Total HK$'000
Executive directors					
Mr. Law Sau Yiu, Dennis (Note c)	–	1,800	–	12	1,812
Ms. Teng Chia Lin, Chialina (Note d)	–	456	–	12	468
Ms. Chan Dao Ho (Note e)	–	757	–	12	769
Independent non-executive directors					
Mr. Lung Hak Kau (Note i)	96	–	–	–	96
Ms. Wai Lai Yung (Note j)	96	–	–	–	96
Ms. Tsang Kei Ling (Note k)	60	–	–	–	60
	252	3,013	–	36	3,301

Notes:

a) Mr. Yip Tai Him was appointed on 10 July 2007

b) Mr. Lei Hong Wai was appointed on 10 July 2007

c) Mr. Law Sau Yiu, Dennis resigned on 9 October 2007 and entered into an arrangement under which he agreed to waive director remuneration payable to him under the service agreement dated 9 October 2003 for the period from 1 January 2007 to 9 October 2007.

d) Ms. Teng Chia Lin, Chialina resigned on 18 September 2007 and entered into an arrangement under which she agreed to waive director remuneration payable to her under the service agreement dated 9 October 2003 for the period from 1 January 2007 to 18 September 2007.

e) Ms. Chan Dao Ho resigned on 7 September 2007

f) Mr. Lai Hok Lim was appointed on 10 July 2007

g) Mr. Leung Wai Man was appointed on 10 July 2007

h) Mr. Man Kong Yui was appointed on 18 September 2007

i) Mr. Lung Hak Kau resigned on 24 August 2007

j) Ms. Wai Lai Yung resigned on 18 September 2007

k) Ms. Tsang Kei Ling resigned on 24 August 2007

The share-based payments represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 3(q)(iii).

11. DIRECTORS' REMUNERATION (Continued)

At 31 March 2008, the directors held share options under the Company's share option scheme. Details of the share options are disclosed under the paragraph "Share option schemes" in the report of the directors and Note 39.

During the years ended 31 March 2008 and 2007, no emoluments or incentive payments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group for the year include:

	2008	2007
Number of directors	**2**	3
Number of other individuals	**3**	2
	5	5

The emoluments of the directors of the Company are disclosed in Note 11. Details of the emoluments of the remaining individuals are as follows:

	2008 **HK$'000**	2007 HK$'000
Salaries and other allowances	**1,550**	4,500
Retirement benefits scheme contribution	**7**	24
Share-based payments	**987**	–
	2,544	4,524

The emoluments of the remaining individuals fell within the following bands:

	Number of individuals	
	2008	2007
Emoluments bands		
Nil – HK$1,000,000	**2**	1
HK$1,000,001 – HK$1,500,000	**1**	–
HK$4,000,001 – HK$4,500,000	**–**	1
	3	2

At 31 March 2008, the employees held share options under the Company's share option scheme. Details of the share options are disclosed under the paragraph "Share option schemes" in Note 39.

13. TAXATION

	2008 HK$'000	2007 HK$'000
Current tax charge for the year		
Hong Kong	–	–
Overseas	–	–
	–	–
Deferred tax charge		
Current year	1,360	–
Attributable to a change in overseas tax rate	(38)	–
	1,322	–
	1,322	–

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group has no assessable profits in Hong Kong for the years ended 31 March 2008 and 2007. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

Income tax for the year can be reconciled to the profit/(loss) before taxation per the consolidated income statement as follows:

	2008 HK$'000	2007 HK$'000
Profit/(loss) before taxation	20,611	(16,154)
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to profits in the countries concerned (2007: 17.5%)	3,623	(2,827)
Tax effect of unrecognised tax losses	640	1,994
Tax effect of non-taxable incomes	(6,656)	(32)
Tax effect of non-deductible expenses	3,753	700
Tax effect of tax losses utilised	–	(238)
Tax effect of unrecognised timing difference	–	403
Decrease in opening deferred tax liabilities resulting from a change in overseas tax rate	(38)	–
Actual tax expenses	1,322	–

14. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit/(loss) attributable to equity holders of the Company includes a loss of approximately HK$8,603,000 (2007: a loss of approximately HK$4,632,000) which has been dealt with in the financial statements of the Company.

15. DIVIDEND

No dividend for the year ended 31 March 2008 has been proposed by the directors (2007: HK$Nil).

16. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share attributable to the equity holders of the Company are based on the following data:

	2008 HK$'000	2007 HK$'000
Profit/(loss) attributable to equity holders of the Company (basic and diluted)	19,289	(16,154)
	Number of ordinary shares '000	Number of ordinary shares '000
Weighted average number of ordinary shares (basic)		
Issued ordinary shares at 1 April	106,200	805,000
Effect of consolidation of shares	–	(767,376)
Effect of conversion into shares from convertible bonds	125,889	340
Effect of issue of new shares	159,062	47,636
Effect of share options exercised	606	–
Weighted average number of ordinary shares for basic earnings/(loss) per share at 31 March	391,757	85,600
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares at 31 March	391,757	85,600
Effect of exercise of share options	78,086	–
Weighted average number of ordinary shares for dilutive earnings/(loss) per share at 31 March	469,843	85,600
Earnings/(loss) per share:		
– Basic	HK4.9 cents	(HK18.9 cents)
– Diluted	HK4.1 cents	N/A

The conversion of all potential ordinary shares arising from convertible bonds would have an anti-dilutive effect on the earnings per share for the year ended 31 March 2008.

No diluted loss per share has been presented for the year ended 31 March 2007 as the conversion of all potential ordinary shares arising from share options granted by the Company and convertible bonds would have an anti-dilutive effect on the loss per share for the year ended 31 March 2007.

17. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Total HK$'000
Cost						
At 1 April 2006	4,023	725	16,666	468	1,793	23,675
Additions	222	53	1,067	308	545	2,195
At 31 March 2007	4,245	778	17,733	776	2,338	25,870
At 1 April 2007	4,245	778	17,733	776	2,338	25,870
Additions	1,037	322	–	–	151	1,510
Disposal	–	–	–	–	(6)	(6)
Disposal of subsidiaries (Note 33)	(4,245)	(827)	(17,733)	(776)	(2,365)	(25,946)
At 31 March 2008	1,037	273	–	–	118	1,428
Accumulated depreciation						
At 1 April 2006	2,475	462	7,793	56	1,191	11,977
Charge for the year	815	149	2,523	114	340	3,941
At 31 March 2007	3,290	611	10,316	170	1,531	15,918
At 1 April 2007	3,290	611	10,316	170	1,531	15,918
Charge for the year	300	66	646	70	154	1,236
Written back on disposal of subsidiaries (Note 33)	(3,522)	(659)	(10,962)	(240)	(1,676)	(17,059)
At 31 March 2008	68	18	–	–	9	95
Net book value						
At 31 March 2008	969	255	–	–	109	1,333
At 31 March 2007	955	167	7,417	606	807	9,952

At 31 March 2008, the net book value of certain motor vehicles and office equipment of the Group of approximately HK$Nil (2007: HK$1,068,000) were held under finance leases.

