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

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

Annual Report
2009

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2009

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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This report, for which the directors ("Directors") of Brilliant Arts Multi-Media Holding Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Contents

Corporate Information

Executive Directors

Mr. Lei Hong Wai *(Chairman)*
Mr. Cheung Kwok Wai, Elton *(Chief Executive Officer)*
Mr. Lee Chan Wah
Mr. Ho Ka Wai

Independent Non-executive Directors

Mr. Leung Wai Man
Mr. Man Kong Yui
Mr. Kwok Chuen Hung, Dominic

Company Secretary

Mr. Lee Chan Wah

Compliance Officer

Mr. Lee Chan Wah

Authorised Representatives

Mr. Lei Hong Wai
Mr. Lee Chan Wah

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Share Registrar and Transfer Office

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

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

Audit Committee

Mr. Leung Wai Man
Mr. Man Kong Yui
Mr. Kwok Chuen Hung, Dominic

Remuneration Committee

Mr. Lei Hong Wai
Mr. Leung Wai Man
Mr. Kwok Chuen Hung, Dominic

Nomination Committee

Mr. Lei Hong Wai
Mr. Leung Wai Man
Mr. Kwok Chuen Hung, Dominic

Auditor

CCIF CPA Limited

Legal Advisers to the Company

As to Hong Kong Law
Michael Li & Co

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

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 of Directors (the "Board") of Brilliant Arts Multi-Media Holding Limited (the "Company"), I herein present the results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2009.

The global financial tsunami has had an unprecedented negative effect on economic conditions and has caused significant damage to the global economy. This will undoubtedly have a negative effect on the entertainment and consumer capabilities in Hong Kong. During the year under review, the Group recorded a decrease in turnover of approximately 84.9% to HK$1.6 million (2008: HK$10.6 million). All of the revenue was derived from the leasing of the investment property located at Canada. The Group recorded a loss attributable to equity holders of the Company of approximately HK$20.6 million (2008: profit attributable to equity holders of the Company of approximately HK$19.3 million). Excluding the one-time fair value loss on investment property of approximately HK$11.2 million and impairment loss on film in progress of approximately HK$1.4 million, the Group's net loss attributable to equity holders was approximately HK$8.0 million. In face of the worst global economic downturn in a century, the Board has been cautious in utilising its resources for its operation and further development strategies in last year. In addition, the Group initiated a financing activity in last year to further strengthen the Group's financial foundation.

Prospects and Appreciation

Following the introduction of various economic rescue or stimulating measures by government around the globe, the overall economic climate around the globe have become improved and stablised. We remain cautiously hopeful the improving trend will be sustained and will turn to recovery of the economy.

The production of a film, titled "Written By"「再生號」(formerly titled "Missing"「思念」), by a subsidiary of the Company have been completed. The film was awarded as the opening film of the 2009 New York Asia Film Festival and will be released for exhibition in local cinemas on 10 July 2009.

On 15 June 2009, the Company entered into a Memorandum of Understanding (the "MOU") with an independent third party (the "Vendor") in relation to a possible acquisition of the entire issued share capital of Sunny Chance Limited (the "Target Company") which is principally engaged in the development and provision of custom built wireless radio frequency identification application system in both local area network and metropolitan area network to the healthcare sector in the PRC. Pursuant to the MOU, the Vendor has given the Company an exclusive right to acquire the entire issued share capital of the Target Company at the purchase price of HK$1,500 million from the date of the MOU to 15 September 2009.

On 15 June 2009, the Company entered into a placing agreement with a placing agent, pursuant to which, the Company has conditionally agreed to place, through the placing agent, up to 2,500,000,000 placing shares by tranches provided that the number of placing shares for each tranche is in integral multiples of 1,000,000 on a best effort basis, to independent investors at a price of HK$0.1 per placing share. The gross proceeds and the net proceeds from the placing will be approximately HK$250 million and HK$247 million respectively which are intended to be used for financing possible diversified investment including the possible acquisition under the MOU and general working capital of the Group.

Chairman's Statement

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. 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 staffs 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, 23 June 2009

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

Owing to the global economic downturn, the operating environment of the film industry has been increasingly challenging. Given the above, the Group has been alert and cautious in utilising its resources for the production of new films. The Group recorded a turnover of approximately HK$1.6 million (2008: HK$10.6 million) during the year under review. The Group did not have revenue generated from the business segment of film production and distribution. All of the revenue was generated from the leasing of the investment property located at Canada.

On 26 November 2008, the Company entered into a subscription agreement with Golife Concepts Holdings Limited, whose shares are listed on the GEM of the Stock Exchange, in respect of the subscription of convertible bonds in an aggregate principal amount of HK$100 million in five tranches of HK$20 million each (the "Subscription"). The Subscription constituted a very substantial acquisition of the Company under the GEM Listing Rules. A circular containing the details of the Subscription had been despatched to the shareholders of the Company on 29 December 2008. The Subscription was subsequently approved by the Company's shareholder at the extraordinary general meeting held on 14 January 2009. The Company subscribed the convertible bonds in the principal amount of HK$100 million on 28 April 2009.

Financial Review

For the year ended 31 March 2009, the Group recorded a loss attributable to equity holders of the Company of approximately HK$20.6 million (2008: profit of approximately HK$19.3 million). The deterioration in results was mainly attributed to the one-time fair value loss on investment property of approximately HK$11.2 million and impairment loss on film in progress of approximately HK$1.4 million incurred in the current year. On the other hand, the profit recorded in last year was attributed to the one-time gain on disposal of subsidiaries of approximately HK$25.7 million and fair value gain on investment property of approximately HK$7.7 million.

Excluding the one-time fair value loss on investment property of approximately HK$11.2 million and impairment loss on film in progress of approximately HK$1.4 million, the net loss attributable to equity holders of the Company was approximately HK$8.0 million.

During the year, the management had exercised prudence measures on cost control policies. As a result, other operating expenses decreased by 18.7% to approximately HK$12.9 million from HK$15.9 million in prior year. Such decrease was mainly contributed by the decrease in salaries and allowances, depreciation, rent and rates and legal and professional fees from HK$6.5 million, HK$1.2 million, HK$0.8 million and HK$3.6 million in last year to HK$5.6 million, HK$0.3 million, HK$0.1 million and HK$1.8 million in the current year respectively.

Management Discussion and Analysis

Finance costs decreased by 91.9% to approximately HK$0.1 million from HK$1.6 million in prior year. The decrease of approximately HK$1.5 million was mainly attributed to the decrease in interest on convertible bonds and interest on amounts due to related companies. The interest on convertible bonds and interest on amounts due to related companies were approximately HK$8,000 (2008: HK$0.9 million) and HK$Nil (2008: HK$0.7 million) respectively.

Dividend

The Board does not recommend the payment of a dividend for the year ended 31 March 2009.

Liquidity, Financial Resources and Capital Structure

At 31 March 2009, the Group had assets of approximately HK$198.9 million (2008: HK$172.7 million), including net cash and bank balances of approximately HK$142.4 million (2008: HK$101.8 million). The increase in net cash and bank balances was mainly contributed by net cash inflow 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 open offer.

Pursuant to the resolutions passed on 14 January 2009, the Company raised approximately HK$45.2 million before expenses, by way of open offer of 1,131,207,381 offer shares at a price of HK$0.04 per offer share on the basis of 9 offer shares for every 1 existing share held on the record date. The net proceeds of approximately HK$43.8 million were utilised for the subscription of the convertible bonds issued by Golife Concepts Holdings Limited.

At 31 March 2009, a subsidiary of the Company has pledged its investment property with a fair value of HK$17.3 million (2008: HK$21.2 million) to secure a mortgage loan amounted to approximately HK$1.8 million (2008: HK$2.6 million).

At 31 March 2009, 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 4.2% (2008: 5.1%).

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

As at 31 March 2009, the Group had no contingent liabilities.

Material Acquisitions and Disposal of Subsidiaries and Affiliated Companies

The Group did not make any material acquisitions and disposal of subsidiaries and affiliated companies during the year.

Capital Reorganisation, Share Consolidation, Change of Board Lot Size and Change in Domicile

(a) Pursuant to the resolutions passed on 19 March 2008, capital reorganisation was 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. The capital reorganisation was completed on 20 June 2008. The board lot size for trading of shares of the Company was changed from 10,000 shares to 4,000 Consolidated Shares when the capital reorganisation became effective.

(b) Pursuant to the resolutions passed on 14 January 2009, the board lot size for trading of shares of the Company was changed from 4,000 shares to 40,000 after the completion of the open offer of which the details were set out in the Company's circular dated 29 December 2008. The change in board lot size was effective on 11 February 2009.

(c) Pursuant to the resolutions passed on 30 March 2009, the domicile of the Company was changed from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda. Capital reorganisation was effected by way of (i) the transfer of the entire amounts standing to the credit of each of the share premium account and the distributable capital reduction reserve to the contributed surplus accounts of the Company; (ii) after the change of domicile of the Company from the Cayman Islands to Bermuda, share consolidation whereby every 10 issued shares of HK$0.01 each in the share capital of the Company be consolidated into on issued consolidated share of HK$0.1 each ("Consolidated Shares"); (iii) capital reduction of issued share capital by reducing the par value of each of the issued Consolidated Shares from HK$0.1 each to HK$0.01 each by cancelling the paid-up capital to the extent of HK$0.09 on each issued Consolidated Shares. The change of domicile and capital reorganisation were completed on 20 April 2009 and 11 May 2009 respectively.

Employee Information

As at 31 Mach 2009, the Group had 6 (2008: 6) full times 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 2009, total staff costs, including directors' emoluments, amounted to approximately HK$7.0 million (2008: HK$7.9 million).

Directors and Senior Management Profile

Executive Directors

Mr. Lei Hong Wai, aged 41, is the chairman 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. Cheung Kwok Wai, Elton, aged 43, is the chief executive officer 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 on 24 January 2008 as the general manager and appointed as executive director on 27 August 2008.

Mr. Lee Chan Wah, aged 40, is the chief financial officer and company secretary of the Group. Mr. Lee has over 15 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 on 9 October 2007 and was appointed as executive director on 22 June 2009.

Mr. Ho Ka Wai, aged 41, graduated with a Bachelor's degree in social sciences from the University of Hong Kong, and a Master's degree in business administration from the Wharton School, University of Pennsylvania in the United States of America. Mr. Ho is a chartered financial analyst and has over 16 years of experience in management consulting and banking and finance Hong Kong. Mr. Ho has previously worked for Booz-Allen & Hamilton, American Express International and Dah Sing Financial Holdings Group. Prior to joining the Company, Mr. Ho was an equity research analyst at CLSA Limited. Mr. Ho was appointed as executive director on 22 June 2009.

Independent Non-executive Directors

Mr. Leung Wai Man, aged 39, has over eight 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 the independent non-executive director on 10 July 2007.

Mr. Man Kong Yui, aged 49, has been involved in the financial and securities industries for over 25 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 independent non-executive director on 18 September 2007.

Mr. Kwok Chuen Hung, Dominic, aged 48, he has substantial experience in project investment and other trading business both in Hong Kong and South East Asia. Mr. Kwok was appointed as the independent non-executive director on 10 November 2008.

Senior Management

Mr. Lau Yun Pan, aged 35, is the accounting manager of the Group. Mr. Lau has over 14 years experience in accounting areas for private and public companies. Mr. Lau joined the Group on 9 February 2009.

Corporate Governance Report

Corporate Governance Practices

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. The Company has applied the principles in the CG Code and complied with the code provisions set out in the CG Code for the year ended 31 March 2009.

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 2009.

