智庫媒體集團（控股）有限公司

Intelli-Media Group (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8173)

2009

Annual Report

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors of Intelli-Media Group (Holdings) Limited (the "Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to Intelli-Media Group (Holdings) Limited. 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.

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BOARD OF DIRECTORS

Executive Directors

Mr. Wong Chung Yu, Denny *(Chairman)*
Mr. Kwong Wai Ho, Richard

Non Executive Director

Mr. Yin Mark Teh-min

Independent Non-executive Directors

Mr. Lai Kai Jin, Michael
Mr. Chan Siu Wing, Raymond
Mr. Chu Hung Lin, Victor

COMPANY SECRETARY

Mr. Chan Ming Cho, Joe

AUTHORISED REPRESENTATIVES

For the purpose of the GEM Listing Rules

Mr. Kwong Wai Ho, Richard
Mr. Chan Ming Cho, Joe

COMPLIANCE OFFICER

Mr. Kwong Wai Ho, Richard

REGISTERED OFFICE

P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 1412-13, Tower One,
Times Square,
1 Matheson Street,
Causeway Bay,
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

AUDITORS

CCIF CPA Limited
20th Floor, Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong

STOCK CODE

8173

COMPANY WEBSITE

http://www.intelli-mgh.com

TURNOVER AND NET LOSS

For the year ended 31 March 2009, turnover was approximately HK$17,342,000 (2008: HK$33,157,000), down by 47.7% as compared to the same period in 2008. Sales of goods for the year ended 2009 was approximately HK$9,637,000 (2008: HK$27,446,000), representing a decrease of approximately 64.9% over the corresponding period of last year due to drop of sales volume. Sales of goods accounts for 55.6% of the turnover of the Group. Sublicensing income for the year ended 31 March 2009 was approximately HK$3,418,000 (2008: HK$2,141,000), representing an approximate 59.6% increase when compared to that of the same period in 2008. There were no film exhibition and distribution income for the year ended (2008: HK$3,570,000), due to the termination of the service at the beginning of year. Gross margin ratio was stable over two years. Loss for the year amounted to approximately HK$162,918,000 (2008: Loss HK$48,642,000), representing a 234.9% increase compared with that of last year mainly due to imputed finance costs for the convertible bond and promissory note of approximately HK$109,118,000 (2008: nil) and approximately HK$8,754,000 (2008: nil) and an increase of impairment loss on assets.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2009, the Group's current ratio was approximately 0.72, representing a decrease of approximately 57.1% when compared to that of the previous financial year. Gearing ratio, calculated based on non-current liabilities of approximately HK$1,130,843,000 (2008: HK$6,898,000) and shareholders' surplus of approximately HK$4,226,813 (2008: shareholders' surplus HK$31,407,000). The decrease in current ratio was largely due to a decrease in balance of bank and cash to HK$21,150,000 as at 31 March 2009 from HK$51,746,000 in 2008.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2009, the Group employed 34 staff in total (2008: 25). The Directors believe that the professionalism, experience and quality of staff bring initiative and sustainability to the Group. The remuneration of the staff are based on experience and work performance. The staff are rewarded with bonus, medical benefits and share options according to performance.

The Company's policy concerning remuneration of the executive Directors is as follows:

(i) the executive Directors' remuneration is determined on the basis of his or her experience, responsibility, workload and the time devoted to the Group; and

(ii) at the discretion of the Board or a committee thereof, the executive Directors may be granted options pursuant to the Share Option Scheme as defined in note 31 to the financial statements and/or any other such schemes of the Company as part of their remuneration package.

BORROWING FACILITIES

As at 31 March 2009, the Group had outstanding borrowings of approximately HK$6,339,000, comprising bank and other borrowings of approximately HK$3,907,000, bank overdrafts of approximately HK$2,432,000 and obligations under finance leases of approximately HK$726,000.

As at 31 March 2009, the Group had borrowings and banking facilities to the extent of approximately HK$11,000,000 for which the following collateral and security are provided by related parties:

a. Properties owned by a subsidiary's director; and

b. Properties owned by Players Pictures Company Limited, Metropolis Communications Limited, Brilliant Business Limited and Sunny Fancy Limited in which the subsidiary's directors have beneficial interest.

In addition to the above, there were other assets which had been pledged, details of which are set out in the next paragraph headed "Pledge of Assets".

The Group generally finances its operation with internally generated resources and banking facilities provided by its bankers in Hong Kong.

As at 31 March 2009, the Group had aggregated composite banking facilities of approximately HK$11,000,000, of which HK$6,339,000 had been utilized.

As at 31 March 2009, the Group's bank borrowings of approximately HK$4,520,000 are repayable on demand or within one year.

At the latest practical date, the Directors are of the opinion that, taking into account its internally generated fund and its current available banking facilities, the Group has sufficient working capital to meet its present requirements.

PLEDGE OF ASSETS

At 31 March 2009, the Group pledged time deposits of approximately HK$2,183,000 (2008: HK$2,155,000) and a film right with a carrying value of nil (2008: HK$769,000) to banks to secure bank facilities granted to the Group.

FOREIGN CURRENCIES

The Group assets and liabilities are measured using the currency that best reflects the economic substance of the underlying transactions, events and circumstances relevant to the entity. The functional currency of the Company is United State dollars ("US$") after the acquisition of First Pine Enterprises Limited ("First Pine") on 18 December 2008 as referred to in note 37, because the transactions, events and circumstances of the Company has been changed to and reflected in US$ from the date of acquisition of First Pine. The functional currencies of its major subsidiaries are US$ and HK$. In the opinion of the directors of the Company, there are no material effects on the financial statements of the Company arising from the change of the functional currency from HK$ to US$. The consolidated financial statements are presented in HK$, as the Company is listed in Hong Kong, the directors of the Company consider that it is more appropriate to present the consolidated financial statements in HK$, when most of its public investors are located in Hong Kong.

The foreign currency exposure of the Group is limited as most of the transactions were denominated in US$ and HK$, which is pegged with US$ at a designated range. Management considered that as the foreign exchange rate risk is low, the Group did not employ any financial instruments for hedging purposes.

BUSINESS REVIEW

The Group had a hard time during the year ended 31 March 2009. Both of its video distribution and animation character licensing businesses were facing unresolved piracy issues.

Although piracy is highly under control in Hong Kong, high quality pirated video copies in Southern China are easily accessible by frequent commuters from Hong Kong. Some of these pirated copies even come with nice packaging. Besides, peer-to-peer sharing of copyright protected videos over internet is becoming easier and more popular to consumers possessing elementary computer skills. Fueled by the fast penetration of powerful personal computer, young consumers are getting more used to enjoy movies played on his/her own PC. Further, the return-to-cinema phenomenon driven by highly appointed cinemas equipped with excellent surround sound systems has hit our film rights distributions and video product sales business heavily over the past 2 years.