18. INVESTMENT PROPERTIES

The Group

	2008 HK$'000	2007 HK$'000
Fair Value		
At 1 April	–	–
Acquired on acquisition of subsidiaries (Note 32 (a) and (b))	48,371	–
Net increase in fair value recognised in the consolidated income statement	7,700	–
Exchange adjustments	(565)	–
At 31 March	55,506	–

a) The analysis of carrying amount of investment properties is as follows:

	2008 HK$'000	2007 HK$'000
In Hong Kong		
Long-term lease	34,300	–
Outside Hong Kong		
Freehold	21,206	–
	55,506	–

b) The investment properties were revalued at 31 March 2008, on an open market basis by Grant Sherman Appraisal Limited, which are independent qualified professional valuers not connected with the Group. Grant Sherman Appraisal Limited are members of the Hong Kong Institute of Surveyors and have recent experience in the location and category of the investment property being valued.

c) At 31 March 2008, investment properties of the Group with a fair value of approximately HK$21,206,000 (2007: HK$Nil) were pledged to secure banking facilities granted to the Group.

19. GOODWILL

	2008 HK$'000	2007 HK$'000
Cost		
At 1 April	–	–
Arising on acquisition of subsidiaries (Note 32(b))	1,449	–
At 31 March	1,449	–
Impairment		
At 1 April and 31 March	–	–
Carrying value		
At 31 March	1,449	–

During the year, goodwill was recognised on the acquisition of the entire interests in Grandeur Concord Limited and its subsidiary, Vincent Investment Limited ("Grandeur Group"), which principal activities were investment holding and properties investment respectively.

Goodwill arose has been allocated to the cash generating unit ("CGU") of Grandeur Group. The recoverable amount of Grandeur Group, which covers the above goodwill, is determined from a value in use calculation. The key assumptions for the value in use calculation are those regarding the discount rate, growth rates, and expected changes to rental income and the outgoing expenses during the period.

The Group estimates discount rate using the rate that reflects current market assessments of the time value of money and the risks specific to Grandeur Group. The growth rates are based on the properties rental market forecasts. Changes in rental value and outgoing expenses are based on past practices and expectations of future changes in the properties rental market.

The Group prepares cash flow forecast derived from Grandeur Group approved budget for 5 years. The rate used to discount the forecasted cash flows is 5.09% per annum.

As Grandeur Group's principal operation is rental of properties which is regulated in nature, the Group considers that cash flow projection for 5 years and 2.13% growth rates are appropriate for the impairment test review.

The results of the review undertaken as at 31 March 2008 indicated that no impairment charge was necessary for current year.

20. INTERESTS IN SUBSIDIARIES

	The Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**13,205**	78
Non-current portion		
Amounts due from subsidiaries (Note ii)	**–**	5,990
Less: Impairment loss (Note i)	**–**	(5,600)
	–	390
	13,205	468
Current portion		
Amount due from subsidiaries (Note ii)	**91,878**	37,170
Less: Impairment loss (Note i)	**(26,700)**	(21,100)
	65,178	16,070
Amount due to a subsidiary (Note ii)	**(29)**	–

Notes:

i) The Company's directors consider that in light of the recurring operating losses of certain subsidiaries, the recoverable amounts of these subsidiaries have been reduced to the estimated net realisable value of their identifiable net assets. Accordingly, an aggregate impairment losses of amounts due from subsidiaries of approximately HK$26,700,000 (2007: approximately HK$5,600,000 included in non-current portion and HK$21,100,000 included in current portion) were recognised in the Company's financial statements for the year ended 31 March 2008.

The impairment losses associated with the Group's film production and film distribution operations were HK$Nil for the year ended 31 March 2008 (2007: approximately HK$25,611,000), while the remaining amounts are associated with the unallocated corporate unit.

The Company directors consider that the carrying amounts of amounts due from subsidiaries approximate their fair value.

ii) At 31 March 2008, the amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment. For the year 2007, the amounts due from subsidiaries are unsecured and non-interest bearing, except for an amount of HK$15,000,000 which bear interest at the rate of three-month HIBOR plus 0.85%. Included in amounts due from subsidiaries of approximately HK$37,170,000 are the amounts due from two subsidiaries, Milkyway Image (Hong Kong) Limited and Luminous Star Limited ("Milkyway Group"), of approximately HK$35,345,000 and HK$1,825,000 respectively. In the opinion of the Company's directors, the amounts due from Milkyway Group will be reassigned to the Purchaser after the completion of the disposal of the Milkyway Group, as further detailed in Note 33. Therefore, the amounts due from the Milkyway Group as at 31 March 2007 are classified as current asset.

iii) On 23 April 2007, the Group through its wholly owned subsidiary, Galaxy Image (BVI) Limited, entered into an agreement with Keep Beat Enterprises Limited, a company wholly owned by the former chief executive officer (resigned on 28 June 2007), Mr. To Kei Fung, pursuant to which the Group disposed of its entire interest in Milkyway Group for a total consideration of HK$26 million resulting a gain on disposal of approximately HK$28,320,000 (Note 33). The principal activities of Milkyway Group were provision of film production, film distribution and film production facilities. The net liabilities of the subsidiaries disposed of were disclosed in Note 33. The transaction was completed on 28 June 2007.

iv) On 28 August 2007, the Company entered into an agreement with an independent third party for the acquisition of the entire interests of Classic Grace Enterprises Limited and its subsidiary, Grand Billion Investments Limited ("Classic Grace Group"), for a total consideration of HK$24 million by issuing the 5% convertible bond in the principal amount of HK$24 million resulting an excess of interest in fair value of acquiree's identifiable assets and liabilities over the cost of a business combination of approximately HK$2,057,000. The net assets of the subsidiaries acquired were disclosed in Note 32(a). The transaction was completed on 2 November 2007.

20. INTERESTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

v) On 23 October 2007, the Company entered into an agreement with an independent third party for the acquisition of the entire interests of Grandeur Group for a total consideration of HK$18 million by issuing 180,000,000 shares in the authorised share capital at an issue price of HK$0.10 each resulting a goodwill of approximately HK$1,449,000. The net assets of the subsidiaries acquired of were disclosed in Note 32(b). The transaction was completed on 28 January 2008.

vi) On 9 January 2008, the Group through its wholly owned subsidiary, Galaxy Image (BVI) Limited, entered into an agreement with Mr. Law Sau Yau, Dennis, a former director of the Company (resigned on 9 October 2007), pursuant to which the Group will dispose of its entire interests in Point of View Movie Production Company Limited, Brilliant Picture Movie Production Company Limited (formerly known as Milkyway Image Limited) and Inspire Film Distribution Limited ("POV Group") for a total consideration of HK$2 million resulting a loss on disposal of approximately HK$2,584,000 (Note 33). The principal activities of POV Group were provision of film production, film distribution and holding of film rights. The net assets of the subsidiaries disposed of were disclosed in Note 33. The transaction was completed on 15 January 2008.

vii) Details of the subsidiaries of the Company at 31 March 2008 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Interest held	Principal activities
Direct subsidiaries:				
Galaxy Image (BVI) Limited	British Virgin Islands/Hong Kong	US$10,000	100%	Investment holding
Creative Formula Limited*	Hong Kong/ Hong Kong	HK$1	100%	Provision of film production and film distribution
Classic Grace Enterprises Limited (Note iv)	British Virgin Islands/Hong Kong	US$1	100%	Investment holding
Grandeur Concord Limited (Note v)	British Virgin Islands/Hong Kong	US$1	100%	Investment holding
Indirect subsidiaries:				
Grand Billion Investments Limited (Note iv)	Hong Kong/ Hong Kong	HK$1	100%	Properties investment
Vincent Investment Limited (Note v)	Canada/Canada	CAD300	100%	Properties investment

* The subsidiary was newly incorporated during the year.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the years ended 31 March 2008 and 2007.

21. FILM RIGHTS AND FILMS IN PROGRESS

The Group

	Film rights	Films in progress	Total
	HK$'000	HK$'000	HK$'000
Cost			
At 1 April 2006	12,431	6,483	18,914
Additions	–	31,423	31,423
Transfers	27,196	(27,196)	–
At 31 March 2007	39,627	10,710	50,337
At 1 April 2007	39,627	10,710	50,337
Additions	1,072	28,020	29,092
Transfer	3,625	(3,625)	–
Disposal of subsidiaries (Note 33)	(44,324)	(22,790)	(67,114)
At 31 March 2008	–	12,315	12,315
Accumulated amortisation and impairment			
At 1 April 2006	7,172	–	7,172
Amortisation for the year	30,058	–	30,058
Impairment loss recognised	–	1,600	1,600
At 31 March 2007	37,230	1,600	38,830
At 1 April 2007	37,230	1,600	38,830
Transfer	1,600	(1,600)	–
Amortisation for the year	2,976	–	2,976
Written back on disposal of subsidiaries (Note 33)	(41,806)	–	(41,806)
At 31 March 2008	–	–	–
Net book value			
At 31 March 2008	–	12,315	12,315
At 31 March 2007	2,397	9,110	11,507
Analysed as			
At 31 March 2008			
Non-current portion	–	–	–
Current portion	–	12,315	12,315
	–	12,315	12,315
At 31 March 2007			
Non-current portion	–	–	–
Current portion	2,397	9,110	11,507
	2,397	9,110	11,507

21. FILM RIGHTS AND FILMS IN PROGRESS (Continued)

In 2007, the Group assessed the recoverable amounts of film rights and films in progress and determined that films in progress associated with the Group's film distribution operations was impaired by HK$1,600,000. The recoverable amounts of film rights and films in progress were assessed by the directors of the Company with reference to the value-in-use calculation of film rights and films in progress as at the balance sheet date.

22. TRADE DEBTORS

The Group normally grants credit terms of 30 days to 90 days to its customers. The following is an aged analysis of trade debtors at the balance sheet date:

	The Group	
	2008	2007
	HK$'000	HK$'000
Within 30 days	**119**	3,506
31-90 days	**27**	91
91-180 days	**13**	7,280
181-365 days	**–**	2,902
Over 365 days	**–**	33
	159	13,812

There are no trade debtors past due or impaired for the years ended 31 March 2008 and 2007.

Management closely monitor the credit quality of trade debtors and considers the trade debtors that are neither past due nor impaired of good credit quality.

The aged analysis of trade debtors that are neither individually nor collectively to be impaired are as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Neither past due nor impaired	**146**	3,597
1 to 3 months past due	**13**	7,280
4 to 6 months past due	**–**	2,902
Over 6 months past due	**–**	33
	159	13,812

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

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

23. TRADE CREDITORS

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

	The Group	
	2008	2007
	HK$'000	HK$'000
Within 6 months	–	2,693
Over 1 year	–	69
	–	2,762

The directors consider that the carrying amount of trade creditors approximates their fair value.

24. AMOUNTS DUE TO DIRECTORS

The Group and the Company

The amounts of HK$Nil and HK$2,484,000 represented accrued salaries to directors during the years ended 31 March 2008 and 2007 respectively, which are unsecured, non-interest bearing and have no fixed repayment terms.

25. PROVISION FOR LITIGATION

	The Group	
	2008	2007
	HK$'000	HK$'000
At 1 April	**4,000**	–
Provision for litigation	–	4,000
Disposal of subsidiaries (Note 33)	**(4,000)**	–
At 31 March	–	4,000

On 8 August 2006, an individual engaged by Milkyway Image (Hong Kong) Limited ("MIHK") in 2003, a subsidiary of the Company which was disposed of during the year, lodged a statement of claim in the High Court in Hong Kong against MIHK in respect of a personal injury purported to have been suffered during his engagement with MIHK in 2003. If MIHK is found to be liable, the total expected monetary compensation may amount to approximately HK$4,000,000. The provision for litigation of HK$4,000,000 was made in the financial statements for the year ended 31 March 2007.

26. OBLIGATIONS UNDER FINANCE LEASES

At the balance sheet date, the Group had obligations under finance leases repayable as follows:

	The Group			
	Minimum leases payments		Present value of minimum leases payments	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable under finance leases:				
Within one year	–	414	–	380
After one year but within two years	–	175	–	244
After two years but within five years	–	85	–	–
		674		624
Less: Future finance charges	–	(50)		
Present value of lease obligations	–	624		
Less: Amount due for payment within one year			–	(380)
			–	244

The Group has no obligation under finance leases at the year ended 31 March 2008 upon the disposal of subsidiaries (Note 33).

The lease term ranges from four to five years and the average effective borrowing rate is 8.3% during the year ended 31 March 2007. Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Company directors consider that the fair value of the Group's lease obligations approximates their carrying amount at each balance sheet date.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

27. BANK LOAN

Bank loan comprises:

	The Group	
	2008	2007
	HK$'000	HK$'000
Secured	**2,626**	–
On demand or within one year	**397**	–
Between one and two years	**421**	–
Between two and five years	**1,415**	–
Over five years	**393**	–
	2,626	–
Less: Current portion	**(397)**	–
Non-current portion	**2,229**	–

At 31 March 2008, the bank loan was charged at fixed interest rate of 5.78% per annum (2007: Nil). The bank loan was secured by the investment properties with a fair value approximately HK$21,206,000 (2007: HK$Nil) of the Group as disclosed in Note 18.