Board of Directors and Board Meeting

The Board member for the year ended 31 March 2009 and up to the date of this annual report were:

Executive Directors

Mr. Lei Hong Wai	
Mr. Yip Tai Him	(resigned on 27 August 2008)
Mr. Cheung Kwok Wai, Elton	(appointed on 27 August 2008)
Mr. Lee Chan Wah	(appointed on 22 June 2009)
Mr. Ho Ka Wai	(appointed on 22 June 2009)

Independent non-executive Directors

Mr. Lai Hok Lim	(resigned on 10 November 2008)
Mr. Leung Wai Man	
Mr. Man Kong Yui	
Mr. Kwok Chuen Hung, Dominic	(appointed on 10 November 2008)

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 pages 9 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 appointments and all of their appointments were extended for one year from the expiry date of their respective appointments.

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

Mr. Lee Chan Wah has entered into a contract with the Company, subject to termination by either party in writing three months in advance.

Mr. Ho Ka Wai has signed a contract with the Company commencing from 22 June 2009, subject to termination by either party in writing three months in advance.

Save as disclosed above, 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. The appointments of Mr. Lei Hong Wai and Mr. Leung Wai Man commenced on 10 July 2007 and expired on 9 July 2008. The appointment of Mr. Man Kong Yui commenced on 18 September 2007 and expired on 17 September 2008. All of the appointments of Mr. Lei Hong Wai, Mr. Leung Wai Man and Mr. Man Kong Yui were extended for one year from the expiry date of their appointments respectively.

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, 20 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		Attend/Eligible to attend
Mr. Lei Hong Wai		20/20
Mr. Yip Tai Him	(resigned on 27 August 2008)	7/7
Mr. Cheung Kwok Wai, Elton	(appointed on 27 August 2008)	13/13
Mr. Lai Hok Lim	(resigned on 10 November 2008)	9/9
Mr. Leung Wai Man		20/20
Mr. Man Kong Yui		20/20
Mr. Kwok Chuen Hung, Dominic	(appointed on 10 November 2008)	11/11

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

The Chairman of the Board is Mr. Lei Hong Wai and the Company's Chief Executive Officer is Mr. Cheung Kwok Wai, Elton. The roles of the Chairman and Executive Officer are distinct and segregated with a clear division of responsibility. The Chairman plays a leading role and is responsible for effective running of the Board while the Chief Executive Officer is delegated with the authority and responsibility of overall management, business development and implementation of the Group's strategy determined by the Board in achieving its overall commercial objectives.

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") was established with written terms of reference in compliance with the code provisions set out in the CG Code. As at the date of this annual report, the Nomination Committee comprises of three members, of which the majority are independent non-executive Directors, namely Mr. Lei Hong Wai, Mr. Leung Wai Man and Mr. Kwok Chuen Hung, Dominic. The Chairman of the Nomination Committee is Mr. Leung Wai Man.

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		**Attend/Eligible to attend**
Mr. Lai Hok Lim	(resigned on 10 November 2008)	2/2
Mr. Lei Hong Wai		2/2
Mr. Leung Wai Man		2/2
Mr. Kwok Chuen Hung, Dominic	(appointed on 10 November 2008)	N/A

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established with written terms of reference in compliance with the provisions set out in the CG Code. 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. Leung Wai Man and Mr. Kwok Chuen Hung, Dominic. 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		**Attend/Eligible to attend**
Mr. Lai Hok Lim	(resigned on 10 November 2008)	1/1
Mr. Lei Hong Wai		1/1
Mr. Leung Wai Man		1/1
Mr. Kwok Chuen Hung, Dominic	(appointed on 10 November 2008)	N/A

Audit Committee

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the provisions set out in the CG Code and 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 control 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. Leung Wai Man, Mr. Man Kong Yui and Mr. Kwok Chuen Hung, Dominic, all of them are independent non-executive Directors. The chairman of the Audit Committee is Mr. Leung Wai Man.

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

Members		**Attend/Eligible to attend**
Mr. Lai Hok Lim	(resigned on 10 November 2008)	2/2
Mr. Leung Wai Man		4/4
Mr. Man Kong Yui		4/4
Mr. Kwok Chuen Hung, Dominic	(appointed on 10 November 2008)	2/2

The Group's unaudited quarterly and interim results, also, the audited annual results for the year ended 31 March 2009 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.

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 the 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 2009 and also involved in non-audit assignment of the Group. The remuneration of the Auditor for the year ended 31 March 2009 for the work of statutory audit and non-audit assignments are approximately HK$260,000 and HK$219,000 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".

Internal Control

The Directors have overall responsibility for the establishment, maintenance and review of the Group's system of internal control. For the year ended 31 March 2009, the Directors periodically reviewed its internal control system to ensure its effectiveness and adequacy, which embraced financial, operational and risk management control. The Directors also satisfied with the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

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 uses a number of formal communication channels to account to shareholders and investors for the performance of the Company, which includes 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 2009.

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 2009 are set out in the consolidated income statement on page 26 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 106 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 note 27 and 36 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 28 to the financial statements.

Purchase, Sale or Redemption of Listed Securities of the Company

During the year ended 31 March 2009, 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 bye-laws and there is no restriction against such rights under the laws of Bermuda, 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 25 to the financial statements.

Distributable Reserves

The Company's reserves available for distribution to shareholders as at 31 March 2009 amounting to approximately HK$177,013,000 (2008: HK$28,457,000).

Charitable Donations

Charitable donations made by the Group during the year amounted to HK$Nil (2008: HK$Nil).

Post Balance Sheet Events

Details of significant events occurring after the balance sheet date are set out in note 37 to the financial statements.

Connected Transactions

Details of connected transactions are set out in note 35 to the financial statements.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31 March 2009 and 2008.

Directors

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

Executive directors:

Mr. Lei Hong Wai	
Mr. Cheung Kwok Wai, Elton	(appointed on 27 August 2008)
Mr. Yip Tai Him	(resigned on 27 August 2008)
Mr. Lee Chan Wah	(appointed on 22 June 2009)
Mr. Ho Ka Wai	(appointed on 22 June 2009)

Independent non-executive directors:

Mr. Leung Wai Man	
Mr. Man Kong Yui	
Mr. Kwok Cheun Hung, Dominic	(appointed on 10 November 2008)
Mr. Lai Hok Lim	(resigned on 10 November 2008)

Directors' Report

In accordance with article 84 of the Company's bye-laws, Mr. Leung Wai Man, Mr. Man Kong Yui and Mr. Kwok Chuen Hung, Dominic would retire and, being eligible, offer themselves for re-election.

Mr. Ho Ka Wai and Mr. Lee Chan Wah were appointed as executive directors by the Board on 22 June 2009. According to article 83(2) of the Company's bye-laws, each of Mr. Ho Ka Wai and Mr. Lee Chan Wah shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election. As such, each of Mr. Ho Ka Wai and Mr. Lee Chan Wah would retire and, being eligible, offer himself for re-election.

Directors' Service Contracts

Mr. Lee Chan Wah has entered into a contract with the Company, subject to termination by either party in writing three months in advance.

Mr. Ho Ka Wai has signed a contract with the Company commencing from 22 June 2009, subject to termination by either party in writing three months in advance.

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 2009, 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$0.01 each of the Company

Name	Personal interests	Corporate interests	Number of underlying shares held	Total number of shares and underlying shares held	Percentage of the Company's issued share capital
Mr. Lei Hong Wai	10,538,530 *(Note 1)*	353,860,000 *(Note 1)*	1,313,175 *(Note 1)*	365,711,705	29.10%
Mr. Cheung Kwok Wai, Elton	1,053,853 *(Note 2)*	—	1,313,175 *(Note 2)*	2,367,028	0.19 %

Notes:

1. 173,860,000 shares and 180,000,000 shares are held by Mander International Limited and Eagle Mate Limited respectively. Both companies are wholly and beneficially owned by Business Power Holdings Limited. Mr. Lei Hong Wai, an executive Director, owns 50% interests in Business Power Holdings Limited. Adding the 10,538,539 shares owned in his personal capacity and the deemed interests in 1,313,175 shares which would fall to be issued upon exercise of the 1,313,175 share options, Mr. Lei Hong Wai is deemed to interested in 365,711,705 shares.

2. Mr. Cheung Kwok Wai, Elton, an executive Director, is deemed to be interested in 1,313,175 shares which would fall to be issued upon exercise of the 1,313,175 share options. Adding the 1,053,853 shares owned in his personal capacity, Mr. Cheung Kwok Wai, Elton is deemed to interested in 2,367,028 shares.

(b) Long positions in share options

Name of Director	Date of grant	Exercise Price *(Note 1)*	Adjusted exercise price *(Note 2)*	Exercise Period	Balance as at 31/3/2008	Granted during the year *(Note 1)*	Exercised during the year	Lapsed during the year	Cancelled during the year	Adjusted number of share options *(Note 2)*	Outstanding as at 31/3/2009
Lei Hong Wai	28/4/2008	HK$1.018	HK$0.974	28/4/2008 to 27/4/2011	–	1,256,897	–	–	–	56,278	1,313,175
Cheung Kwok Wai, Elton	28/4/2008	HK$1.018	HK$0.974	28/4/2008 to 27/4/2011	–	1,256,897	–	–	–	56,278	1,313,175

Notes:

1. The exercise price and number of share options had been adjusted due to the completion of the share consolidation on 20 June 2008.

2. The exercise price and number of share options had been adjusted due to the completion of the open offer on 4 February 2009.

Save as disclosed above, at 31 March 2009, 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 Scheme

Particulars of the Company's share option scheme are set out in note 36 to the financial statements.

Arrangements to Purchase Shares or Debentures

Save as disclosed above and in note 36 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

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 2009, 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 2009, 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$0.01 each of the Company

Name of shareholder	Capacity	Interest in shares *(Note 1)*	Interest in underlying shares *(Note 1)*	Total interest in shares *(Note 1)*	Percentage of the Company's issued share capital
Mr. Lei Hong Wai	Personal and interest of controlled corporation *(Note 2)*	10,538,530	355,173,175	362,711,705	29.10%
Ms. Lok Hoi Yan	Interest of controlled corporation *(Note 2)*	—	353,860,000	353,860,000	28.15%
Business Power Holdings Limited	Interest of controlled corporation *(Note 2)*	—	353,860,000	353,860,000	28.15%
Eagle Mate Limited	Beneficial owner *(Note 2)*	180,000,000	—	180,000,000	14.32%
Mander International Limited	Beneficial owner *(Note 2)*	173,860,000	—	173,860,000	13.83%

Notes:

(1) The numbers of shares have been adjusted due to completion of share consolidation on 20 June 2008 and open offer on 4 February 2009.

(2) 173,860,000 shares and 180,000,000 shares are held by Mander International Limited and Eagle Mate Limited respectively. Both companies are wholly and beneficially owned by Business Power Holdings Limited which is jointly owned by Mr. Lei Hong Wai, an executive Director, and his spouse, Ms. Lok Hoi Yan. Mr. Lei Hong Wai also owns 10,538,530 shares in his personal capacity and is deemed to be interested in 1,313,175 shares which would fall to be issued upon exercise of the 1,313,175 share options of the Company.

Save as disclosed above, at 31 March 2009, 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(s)(i) to the financial statements.

Major Customers and Suppliers

During the year ended 31 March 2009, all the revenue of the Group was derived from the leasing of the investment property located at Canada. Gross rentals from investment properties to the Group's three largest customers accounted for 98% of the total gross rentals from investment properties for the year and gross rentals from investment properties to the largest customer included therein amounted to 50%.

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 three largest customers 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, Leung Wai Man, Mr. Man Kong Yui and Mr. Kwok Chuen Hung, Dominic. During the year, the audit committee held four meetings to review the Group's annual report, half-year report and quarterly reports. The Company's annual results for the year ended 31 March 2009 have been reviewd by the audit committee of the Company.