Since March 2008 the Group has been actively seeking for other opportunities to widen its scope of business and to increase revenue sources. On 18 December 2008 Black Sand Enterprises Limited, a wholly owned subsidiary of the Company, completed the acquisition of a direct and indirect 64% major stake in Mt. Mogan Development and Resources Corporation ("Mogan"). Mogan, a Philippine national company, is the holder of 41,093.85 hectares of offshore magnetite mining claims along the municipalities of Tacloban, Tanauan, Tolosa, Dulag, Mayorga, MacArthur and Abuyog in Leyte Province and Basey and Marabut in Samar Province of The Philippines.

Black Sand has also secured the right to further acquire a major stake in two other mining claims in the Philippines, 17,205.22 hectares in Negros Occidental Province along the municipalities of Ilog, Suay, Himamaylan, Binalbagan, and Hinigaran and 15,535.82 hectares in Surigao del Sur Province along the municipalities of Tandag and Cagwait.

During the year ended 31 March 2009 Mogan has commenced exploration in the claim areas preparing for the most efficient and cost effective exploitation operations. The Group has also engaged in trading business of precious metal mainly for early participation in the promising metal trading.

PROSPECTS

China is the biggest crude steel producer and finished steel consumer in the world. IMGH has grasped the valuable opportunity to gain access to a large iron ore mining claim in the Philippines. The physical location of the Mogan's mining assets in The Philippines has its competitive niche over other iron ore producers given its' proximity to China. The strategic location will also represent significant cost savings to most of the major steel mills in Asia in the form of lower freight cost and shorter delivery time, and lower carrying cost related to inventory built up in the very capital intensive steel industry.

The Group will not stop structural growth at this stage. It will continue seeking for high potential or high value mineral resources in the Region to build up and strengthen its resource portfolio.

CORPORATE GOVERNANCE PRACTICES

The Company recognises that establishment and implementation of good corporate governance standards helps the Group to achieve its corporate objectives and fulfill the expectation of shareholders effectively. The Board of Directors (the "**Board**") of the Company, has applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the "**CG Code**") of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "**GEM Listing Rules**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the year ended 31 March 2009, except for a minor deviation in respect of the roles of chairman and chief executive officer of the Company being performed by the same individual. The current practices will be reviewed regularly so as to follow the latest practices in corporate governance.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by Directors set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding securities transactions by the Directors. The Company periodically issues notices to its Directors reminding them of the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of quarterly, interim and annual results.

On 7 November, 2008, the Company was informed by Mr. Chin Wai Keung, Richard ("Mr. Chin"), a Director and the Chairman of the Company, that he had on 4 November, 2008 delivered to an independent third party signed but undated copies of the bought and sold notes and the instrument of transfer in relation to his proposed disposal of 50,000,000 shares in the Company to the independent third party, with the common intention that the proposed transfer should only take place after the release of the interim results of the Company and after Mr. Chin has given advance notice of his proposed transfer to the Board. The Company was further informed by Mr. Chin that, unexpectedly, the independent third party signed and dated the instrument of transfer and the bought and sold notes on 4 November, 2008. Mr. Chin has reported this incident to the Stock Exchange on 7 November 2008.

Save aforesaid, the Company confirms that, having made specific enquiry from all Directors, all Directors have confirmed that they complied with the required standards of dealing as set out in the Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year.

BOARD OF DIRECTORS

The Board of the Company comprises the following members:

Name	Change
Executive Directors	
Mr. Wong Chung Yu, Denny *(Chairman)*	(appointed on 20 May 2008 and re-designated as the Chairman on 6 May 2009)
Mr. Kwong Wai Ho, Richard	
Ms. Wong Hoi Yan, Audrey	(resigned on 18 Jul 2008)
Mr. So Wing Lok, Jonathan	(resigned on 13 Oct 2008)
Mr. Chin Wai Keung, Richard	(resigned on 2 Jan 2009)
Non-Executive Director	
Mr. Yin Mark Teh-min	(appointed on 20 May 2008)
Independent Non-executive Directors	
Mr. Lai Kai Jin, Michael	
Mr. Ng Yat Cheung, JP	(appointed on 13 May 2008 and resigned on 1 Mar 2009)
Mr. Chan Siu Wing, Raymond	(appointed on 1 Sept 2008)
Mr. Chu Hung Lin, Victor	(appointed on 1 Jun 2009)
Mr. Chow Shiu Ki	(resigned on 20 Aug 2008)
Mr. Shum Man Ching	(resigned on 1 Oct 2008)

The Board is responsible for the leadership and control of the Company. It also oversees the Group's business, strategic decisions and directions, and performances including an oversight of the management of the Group. The management of the Group has been delegated with the authority and responsibility by the Board for the general and day-to-day management of the Group. In addition, the Board has also delegated various responsibilities to other committees. Further details of the committees are set out in this report.

The Directors do not have any relationship (including financial, business, family or other material/relevant relationship(s)) with each other except that Mr. Wong Chung Yu, Denny is the brother-in-law of Mr. Yin Mark Teh-min.

Pursuant to Article 99 of the articles of association of the Company applicable at the relevant time of appointment, Mr. Chan Siu Wing, Raymond and Mr. Chu Hung Lin, Victor, shall retire at the Annual General Meeting, and being eligible, will offer themselves for re-election at such forthcoming annual general meeting of the Company. Pursuant to Article 116 of the articles of association of the Company, Mr. Kwong Wai Ho, Richard and Mr. Lai Kai Jin, Michael shall retire by rotation and are eligible to offer themselves for re-election in the forthcoming annual general meeting.

The Board meets regularly to discuss the Company's affairs and operations. During the financial year ended 31 March 2009, the Board held 4 regular Board meetings (within the meaning of the CG code) at approximately quarterly interval and 18 Board meetings which were convened when board-level decisions on particular matters were required. The attendance record of each member of the Board is set out at **Details of the attendance of each member of the Board and Committees**.

Each of the current non-executive Director and independent non-executive Directors has entered into a service contract with the Company with a fixed term of office of 1 year on the date of their appointments. Such service contracts will be automatically renewable for successive terms of one year unless terminated by either party by one month written notice to the other party and is subject to rotation and re-election provisions in the articles of association of the Company.

All independent non-executive Directors are considered to be independent by the Board as the Board has received from each independent non-executive Director his annual confirmation on independence as required by the GEM Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under A.2.1 the CG Code, the roles of chairman and chief executive officer should be separated.

The Company has achieved a high level of compliance with the CG Code except for the separation of the roles of chairman and chief executive officer for reasons as stated below. The resigned executive Director, Mr. Chin Wai Keung, Richard who resigned on 2 January 2009, has served the roles of both chairman and chief executive officer of the Company.