28. CONVERTIBLE BONDS

Convertible bonds with principal amount of HK$20 million

On 30 January 2007, the Company issued two tranches of convertible bonds with total nominal value of HK$20,000,000 at the price of HK$18,200,000. The bonds are non-interest bearing and will be redeemed within three years from the date of issue at the bond's nominal value.

The bonds can be converted into ordinary shares of the Company of HK$0.1 each at any time during the conversion period at a fixed conversion price being HK$0.25. The Company may redeem any bond during the conversion period at the price of 105% of the bonds' nominal value.

The fair values of the liability component and the equity conversion component were determined at issuance of the bonds. The fair value of the liability component, included in long-term borrowings, was calculated at effective interest rate of 8.51% per annum. The residual amount, representing the value of the equity conversion component, is included in equity.

During the year ended 31 March 2008, the bonds with the nominal value HK$17,600,000 (2007: HK$2,400,000) were converted into 70,400,000 (2007: 9,600,000) shares of the Company of HK$0.1 each at a conversion price of HK$0.25 per share.

28. CONVERTIBLE BONDS (Continued)

Convertible bonds with principal amount of HK$25 million

On 25 May 2007, the Company issued bonds with total nominal value of HK$25,000,000 at the price of HK$22,500,000 to a wholly owned subsidiary of China Star Entertainment Limited, Classical Statue Limited, which becomes a substantial shareholder of the Company at the year end. The bonds are non-interest bearing and will be redeemed within five years from the date of issue at the bond's nominal value.

The bonds can be converted into ordinary shares of the Company of HK$0.1 each at any time during the conversion period at a fixed conversion price being HK$0.33. The Company may redeem any bond during the conversion period at the price of 110% of the bonds' nominal value.

The fair values of the liability component and the equity conversion component were determined at issuance of the bonds. The fair value of the liability component, included in long-term borrowings, was calculated at effective interest rate of 9.004% per annum. The residual amount, representing the value of the equity conversion component, is included in equity.

During the year ended 31 March 2008, the bonds with the nominal value HK$24,000,000 were converted into 72,727,272 shares of the Company of HK$0.1 each at a conversion price of HK$0.33 per share.

Convertible bonds with principal amount of HK$24 million

On 2 November 2007, the Company issued bonds with total nominal value of HK$24,000,000 at the price of HK$24,000,000 to an independent third party as a consideration for the acquisition of the entire issued share capital of Classic Grace Group (Note 32(a)). The bonds are interest bearing of 5%, payable on semi-annual basis and will be redeemed within five years from the date of issue at the bond's nominal value.

The bonds can be converted into ordinary shares of the Company of HK$0.1 each at any time during the conversion period at fixed conversion price being HK$0.14. The Company may redeem any bond during the conversion period at the principal amount of the bonds' nominal value.

The fair values of the liability component and the equity conversion component were determined at issuance of the bonds. The fair value of the liability component, included in long-term borrowings, was calculated at effective interest rate of 9.25% per annum. The residual amount, representing the value of the equity conversion component, is included in equity.

During the year ended 31 March 2008, the bonds with the nominal value HK$24,000,000 were converted into 171,428,571 shares of the Company of HK$0.1 each at a conversion price of HK$0.14 per share.

28. CONVERTIBLE BONDS (Continued)

The movement of the liability component of the convertible bonds for the year is set out as below:

	The Group and the Company			
	Convertible bonds with principal amount of HK$20 million HK$'000	**Convertible bonds with principal amount of HK$25 million** HK$'000	**Convertible bonds with principal amount of HK$24 million** HK$'000	**Total** HK$'000
Liability component at 1 April 2006	–	–	–	–
Proceeds from convertible bonds issued on 30 January 2007	18,200	–	–	18,200
Equity component (Note 31)	(2,692)	–	–	(2,692)
Liability component on initial recognition at 30 January 2007	15,508	–	–	15,508
Accrued interest capitalised (Note 10)	221	–	–	221
Conversion into shares	(1,888)	–	–	(1,888)
Liability component at 31 March 2007	13,841	–	–	13,841
Proceeds from convertible bonds issued on 25 May 2007	–	22,500	–	22,500
Proceeds from convertible bonds issued on 2 November 2007	–	–	24,000	24,000
Equity component (Note 31)	–	(6,262)	(3,845)	(10,107)
Liability component on initial recognition at 25 May 2007 and 2 November 2007	–	16,238	20,155	36,393
Accrued interest capitalised (Note 10)	228	125	582	935
Interest paid	–	–	(423)	(423)
Conversion into shares	(14,069)	(15,701)	(20,314)	(50,084)
Liability component at 31 March 2008	–	662	–	662

29. DEFERRED TAX LIABILITIES

The Group

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movement during the year are as follow:

	Accelerated tax depreciation HK$'000	Revaluation of investment properties HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Tax losses HK$'000	Total HK$'000
At 1 April 2006	1,639	–	–	(1,639)	–
Charge/(credit) to consolidated income statement	(575)	–	–	575	–
At 31 March 2007 and 1 April 2007	1,064	–	–	(1,064)	–
Disposal of subsidiaries	(1,064)	–	–	1,064	–
Arising from acquisition of subsidiaries (Note 32(a) and (b))	806	1,634	570	(3)	3,007
Effect of change in tax rate	(13)	(24)	(1)	–	(38)
Exchange adjustments	(20)	(40)	(3)	–	(63)
Charge to consolidated income statement	15	1,345	–	–	1,360
At 31 March 2008	788	2,915	566	(3)	4,266

At 31 March 2008, the Group did not recognised deferred tax assets in respect of the tax losses and other deductible temporary difference of approximately HK$6,175,000 and HK$28,000 (2007: HK$44,559,000 and HK$Nil) respectively. As it is not probable that taxable profits will be available against which the unused tax losses and other deductible temporary difference of the Group can be utilised, deferred tax assets have not been recognised in respect of the unused tax losses and other deductible temporary difference. Tax losses are available indefinitely for offsetting future taxable profit of the companies in which the losses arose.