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. Leung Wai Man and Mr. Kwok Chuen Hung, Dominic and one executive director, Mr. Lei Hong Wai who is 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. Leung Wai Man and Mr. Kwok Chuen Hung, Dominic 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 2009.

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 GEM 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, 23 June 2009

Independent Auditor's Report

CCIF
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

(Incorporated in the Cayman Islands and re-domiciled and continued on 20 April 2009 in Bermuda 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 26 to 105, which comprise the consolidated and company balance sheets as at 31 March 2009, 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 this report.

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

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 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 23 June 2009

Ho Chun Shing
Practising Certificate Number P04396

Consolidated Income Statement

For the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Turnover	7	**1,585**	10,632
Cost of sales		**—**	(9,261)
Gross profit		**1,585**	1,371
Other revenue and other income	7	**1,498**	3,345
Other operating expenses		**(12,927)**	(15,906)
Fair value (loss)/gain on investment properties	18	**(11,200)**	7,700
Loss on redemption of convertible bonds	25	**(430)**	—
Loss from operations	9	**(21,474)**	(3,490)
Gain on disposal of subsidiaries	30	**—**	25,736
Finance costs	10	**(133)**	(1,635)
(Loss)/profit before taxation		**(21,607)**	20,611
Taxation	13	**1,014**	(1,322)
(Loss)/profit for the year		**(20,593)**	19,289
(Loss)/earnings per share	16		(Restated)
— Basic		**(HK$0.53)**	HK$4.69
— Diluted		**(HK$0.53)**	HK$3.94

The notes on pages 32 to 105 form part of these financial statements.

Consolidated Balance Sheet

As at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	17	**1,047**	1,333
Investment properties	18	**40,408**	55,506
Goodwill	19	**1,449**	1,449
		42,904	58,288
Current assets			
Films in progress	21	**13,218**	12,315
Trade and other receivables	22	**408**	372
Bank balances and cash		**142,409**	101,760
		156,035	114,447
Current liabilities			
Other payables	23	**3,717**	1,212
Bank loan	24	**343**	397
		4,060	1,609
Net current assets		**151,975**	112,838
Total assets less current liabilities		**194,879**	171,126
Capital and reserves			
Share capital	27	**12,569**	125,690
Reserves	28	**178,107**	38,279
Total equity		**190,676**	163,969
Non-current liabilities			
Convertible bonds	25	**—**	662
Bank loan	24	**1,476**	2,229
Deferred tax liabilities	26	**2,727**	4,266
		4,203	7,157
		194,879	171,126

Approved and authorised for issue by the board of directors on 23 June 2009

On behalf of the board

Lei Hong Wai	**Lee Chan Wah**
Director	*Director*

The notes on pages 32 to 105 form part of these financial statements.

Balance Sheet

As at 31 March 2009

	Notes	2009 *HK$'000*	2008 *HK$'000*
Non-current assets			
Interests in subsidiaries	*20*	**13,127**	13,205
Current assets			
Other receivables	*22*	**61,469**	65,355
Bank balances and cash		**120,835**	79,886
		182,304	145,241
Current liabilities			
Other payables	*23*	**1,649**	716
Net current assets		**180,655**	144,525
Total assets less current liabilities		**193,782**	157,730
Capital and reserves			
Share capital	*27*	**12,569**	125,690
Reserves	*28*	**181,213**	31,378
Total equity		**193,782**	157,068
Non-current liabilities			
Convertible bonds	*25*	**—**	662
		193,782	157,730

Approved and authorised for issue by the board of directors 23 June 209

On behalf of the board

Lei Hong Wai
Director

Lee Chan Wah
Director

The notes on pages 32 to 105 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2009

	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 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 and 1 April 2008	125,690	65,568	10	2,671	250	(292)	(29,928)	163,969
Loss for the year	—	—	—	—	—	—	(20,593)	(20,593)
Capital reduction	(124,433)	—	87,244	—	—	—	37,189	—
Issue of shares	11,312	33,936	—	—	—	—	—	45,248
Share issue expenses	—	(969)	—	—	—	—	—	(969)
Recognition of equity-settled share-based payments	—	—	—	5,017	—	—	—	5,017
Redemption of convertible bonds	—	—	—	—	(250)	—	250	—
Cancellation of share options	—	—	—	(2,091)	—	—	2,091	—
Share options lapsed	—	—	—	(1,397)	—	—	1,397	—
Exchange differences arising on translation of financial statements of foreign operation	—	—	—	—	—	(1,996)	—	(1,996)
At 31 March 2009	12,569	98,535	87,254	4,200	—	(2,288)	(9,594)	190,676

The notes on pages 32 to 105 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2009

	2009	2008
	HK$'000	HK$'000
OPERATING ACTIVITIES		
(Loss)/profit before taxation	**(21,607)**	20,611
Adjustments for:		
Interest income	**(1,498)**	(1,274)
Loss on disposal of property, plant and equipment	**—**	3
Gain on disposal of subsidiaries	**—**	(25,736)
Fair value loss/(gain) on investment properties	**11,200**	(7,700)
Excess of interest in fair value of aquiree's identifiable assets and liabilities over the cost of a business combination	**—**	(2,057)
Depreciation	**286**	1,236
Amortisation of film rights	**—**	2,976
Finance charges on finance leases	**—**	8
Impairment loss on films in progress	**1,432**	—
Interest expenses	**133**	1,627
Loss on redemption of convertible bonds	**430**	—
Share-based payments	**5,017**	4,370
Operating cash flows before movements in working capital	**(4,607)**	(5,936)
Increase in films in progress	**(2,335)**	(24,395)
Decrease in production in progress	**—**	3,667
(Increase)/decrease in trade and other receivables	**(71)**	5,715
Increase/(decrease) in trade and other payables	**2,601**	(1,896)
NET CASH USED IN OPERATING ACTIVITIES	**(4,412)**	(22,845)
INVESTING ACTIVITIES		
Interest received	**1,498**	1,274
Acquisition of subsidiaries	**—**	311
Additions of film rights	**—**	(4,697)
Disposal of subsidiaries	**—**	21,136
Proceeds from disposal of property, plant and equipment	**—**	3
Purchase of property, plant and equipment	**—**	(1,510)
NET CASH GENERATED FROM INVESTING ACTIVITIES	**1,498**	16,517

Consolidated Cash Flow Statement

For the year ended 31 March 2009

	2009 HK$'000	2008 HK$'000
FINANCING ACTIVITIES		
Interest paid	—	(1,305)
Finance charges on finance leases paid	—	(8)
Repayment of bank loan	**(486)**	(65)
Net amounts due to related companies	—	18,500
Proceeds from issue of shares	**45,248**	78,682
Proceeds from issue of convertible bonds	—	22,500
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)
Share issue expenses	**(969)**	(2,241)
Payment for redemption of convertible bonds	**(1,100)**	—
NET CASH GENERATED FROM FINANCING ACTIVITIES	**42,693**	84,080
NET INCREASE IN CASH AND CASH EQUIVALENTS	**39,779**	77,752
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**101,760**	23,877
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**870**	131
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**142,409**	101,760
CASH AND CASH EQUIVALENTS ANALYSIS		
Bank balances and cash	**142,409**	101,760

The notes on pages 32 to 105 form part of these financial statements.

1. General

The Company was incorporated in the Cayman Islands on 9 November 2001 and redomiciled and continued in Bermuda as an exempted company with limited liability on 20 April 2009 and its shares are being listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office and principal place of business of the Company are located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda 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. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has where applicable applied the following amendments and interpretations ("INTs") (collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) — Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) — Int 12	Service Concession Arrangements
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

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

The Group has not early applied any of the following new and revised standards, amendments or interpretations which have been issued but are not yet effective for the current accounting period.

HKFRSs (Amendments)	Improvements to HKFRSs[5]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[8]
HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and separate financial statements[2]

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[1]
HKAS 39 (Amendment)	Eligible hedged items[2]
HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate[1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[1]
HKFRS 3 (Revised)	Business combinations[2]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) — Int 19 & HKAS 39 (Amendments)	Embedded Derivatives[7]
HK(IFRIC) — Int 13	Customer loyalty programmes[3]
HK(IFRIC) — Int 15	Agreements for the construction of real estate[1]
HK(IFRIC) — Int 16	Hedges of a net investment in a foreign operation[4]
HK(IFRIC) — Int 17	Distributions of non-cash assets to owners[2]
HK(IFRIC) — Int 18	Transfers of Assets from Customers[6]

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 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
6 Effective for transfers of assets from customers received on or after 1 July 2009
7 Effective for annual periods ending on or after 30 June 2009
8 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary 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 and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group and the Company.

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.

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 statements.

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.

3. Significant Accounts Policies *(Continued)*

(b) Basis of consolidation *(Continued)*

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(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 at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in 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

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, to govern the financial and operating policies of an entity, so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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

(f) Property, plant and equipment

Property, plant and equipment are 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%

3. Significant Accounts Policies *(Continued)*

(f) Property, plant and equipment *(Continued)*

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.

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 land and/or buildings which are owned or held under a leasehold interest (see note 3(h)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in consolidated income statement. Rental income from investment properties is accounted for as described in note 3(r)(iii).

(h) Leased assets

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

(i) Classification of assets leased to the Group

Assets held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases.

3. Significant Accounts Policies *(Continued)*

(h) Leased assets *(Continued)*

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Company or Group will obtain ownership of the asset, the life of the asset, as set out in note 3(f). Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(p). Finance charges implicit in the lease payments are charged to consolidated income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to consolidated income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in consolidated income statement as an integral part of the aggregate net lease payments made. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

(i) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 3(p)).

(j) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in consolidated income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

3. Significant Accounts Policies *(Continued)*

(k) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 3(u)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) 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.

(m) 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 expect 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.

(n) 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.

(o) 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)*

(p) Impairment of assets

(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.

3. Significant Accounts Policies *(Continued)*

(p) Impairment of assets *(Continued)*

(i) Impairment of other receivables (Continued)

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.

(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);

— film in progress;

— 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 and intangible assets that has 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).

3. Significant Accounts Policies *(Continued)*

(p) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

— 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.

— 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(p)).

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.

3. Significant Accounts Policies *(Continued)*

(q) 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 reserve).

In subsequent year, the liability component of the convertible bonds is carried at amortised cost. The interest expenses recognised in the income statement on the liability components is calculated 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 reserve until the embedded conversion option is exercised (in which case the balance stated in convertible bonds reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds 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. If the convertible bonds are redeemed, the convertible bonds reserve is released directly to retained profits.

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.

(r) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in consolidated income statement as follows:

(i) Film production income

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.

3. Significant Accounts Policies *(Continued)*

(r) Revenue recognition *(Continued)*

(ii) Film distribution income

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

(iii) Rental income from operating leases

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

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(s) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans 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) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share-based compensation reserve with equity. The fair value is measured at grant date using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

3. Significant Accounts Policies *(Continued)*

(s) Employee benefits *(Continued)*

(ii) ***Share-based payments*** *(Continued)*

During the vesting period, the number of share options expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the consolidated income statement for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based compensation reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) ***Termination benefits***

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in consolidated income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

3. Significant Accounts Policies *(Continued)*

(t) Income tax *(Continued)*

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

3. Significant Accounts Policies *(Continued)*

(t) Income tax *(Continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

— the same taxable entity; or

— different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in consolidated income statement on initial recognition of any deferred income.

3. Significant Accounts Policies *(Continued)*

(u) Financial guarantees issued, provisions and contingent liabilities *(Continued)*

(i) Financial guarantees issued (Continued)

The amount of the guarantee initially recognised as deferred income is amortised in consolidated income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 3(u)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measure. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 3(u)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 3(u)(iii).

(iii) Other provisions and contingent liabilities

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

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

3. Significant Accounts Policies *(Continued)*

(v) 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 Group'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). The translation reserve 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 that foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange difference arising are recognised in the translation reserve.