The abovementioned deviation from the CG code was discussed and were approved by the Board based on the following reasons:

- The Company size is still relatively small and thus it could not be justified in separating the roles of chairman and chief executive officer.

- The Group has in place internal controls to perform the check and balance functions.

The role of chairman is primarily responsible for leading the Board in setting strategic decision and policies direction and also ensuring the effectiveness of management in execution of the strategy approved by the Board. Responsibilities for general and day-to-day operations of the Group lie with the other executive Directors and management of the Group and each business units thereof.

The Company considers the fact that the roles of both the chairman and chief executive officer are being exercised by the same individual will not impair the balance of power and authority between the Board and the management of the Company.

NUMBER OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Rule 5.05(1) and Rule 5.28 of the Rules Governing the Listing of Securities on the GEM (the "**GEM Listing Rules**") require the Company to have a minimum of three independent non-executive directors. Upon the resignation of Mr. Ng Yat Cheung, JP on 1 March 2009, the total number of independent non-executive directors of the Company fell below the minimum requirement under Rule 5.05(1) and 5.28 of the GEM Listing Rules. On 1 June 2009, the Company has acted in accordance with Rule 5.06 to appoint Mr. Chu Hung Lin, Victor to fill the casual vacancy so created.

ROTATION OF DIRECTORS

Under provision of A.4.2. of the CG Code, every director should be subject to retirement by rotation at least once every three years. Although the existing articles of association of the Company do not have exact provisions to this effect, they do however provide that one-third of the Directors shall retire from office by rotation and the Directors to retire in every year shall be those who have been longest in office since their last election. The actual operation of the aforesaid provisions of the existing articles of association of the Company should in principle result in each Director being subject to retirement by rotation at least once every three years. Considered in this perspective, the Company has substantially complied with the CG Code regarding the requirement that every Director should be subject to retirement by rotation at least once every three years. In addition, the Board will ensure that the provision of A.4.2 of the CG Code will be complied with in practice.

REMUNERATION OF DIRECTORS

The remuneration committee of the Company (the "**Remuneration Committee**") was established in March 2006 and currently consists of three members, one of which is a non-executive Director, Mr. Yin Mark Teh-min and the other two are independent non-executive Directors, Mr. Lai Kai Jin, Michael and Mr. Chu Hung Lin, Victor. Mr. Lai Kai Jin, Michael was appointed as the chairman of the Remuneration Committee on 1 September 2008.

The roles and functions of the Remuneration Committee are set out in the written terms of reference of the Remuneration Committee which include the determination of the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, making recommendations to the Board as to the remuneration of the non-executive Directors and to review and approve performance-based remuneration.

The Remuneration Committee held four meeting during the financial year ended 31 March 2009. The attendance record of each member of the Committee is set out at **Details of the attendance of each member of the Board and Committees**.

At the said meeting, the Remuneration Committee reviewed the remuneration packages of the Directors and resolved that the same were in line with normal market standard.

The executive Directors are responsible for reviewing all relevant remuneration data and market conditions as well as the performance of the individual and the profitability of the Company, and propose to the Remuneration Committee for consideration and approval, remuneration packages for Directors and senior management. The executive Directors, however, do not participate in determining their own remuneration packages.

For the financial year ended 31 March 2009, the remuneration of Directors and senior management or the Group was determined with reference to the performance and profitability of the Company as well as remuneration benchmarks from other local and international companies similar to the Company and the prevailing market conditions which is consistent with the principles applied in the past. Directors and employees also participate in bonus arrangements determined in accordance with the performance of the Group and the individual's performance.

Details of Directors' emoluments for the financial year ended 31 March 2009 are set out in the note 9 to the financial statements.

NOMINATION OF DIRECTOR

No nomination committee was established by the Company.

According to the articles of association of the Company, the Board has the power from time to time and at any time to appoint any person as Director either to fill a casual vacancy or as an addition to the Board. In assessing nomination of new Directors, the Board takes into account a nominee's qualifications, ability and potential contribution to the Company. Therefore, nomination of new Directors will be made by the Board based on the need of the Company and the expertise, experience and potential contribution of individual candidate. Members of the Board will also be invited to nominate suitable candidate for consideration by the Board.

During the financial year ended 31 March 2009, the Board has met 3 times in connection with the nomination and appointment of new Directors. The attendance record of each member of the Board is set out at **Details of the attendance of each member of the Board and Committees**.

Save as mentioned above, none of the other Directors attended the aforesaid meetings involving nomination and appointment of new Directors.

Pursuant to the aforementioned, three Board meetings in relation to the nomination and appointment of new Directors, the Board appointed Mr. Wong Chung Yu, Denny as executive Director, Mr. Yin Mark Teh-min as non-executive Director and Mr. Ng Yat Cheung, JP and Mr. Chan Siu Wing, Raymond as independent non-executive Directors.

AUDITOR'S REMUNERATION

For the year ended 31 March 2009, the total remuneration in respect of audit services provided by the auditors of the Company, CCIF CPA Limited, was HK$500,000. Other non-audit services worth of HK$340,000 were provided by the auditors during the year.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") currently comprises four members of which one is a non-executive Director, Mr. Yin Mark Teh-min and three independent non-executive Directors, Mr. Lai Kai Jin, Michael, Mr. Chan Siu Wing, Raymond and Mr. Chu Hung Lin, Victor. The chairman of the Audit Committee is Mr. Chan Siu Wing, Raymond. The written terms of reference of the Audit Committee sets out the duties of the Audit Committee which includes reviewing and supervising the financial reporting and internal controls procedures of the Group and to review and approve the Company's annual reports and accounts, interim report and quarterly reports to the Board. The Audit Committee held 8 meetings during the financial year ended 31 March 2009. The attendance record of each member of the Committee is set out at **Details of the attendance of each member of the Board and Committees**.

The Audit Committee has reviewed the Group's unaudited quarterly and interim results and annual audited results for the financial year ended 31 March 2009 and also reviewed the system of internal control of the Group in accordance with provision C.2.1 of the CG Code. The Audit Committee 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 and is of the view that the system of internal control of the Group is sufficient to safeguard the interests of the Group.