30. SHARE CAPITAL

The Group and the Company

	2008		2007	
	Number of shares	**Amount HK$'000**	Number of shares	Amount HK$'000
Authorised:				
At 1 April, ordinary shares of HK$0.1 (2007: HK$0.01) each	**1,000,000,000**	**100,000**	10,000,000,000	100,000
Increase in authorised share capital (Note iii)	**2,000,000,000**	**200,000**	–	–
Consolidation of shares (Note ii)	**–**	**–**	(9,000,000,000)	–
At 31 March, ordinary shares of HK$0.1 each	**3,000,000,000**	**300,000**	1,000,000,000	100,000
Issued and fully paid:				
At 1 April, ordinary shares of HK$0.1 (2007: HK$0.01) each	**106,200,000**	**10,620**	805,000,000	8,050
Issue of shares (Note i)	**–**	**–**	161,000,000	1,610
	106,200,000	**10,620**	966,000,000	9,660
Consolidation of shares (Note ii)	**–**	**–**	(869,400,000)	–
Ordinary shares of HK$0.1 each	**106,200,000**	**10,620**	96,600,000	9,660
Open offer of new shares (Note iv)	**124,663,636**	**12,466**	–	–
Placing of new shares (Note v)	**499,860,000**	**49,986**	–	–
Exercise of share options (Note vi)	**31,617,617**	**3,162**	–	–
Issued on acquisition of subsidiaries (Note 32(b))	**180,000,000**	**18,000**	–	–
Conversion into shares from convertible bonds (Note vii)	**314,555,843**	**31,456**	9,600,000	960
At 31 March, ordinary shares of HK$0.1 each	**1,256,897,096**	**125,690**	106,200,000	10,620

30. SHARE CAPITAL (Continued)

Notes:

i) On 28 November 2006, the Company entered into a placing agreement with Kingston Securities Limited, an independent third party, for placing of 161,000,000 ordinary shares of the Company of HK$0.01 at HK$0.022 per each to independent investors. On 14 December 2006, the Company issued and allotted 161,000,000 shares with the gross proceeds of approximately HK$3,542,000 before expenses. The details of the share placing are set out in the Company's announcement dated 28 November 2006.

ii) By an ordinary resolution passed by the shareholders of the Company on 10 January 2007, every 10 ordinary shares of the Company (both issued and unissued) of HK$0.01 each were consolidated into one new share ("New Share") of HK$0.1 each (the "Share Consolidation"). The Share Consolidation became effective on 11 January 2007. The details of the Share Consolidation are set out in the Company's announcement dated 10 January 2007.

iii) On 23 November 2007, an ordinary resolution was passed by the shareholders of the Company approving the increase in authorised share capital from 1,000,000,000 shares to 3,000,000,000 shares.

iv) On 9 October 2007, an ordinary resolution was passed by the shareholders of the Company approving the open offer of 124,663,636 shares of HK$0.1 each in the share capital of the Company at a price of HK$0.15 per offer shares on the basis of one offer share for every two existing shares off the Company. The details of the open offer are set out in the Company's circular dated 24 September 2007.

v) On 23 October 2007, the Company entered into a placing agreement with Kingston Securities Limited, an independent third party for placing up to a maximum of 900,000,000 ordinary shares and on a fully underwritten basis 450,000,000 ordinary shares at a price of HK$0.12 per share. On 15 November 2007 and 21 February 2008, the Company issued and allotted 49,860,000 shares and 450,000,000 shares with the gross proceeds of approximately HK$5,983,200 and HK$54,000,000 respectively before expense. The details of the share placing are set out in the Company's circular dated 7 November 2007.

vi) During the year ended 31 March 2008, certain option holders exercised their option rights to subscribe for an aggregate of 4,988,544 shares at an exercise price of HK$0.1488, an aggregate of 3,490,534 shares at an exercise price of HK$0.118, an aggregate of 6,300,000 shares at an exercise price of HK$0.114 and 16,838,539 shares at an exercise price of HK$0.133 respectively.

vii) During the year, bonds with nominal value HK$17,600,000 (2007: HK$2,400,000) were converted into 70,400,000 (2007: 9,600,000) shares of the Company of HK$0.1 each at a conversion price of HK$0.25 per share, bonds with nominal value HK$24,000,000 were converted into 72,727,272 shares of the Company of HK$0.1 each at a conversion price of HK$0.33 per share and bonds with the nominal value HK$24,000,000 were converted into 171,428,571 shares of the Company of HK$0.1 each at a conversion price of HK$0.14 per share.

31. RESERVES

The Group

	Attributable to equity holders of the Company						
	Share premium	**Contributed surplus**	**Share-based compensation reserve**	**Convertible bonds reserve**	**Translation reserve**	**Accumulated losses**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2006	15,050	10	1,030	–	–	(34,093)	(18,003)
Loss for the year	–	–	–	–	–	(16,154)	(16,154)
Issue of shares (Note 30(i))	1,932	–	–	–	–	–	1,932
Share issue expenses	(159)	–	–	–	–	–	(159)
Issue of convertible bonds (Note 28)	–	–	–	2,692	–	–	2,692
Conversion into shares from convertible bonds (Note 28)	1,251	–	–	(323)	–	–	928
At 31 March 2007 and 1 April 2007	18,074	10	1,030	2,369	–	(50,247)	(28,764)
Profit for the year	–	–	–	–	–	19,289	19,289
Issue of shares (Note 30(iv) and (v))	16,230	–	–	–	–	–	16,230
Share issue expenses	(2,241)	–	–	–	–	–	(2.241)
Recognition of equity-settled sharebased payments (Note 39)	–	–	4,370	–	–	–	4,370
Issue of convertible bonds (Note 28)	–	–	–	10,107	–	–	10,107
Conversion into shares from convertible bonds (Note 28)	30,855	–	–	(12,226)	–	–	18,629
Shares issued upon exercises of share options (Note 39)	2,650	–	(1,699)	–	–	–	951
Cancellation of share options (Note 39)	–	–	(1,030)	–	–	1,030	–
Exchange differences arising on translation of financial statements of foreign operation	–	–	–	–	(292)	–	(292)
At 31 March 2008	65,568	10	2,671	250	(292)	(29,928)	38,279

31. RESERVES (Continued)

The Company

	Attributable to equity holders of the Company					
	Share premium HK$'000	Contributed surplus HK$'000	Share-based compensation reserve HK$'000	Convertible bonds reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 April 2006	15,050	78	1,030	–	(24,984)	(8,826)
Loss for the year	–	–	–	–	(4,632)	(4,632)
Issue of shares (Note 30(i))	1,932	–	–	–	–	1,932
Share issue expenses	(159)	–	–	–	–	(159)
Issue of convertible bonds (Note 28)	–	–	–	2,692	–	2,692
Conversion into shares from convertible bonds (Note 28)	1,251	–	–	(323)	–	928
At 31 March 2007 and 1 April 2007	18,074	78	1,030	2,369	(29,616)	(8,065)
Loss the year	–	–	–	–	(8,603)	(8,603)
Issue of shares (Note 30(iv) and (vi))	16,230	–	–	–	–	16,230
Share issue expenses	(2,241)	–	–	–	–	(2,241)
Recognition of equity-settled share based payments (Note 39)	–	–	4,370	–	–	4,370
Issue of convertible bonds (Note 28)	–	–	–	10,107	–	10,107
Conversion into shares from convertible bonds (Note 28)	30,855	–	–	(12,226)	–	18,629
Shares issued upon exercises of share options (Note 39)	2,650	–	(1,699)	–	–	951
Cancellation of share options (Note 39)	–	–	(1,030)	–	1,030	–
At 31 March 2008	65,568	78	2,671	250	(37,189)	31,378

i) In accordance with the laws of the Cayman Islands, the Company's share premium and contributed surplus are distributable to the shareholders of the Company subject to the Company's articles of association and provided that immediately following the distribution of dividends, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The Company's reserves available for distribution to shareholders as at 31 March 2008 amounting to approximately HK$28,457,000 (2007: HK$Nil)

ii) The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares of the Company issued for the acquisition at the time of the reorganisation of the Group.