(w) Borrowing costs

Borrowing costs are expensed in consolidated income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

3. Significant Accounts Policies *(Continued)*

(w) Borrowing costs *(Continued)*

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(x) 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;

(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.

(y) 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.

3. Significant Accounts Policies *(Continued)*

(y) Segment reporting *(Continued)*

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's objectives when managing capital are to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risk associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate. 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. The gearing ratio determined as the proportion of total liabilities to total assets. 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.

4. Capital Management *(Continued)*

The debt-to-assets ratio at 31 March 2009 and 2008 was as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$000	*HK$'000*	***HK$'000***	*HK$'000*
Current liabilities				
Other payables	**3,717**	1,212	**1,649**	716
Bank loan	**343**	397	**—**	—
	4,060	1,609	**1,649**	716
Non-current liabilities				
Convertible bonds	**—**	662	**—**	662
Bank loan	**1,476**	2,229	**—**	—
	1,476	2,891	**—**	662
Total debt	**5,536**	4,500	**1,649**	1,378
Non-current assets				
Property, plant and equipment	**1,047**	1,333	**—**	—
Investment properties	**40,408**	55,506	**—**	—
Interests in subsidiaries	**—**	—	**13,127**	13,205
Goodwill	**1,449**	1,449	**—**	—
	42,904	58,288	**13,127**	13,205
Current assets				
Films in progress	**13,218**	12,315	**—**	—
Trade and other receivables	**408**	372	**61,469**	65,355
Bank balances and cash	**142,409**	101,760	**120,835**	79,886
	156,035	114,447	**182,304**	145,241
Total assets	**198,939**	172,735	**195,431**	158,446
Debt-to-assets ratio	**2.78%**	2.61%	**0.84%**	0.87%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

5. Financial Instruments

The Group's major financial instalments include loan and receivables, cash and cash equivalents, other payables, convertible bonds and bank loan. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, currency risk and interest rate risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(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 and tenants in Canada 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 receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 90 days from the date of billing. The Group does not have any significant concentration of credit risk on its trade receivables and 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 high credit ratings assigned by international credit-rating agencies.

5. Financial Instruments *(Continued)*

(c) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings, fixed-rate bank deposits and fixed-rate convertible bonds issued, and cash flow interest rate risk in relation to variable-rate bank balances. 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 arises.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's borrowings and bank deposits at the balance sheet date:

	The Group				The Company			
	2009		2008		**2009**		2008	
	Effective interest rates %	***HK'000***	Effective interest rates %	*HK'000*	**Effective interest rates %**	***HK'000***	Effective interest rates %	*HK'000*
Fixed rate borrowings:								
Bank loan	**5.78**	**1,819**	5.78	2,626	**—**	**—**	—	—
Convertible bonds	**—**	**—**	9.00	662	**—**	**—**	9.00	662
Total borrowings		**1,819**		3,288		**—**		662
Fixed rate bank deposits:								
Time deposits	**2.15%**	**72,677**	1.15%	92,185	**2.15%**	**72,677**	1.15%	71,970
Variable rate bank balances and deposits	**1.45%**	**69,732**	2.72%	9,575	**1.6%**	**48,158**	2.71%	7,916
Total bank deposits		**142,409**		101,760		**120,835**		79,886

(ii) Sensitivity analysis

Bank deposits, bank loan and convertible bonds of the Group which are fixed rate instruments are insensitive to any change in interest rates. A change in interest rates at the balance sheet date would not affect profit or loss.

At 31 March 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates for variable-rate bank balances, with all other variables held constant, would decrease/increase the Group's loss after taxation and accumulated losses by approximately HK$697,000 (2008: HK$96,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

5. Financial Instruments *(Continued)*

(c) Interest rate risk *(Continued)*

(ii) ***Sensitivity analysis*** *(Continued)*

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 both derivation and 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 2008.

(d) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group monitors and maintains a level of cash and cash equivalents considered adequate by the directors to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group held cash and cash equivalents amounting to approximately HK$142,409,000 at 31 March 2009 (2008: HK$101,760,000).

The following table details the Group's remaining contractual maturity at the balance sheet date of the Group's and the Company's financial liabilities based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date on which the Group and the Company required to pay. The analysis is performed on the same basis for 2008.

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 un-discounted cash flow	total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2009							
Other creditors and accruals	—	2,914	—	—	—	2,914	2,914
Amounts due to directors	—	527	—	—	—	527	527
Bank loan	5.78	438	438	1,205	—	2,081	1,819
		3,879	438	1,205	—	5,522	5,260
2008							
Other creditors and accruals	—	870	—	—	—	870	870
Bank loan	5.78	537	537	1,611	433	3,118	2,626
Convertible bonds*	9.00	—	—	662	—	662	662
		1,407	537	2,273	433	4,650	4,158

5. Financial Instruments *(Continued)*

(d) Liquidity risk *(Continued)*

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 un-discounted cash flow	total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2009							
Other creditors and accruals	—	1,122	—	—	—	1,122	1,122
Amounts due to directors	—	527	—	—	—	527	527
		1,649	—	—	—	1,649	1,649
2008							
Other creditors and accruals	—	687	—	—	—	687	687
Amount due to a subsidiary	—	29	—	—	—	29	29
Convertible bonds*	9.00	—	—	662	—	662	662
		716	—	662	—	1,378	1,378

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

(e) Currency risk

The Group is exposed to currency risk primarily through receipt of rental income by a subsidiary, that are denominated in foreign currency. 100% (2008: approximately 3.5%) of the Group's turnover are denominated in currency other than the functional currency of the Group entity making the income.

(i) Exposure to currency risk

The carrying amount of this subsidiary's Canadian dollars denominated monetary assets representing trade and other receivables and bank balances; and monetary liabilities representing other creditors and accruals, loans payable with the Group and bank loan at 31 March 2009 was approximately HK$668,000 and HK$7,665,000 (2008: HK$556,000 and HK$9,780,000) respectively.

5. Financial Instruments *(Continued)*

(e) Currency risk *(Continued)*

(ii) 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 loss for the year ended 31 March 2009 would be reduced by approximately HK$350,000 (2008: HK$461,000). For a 5% weakening of Hong Kong dollars against Canadian dollars, there would be an equal and opposite impact on the loss. The analysis is performed on the same basis for 2008.

6. Critical Accounting Estimates and Judgements

(a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 3, management has made certain key assumptions concerning the future, and other key sources of estimated uncertainty at the balance sheet date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 3(d). The recoverable amounts of each identified cash-generating units have been determined based on value-in-use calculation. These calculations require the use of estimates (Note 19).

For the year ended 31 March 2009, the Group had not reported impairment losses (2008: HK$Nil) for impairment loss on goodwill based on such calculations.

6. Critical Accounting Estimates and Judgements *(Continued)*

(a) Key sources of estimation uncertainty *(Continued)*

(ii) Useful lives of property, plant and equipment

The management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry activities. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(iii) Impairment of property, plant and equipment

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 the time value of money and the risk specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(iv) Impairment of receivables

The Group maintains impairment allowance for doubtful accounts based upon evaluation of the recoverability of the trade and other receivables where applicable, at each balance sheet date. The estimates are based on the ageing of the trade and other receivables balances and the historical write-off experience, net of recoveries. If the financial condition of the debtors were to deteriorate, additional impairment allowance may be required.

(v) Impairment of films in progress

The management of the Group reviews an ageing 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 provides impairment for any films in progress that production no longer proceed.

6. Critical Accounting Estimates and Judgements *(Continued)*

(a) Key sources of estimation uncertainty *(Continued)*

(vi) Valuation of investment properties

The valuation of investment properties requires management's input of various assumptions and factors relevant to the valuation. The Group conducts annual revaluation of its investment properties by independent professionally qualified valuers based on these assumptions agreed with the valuers prior to adoption.

(vii) Income tax

Certain treatments adopted by the Company in its tax returns in the past years are yet to be finalised with the Hong Kong Inland Revenue Department and other jurisdiction. In assessing the Company's income tax and deferred taxation in the 2009 accounts, the Company has followed the tax treatments it has adopted in those tax returns, which may be different from the final outcome in due course.

(b) Critical accounting judgements in applying the Group's accounting policies

Provisions and contingent liabilities

The Group recognised provisions for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as contingent liability. As at 31 March 2009, the Group considered that it had no disclosable contingent liabilities as there were neither pending litigations nor events with potential obligation which were probable to result in material outflow of economic benefits to the Group.

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:

	2009	2008
	HK$'000	*HK$'000*
Turnover		
Film production	—	7,500
Film distribution	—	2,755
Gross rentals from investment properties	**1,585**	377
	1,585	10,632
Other revenue		
Bank interest income	**1,498**	1,274
Total interest income on financial assets not at fair value through profit or loss	**1,498**	1,274
Others	—	14
	1,498	1,288
Other income		
Excess of interest in fair value of acquiree's identifiable assets and liabilities over the cost of a business combination *(Note 29(a))*	—	2,057
Other revenue and other income	**1,498**	3,345
Total	**3,083**	13,977

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.

8. Business and Geographical Segments *(Continued)*

(a) Business segments *(Continued)*

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	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**—**	7,500	**—**	2,755	**1,585**	377	**1,585**	10,632
Segment results	**—**	235	**(1,737)**	(4,690)	**(11,414)**	9,437	**(13,151)**	4,982
Unallocated corporate income							**—**	14
Unallocated corporate expenses							**(9,821)**	(9,760)
Loss from operations							**(22,972)**	(4,764)
Interest income							**1,498**	1,274
Gain on disposal of subsidiaries							**—**	25,736
Finance costs							**(133)**	(1,635)
(Loss)/profit before taxation							**(21,607)**	20,611
Taxation							**1,014**	(1,322)
(Loss)/profit for the year							**(20,593)**	19,289

8. Business and Geographical Segments *(Continued)*

(a) Business segments *(Continued)*

Balance sheet

	Film production		Film distribution		Properties investment		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**—**	—	**34,329**	33,848	**42,131**	57,376	**76,460**	91,224
Unallocated corporate assets							**122,479**	81,511
Consolidated total assets							**198,939**	172,735
Segment liabilities	**—**	—	**(1,632)**	—	**(4,982)**	(7,413)	**(6,614)**	(7,413)
Unallocated corporate liabilities							**(1,649)**	(1,353)
Consolidated total liabilities							**(8,263)**	(8,766)

Other information

	Film production		Film distribution		Properties investment		Unallocated		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Capital expenditure incurred during the year	**—**	4	**—**	77	**—**	56,935	**—**	—	**—**	57,016
Depreciation	**—**	102	**—**	393	**286**	95	**—**	646	**286**	1,236
Additions of film rights	**—**	—	**—**	4,697	**—**	—	**—**	—	**—**	4,697
Fair value (loss)/gain on investment properties	**—**	—	**—**	—	**(11,200)**	7,700	**—**	—	**(11,200)**	7,700
Amortisation of film rights	**—**	—	**—**	2,976	**—**	—	**—**	—	**—**	2,976
Impairment loss on films in progress	**—**	—	**1,432**	—	**—**	—	**—**	—	**1,432**	—
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 are derived from property located at Canada. Segment revenue is based on the geographical location of customers. The following table provides an analysis of the Group's sales revenue by geographical market:

	2009	2008
	HK$'000	*HK$'000*
Hong Kong	—	8,551
Overseas	**1,585**	2,081
	1,585	10,632

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**	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**180,962**	149,554	—	1,510
Overseas	**17,977**	23,181	—	—
	198,939	172,735	—	1,510