DETAILS OF THE ATTENDANCE OF EACH MEMBER OF THE BOARD AND COMMITTEES:

Name	Change	Board Meeting	Remuneration Committee Meeting	Board Meeting for Appointment of New Directors	Audit Committee Meeting
Executive Directors					
Mr. Wong Chung Yu, Denny *(Chairman)*	(appointed on 20 May 2008 and re-designated as the Chairman on 6 May 2009)	14/16	0/0	1/1	0/0
Mr. Kwong Wai Ho, Richard		18/22	0/0	3/3	0/0
Ms. Wong Hoi Yan, Audrey	(resigned on 18 Jul 2008)	6/8	0/0	2/2	0/0
Mr. So Wing Lok, Jonathan	(resigned on 13 Oct 2008)	12/18	0/0	2/3	0/0
Mr. Chin Wai Keung, Richard	(resigned on 2 Jan 2009)	16/18	3/4	2/3	0/0
Non-Executive Director					
Mr. Yin Mark Teh-min	(appointed on 20 May 2008)	10/16	2/2	1/1	5/6
Independent Non-executive Directors					
Mr. Lai Kai Jin, Michael		8/22	0/0	0/0	3/8
Mr. Ng Yat Cheung, JP	(appointed on 13 May 2008 and resigned on 1 Mar 2009)	9/16	1/3	0/0	4/7
Mr. Chan Siu Wing, Raymond	(appointed on 1 Sept 2008)	6/10	0/0	0/0	3/3
Mr. Chu Hung Lin, Victor	(appointed on 1 Jun 2009)	0/0	0/0	0/0	0/0
Mr. Chow Shiu Ki	(resigned on 20 Aug 2008)	5/11	3/3	1/2	4/4
Mr. Shum Man Ching	(resigned on 1 Oct 2008)	9/14	4/4	3/3	5/5

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors acknowledged their responsibilities for the preparation of the financial statements, which give a true and fair view, and to be prepared in accordance with the statutory requirements, and applicable standard and issued in a timely manner. The Auditors are responsible for forming an independent opinion, based on the audit, on the financial statements prepared by the Directors and report the opinion solely to the shareholders of the Company.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Auditors' Report on pages 23 to 25.

REVIEW OF INTERNAL CONTROL SYSTEM

The Board has overall responsibility for the system of internal controls of the Group and for reviewing its effectiveness and the Board has conducted a review of the effectiveness of the system of internal control of the Group in accordance with provision C.2.1 of the CG Code and is of the view that the system of internal control of the Group is sufficient to safeguard the interests of the Group. The duties of the Audit Committee also includes reviewing and supervising the internal control procedures of the Group.

EXECUTIVE DIRECTORS

Mr. Wong Chung Yu Denny ("Mr. Wong"), aged 39, is the chairman of the Company. Mr. Wong earned a Bachelor of Science in Electrical Engineering at Rutgers University and a Master of Business Administration from New York University in the United States. Mr. Wong possesses more than 12 years of experience in the banking and financial industry and has a strong background in market investment development. He was previously a senior research analyst for China Construction Bank International Securities Company Limited covering the H-share market strategy and small/mid-cap sectors. Prior to that, Mr. Wong worked for the investment banking division of China Merchant Securities (HK) Limited and had participated in numerous transactions involving mergers and acquisitions, corporate restructuring, and business valuation. Before that, he was vice president and chief financial officer of Mandra Capital Company Limited, a private investment company specializing in PRC industrial and resources investments, and had participated in various transactions including privatization of a state owned enterprise, debt to equity conversion, as well as assessed numerous investment opportunities covering, among others, the healthcare, paper mills, mining, forestry and property industries. Prior to that, Mr. Wong had worked at Salomon Smith Barney and Citigroup in the United States and Hong Kong as vice president equity research analyst and was a member of the Institutional Investor second ranked equity quantitative research team. In addition, he holds offices as a director with a number of privately held companies that are principally engaged in investment and charitable activities.

Mr. Kwong Wai Ho Richard ("Mr. Kwong"), aged 46, is an executive Director of the Company and a director of Black Sand. Mr. Kwong is a seasoned finance professional with over 18 years of experience in the banking and finance industry. He was a financial consultant to Lanwa International (Group) Co. Ltd., a mid-sized Chinese property developer, for two years. Before that, he worked with Societe Generale Asia Limited for 9 years where he held the position of director of financial engineering. In that capacity, he served as financial advisor to a number of listed companies whose principal businesses cover a wide range of industries. He has also researched and developed a variety of tax driven structured products which create value-added benefits by arbitrating areas in existing tax, accounting and regulatory frameworks. In addition, Mr. Kwong has a wealth of experience in Asian debt capital markets. Prior to joining the Company, for the period 11 July 2007 to 4 October 2007, Mr. Kwong was an executive director of Tiger Tech Holdings Limited (stock code: 8046).

NON-EXECUTIVE DIRECTOR

Mr. Yin Mark Teh-min ("Mr. Yin"), aged 39, is a non-executive Director and a member of each of the audit and remuneration committee of the Company. Mr. Yin has over 17 years of experience as an operational sales and marketing executive. Mr. Yin has held executive management and operational roles at both small and large multinational firms, particularly specializing in high-tech ventures. His experience in the United States and Asia includes business planning and managing large scale projects spanning multiple organizations. Since 2001, he has served as a vice president at Infinera Corporation (NASDAQ: INFN) ("**Infinera**"), a manufacturer of telecommunications equipment. He was the company's initial vice president of marketing. In this position, Mr. Yin participated in business activities in relation to financings, key business decisions, product definition, pricing strategies, and engaging closely with all customers. Later, he served as a vice president in Asia Pacific sales and market development. Prior to joining Infinera, Mr. Yin served as a sales and marketing executive at Lightera Networks, a technology start-up that was subsequently acquired by Ciena Corporation (NASDAQ: CIEN) and Cisco Systems (through the acquisition of Stratacom). Mr. Yin earned a Bachelor of Science in Electrical Engineering at Rutgers University and a Master of Science in Operations Research at Stanford University.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lai Kai Jin Michael ("Mr. Lai"), aged 39, an independent non-executive Director, the chairman of the audit committee and a member of the remuneration committee of the Company. Mr. Lai graduated from the National University of Singapore with a LL.B (Hons) Degree in 1994 and was called to the Singapore Bar the following year. He joined KhattarWong, one of the largest law firms in Singapore with over 100 professional staff and offices in Singapore, Shanghai, Hanoi and Ho Chih Minh as a partner in 2007. Mr. Lai is also the Singapore editor of Forwarderlaw and a trainer/lecturer in shipping, air law and marine insurance for the Singapore Logistics Association's continuous training program. Mr. Lai's practice focuses on marine insurance, shipping and admiralty law and involves handling legal disputes arising out of international trade and transport. Mr. Lai handles a wide array of maritime cases including claims arising out of loss of or damage to cargo, charterparty disputes, bunkering contracts, ship sale and purchase agreements, shipboard personal injuries and accidents, ship construction and repair, freight forwarding and logistics. He also handles claims arising from the carriage of goods by road and by air. Mr. Lai has acted as counsel in numerous cases before the High Court and Court of Appeal of Singapore and in arbitrations. Mr. Lai is presently the Chairman of the Advisory Body Legal Matters, FIATA and the Legal Counsel for the Singapore Logistics Association. He sits on the Board of Directors of EOC Limited ("EOC") as an independent director and a member of each of the remuneration, nomination and audit committees of EOC. EOC is a leading owner and operator of FPSOs and offshore construction based in Asia and is listed on the Oslo Stock Exchange. Mr. Lai has also served on the board of directors of Sembawang Kimtrans Limited, a major Singapore logistics services provider.