The contributed surplus of the Company represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares of the Company issued in exchange pursuant to the reorganisation of the Group.

iii) The share-based compensation reserve of the Company and the Group arises on the grant of share options of the Company and is dealt with in accordance with the accounting policies set out in Note 3(q)(iii).

iv) The convertible bond reserve represents the value of the unexercised equity component of convertible bonds issued by the Company. The reserve is dealt with in accordance with accounting policies set out in Note 3(n).

v) Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 3(t).

32. ACQUISITION OF A SUBSIDIARY

a) *Acquisition of Classic Grace Enterprises Limited and its subsidiary*

On 28 August 2007, the Company entered into an agreement for the acquisition of the entire interests of Classic Grace Group for a total consideration of HK$24 million by issuing the 5% convertible bond in the principal amount of HK$24 million. The transaction was completed on 2 November 2007. This acquisition has been accounted for using the purchase method.

The net assets acquired on 2 November 2007, and the excess of interest in fair value of acquiree's identifiable assets and liabilities over the cost of a business combination arising, are as follows:

	Acquiree's carrying amount before combination on 28 August 2007	**Fair value adjustments**	**Fair value on acquisition date 2 November 2007**
	HK$'000	HK$'000	HK$'000
Net assets acquired:			
Investment property	24,100	2,500	26,600
Deferred tax liabilities	(106)	(437)	(543)
	23,994	2,063	26,057
Excess of interest in fair value of acquiree's identifiable assets and liabilities over the cost of a business combination			(2,057)
Total consideration			24,000
Satisfied by:			
Convertible bonds issued (Note 28)			24,000
Net cash inflow/(outflow) arising on acquisition			–

Excess of interest in fair value of acquiree's identifiable assets and liabilities over the cost of a business combination arose because of the fluctuation of the fair value of the investment properties between the contract date on 28 August 2007 and the date on which the Group effectively obtains control on 2 November 2007.

The Classic Grace Group contributes approximately of HK$Nil and HK$5,900,000 to the Group's revenue and profit since the date of acquisition on 2 November 2007 to the year ended 31 March 2008.

32. ACQUISITION OF A SUBSIDIARY (Continued)

b) *Acquisition of Grandeur Concord Limited and its subsidiary*

On 23 October 2007, the Company entered into an agreement for the acquisition of the entire interests of Grandeur Group for a total consideration of HK$18 million by issuing 180,000,000 shares in the authorised share capital at an issue price of HK$0.10 each. The transaction was completed on 28 January 2008. This acquisition has been accounted for using the purchase method.

The net assets acquired on 28 January 2008, and the goodwill arising, are as follows:

	Acquiree's carrying amount before combination on 23 October 2007	Fair value adjustments	Fair value on acquisition date 28 January 2008
	HK$'000	HK$'000	HK$'000
Net assets acquired:			
Investment property	20,993	778	21,771
Trade debtors	37	–	37
Prepayments and other debtors	47	–	47
Bank balances and cash	311	–	311
Bank loan	(2,761)	–	(2,761)
Other creditors and accruals	(390)	–	(390)
Deferred tax liabilities	(2,331)	(133)	(2,464)
	15,906	645	16,551
Goodwill			1,449
Total consideration			18,000
Satisfied by:			
Shares issued (Note 30)			18,000
Net cash flow arising on acquisition:			
Bank balances and cash acquired			311

Goodwill arose in the business combination because of the future economic benefits arising from the rental income of the investment property.

The Grandeur Group contributed approximately of HK$377,000 and HK$123,000 to the Group's revenue and profit since the date of acquisition on 28 January 2008 to the year ended 31 March 2008.

33. DISPOSAL OF SUBSIDIARIES

On 23 April 2007, the Group through its wholly owned subsidiary, Galaxy Image (BVI) Limited, disposed of its entire interest in Milkyway Group for a total consideration of HK$26 million. The transaction was completed on 28 June 2007.

On 9 January 2008, the Group through its wholly owned subsidiary, Galaxy Image (BVI) Limited, disposed of its entire interest in POV Group for a total consideration of HK$2 million. The transaction was completed on 15 January 2008.

The principal activities of the Milkyway Group and POV Group were provision of film production, film distribution, film production facilities and holding of film rights.

The carrying amounts of net assets/(liabilities) of the subsidiaries at the dates of disposal are as follows:

	Milkyway Group 28 June 2007 HK$'000	**POV Group 15 January 2008** HK$'000	**Total** HK$'000
Net assets/(liabilities) disposed of:			
Property, plant and equipment	7,974	913	8,887
Film rights	1,012	1,506	2,518
Films in progress	9,181	13,609	22,790
Production in progress	21,855	–	21,855
Trade debtors	3,772	4,288	8,060
Deposits, prepayments and other debtors	5,347	517	5,864
Bank balances and cash	5,816	1,048	6,864
Trade creditors	(415)	(236)	(651)
Other creditors and accruals	(651)	(61)	(712)
Receipt in advance	(48,620)	–	(48,620)
Amounts due to related companies	(3,063)	(17,000)	(20,063)
Provisions	(4,000)	–	(4,000)
Obligation under finance leases	(528)	–	(528)
	(2,320)	4,584	2,264
Gain/(Loss) on disposal	28,320	(2,584)	25,736
Total consideration	26,000	2,000	28,000
Satisfied by:			
Cash	26,000	2,000	28,000
Net cash flow arising on disposal:			
Cash consideration	26,000	2,000	28,000
Cash and cash equivalents disposed of	(5,816)	(1,048)	(6,864)
	20,184	952	21,136

33. DISPOSAL OF SUBSIDIARIES (Continued)

Milkyway Group and POV Group contributed loss of approximately HK$3,004,000 and HK$2,680,000 to the Group's profit for the period since 1 April 2007 to the date of disposal.

34. MAJOR NON-CASH TRANSACTIONS

The consideration for the acquisition of subsidiaries that occurred during the year comprised issue of shares and convertible bonds. Further details of the acquisitions are set out in Note 32.

35. CONTINGENT LIABILITIES

The Group and the Company have no contingent liabilities at the balance sheet date (2007: Nil).

36. PLEDGED OF ASSETS

At 31 March 2008, investment properties of the Group with a fair value of approximately HK$21,206,000 (2007: HK$Nil) were pledged to secure banking facilities granted to the Group.