9. Loss from Operations

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

	2009 HK$'000	2008 HK$'000
Auditor's remuneration	260	260
Amortisation of film rights (included in cost of sales)	—	2,976
Impairment loss on films in progress	1,432	—
Production cost (included in cost of sales)	—	6,285
Depreciation of property, plant and equipment		
— assets held for use under finance leases	—	49
— owned assets	286	1,187
Net foreign exchange loss	976	140
Operating lease rental in respect of premises	—	793
Loss on disposal of property, plant and equipment	—	3
Rental income less direct outgoings of HK$675,000 (2008: HK$195,000)	(910)	(182)
Staff costs (include Directors' remuneration *(Note 11)*)		
Salaries and allowances	2,005	3,437
Share-based payment expenses	5,017	4,370
Staff welfare and messing	—	9
Contribution to retirement benefits scheme	13	90
Total staff costs	7,035	7,906

10. Finance Costs

	2009 HK$'000	2008 HK$'000
Interests on:		
Bank loans wholly repayable within five years	125	—
Bank loans wholly repayable over five years	—	25
Amounts due to related companies	—	667
Effective interest expenses on convertible bonds wholly repayable within five years	8	935
Finance charges on obligations under finance leases	—	8
Total interest expense on financial liabilities not at fair value through profit or loss	133	1,635

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 2009

	Directors' fee HK$'000	Salaries and other allowances HK$'000	Share-based payments HK$'000	Retirement scheme contribution HK$'000	Total HK$'000
Executive directors					
Mr. Yip Tai Him *(Note (a))*	—	47	331	—	378
Mr. Lei Hong Wai *(Note (b))*	—	120	499	—	619
Mr. Cheung Kwok Wai, Elton *(Note (c))*	—	71	—	—	71
Independent non-executive directors					
Mr. Lai Hok Lim *(Note (d))*	73	—	—	—	73
Mr. Leung Wai Man *(Note (e))*	120	—	—	—	120
Mr. Man Kong Yui *(Note (f))*	120	—	—	—	120
Mr. Kwok Chuen Hung, Dominic *(Note (g))*	—	47	—	—	47
	313	285	830	—	1,428

11. Directors' Remuneration *(Continued)*

For the year ended 31 March 2008

	Directors' fee *HK$'000*	Salaries and other allowances *HK$'000*	Share-based payments *HK$'000*	Retirement scheme contribution *HK$'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 (h))*	—	(444)	—	—	(444)
Ms. Teng Chia Lin, Chialina *(Note (i))*	—	(108)	—	—	(108)
Ms. Chan Dao Ho *(Note (j))*	—	248	—	2	250
Independent non-executive directors					
Mr. Lai Hok Lim *(Note (d))*	84	—	—	3	87
Mr. Leung Wai Man *(Note (e))*	84	—	—	3	87
Mr. Man Kong Yui *(Note (f))*	62	—	—	2	64
Mr. Lung Hak Kau *(Note (k))*	38	—	—	—	38
Ms. Wai Lai Yung *(Note (l))*	45	—	—	—	45
Ms. Tsang Kei Ling *(Note (m))*	24	—	—	—	24
	337	(136)	1,081	16	1,298

Notes:

(a) Mr. Yip Tai Him was appointed on 9 October 2007 and resigned on 27 August 2008
(b) Mr. Lei Hong Wai was appointed on 9 October 2007
(c) Mr. Cheung Kwok Wai, Elton was appointed on 27 August 2008
(d) Mr. Lai Hok Lim was appointed on 10 July 2007 and resigned on 10 November 2008
(e) Mr. Leung Wai Man was appointed on 10 July 2007
(f) Mr. Man Kong Yui was appointed 18 September 2007
(g) Mr. Kwok Chuen Hung, Dominic was appointed on 10 November 2008
(h) Mr. Law Sau Yiu, Dennis resigned on 9 October 2007 and entered into an arrangement under which he agreed to waive director's remuneration payable to him under the service agreement date 9 October 2003 for the period from 1 January 2007 to 9 October 2007
(i) Ms. Teng Chia Lin, Chialina resigned on 18 September 2007 and entered into an arrangement under which she agreed to waive director's remuneration payable to her under the service agreement date 9 October 2003 for the period from 1 January 2007 to 18 September 2007
(j) Ms. Chan Dao Ho resigned on 7 September 2007
(k) Mr. Lung Hak Kau resigned 24 August 2007
(l) Ms. Wai Lai Yung resigned on 18 September 2007
(m) Ms. Tsang Kei Ling resigned on 24 August 2007

11. Directors' Remuneration *(Continued)*

The share-based payment represents 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(s)(ii).

At 31 March 2009 and 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 36.

During the years ended 31 March 2009 and 2008, 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. None of the directors has waived any emoluments during the year. During the year ended 31 March 2008, Mr. Law Sau Yiu, Dennis and Ms. Teng Chia Lin, Chialina have waived emoluments as set out in note (h) and (i) respectively.

12. Individuals with Highest Emoluments

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

	2009	2008
Number of directors	**1**	2
Number of other individuals	**4**	3
	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:

	2009	2008
	HK$'000	*HK$'000*
Salaries and other allowances	**1,025**	1,550
Retirement scheme contribution	**24**	7
Share-based payment expense	**1,456**	987
	2,505	2,544

12. Individuals with Highest Emoluments *(Continued)*

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

	Number of individuals	
	2009	2008
Emoluments bands		
Nil — HK$1,000,000	**4**	2
HK$1,000,001 — HK$1,500,000	**—**	1
	4	3

13. Taxation

	2009	2008
	HK$'000	*HK$'000*
Current tax charge for the year		
Hong Kong	**—**	—
Other jurisdiction	**—**	—
	—	—
Deferred tax (credit)/charge *(Note 26)*		
Current year	**(1,823)**	1,360
Attributable to a change in other jurisdiction tax rate	**809**	(38)
	(1,014)	1,322
	(1,014)	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 year ended 31 March 2009 and 2008. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

13. Taxation *(Continued)*

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

	2009	2008
	HK$'000	*HK$'000*
(Loss)/profit before taxation	**(21,607)**	20,611
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**(3,390)**	3,623
Tax effect of unrecognised tax losses	**1,380**	640
Tax effect of non-taxable incomes	**(246)**	(6,656)
Tax effect of non-deductible expenses	**685**	3,753
Tax effect of unrecognised temporary difference	**(252)**	—
Increase/(decrease) in opening deferred tax liabilities resulting from a change in tax rate	**809**	(38)
Actual tax (credit)/expenses	**(1,014)**	1,322

14. (Loss)/Profit Attributable to Equity Holders of the Company

The consolidated (loss)/profit attributable to equity holders of the Company includes a loss of approximately HK$12,582,000 (2008: a loss of approximately HK$8,603,000) which has been dealt with in the financial statements of the Company.

15. Dividend

No dividend for the year ended 31 March 2009 has been proposed by the directors (2008: HK$Nil).

16. (Loss)/Earnings per Share

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

	2009	2008
	HK$'000	*HK$'000*
(Loss)/profit attributable to equity holders of the Company (basic and diluted)	**(20,593)**	19,289

	Number of ordinary shares	
	2009	2008
	'000	*'000*
		(Restated)
Weighted average number of ordinary shares (basic)		
Issued ordinary shares at 1 April	**1,256,897**	106,200
Effect of share options exercised	**—**	606
Effect of conversion into shares from convertible bonds	**—**	125,889
Effect of issue of new shares	**—**	159,062
Effect of consolidation of shares	**(1,482,982)**	(387,839)
Effect of open offer of shares	**265,171**	196
Weighted average number of ordinary shares for basic (loss)/earnings per share at 31 March	**39,086**	4,114
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares at 31 March	**39,086**	4,114
Effect of exercise of share options	**—**	781
Weighted average number of ordinary shares for dilutive (loss)/earnings per share at 31 March	**39,086**	4,895
(Loss)/earnings per shares:		
— Basic	**(HK$0.53)**	HK$4.69
— Diluted	**(HK$0.53)**	HK$3.94

The weighted average number of ordinary shares of basic and diluted (loss)/earnings per share for both years have been adjusted for the share consolidation and open offer of shares during the year and the share consolidation subsequent to the balance sheet date.

16. (Loss)/Earnings per Share *(Continued)*

Diluted loss per share equals to basic loss per share for the year ended 31 March 2009 as the exercise price of the Company's outstanding share options was higher than the average market price for shares for the year and therefore it is anticipated that no share option to subscribe for the Company's shares will be exercised.

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.

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 2007	4,245	778	17,733	776	2,338	25,870
Additions	1,037	322	—	—	151	1,510
Disposal	—	—	—	—	(6)	(6)
Disposal of subsidiaries	(4,245)	(827)	(17,733)	(776)	(2,365)	(25,946)
At 31 March 2008	1,037	273	—	—	118	1,428
At 1 April 2008 and 31 March 2009	1,037	273	—	—	118	1,428
Accumulated depreciation						
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	(3,522)	(659)	(10,962)	(240)	(1,676)	(17,059)
At 31 March 2008	68	18	—	—	9	95
At 1 April 2008	68	18	—	—	9	95
Charge for the year	207	55	—	—	24	286
At 31 March 2009	275	73	—	—	33	381
Net book value						
At 31 March 2009	762	200	—	—	85	1,047
At 31 March 2008	969	255	—	—	109	1,333

18. Investment Properties

The Group

	2009	2008
	HK$'000	*HK$'000*
Fair Value		
At 1 April	**55,506**	—
Acquired on acquisition of subsidiaries *(Note 29(a) and (b))*	**—**	48,371
Net (decrease)/increase in fair value recognised in the consolidated income statement	**(11,200)**	7,700
Exchange adjustments	**(3,898)**	(565)
At 31 March	**40,408**	55,506

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

	2009	2008
	HK$'000	*HK$'000*
In Hong Kong		
Long-term lease	**23,100**	34,300
Outside Hong Kong		
Freehold	**17,308**	21,206
	40,408	55,506

(b) All investment properties of the Group carried at fair value were revalued as at 31 March 2009 on an open market value basis calculated by reference to recent market transactions in comparable properties. The valuations were carried out by an independent firm of surveyors, Grant Sherman Appraisal Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

(c) At 31 March 2009, investment property of the Group with a fair value of approximately HK$17,308,000 (2008: HK$21,206,000) was pledged to secure banking facilities granted to the Group.

19. Goodwill

The Group

	2009	2008
	HK$'000	*HK$'000*
Cost		
At 1 April	**1,449**	—
Arising on acquisition of subsidiaries *(Note 29(b))*	**—**	1,449
At 31 March	**1,449**	1,449
Impairment		
At 1 April and 31 March	**—**	—
Carrying value		
At 31 March	**1,449**	1,449

Goodwill is allocated to the Group's cash-generating unit ("CGU") identified according to business segment as follows:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Properties investment	**1,449**	1,449

For the year ended 31 March 2008, goodwill was recognised on the acquisition of the active 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.

19. Goodwill *(Continued)*

At 31 March 2009, the Group has prepared cash flow forecast derived from Grandeur Group approved budget for 5 years. The rate used to discount the forecasted cash flows is 6% (2008: 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% (2008: 2.13%) growth rates are appropriate for the impairment test review.

The results of the review undertaken as at 31 March 2009 and 31 March 2008 indicated that no impairment charge was necessary for the year.

20. Interests in Subsidiaries

	The Company	
	2009	2008
	HK$'000	*HK$'000*
Unlisted shares, at cost	**13,127**	13,205
Amount due from subsidiaries *(Note (ii))*	**92,852**	91,878
Less: Impairment loss *(Note (i))*	**(31,577)**	(26,700)
Amount due from subsidiaries, net of impairment loss *(Note 22)*	**61,275**	65,178
Amount due to a subsidiary *(Note (ii) and 23)*	**—**	(29)

Notes:

(i) The directors of the Company performed impairment tests on the carrying amounts of its investments and advances to subsidiaries in accordance with the accounting policy as stated in note 3(p). As at 31 March 2009 and 2008, an aggregate impairment losses of amounts due from subsidiaries of approximately HK$31,577,000 (2008: HK$26,700,000) were recognised in the Company's financial statements respectively. The impairment losses associated with the unallocated corporate unit, properties investment unit and film distribution unit were approximately HK$27,312,000 (2008: HK$26,700,000), HK$2,833,000 (2008: HK$Nil) and HK$1,432,000 (2008: HK$Nil) respectively. The Company's directors consider that the impairment losses arose in light of the recurring operating losses of certain subsidiaries due to less optimistic estimated future expected operating results.