Mr. Chan Siu Wing, Raymond ("Mr. Chan"), aged 44, is an independent non-executive Director and the chairman of the audit committee of the Company. Mr. Chan is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, a Certified Practising Accountant of the CPA Australia, a founding member of Macau Society of Certified Practising Accountant and a member of the Hong Kong Securities Institute. Mr. Chan received a Bachelor of Economics Degree, majoring in accounting and economics, from University of Sydney in 1985. Mr. Chan has over 20 years of experience in the field of accounting, taxation and trust and has been the Chief Operating Officer of Chinachem Group since 15 November 2008. Before joining the Company, he served as senior consultant of International Taxation Advisory Services Limited for over ten years. In 2003, he joined Asiaciti Trust Hong Kong Limited as general manager. Before this appointment, Mr. Chan was the financial controller and company secretary of Hua Xia Healthcare Holdings Limited, a company whose shares are listed on the GEM. Mr. Chan currently holds the position as an executive Director of ENM Holdings Limited as well as the position as an independent non-executive Director of each of Prosperity Investment Holdings Limited and Karce International Holdings Company Limited, both companies whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and Cardlink Technology Group Limited, a company whose shares are listed on the GEM of the Stock Exchange. For the period from 18 June 2004 to 22 August 2006, Mr. Chan was an independent non-executive Director of Core Healthcare Holdings Limited (formerly known as Plasmagene Biosciences Limited), a company whose shares are listed on the GEM of the Stock Exchange.

Mr. Chu Hung Lin, Victor ("Mr. Chu"), aged 41, is an independent non-executive Director and a member of each of the audit committee and remuneration committee of the Company. Mr. Chu has a diversified experience in the industries of film production, land development, private pre-IPO investment and food and catering. During the period from January 2001 to June 2003, he was the deputy chairman and executive director of Climax International Company Limited, shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 439). Since 2003, he has been actively involved in food and beverage business and has been a shareholder and director of certain private companies. Mr. Chu is responsible for the business development, space allocation and design, product development, marketing and strategic planning of such companies.

SENIOR MANAGEMENT

Mr. Koh Tat Lee, Michael ("Mr. Koh"), aged 43, a director of Black Sand. He holds a Master degree of Electrical Engineering and a Master degree of Industrial Engineering from Columbia University in the United States. Mr. Koh possesses more than 10 years of experience in the telecommunications industry and project management. He has worked at Bell South and AT & T in the United States and was promoted to technical director before he left AT & T. Mr. Koh was the vice president of First Pacific Company Limited (stock code: 0142). During his tenure at First Pacific Company Limited from year 1994 to 1997, Mr. Koh founded a private company called Tuntex Telecom in Taiwan and assumed the post of president for the period from year 1995 to 1997. Mr. Koh was an executive director of M Dream Inworld Limited (stock code: 8100) and the chairman of China Railway Logistics Limited (stock code: 8089, formerly known as Proactive Technology Holdings Limited) before joining Black Sand.

Mr. Chan Ming Cho, Joe ("Mr. Chan"), aged 44, is the chief financial officer and company secretary of the Company and the finance director of Black Sand. He has worked for SmarTone Mobile Communications Limited (stock code: 0315) for 9 years and was the finance general manager before joining the Company. Before that he was the financial controller of Shenzhen Merchant Link Limited (the PRC telecom investment joint venture of First Pacific Company (stock code: 0142) and China Merchant Holdings), the project finance manager of Pacific Link Communications Limited (subsequently merged with CSL) and an auditor in Arthur Andersen & Co. (subsequently merged with PricewaterhouseCoopers). Mr. Chan possesses over 20 years of financial management, planning, control and auditing experiences. He holds a master degree in business administrations and he is a member of The Institute of Chartered Accountants in England & Wales, fellow member of both Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants.

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its subsidiaries are set out in note 17 to the Financial Statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2009 are set out in the Consolidated Income Statement on page 26.

The Directors do not recommend the payment of a dividend.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 13 to the Financial Statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 29 to the Financial Statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 112.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

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

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

SHARE OPTIONS

Save as disclosed in note 31 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 to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate. No share options were granted to or exercised by the Directors during the year.

CONTINGENT LIABILITIES

Details of material contingent liabilities of the Company at 31 March 2009 are set out in note 40 to the financial statements.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events of the Group are set out in note 41 to the Financial Statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors

Mr. Wong Chung Yu, Denny	(appointed as Executive Director on 20 May 2008 and re-designated as the Chairman on 6 May 2009)
Mr. Kwong Wai Ho, Richard	
Ms. Wong Hoi Yan, Audrey	(resigned on 18 Jul 2008)
Mr. So Wing Lok, Jonathan	(resigned on 13 Oct 2008)
Mr. Chin Wai Keung, Richard	(resigned on 2 Jan 2009)

Non-Executive Director

Mr. Yin Mark Teh-min	(appointed on 20 May 2008)

Independent Non-executive Directors

Mr. Lai Kai Jin, Michael	
Mr. Ng Yat Cheung, JP	(appointed on 13 May 2008 and resigned on 1 Mar 2009)
Mr. Chan Siu Wing, Raymond	(appointed on 1 Sept 2008)
Mr. Chu Hung Lin, Victor	(appointed on 1 June 2009)
Mr. Chow Shiu Ki	(resigned on 20 Aug 2008)
Mr. Shum Man Ching	(resigned on 1 Oct 2008)

Pursuant to Article 99 of the articles of association of the Company applicable at the relevant time of appointment, Mr. Chan Siu Wing, Raymond and Mr. Chu Hung Lin, Victor shall retire at such forthcoming annual general meeting of the Company, and being eligible, will offer themselves for re-election.

Pursuant to Article 116 of the articles of association of the Company, Mr. Kwong Wai Ho, Richard and Mr. Lai Kai Jin, Michael shall retire from office by rotation at such forthcoming annual general meeting of the Company and being eligible, will offer themselves for re-election.

The Company has received annual confirmation of independence from each of the independent non-executive Directors and as at the date of this report still considers them to be independent.

Each of the current executive Directors, Mr. Wong Chung Yu, Denny and Mr. Kwong Wai Ho Richard has entered into service contract with the Company which have no fixed termination date but can be terminated by either party by three months' written notice to the other party and is subject to rotation and re-election provisions in the articles of association of the Company.