37. COMMITMENTS

Operating lease commitments

a) At 31 March 2008, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Within one year	–	1,124
In the second to fifth year inclusive	–	249
	–	1,373

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated for a term of 2 years to 3 years and rentals were fixed for the year.

The Company had no lease commitments at the balance sheet date upon the disposal of subsidiaries (Note 33).

37. COMMITMENTS (Continued)

Operating lease commitments (Continued)

b) The Group leases out investment properties under operating leases. The lease terms for the properties ranged between 2 and 10 years. At the balance sheet date, the Group had contracted with tenants for the future minimum lease payments under non-cancellable operating leases receivable as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Within one year	**1,539**	–
In the second to fifth year inclusive	**2,715**	–
	4,254	–

Other commitments

	The Group	
	2008	2007
	HK$'000	HK$'000
Contracted but not provided for in the financial statements in respect of:		
– film production costs	**1,975**	14,011

38. RELATED PARTY TRANSACTIONS

a) During the years ended 31 March 2008 and 2007, certain related companies provided loans facilities to the Group as follows:

(i) Hang Hing Limited, Suki Investment Limited and Tosco Limited, which were incorporated in Hong Kong and controlled by former directors of the Company, Mr. Law Sau Yiu, Dennis and Ms. Teng Chia Lin, Chialina (resigned on 9 October 2007 and 18 September 2007 respectively), granted certain loan facilities to the Group totalling approximately HK$64,000,000 for the year ended 31 March 2008 (2007: approximately HK$49,000,000). The Group drew the loan of approximately HK$53,000,000 during the year (2007: approximately HK$15,000,000). The loans are unsecured, interest charged at the rate of three-months HIBOR plus 0.85% and repayable within one year.

Details of interest expenses charged during the year are disclosed in Note 10.

ii) Keep Beat Enterprise Limited, which was incorporated in the British Virgin Islands and controlled by the former Chief Executive Officer of the Company, Mr. To Kei Fung (resigned on 28 June 2007), granted a loan to the Group of approximately HK$3,000,000 (2007: HK$3,000,000). The Group drew the loan of approximately HK$3,000,000 during the year (2007: HK$3,000,000) . The loan is unsecured, interest charged at the rate of three month HIBOR plus 0.85% and repaid on 28 July 2007.

Details of interest expenses charged during the year are disclosed in Note 10.

iii) The balances due to the related companies at balance sheet date are as follows:

	2008 HK$'000	2007 HK$'000
The Group		
Balances at balance sheet date		
Hang Hing Limited	–	12,000
Suki Investment Limited	–	20,500
Keep Beat Enterprise Limited	–	3,000
Tosco Limited	–	2,000
Outstanding interest	–	255
Total per consolidated balance sheet	–	37,755
The Company		
Balances at balance sheet date		
Hang Hing Limited	–	12,000
Suki Investment Limited	–	3,000
Outstanding interest	–	129
Total per Company balance sheet	–	15,129

38. RELATED PARTY TRANSACTIONS (Continued)

b) Compensation for key management personnels, including amounts paid to the Company's directors and certain of the highest paid employees, as disclosed in Notes 11 and 12 as follows:

	2008 HK$'000	2007 HK$'000
Salaries and other short-term benefits	1,219	7,345
Retirement benefits scheme contribution	19	48
Share-based payment	1,080	–
	2,318	7,393

c) On 23 April 2007, the Group through its wholly owned subsidiary, Galaxy Image (BVI) Limited, entered into an agreement with Keep Beat Enterprises Limited, a company wholly owned by the former chief executive officer, Mr. To Kei Fung (resigned on 28 June 2007), pursuant to which the Group disposed of its entire interest in Milkyway Group for a total consideration of HK$26 million resulting a gain on disposal of approximately HK$28,320,000 (Note 33). The principal activities of Milkyway Group were provision of film production, film distribution and film production facilities. The net liabilities of the subsidiaries disposed of were disclosed in Note 33. The transaction was completed on 28 June 2007.

d) On 9 January 2008, the Group through its wholly owned subsidiary, Galaxy Image (BVI) Limited, entered into an agreement with Mr. Law Sau Yau, Dennis, a former director of the Company (resigned on 9 October 2007), pursuant to which the Group disposed of its entire interest in POV Group for a total consideration of HK$2 million resulting a loss on disposal of approximately HK$2,584,000 (Note 33). The principal activities of POV Group were provision of film production, film distribution and holding of film rights. The net assets of the subsidiaries disposed of were disclosed in Note 33. The transaction was completed on 15 January 2008.

39. SHARE OPTION SCHEMES

Pursuant to the written resolutions of the shareholders of the Company dated 2 August 2002, a share option scheme (“Share Option Scheme”) was approved and adopted.

Share Option Scheme

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

a) The purpose of the Share Option Scheme is to enable the Group to grant share options to selected participants as incentives or rewards for their contribution to the Group.

b) The participants include:

i) (1) any employee or proposed employee of the Company, any of its subsidiaries or any entity (“Invested Entity”) in which the Group holds an equity interest, including any executive director of the Company, any of such subsidiaries or any Invested Entity;

(2) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;

(3) any supplier of goods or services to any member of the Group or any Invested Entity;

(4) any customer of the Group or any Invested Entity;

(5) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;

(6) any shareholder of any member of the Group or any Invested Entity or any holder or any securities issued by any member of the Group or any Invested Entity; and

(7) any joint venture partner or counter-party to business transactions of the Group.

ii) any company wholly owned by one or more persons belonging to any of the above classes of participants.

39. SHARE OPTION SCHEMES (Continued)

Share Option Scheme (Continued)

c) The exercise price of a share option shall be a price determined by the directors and shall at least be the higher of:

   i) the closing price of a share of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and

   ii) the average closing price of a share of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

d) Maximum number of shares:

   i) The total number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the shares in issue from time to time; and

   ii) The total number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other schemes must not in aggregate, exceed 10% of the shares in issue at the date of adoption of the Share Option Scheme (the "Limit") provided that share options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Limit.

e) The total number of shares issued and to be issued upon the exercise of share options granted and to be granted to each participant (including both exercised and outstanding options) in any 12-month period up to and including the date of grant must not exceed 1% of the shares in issue.

f) The exercisable period should be determined by the board of directors upon grant of the share option but in any event should not exceed 10 years from the date of grant of the share option.