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

(ii) At 31 March 2009 and 2008, the amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand.

20. Interests in Subsidiaries *(Continued)*

Notes: (Continued)

(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 30). The principal activities of Milkway Group were provision of film production, film distribution and film production facilities. The net liabilities of the subsidiaries disposed of were disclosed in note 30. The transaction was completed on 28 June 2007.

(iv) On 28 August 2007, the Company entered into an agreement with a 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 bonds 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 29(a). The transaction was completed on 2 November 2007.

(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 29(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 interest 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 30). 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 30. The transaction was completed on 15 January 2008.

(vii) Galaxy Image (BVI) Limited was striked off during the year.

20. Interests in Subsidiaries *(Continued)*

Notes: (Continued)

(viii) Details of the subsidiaries of the Company at 31 March 2009 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Interest held	Principal activities
Direct subsidiaries:				
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	CAD360	100%	Properties investment

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 2009 and 2008.

21. Film Rights and Film in Progress

The Group

	Film rights HK$'000	Film in progress HK$'000	Total HK$'000
Cost			
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 30)*	(44,324)	(22,790)	(67,114)
At 31 March 2008	—	12,315	12,315
At 1 April 2008	—	12,315	12,315
Additions	—	2,335	2,335
At 31 March 2009	—	14,650	14,650
Accumulated amortisation and impairment			
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 30)*	(41,806)	—	(41,806)
At 31 March 2008	—	—	—
At 1 April 2008	—	—	—
Impairment loss recognised	—	1,432	1,432
At 31 March 2009	—	1,432	1,432
Net book value			
At 31 March 2009	—	13,218	13,218
At 31 March 2008	—	12,315	12,315

21. Film Rights and Film in Progress *(Continued)*

The recoverable amount of film in progress was assessed by the directors of the Company with reference to the value-in-use calculation of film in progress as at the balance sheet date. The key assumptions for the value-in-use calculation are those regarding the discount rate and budgeted gross margin and turnover 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 the film distribution segment. Budgeted gross margin and turnover are based on past practices and expectations in the film distribution industry.

At 31 March 2009, the Group has prepared 5-years profit forecast derived from the most recent financial budget of Creative Formula Limited approved by the directors using a discount rate of 6% per annum.

The Group considers that 5-years profit forecast and the budgeted gross margin and turnover are appropriate for the impairment test review.

At 31 March 2009, the Group assessed the recoverable amount of film in progress. The directors of the Company determined that the film in progress associated with the Group's film production operations was impaired by HK$1,432,000 (2008: HK$Nil) due to worsen marketability.

22. Trade and Other Receivables

	The Group		**The Company**	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade debtors	**170**	159	**—**	—
Other debtors	**—**	28	**—**	28
Amounts due from subsidiaries, net of impairment loss *(Note 20)*	**—**	—	**61,275**	65,178
Loans and receivables	**170**	187	**61,275**	65,206
Deposits and prepayment	**238**	185	**194**	149
	408	372	**61,469**	65,355

22. Trade and Other Receivables *(Continued)*

(a) Ageing analysis

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

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Within 30 days	**121**	119
31 — 90 days	**49**	27
91 — 180 days	**—**	13
	170	159

The Group normally grants credit terms of 30 days to 90 days to its customers. Further details on the Group's credit policy are set out in note 5(b).

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

(b) Trade debtors that are not impaired

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

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Neither past due nor impaired	**170**	146
1 to 3 months past due	**—**	13
	170	159

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. Other Payables

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other creditors and accruals	**2,914**	870	**1,122**	687
Amount due to a subsidiary *(Note 20)*	**—**	—	**—**	29
Amounts due to directors	**527**	—	**527**	—
Financial liabilities measured at amortised cost	**3,441**	870	**1,649**	716
Tenant deposits	**37**	45	**—**	—
Other non-income tax payable	**239**	297	**—**	—
	3,717	1,212	**1,649**	716

Amounts due to directors are interest free, unsecured and repayable on demand.

24. Bank Loan

Bank loan comprises:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Bank loan is repayable as follows:		
Secured	**1,819**	2,626
On demand or within one year	**343**	397
After one year but within two years	**364**	421
After two years but within five years	**1,112**	1,415
After five years	**—**	393
	1,819	2,626
Less: Current portion	**(343)**	(397)
Non-current portion	**1,476**	2,229

24. Bank Loan *(Continued)*

At 31 March 2009 and 2008, the bank loan was charged at fixed interest of 5.78% per annum (2008: 5.78%). The bank loan was secured by investment property of the Group with a fair value of approximately HK$17,308,000 (2008: HK$21,206,000) as disclosed in note 18.

The Group's borrowings denominated in currencies other than functional currencies of the relevant group entities are set out belows:

	CAD
	'000
As at 31 March 2009	294
As at 31 March 2008	347

25. 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 2007, the bonds with the nominal value HK$2,400,000 were converted into 9,600,000 shares of the Company of HK$0.1 each at a conversion price of HK$0.25 per share.

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

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 became a substantial shareholder of the Company during the year ended 31 March 2008. The bonds are non-interest bearing and will be redeemed within five years from the date of issue at the bonds' nominal value.

25. Convertible Bonds *(Continued)*

Convertible bonds with principal amount of HK$25 million *(Continued)*

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$0.33. 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.

On 17 December 2008, the board of directors approved to early redeem the convertible bonds with outstanding principal amount of HK$1,000,000, which was settled by an amount equal to 110% of the principal amount. The loss on redemption of convertible bonds amounted to approximately HK$430,000.

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 29(a)). The bonds are interest bearing at 5% per annum, payable on semi-annual basis and will be redeemed within five years from the date of issue at the bonds' 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.

25. 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	**Convertible bonds with principal amount of HK$25 million**	**Convertible bonds with principal amount of HK$24 million**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Liability component at 1 April 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 28)*	—	(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	—	—	(422)	(422)
Conversion into shares	(14,069)	(15,701)	(20,315)	(50,085)
Liability component at 31 March 2008 and 1 April 2008	—	662	—	662
Accrued interest capitalised *(Note 10)*	—	8	—	8
Redemption during the year	—	(670)	—	(670)
Liability component at 31 March 2009	—	—	—	—

26. Deferred Taxation

The Group

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

	Accelerated tax depreciation	Revaluation of investment properties	Fair value adjustments arising from acquisition of subsidiaries	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2007	1,064	—	—	(1,064)	—
Disposal of subsidiaries	(1,064)	—	—	1,064	—
Arising from acquisition of subsidiaries *(Note 29(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 and 1 April 2008	788	2,915	566	(3)	4,266
Effect of change in tax rate	267	384	158	—	809
Exchange adjustments	(172)	(204)	(143)	(6)	(525)
Charge to consolidated income statement	59	(1,453)	(438)	9	(1,823)
At 31 March 2009	942	1,642	143	—	2,727

At 31 March 2009, the Group did not recognise deferred tax assets in respect of the tax losses and other deductible temporary difference of approximately HK$3,024,000 and HK$14,000 (2008: HK$6,175,000 and HK$28,000 respectively) 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.

27. Share Capital

	2009 Number of shares	2009 Amount HK$'000	2008 Number of shares	2008 Amount HK$'000
Authorised:				
At 1 April, ordinary shares of HK$0.1 each	**3,000,000,000**	**300,000**	1,000,000,000	100,000
Increase in authorised share capital *(Note (i))*	**—**	**—**	2,000,000,000	200,000
Capital reduction *(Note (vi)(a))*	**—**	**(297,000)**	—	—
Ordinary shares of HK$0.001 each (2008: HK$0.1 each)	**3,000,000,000**	**3,000**	3,000,000,000	300,000
Consolidation of shares *(Note (vi)(b))*	**(2,700,000,000)**	**—**	—	—
Ordinary shares of HK$0.01 each (2008: HK$0.1 each)	**300,000,000**	**3,000**	3,000,000,000	300,000
Increase in authorised share capital *(Note (vi)(c))*	**2,700,000,000**	**27,000**	—	—
Ordinary shares at HK$0.01 each (2008: HK$0.1 each)	**3,000,000,000**	**30,000**	3,000,000,000	300,000
Issued and fully paid:				
At 1 April, ordinary shares of HK$0.1 each	**1,256,897,096**	**125,690**	106,200,000	10,620
Capital reduction *(Note (vi)(a),(d))*	**—**	**(124,433)**	—	—
Ordinary shares of HK$0.001 each (2008: HK$0.1 each)	**1,256,897,096**	**1,257**	106,200,000	10,620
Consolidation of shares *(Note (vi)(b))*	**(1,131,207,387)**	**—**	—	—
Ordinary shares of HK$0.01 each (2008: HK$0.1 each)	**125,689,709**	**1,257**	106,200,000	10,620
Open offer of new shares *(Note (vii), (ii))*	**1,131,207,381**	**11,312**	124,663,636	12,466
Placing of new shares *(Note (iii))*	**—**	**—**	499,860,000	49,986
Exercise of share options *(Note (iv))*	**—**	**—**	31,617,617	3,162
Issued on acquisition of subsidiaries *(Note 29(b))*	**—**	**—**	180,000,000	18,000
Conversion into shares from convertible bonds *(Note (v))*	**—**	**—**	314,555,843	31,456
At 31 March, ordinary shares of HK$0.01 each (2008: HK$0.1 each)	**1,256,897,090**	**12,569**	1,256,897,096	125,690

27. Share Capital *(Continued)*

Notes:

(i) 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 to 3,000,000,000 shares.

(ii) 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.

(iii) 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.

(iv) During the year of 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.

(v) During the year of 2008, bonds with nominal value HK$17,600,000 were converted into 70,400,000 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.

(vi) A special resolution was passed at an extraordinary general meeting on 19 March 2008 and an approval was obtained for approving the capital reorganisation of the Company, including capital reduction, share consolidation and increase in authorised share capital. The capital reduction was approved by the Grand Court of the Cayman Islands on 20 June 2008, and the effects of the capital reorganisation were as follows:

27. Share Capital *(Continued)*

Notes: (Continued)

(vi) *(Continued)*

(a) The capital reduction pursuant to which the nominal value of each unissued and issued share was reduced from HK$0.1 each to HK$0.001 each by cancelling of HK$0.099 per share. The authourised share capital was reduced from HK$300,000,000 of 3,000,000,000 shares of HK$0.1 each to HK$3,000,000 of 3,000,000,000 shares of HK$0.001 each by cancelling the amount of HK$297,000,000 or HK$0.099 per share, and the issued share capital consisting of 1,256,897,096 shares of HK$0.1 was reduced by HK$124,432,813 or HK$0.099 per share to 1,256,897,096 shares of HK$0.001 each.

(b) The capital consolidation pursuant to which every ten unissued and issued reduced shares of HK$0.001 each were consolidated into one consolidated share of HK$0.01 each. As a result, the authorised share capital and the issued share capital became HK$3,000,000 of 300,000,000 shares of HK$0.01 each and HK$1,256,897 of 125,689,709 of HK$0.01 each respectively.

(c) After the capital reduction and share consolidation became effective, the authorised share capital was increased from HK$3,000,000 of 300,000,000 shares of HK$0.01 each to HK$30,000,000 of 3,000,000,000 of HK$0.01 each by creation of 2,700,000,000 new consolidated share of par value HK$0.01 each amounting to HK$27,000,000.