Each of the current non-executive Director and independent non-executive Directors has entered into a service contract with the Company with a fixed term of office of 1 year on the date of their appointment. Such service contracts will be automatically renewable for successive terms of one year unless terminated by either party by one month written notice to the other party and is subject to rotation and re-election provisions in the articles of association of the Company.

Save as disclosed above, no Director being proposed for re-election at the forthcoming annual general meeting of the Company has any service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 35 to the Financial Statements, there were no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2009, the interests and short positions of each Directors and chief executives of the Company in the shares (the "**Shares**"), underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "**SFO**")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions which he was taken or deemed to have under such provisions of SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

The Company

Long positions in Shares of the Company

Name of directors/ chief executive	Number of Shares	Approximate percentage of shareholding	Capacity
Kwong Wai Ho, Richard	20,000,000	0.56	Beneficial owner
Yin Mark Teh-min	2,500,000	0.07	Family interests
	380,000	0.01	Beneficial owner
Sub-total:	2,880,000	0.08	*(Note 1)*
Chu Hung Lin, Victor	3,000,000	0.09	Family interests
(appointed on 1 Jun 2009)	1,200,000	0.03	Beneficial owner
Sub-total:	4,200,000	0.12	*(Note 2)*

Notes:

1. Ms. Wong Shu Wah, Ceci ("Ms Wong"), being the wife of Mr. Yin Mark Teh-min ("Mr. Yin"), is interest in 2,500,000 Shares. Accordingly, Mr. Yin is deemed to be interested in such 2,500,000 Shares. Mr. Yin also holds 380,000 Shares as beneficial owner. Therefore, Mr. Yin is interested and deemed to be interested in 2,880,000 Shares in total.

2. Ms. Chan Lai Shan, Lisa ("Ms. Chan"), being the wife of Mr. Chu Hung Lin, Victor ("Mr. Chu"), is interest in 3,000,000 Shares. Accordingly, Mr. Chu is deemed to be interested in such 3,000,000 Shares. Mr. Chu also holds 1,200,000 Shares as beneficial owner. Therefore, Mr. Chu is interested and deemed to be interested in 4,200,000 Shares in total.

DIRECTORS' AND CHIEF EXECUTIVES' SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

There are no short positions of the Directors and the chief executives in the Shares, underlying Shares and debentures of the Company and its associated corporations that (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSABLE UNDER THE SFO

As at 31 March 2009, the following persons (other than Directors and chief executives of the Company) had an interest and/or a short position in the Shares or underlying Shares in respect of equity derivatives of the Company that has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO):

Long positions in Shares of the Company

Name of shareholder	Number of Shares of the Company	Approximate percentage of shareholding	Capacity
Kesterion Investments Limited	512,700,000	14.46	Beneficial owner
Wong, Eva	512,700,000	14.46	Interest of controlled corporation
	2,260,000	0.06	Beneficial owner
Sub-total:	514,960,000	14.52	
Singson Ryan Luis V.	498,830,000	14.07	Beneficial owner

Long positions in the underlying Shares of the Company

Name of shareholder	Number of underlying Shares in respect of equity derivatives of the Company	Approximate percentage of the issued share capital of the Company	Capacity
Kesterion Investments Limited	4,600,000,000	129.70	Beneficial owner *(Note 1)*
Wong, Eva	4,600,000,000	129.70	Interest of controlled corporation *(Note 1)*
Singson Ryan Luis V.	1,700,000,000	47.93	Beneficial owner

Notes:

1. This represents the principal amount of approximately US$412,820,512.84 of convertible bonds which upon conversion in full will result in the allotment and issue of 4,600,000,000 Shares, which have been issued to Kesterion Investments Limited on 18 Decemeber 2008 as part of considerations for the acquisition of First Pine Enterprises Limited. The entire issued share capital of Kesterion Investments Limited is beneficially owned by Ms. Eva Wong. Ms. Eva Wong, being the sister of an executive Director of the Company, Mr. Wong Chung Yu, Denny and the sister-in-law of a non-executive Director of the Company Mr. Yin Mark Teh-min.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF INTELLI-MEDIA GROUP (HOLDINGS) LIMITED

(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Intelli-Media Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 111, 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 consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of 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. However, because of the matters described in the basis for disclaimer of opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

(a) Uncertainties relating to Exploration Permit and Mineral Agreement

At 31 March 2009, "Payment for intangible assets- mining claims" in the amount of HK$8,429,879,000 was recorded in the consolidated balance sheet. As explained in notes 14 and 37 to the consolidated financial statements, through the acquisition of 100% issued capital of First Pine Enterprises Limited on 18 December 2008, the Company indirectly owns 64% equity interests in Mt. Mogan Resources and Development Corporation ("Mogan") incorporated in the Philippines. Mogan holds certain offshore exploration permit applications for mining claims that are the rights to explore, develop, operate and exploit magnetite sand and other associated mineral deposits located in specified area of approximately 41,094 hectares in the Leyte Gulf and San Padro Bay off Leyte and Samar Provinces, the Philippines ("Mining Area") subject to the issuance in favour of Mogan of an Exploration Permit and a Mineral Agreement in accordance with the Philippine Mining Act 1995 (Republic Act No. 7942) (the "Mining Act"). Pursuant to the Mining Act, an Exploration Permit, when approved by the Mines and Geosciences Bureau (the "MGB") of the Department of Environment and Natural Resources (the "DENR") of the Philippines, grants the exploration mining applicant the right to conduct exploration for the specified mineral(s) in the specified area(s) within a specified timeframe; whilst a Mineral Agreement, when made with and granted by the DENR/MBG acting on behalf of the Government of Philippines, shall provide the applicant with the exclusive rights to conduct mining operations to extract and exploit the pre-agreed upon mineral resource(s) in the specified area(s) for a term not exceeding 25 years starting from its execution date and renewable for another term of not exceeding 25 years.

As at 31 March 2009 and up to the date of this report, neither an Exploration Permit nor a Mineral Agreement has been approved and granted in favour of Mogan by the relevant authorities of the Philippines. The directors of the Company believe that Mogan will ultimately be able to obtain both the Exploration Permit and Mineral Agreement in respect of the Mining Area. The directors of the Company has obtained legal opinion in respect of Philippine law that the MGB has accepted Mogan's exploration permit applications and that Mogan has priority in securing the Exploration Permit(s) over the applied Mining Area. During the year, Mogan also entered into a Memorandum of Agreement with DENR ("MOA") under which Mogan was entitled to conduct a technical study jointly with DENR in the area covered by Mogan's exploration permit applications. Mogan has also entered into a soil sampling agreement with a geotechnical contractor during the year. Mogan has subsequently commenced exploration jointly with DENR in the Leyte Gulf area covered by Mogan's exploration permit applications and the MOA since early April 2009. The consolidated financial statements did not include any adjustments that would be necessary if the Group fails to obtain the Exploration Permit and Mineral Agreement from the relevant authorities of the Philippines in accordance with Mining Act. We consider that adequate disclosures have been made. However, the existence of material uncertainties surrounding the outcome of the grant of the Exploration Permit and Mineral Agreement by the relevant authorities of the Philippines cast significant doubt on the legal title to the mining claims over the Mining Area, which in turn creates a material uncertainty as to whether impairment should be recognized against the Group's "Payment for intangible assets- mining claims".