Details of the number of share options outstanding under the Company's share option scheme and movements during the year were as follows:

	2008		2007	
	Number of shares issuable under options granted	**Average exercise price per share HK$**	Number of shares issuable under options granted	Average exercise price per share HK$
At 1 April	**6,440,000**	**0.040**	64,400,000	0.040
Granted during the year	**109,703,500**	**0.126**	–	–
Cancellation of share options	**(6,440,000)**	**0.121**	–	–
Exercise of share options	**(31,617,617)**	**0.130**	–	–
Consolidation of shares (Note 30)	**–**	**–**	(57,960,000)	0.040
Outstanding at 31 March	**78,085,883**	**0.125**	6,440,000	0.040
Exercisable at 31 March	**78,085,883**	**0.125**	6,440,000	0.040

39. SHARE OPTION SCHEMES (Continued)

Share Option Scheme (Continued)

				Number of share options							
Date of grant	Category of eligible persons	Exercise period	Exercise price	At 1 April 2006	Consolidation of shares	At 31 March 2007	Cancelled	Granted during the year	Exercised during the year	Exercised at 31 March 2008	Vesting period
16 September 2005	Chief Executive Officer	20 September 2005 to 19 September 2015	HK$0.04 (Note b)	64,400,000	(57,960,000)	6,440,000	(6,440,000) (Note c)	–	–	–	N/A
30 October 2007	Directors	30 October 2007 to 29 October 2017	HK$0.1488	–	–	–	–	4,986,544	(2,493,272)	2,493,272	N/A
	Consultants	30 October 2007 to 29 October 2008	HK$0.1488	–	–	–	–	14,959,632	(2,493,272)	12,466,360	N/A
	Employees	30 October 2007 to 29 October 2008	HK$0.1488	–	–	–	–	4,986,544	(2,000)	4,984,544	N/A
29 November 2007	Directors	29 November 2007 to 28 November 2017	HK$0.1180	–	–	–	–	3,490,534	(1,745,267)	1,745,267	N/A
	Consultants	29 November 2007 to 28 November 2008	HK$0.1180	–	–	–	–	35,404,322	(1,745,267)	33,659,055	N/A
	Employees	29 November 2007 to 28 November 2008	HK$0.1180	–	–	–	–	3,490,534	–	3,490,534	N/A
25 February 2008	Consultants	25 February 2008 to 24 February 2011	HK$0.1140	–	–	–	–	19,246,851	(6,300,000)	12,946,851	N/A
	Employees	25 February 2008 to 24 February 2011	HK$0.1140	–	–	–	–	6,300,000	–	6,300,000	N/A
5 March 2008	Directors	5 March 2008 to 4 March 2011	HK$0.1330	–	–	–	–	6,300,000	(6,300,000)	–	N/A
	Employees	5 March 2008 to 4 March 2011	HK$0.1330	–	–	–	–	10,538,539	(10,538,539)	–	N/A
				64,400,000	(57,960,000)	6,440,000	(6,440,000)	109,703,500	(31,617,617)	78,085,883	

Notes:

a) The 31,617,617 (2007: Nil) share options exercised during the year ended 31 March 2008 resulted in the issue of 31,617,617 (2007: Nil) ordinary shares of the Company and new share capital of HK$3,162,000 (2007: HK$Nil) and share premium of HK$2,650,000 (2007: HK$Nil). At 31 March 2008, the Company has an aggregate 78,085,883 (2007: 6,440,000) outstanding share options, after adjusting the Share Consolidation mentioned in Note b, (2007: 64,400,000 outstanding shares) represent approximately 6% (2007: approximately 6%) of the total issued share capital of the Company.

b) The exercise price represented the higher of the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on 16 September 2005, date of proposed grant (i.e., HK$0.4, after adjusting the Share Consolidation of the Company) and a price being the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheet for the 5 Business Days immediately preceding 16 September 2005.

c) All the share options were cancelled upon resignation.

39. SHARE OPTION SCHEMES (Continued)

Share Option Scheme (Continued)

The estimated fair value was calculated using The Black-Scholes pricing model. Exceptions of early exercise are incorporated into the model. The inputs into the model were as follows:

	2008						2007
Date of grant	30 October 2007	30 October 2007	29 November 2007	29 November 2007	25 February 2008	5 March 2008	2 August 2002
Weighted average share price	HK$0.1780	HK$0.1780	HK$0.1780	HK$0.1780	HK$0.1780	HK$0.1780	HK$0.280
Number of shares issuable under options granted	4,986,544	19,946,176	3,490,536	38,894,856	25,546,851	16,838,539	6,440,000 (*)
Risk fee rate (based on Exchange Fund Notes)	3.49%	2.75%	2.77%	0.67%	1.58%	1.21%	4.4%
Exercise price	HK$0.1488	HK$0.1488	HK$0.1180	HK$0.1180	HK$0.1140	HK$0.1330	HK$0.04
Expected volatility	79.87%	76.01%	80.16%	80.09%	94.06%	94.1%	17%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expected option life	5 years	0.5 year	5 years	0.5 year	1.5 years	1.5 years	10 years

(*) Number of shares before share consolidation is 64,400,000.

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

The Group recognised total expenses related to equity-settled share-based payment transactions during the year of approximately HK$4,370,000 (2007: HK$Nil).

40. SUBSEQUENT EVENTS

The Company proposed to effect the capital reorganisation which will involve the capital reduction pursuant to which the nominal value of each issued and unissued share will be reduced from HK$0.10 each to HK$0.001 each; the share consolidation pursuant to which every 10 unissued and issued reduced shares will be consolidated into one consolidated share; the increase in authorised share capital from HK$3,000,000 to HK$30,000,000 by the creation of 2,700,000,000 new consolidated shares of par value HK$0.01 each. The proposal was approved by the Company's shareholders at the extraordinary general meeting on 19 March 2008. The above transaction is detailed in the Company's circular on 26 February 2008 and approved by the Grand Court of the Cayman Islands on 20 June 2008.

41. COMPARATIVE FIGURES

As a result of adopting HKFRS 7, *Financial instruments: Disclosures*, and the amendments to HKAS 1, *Presentation of financial statements: Capital disclosures*, certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2007. Further details of these developments are disclosed in Note 2.

Group Financial Summary

RESULTS

	Year ended 31 March				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover	22,696	36,836	17,258	62,288	**10,632**
Loss from operations	(11,567)	(8,329)	(17,505)	(14,333)	**(3,490)**
Gain on disposal of subsidiaries	–	–	–	–	**25,736**
Finance costs	(10)	(36)	(680)	(1,821)	**(1,635)**
Profit/(loss) before taxation	(11,577)	(8,365)	(18,185)	(16,154)	**20,611**
Taxation (charge)/credit	789	–	–	–	**(1,322)**
Profit/(loss) attributable to shareholders	(10,788)	(8,365)	(18,185)	(16,154)	**19,289**

ASSETS AND LIABILITIES

	As at 31 March				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Non-current assets	18,760	15,050	11,975	9,952	**58,288**
Current assets	29,241	21,085	32,800	80,834	**114,447**
Current liabilities	37,668	28,931	54,557	94,845	**1,609**
Non-current liabilities	39	2	171	14,085	**7,157**