(d) A credit of approximately HK$124.4 million was arose and immediately transferred to cancel the accumulated losses of the Company amounting to approximately HK$37.2 million, whilst the balance amounting to approximately HK$87.2 million was transferred to the contributed surplus account. The amounts in the contributed surplus account can be applied to a distributable reserve of the Company at the discretion of the directors of the Company in accordance with the articles of association of the Company and all applicable laws, including elimination against the accumulated losses of the Company.

(vii) On 27 November 2008, the Company has entered into an underwriting agreement with the underwriter, Kingston Securities Limited ("Kingston"), for underwriting of the open offer of 1,131,207,381 offer shares at a price of HK$0.04 per offer share at the basis of 9 offer shares for every 1 existing share, as supplemented by supplemental Agreement dated 4 December 2008, which both entered into between the Company and Kingston. The arrangement of open offer was passed by a special resolution at an extraordinary general meeting on 14 January 2009 and completed on 4 February 2009.

28. Reserves

The Group

	Attributable to equity holders of the Company						
	Share premium *(Note (i))* HK$'000	Contributed surplus *(Note (i), (ii))* HK$'000	Share-based compensation reserve *(Note (iii))* HK$'000	Convertible bonds reserve *(Note (iv))* HK$'000	Translation reserve *(Note (v))* HK$'000	Accumulated losses *(Note (i))* HK$'000	Total HK$'000
At 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 27(ii), (iii))*	16,230	—	—	—	—	—	16,230
Share issue expenses	(2,241)	—	—	—	—	—	(2,241)
Recognition of equity-settled share-based payments *(Note 36)*	—	—	4,370	—	—	—	4,370
Issue of convertible bonds *(Note 25)*	—	—	—	10,107	—	—	10,107
Conversion into shares from convertible bonds *(Note 25)*	30,855	—	—	(12,226)	—	—	18,629
Share issued upon exercises of share options *(Note 36)*	2,650	—	(1,699)	—	—	—	951
Cancellation of share options *(Note 36)*	—	—	(1,030)	—	—	1,030	—
Exchange differences arising on translation of financial statements of foreign expenses	—	—	—	—	(292)	—	(292)
At 31 March 2008 and 1 April 2008	65,568	10	2,671	250	(292)	(29,928)	38,279
Loss for the year	—	—	—	—	—	(20,593)	(20,593)
Capital reduction *(Note 27 (vi)(d))*	—	87,244	—	—	—	37,189	124,433
Issue of shares *(Note 27 (vii))*	33,936	—	—	—	—	—	33,936
Share issue expenses	(969)	—	—	—	—	—	(969)
Recognition of equity-settled share-based payments *(Note 36)*	—	—	5,017	—	—	—	5,017
Redemption of convertible bonds	—	—	—	(250)	—	250	—
Cancellation of share options *(Note 36)*	—	—	(2,091)	—	—	2,091	—
Share options lapsed *(Note 36)*	—	—	(1,397)	—	—	1,397	—
Exchange differences arising on translation of financial statements	—	—	—	—	(1,996)	—	(1,996)
At 31 March 2009	98,535	87,254	4,200	—	(2,288)	(9,594)	178,107

28. Reserves *(Continued)*

The Company

	Attributable to equity holders of the Company					
	Share premium *(Note (i))* HK$'000	Contributed surplus *(Note (i), (ii))* HK$'000	Share-based compensation reserve *(Note (iii))* HK$'000	Convertible bonds reserve *(Note (iv))* HK$'000	Accumulated losses *(Note (i))* HK$'000	Total HK$'000
At 1 April 2007	18,074	78	1,030	2,369	(29,616)	(8,065)
Loss for the year	—	—	—	—	(8,603)	(8,603)
Issue of shares *(Note 27(ii), (iii))*	16,230	—	—	—	—	16,230
Share issue expenses	(2,241)	—	—	—	—	(2,241)
Recognition of equity-settled share-based payments *(Note 36)*	—	—	4,370	—	—	4,370
Issue of convertible bonds *(Note 25)*	—	—	—	10,107	—	10,107
Conversion into shares from convertible bonds *(Note 25)*	30,855	—	—	(12,226)	—	18,629
Shares issued upon exercises of share options *(Note 36)*	2,650	—	(1,699)	—	—	951
Cancellation of share options *(Note 36)*	—	—	(1,030)	—	1,030	—
At 31 March 2008 and 1 April 2008	65,568	78	2,671	250	(37,189)	31,378
Loss for the year	—	—	—	—	(12,582)	(12,582)
Capital reduction *(Note 27(vi)(d))*	—	87,244	—	—	37,189	124,433
Issue of shares *(Note 27(vii))*	33,936	—	—	—	—	33,936
Share issue expenses	(969)	—	—	—	—	(969)
Recognition of equity-settled share-based payments *(Note 36)*	—	—	5,017	—	—	5,017
Redemption of convertible bonds	—	—	—	(250)	250	—
Cancellation of share options *(Note 36)*	—	—	(2,091)	—	2,091	—
Share options lapsed *(Note 36)*	—	—	(1,397)	—	1,397	—
At 31 March 2009	98,535	87,322	4,200	—	(8,844)	181,213

28. Reserves *(Continued)*

The Company *(Continued)*

(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 2009 amounting to approximately HK$177,013,000 (2008: HK$28,457,000).

(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.

During the year, approximately HK$87.2 million of the contributed surplus reserve arose from the capital reorganisation scheme of the Company on 20 June 2008. Pursuant to the scheme, the issued share capital was reduced from HK$125,689,710 of 1,256,897,096 shares of HK$0.1 each to HK$1,256,897 of 1,256,897,096 shares of HK$0.001 each by cancelling the amount of approximately HK$124.4 million or HK$0.099 from each share, and a credit of approximately HK$87.2 million arising from the capital reduction was transferred to contributed surplus account after eliminated accumulated losses of approximately HK$37.2 million.

(iii) The share-based compensation reserves 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(s)(ii).

(iv) The convertible bonds reserve represents the value of the unexercised equity component of convertible bonds issued by the Company. During the year, the convertible bonds reserve was released directly to accumulated losses due to early redemption of the outstanding convertible bonds with principal amount of HK$1,000,000. The reserve is dealt with in accordance with accounting policies set out in note 3(q).

(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(v).

29. 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 bonds 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 *HK$'000*	Fair value adjustments *HK$'000*	Fair value on acquisition date 2 November 2007 *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 ("discount on acquisition")			(2,057)
Total consideration			24,000
Satisfied by:			
Convertible bonds issued *(Note 25)*			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 property between the contract date on 28 August 2007 and the date on which the Group effectively obtains control on 2 November 2007.

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

29. 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 *(Note 19)*			1,449
Total consideration			18,000
Satisfied by:			
Shares issued *(Note 27)*			18,000
Net cash flow arising on acquisition:			
Bank balances and cash acquired			311

29. Acquisition of a Subsidiary *(Continued)*

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

Goodwill arose in the business combination because of the future economic benefits arising from the rental income of the investment property (Note 19).

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

(c) If the acquisition of Classic Grace Group and Grandeur Group had been completed on 1 April 2007, total group revenue for the period would have been HK$11,969,000 and profit for the period would have been approximately HK$20,754,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2007, nor is it intended to be a projection of future results.

30. Disposal of Subsidiaries

On 23 April 2007, the Group through its wholly owned subsidiary, Galaxy Image (BVI) Limited, disposed of its entire interests 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 interests 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.

30. Disposal of Subsidiaries *(Continued)*

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

	Milkyway Group 28 June 2007	POV Group 15 January 2008	Total
	HK$'000	*HK$'000*	*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 flows 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

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.

31. Major Non-cash Transactions

The consideration for the acquisition of subsidiaries that occurred during the year of 2008 comprised issue of shares and convertible bonds. Further details of the acquisitions are set out in Note 29.

32. Contingent Liabilities

The Group and the Company have no contingent liabilities at the balance sheet date (2008: Nil).

33. Pledged of Assets

At 31 March 2009, investment property of the Group with fair value of approximately HK$17,308,000 (2008: HK$21,206,000) was pledged to secure banking facilities granted to the Group.

34. Commitments

Operating lease commitments

The Group leases out investment property 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	
	2009	2008
	HK$'000	*HK$'000*
Within 1 year	**1,273**	1,539
After 1 year but within 5 years	**1,136**	2,715
After 5 years	**18**	—
	2,427	4,254

Other commitments

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Contracted but not provided for in the financial statements in respect of:		
— film production costs	**439**	1,975
— subscription of convertible bonds *(Note)*	**100,000**	—
	100,439	1,975

34. Commitments *(Continued)*

Note: On 26 November 2008, the Company entered into a Subscription Agreement with Golife Concepts Holdings Limited ("Golife"), pursuant to which the Company shall subscribe convertible bonds in the principal amount of HK$100 million issued by Golife in five tranches of HK$20 million each. The convertible bonds could be convertible into fully paid ordinary shares of Golife with a par value of HK$0.01 each at an initial conversion price of HK$0.5 per share for the time being subject to adjustments in accordance with the terms of the convertible bonds during its conversion period from the date of the issue of the bonds to the tenth anniversary of the date of issue of the bonds. The subscription of the convertible bonds was completed after balance sheet date on 28 April 2009 (Note 37).

35. Related Party Transactions

(a) During the year ended 31 March 2008, 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. The Group drew the loan approximately HK$53,000,000 during the year of 2008. 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 ended 31 March 2008 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. The Group drew the loan of approximately HK$3,000,000 during the year of 2008. 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 ended 31 March 2008 are disclosed in note 10.

35. Related Party Transactions *(Continued)*

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

	2009	2008
	HK$'000	*HK$'000*
Salaries and other short-term benefits	**646**	1,219
Retirement scheme contribution	**—**	19
Share-based payment	**1,329**	1,080
	1,975	2,318

(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 interests in Milkyway Group for a total consideration of HK$26 million resulting a gain on disposal of approximately HK$28,320,000 (Note 30). 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 30. 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 interests in POV Group for a total consideration of HK$2 million resulting a loss on disposal of approximately HK$2,584,000 (Note 30). 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 30. The transaction was completed on 15 January 2008.

(e) On 21 December 2007, the Group through its wholly owned subsidiary, Creative Formula Limited ("Creative Formula"), entered into a service agreement with China Star HK Entertainment Company Limited ("China Star"), an intermediate holding company of Classical Statue Limited, which became a substantial shareholder of the Company during the year ended of 31 March 2008. Pursuant to the agreement, Creative Formula is desirous of engaging China Star to procure certain services for its motion picture tentatively, and shall pay China Star a service fee of HK$4,500,000 according to the payment schedule set out in the agreement.

As at 31 March 2009, Classical Statue Limited is not a substantial shareholder of the Company.

36. Share Option Scheme

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.

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 of 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.

(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.

36. Share Option Scheme *(Continued)*

(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:

	2009		2008	
	Weighted average exercise price ***HK$'000***	**Number of shares issuable under options granted**	Weighted average exercise price *HK$'000*	Number of shares issuable under options granted
At 1 April	**0.125**	**78,085,883**	0.040	6,440,000
Granted during the year	**0.093**	**136,150,971**	0.126	109,703,500
Cancellation of share options	**1.066**	**(4,790,351)**	0.121	(6,440,000)
Exercise of share options	**—**	**—**	0.130	(31,617,617)
Consolidation of shares *(Note 27(vi)(b))*	**0.123**	**(181,501,097)**	—	—
Open offer of shares *(Note 27(vii))*	**1.035**	**602,221**	—	—
Share options lapsed	**1.278**	**(5,460,050)**	—	—
Outstanding at 31 March	**0.461**	**23,087,577**	0.125	78,085,883
Exercisable at 31 March	**0.461**	**23,087,577**	0.125	78,085,883

The weighted average share price at the date of exercise for share options exercised during the year ended of 31 March 2008 was HK$0.108.