(b) Uncertainties relating to going concern basis

As disclosed in note 39 to the consolidated financial statements, the Company and its wholly-owned subsidiary, Black Sand Enterprises Limited (as borrower), entered into a convertible loan agreement dated 30 September 2008 with an independent party which has agreed to provide a loan of Euro 200 million for financing the future mining operations in the Philippines. At 31 March 2009 and up to the date of this report, the draw-down of the loan is not yet completed. At 31 March 2009, the Group has net current liabilities of HK$12,175,000 and a loss of HK$162,860,000 attributable to equity holders of the Company for the year then ended. The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the successful outcome of the grant of Exploration Permit and Mineral Agreement for mining operation in the Philippines as mentioned in the preceding paragraph, successful completion of the convertible loan drawn-down and future funding being available (as further disclosed in note 2(b) to the financial statements), and the Group's ability to attain a profitable mining operation in the future. We considered that appropriate disclosures have been made. However, the material uncertainties surrounding the outcome of these matters raise significant doubt about the Group's ability to continue as a going concern. The consolidated financial statements did not include any adjustments that would have to be made to reduce the value of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively, should the Group be unable to continue as a going concern.

In view of the extent and potential impact of the material uncertainties described above, we disclaim our opinion in these respects.

DISCLAIMER OF OPINION: DISCLAIMER ON VIEW GIVEN BY CONSOLIDATED FINANCIAL STATEMENTS

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Company and 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. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 29 June 2009

Leung Chun Wa
Practising Certificate Number P04963

Consolidated Income Statement

For the year ended 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Turnover	3	**17,342**	33,157
Cost of sales		**(15,593)**	(29,851)
Gross profit		**1,749**	3,306
Other revenue	4	**529**	3,146
Other income	4	**10,004**	1,943
Distribution costs		**(1,469)**	(323)
Administrative expenses		**(30,350)**	(29,059)
Write down of inventories		**(410)**	(3,961)
Impairment losses	5(c)	**(23,916)**	(19,784)
Loss on disposal of property, plant and equipment		**(118)**	(2,346)
Share of results of associates	18	**(21)**	—
Loss from operations		**(44,002)**	(47,078)
Finance costs	5(a)	**(118,640)**	(1,564)
Loss before taxation	5	**(162,642)**	(48,642)
Income tax	6(a)	**(276)**	—
Loss for the year		**(162,918)**	(48,642)
Attributable to:			
Equity holders of the Company	9	**(162,860)**	(47,515)
Minority interests		**(58)**	(1,127)
		(162,918)	(48,642)
Loss per share	11		
Basic		**HK (7.07 cents)**	HK (6.91 cents)
Diluted		**HK (7.07 cents)**	HK (6.91 cents)

Consolidated Balance Sheet

As at 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	13	**2,981**	1,985
Payment for intangible assets - mining claims	14	**8,429,879**	—
Other intangible assets	15	**5,016**	26,541
Goodwill	16	**—**	4,259
Interests in associates	18(a)	**262**	—
Films in progress		**385**	385
Deposits for acquisition of film rights		**156**	223
		8,438,679	33,393
Current assets			
Inventories	19	**2,360**	9,169
Trade and other receivables	20	**5,467**	9,337
Amount due from a related party	35(a)	**84**	—
Amount due from a related company	35(b)	**10**	12
Pledged bank deposits	21	**2,183**	2,155
Cash and bank balances	22	**21,150**	51,746
		31,254	72,419
Current liabilities			
Trade and other payables	23	**32,453**	33,148
Amount due to a related company	35(c)	**2,600**	1,275
Amounts due to related parties	35(d)	**3,063**	517
Amounts due to associates	18(b)	**73**	—
Obligations under finance leases	27	**424**	346
Bank overdrafts and borrowings	24(b)	**4,520**	7,698
Taxation payable	28(a)	**296**	6
		43,429	42,990
Net current (liabilities)/assets		**(12,175)**	29,429
Total assets less current liabilities		**8,426,504**	62,822

Consolidated Balance Sheet

As at 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Convertible bonds	25	**964,035**	—
Promissory note	26	**160,510**	—
Obligations under finance leases	27	**302**	333
Bank overdrafts and borrowings	24(b)	**1,819**	2,388
Deferred tax liabilities	28(b)	**4,177**	4,177
		1,130,843	6,898
Net assets		**7,295,661**	55,924
Capital and reserves			
Share capital	29	**35,465**	19,325
Reserves		**4,226,813**	31,407
Equity attributable to equity holders of the Company		**4,262,278**	50,732
Minority interests		**3,033,383**	5,192
Total equity		**7,295,661**	55,924

Wong Chung Yu, Denny
Director

Kwong Wai Ho, Richard
Director

Balance Sheet

As at 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Investments in subsidiaries	17	**5,293,035**	85,998
Current assets			
Other receivables	20	**–**	157
Cash and bank balances		**168**	7,704
		168	7,861
Current liabilities			
Other payables	23	**2,282**	3,409
Net current (liabilities)/assets		**(2,114)**	4,452
Total assets less current liabilities		**5,290,921**	90,450
Non-current liabilities			
Convertible bonds	25	**964,035**	—
Net assets		**4,326,886**	90,450
Capital and reserves			
Share capital	29	**35,465**	19,325
Reserves	30(b)	**4,291,421**	71,125
Total equity		**4,326,886**	90,450