The options outstanding at 31 March 2009 had an exercise price of HK$1.091, HK$0.974 or HK$0.02 (2008: HK$0.148, HK$0.118 or HK$0.114) and a weighted average remaining contractual life of 2.39 years (2008: 0.99 years).

36. Share Option Scheme *(Continued)*

The following table discloses details of the Company's share options held by the Company's directors, the Group's employees and consultants and movement in such holdings:

				Number of options												
Date of grant	Category of eligible persons	Exercise period	Exercise price	At 1 April 2007	Cancelled *(Note (vi))*	Granted during the year	Exercised during the year *(Note (i))*	Exercisable at 31 March 2008	Granted during the year	Cancelled *(Note (vi))*	Consolidation of shares *(Note (iv))*	Transfer *(Note (iii))*	Open offer of shares *(Note (v))*	Lapsed *(Note (vi))*	Exercisable at 31 March 2009 *Note (i))*	Vesting period
16 September 2005	Chief executive office	20 September 2005 to 19 September 2015	HK$0.40 *(Note (ii))*	6,440,000	(6,440,000)	—	—	—	—	—	—	—	—	—	—	N/A
30 October 2007	Directors	30 October 2007 to 29 October 2017	HK$1.4880 *(Note (iv))*	—	—	4,986,544	(2,493,272)	2,493,272	—	(249,327)	(2,243,945)	—	—	—	—	N/A
	Consultants	30 October 2007 to 29 October 2008	HK$1.4880 *(Note (iv))*	—	—	14,959,632	(2,493,272)	12,466,360	—	—	(11,219,725)	—	—	(1,246,635)	—	N/A
	Employees	30 October 2007 to 29 October 2008	HK$1.4880 *(Note (iv))*	—	—	4,986,544	(2,000)	4,984,544	—	—	(4,486,090)	—	—	(498,454)	—	N/A
29 November 2007	Directors	29 November 2007 to 28 November 2017	HK$1.1800 *(Note (iv))*	—	—	3,490,534	(1,745,267)	1,745,267	—	(174,527)	(1,570,740)	—	—	—	—	N/A
	Consultants	29 November 2007 to 28 November 2008	HK$1.1800 *(Note (iv))*	—	—	35,404,322	(1,745,267)	33,659,055	—	—	(30,293,148)	—	—	(3,365,907)	—	N/A
	Employees	29 November 2007 to 28 November 2008	HK$1.1800 *(Note (iv))*	—	—	3,490,534	—	3,490,534	—	—	(3,141,480)	—	—	(349,054)	—	N/A
25 February 2008	Consultants	25 February 2008 to 24 February 2011	HK$1.0910 *(Note (iv), (v))*	—	—	19,246,851	(6,300,000)	12,946,851	—	(694,447)	(11,652,166)	—	57,970	—	658,208	N/A
	Employees	25 February 2008 to 24 February 2011	HK$1.0910 *(Note (iv), (v))*	—	—	6,300,000	—	6,300,000	—	—	(5,670,000)	—	28,208	—	658,208	N/A

36. Share Option Scheme *(Continued)*

Date of grant	Category of eligible persons	Exercise period	Exercise price	Number of options: At 1 April 2007	Cancelled *(Note (vi))*	Granted during the year	Exercised during the year *(Note (i))*	Exercisable at 31 March 2008	Granted during the year	Cancelled *(Note (vi))*	Consolidation of shares *(Note (iv))*	Transfer *(Note (iii))*	Open offer of shares *(Note (v))*	Lapsed *(Note (vi))*	Exercisable at 31 March 2009 *Note (i))*	Vesting period
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
28 April 2008	Directors	28 April 2008 to 27 April 2011	HK$0.9740 *(Note (iv), (v))*	—	—	—	—	—	20,899,401	(833,043)	(18,809,461)	1,256,897	112,556	—	2,626,350	N/A
	Consultants	28 April 2008 to 27 April 2011	HK$0.9740 *(Note (iv), (v))*	—	—	—	—	—	79,752,768	(2,839,007)	(71,777,493)	—	357,096	—	5,493,364	N/A
	Employees	28 April 2008 to 27 April 2011	HK$0.9740 *(Note (iv), (v))*	—	—	—	—	—	22,929,832	—	(20,636,849)	(1,256,897)	46,391	—	1,082,477	N/A
27 March 2009	Consultants	27 March 2009 to 26 March 2010	HK$0.0200	—	—	—	—	—	6,268,970	—	—	—	—	—	6,268,970	N/A
	Employees	27 March 2009 to 26 March 2010	HK$0.0200	—	—	—	—	—	6,300,000	—	—	—	—	—	6,300,000	N/A
				6,440,000	(6,440,000)	109,703,500	(31,617,617)	78,085,883	136,150,971	(4,790,351)	(181,501,097)	—	602,221	(5,460,050)	23,087,577	

Notes:

(i) The 31,617,617 share options exercised during the year ended 31 March 2008 resulted in the issue of 31,617,617 ordinary shares of the Company and new share capital of HK$3,162,000 and share premium of HK$2,650,000. At 31 March 2009, the Company has an aggregate 23,087,577 (2008: 78,085,883) outstanding shares options, represent approximately 1.8% (2008: approximately 6%) of the total issued share capital of the Company.

(ii) 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.

(iii) On 27 August 2008, Cheung Kwok Wai, Elton was appointed as executive director. Transfer represents reallocation of share options granted to Cheung Kwok Wai, Elton from employee category to director category.

(iv) The exercise price and number of share options were adjusted for share consolidation pursuant to the capital reorganisation as approved by the shareholders at the extraordinary general meeting of the Company held on 19 March 2009.

(v) The exercise price and number of share options were adjusted for open offer of ordinary shares as approved by the shareholders at the extraordinary general meeting of the Company held on 14 January 2009.

(vi) All the share options were cancelled and lapsed upon resignation and expiry of exercise period respectively.

36. Share Option Schemes *(Continued)*

(g) Fair value of share options and assumptions

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:

	2009			2008					
Date of grant	**28 April 2008**	**27 March 2009**	**27 March 2009**	**30 October 2007**	**30 October 2007**	**29 November 2007**	**29 November 2007**	**25 February 2008**	**5 March 2008**
Fair value at measurement date	HK$0.0397	HK$0.0100	HK$0.0073	HK$0.0938	HK$0.0285	HK$0.0767	HK$0.0242	HK$0.0471	HK$0.0547
Share price	HK$0.1120	HK$0.9700	HK$0.9700	HK$0.1780	HK$0.1780	HK$0.1780	HK$0.1780	HK$0.1100	HK$0.1780
Number of shares issuable under options granted	12,358,198*	6,268,970	6,300,000	498,654*	1,994,617*	349,054*	3,889,485*	2,554,685*	1,683,854*
Risk free rate (based on Exchange Fund Notes)	1.586%	0.43%	0.21%	3.49%	2.75%	2.77%	0.67%	1.58%	1.21%
Exercise price	HK$0.9740	HK$0.0200	HK$0.0200	HK$1.4880	HK$1.4880	HK$1.1800	HK$1.1800	HK$1.0910	HK$1.330
Expected volatility	92.17%	149.83%	149.83%	79.87%	76.01%	80.16%	80.09%	94.06%	94.10%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Option life	1.5 years	1 year	0.5 year	5 years	0.5 year	5 years	0.5 year	1.5 years	1.5 years

* *The number of shares issuable under options granted has been adjusted for the share consolidation.*

36. Share Option Scheme *(Continued)*

Notes:

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$5,017,000 (2008: HK$4,370,000).

37. Post Balance Sheet Events

(a) A special resolution was passed at an extraordinary general meeting on 30 March 2009 and an approval was obtained from the shareholders for approving the Capital Reorganisation of the Company. The effects of the Capital Reorganisation which involve:

(i) Change of Domicile from Cayman Islands to Bermuda became effective after 4:00p.m. on 20 April 2009, where the Company discontinued by de-registration under the laws of Cayman Islands and by way of continuation of the Company as an exempted company under the laws of Bermuda.

(ii) The Capital Consolidation pursuant to which every ten shares of HK$0.01 each in the issued share capital of the Company is consolidated into one issued share of HK$0.1 each in the issued share capital of the Company. The Capital Consolidation was completed on 11 May 2009, and complied in accordance with all the provisions of sections 46 of the Companies Act 1981 of Bermuda.

(iii) The Capital Reduction pursuant to which the par value of each of the issued Consolidated Shares is reduced from HK$0.1 to HK$0.01 each by canceling the paid-up capital to the extent of HK$0.09 on each issued Consolidated Shares. The capital reduction is completed on 11 May 2009, and complied in accordance with all the provisions of sections 46 of the Companies Act 1981 of Burmuda.

37. Post Balance Sheet Events *(Continued)*

(b) On 9 April 2009, 60,218,500 share options to subscribe for 60,218,500 new ordinary shares of HK$0.01 each in the share capital of the Company were granted to five individuals under the share option scheme adopted by the Company on 2 August 2002.

On the same date, all the individuals accepted the granted share options. The exercise price of each share option is HK$0.025.

(c) On 28 April 2009, convertible bonds of HK$100 million (Note 34) were officially issued by Golife, and subscribed by the Company with consideration of HK$100 million at the same date.

A director of Golife, Mr. Lee Chan Wah, was appointed as director of the Company on 22 June 2009.

(d) On 15 June 2009, the Company entered into the Placing Agreement with Placing agent, Kingston Securities Limited, pursuant to which, the Company has conditionally agreed to place, through the placing agent, up to 2,500,000,000 placing shares by tranches provided that the number of placing shares for each tranche is in integral multiples of 1,000,000, on a best effort basis, to independent placees at a price of HK$0.10 per placing share. This arrangement was proposed by the Company on 15 June 2009, which is subject to shareholders' approval.

(e) On 15 June 2009, the Company has entered into a non-legal binding memorandum of understanding ("MOU") with Growth Harvest Limited, an independent third party (the "Vendor") in relation to the possible acquisition of the entire issued share capital of Sunny Chance Limited (the "Target Company"), which is principally engaged in the development and provision of custom built wireless radio frequency identification application system in both local area network and metropolitan area network to the healthcare sector in the PRC. Pursuant to the MOU, the Vendor has given the Company an exclusive right to acquire the entire issued share capital of the Target Company at the purchase price of HK$1,500 million from the date of MOU to 15 September 2009. This arrangement was proposed by the Company on 15 June 2009, which is subject to shareholders' approval.

38. Comparative Figures

Certain comparative figures have been realigned to conform to the current year's presentation.

Group Financial Summary

Results

	Year ended 31 March				
	2005	2006	2007	2008	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Turnover	36,836	17,258	62,288	10,632	**1,585**
Loss from operations	(8,329)	(17,505)	(14,333)	(3,490)	**(21,474)**
Gain on disposal of subsidiaries	—	—	—	25,736	**—**
Finance costs	(36)	(680)	(1,821)	(1,635)	**(133)**
(Loss)/profit before taxation	(8,365)	(18,185)	(16,154)	20,611	**(21,607)**
Taxation (charge)/credit	—	—	—	(1,322)	**1,014**
(Loss)/profit attributable to shareholders	(8,365)	(18,185)	(16,154)	19,289	**(20,593)**

Assets and Liabilities

	As at 31 March				
	2005	2006	2007	2008	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Non-current assets	15,050	11,975	9,952	58,288	**42,904**
Current assets	21,085	32,800	80,834	114,447	**159,035**
Current liabilities	28,931	54,557	94,845	1,609	**4,060**
Non-current liabilities	2	171	14,085	7,157	**4,203**