Wong Chung Yu, Denny
Director

Kwong Wai Ho, Richard
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2009

	Share Capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Exchange reserve HK$'000	Share option reserve HK$'000	Equity component of convertible bonds HK$'000	Accumulated losses HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2007	4,849	17,697	10,440	68	3,055	—	(37,094)	6,319	5,334
Equity component of convertible bonds	—	—	—	—	—	2,043	—	—	2,043
Issue of new shares									
– placing of shares	786	20,291	—	—	—	—	—	—	21,077
– open offer	3,005	11,463	—	—	—	—	—	—	14,468
– conversion of convertible bonds	10,183	45,206	—	—	—	(2,043)	—	—	53,346
– exercise of share options	502	10,516	—	—	(2,735)	—	—	—	8,283
Exchange difference on translation of the financial statements of foreign subsidiaries	—	—	—	15	—	—	—	—	15
Loss for the year	—	—	—	—	—	—	(47,515)	(1,127)	(48,642)
At 31 March 2008 and 1 April 2008	19,325	105,173	10,440	83	320	—	(84,609)	5,192	55,924
Acquisition of subsidiaries (note 37)	—	—	—	—	—	—	—	3,033,421	3,033,421
Equity component of convertible bonds (note 25(b))	—	—	—	—	—	4,108,828	—	—	4,108,828
Issue of new shares									
– placing of shares (note 29(b) (v))	1,140	48,110	—	—	—	—	—	—	49,250
– acquisition of subsidiaries (note 29(b) (vi))	5,000	65,000	—	—	—	—	—	—	70,000
– conversion of convertible bonds (note 25(b) and (note 29(b) (vii))	10,000	699,108	—	—	—	(562,853)	—	—	146,255
Exchange difference on translation of the financial statements of foreign subsidiaries	—	—	—	73	—	—	—	—	73
Deregistration of a subsidiary (note 38)	—	—	—	—	—	—	—	(5,172)	(5,172)
Loss for the year	—	—	—	—	—	—	(162,860)	(58)	(162,918)
At 31 March 2009	**35,465**	**917,391**	**10,440**	**156**	**320**	**3,545,975**	**(247,469)**	**3,033,383**	**7,295,661**

Consolidated Cash Flow Statement

For the year ended 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Operating activities			
Loss before income tax		**(162,642)**	(48,642)
Adjustments:			
Finance costs	5(a)	**118,640**	1,564
Interest income	4	**(42)**	(133)
Loss on disposal of property, plant and equipment	5(d)	**118**	2,346
Amortisation of film rights	5(d)	**4,551**	9,990
Amortisation of programme rights	5(d)	**258**	258
Amortisation of intellectual property rights	5(d)	**4,062**	3,521
Depreciation	5(d)	**1,292**	1,332
Gain on disposal of film rights	4	**(3,551)**	—
Share of results of associates	18	**21**	—
Write down of inventories	5(d)	**410**	3,961
Impairment on intellectual property rights	5(c)	**12,568**	—
Impairment of trade receivables	5(c)	**3,466**	13,400
Impairment of other receivables	5(c)	**2,991**	6,062
Impairment on programme rights	5(c)	**632**	—
Impairment on goodwill	5(c)	**4,259**	—
Impairment of deposits for acquisition of film rights	5(c)	**—**	322
Reversal of impairment on an amount due from a former related company (trade)	4	**(4,125)**	—
Reversal of impairment on other trade debtors	4	**(982)**	—
Operating loss before changes in working capital		**(18,074)**	(6,019)
Decrease in inventories		**6,399**	4,511
Increase in amount due from a related party		**(84)**	—
Increase in amount due from a related company		**2**	2,094
Decrease in trade and other receivables		**2,729**	4,785
Decrease in trade and other payables		**(2,631)**	(5,837)
Increase in amount due to a related company		**1,325**	1,275
Increase in amounts due to related parties		**2,546**	—
Increase in amounts due to associates		**73**	—
Cash (used in)/ generated from operating activities		**(7,715)**	809
Tax refunded		**14**	—
Net cash (used in) /generated from operating activities		**(7,701)**	809

	Note	2009	2008
		HK$'000	HK$'000
Investing activities			
Interest received		**42**	133
Acquisition of film rights	15	**(546)**	(5,692)
Acquisition of subsidiaries	37	**(51,156)**	—
Payment for mining claims	14	**(2,364)**	—
Acquisition of property, plant and equipment		**(1,756)**	(1,656)
Acquisition of intellectual property rights		**–**	(11,500)
Decrease in deposits for acquisition of film rights		**67**	1,063
Proceeds from disposal of film rights		**3,551**	—
Net cash used in investing activities		**(52,162)**	(17,652)
Financing activities			
Proceeds from issue of new shares, net	29(b)(v)	**49,250**	43,828
Proceeds from issue of convertible bonds, net		**–**	49,389
Repayment of promissory note	26	**(10,000)**	—
Decrease in amount due to a director		**–**	(7,076)
Decrease in minority interest		**(5,172)**	—
(Increase)/decrease in pledged bank deposits		**(28)**	2,981
New bank loans raised		**–**	4,492
Interest paid on bank borrowings		**(718)**	(1,515)
Repayment of bank borrowings		**(4,275)**	(16,202)
Interest element of finance leases		**(50)**	(49)
Repayment of capital element of finance leases		**(346)**	(380)
Net cash generated from financing activities		**28,661**	75,468
Net (decrease)/increase in cash and cash equivalents		**(31,202)**	58,625
Cash and cash equivalents at beginning of the year		**49,842**	(8,798)
Effect of foreign exchange rate changes		**78**	15
Cash and bank balances at end of the year	22	**18,718**	49,842

1. GENERAL INFORMATION

Intelli-Media Group (Holdings) Limited (the "Company") is an exempt company with limited liability incorporated in the Cayman Islands. The address of its registered office is P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies.

The Company and its subsidiaries (collectively "the Group") are principally engaged in the distribution of video products, provision of sub-licensing services and trading of metals. During the year, the Group acquired certain exclusive offshore mining claims in The Philippines, the acquisition signifies the Group's new venture into mining business.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collectively includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the HKICPA which are or have become effective.

HKFRS 39 and 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	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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Statement of compliance *(continued)*

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

HKFRSs (Amendments)	Improvements to HKFRS[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 39 (Amendments)	Eligible hedged items[3]
HKAS 1, HKAS 32, HKAS 39 and HKAS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[3]
HKFRS 2 (Amendments)	Share-based Payment-Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments [2]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 9 and HKAS 39 (Amendments)	Embedded derivatives[7]
HK(IFRIC)-Int 13	Customers Loyalty Programmes[4]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[6]

[1] 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

[2] Effective for annual periods beginning on or after 1 January 2009

[3] Effective for annual periods beginning on or after 1 July 2009

[4] Effective for annual periods beginning on or after 1 July 2008

[5] Effective for annual periods beginning on or after 1 October 2008

[6] Effective for transfers of assets from customers received on or after 1 July 2009

[7] Effective for annual periods beginning on or after 30 June 2009

The application of HKAS 1 (Revised) may result in a change in presentation of the primary statements of the financial statements. 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 new and revised standards, amendments and interpretations will have no material impact on the results and financial position of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2009 comprise the Company and its subsidiaries (collectively referred to as the "Group").

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying transactions, events and circumstances relevant to the entity. The functional currency of the Company is United State dollars ("US$") after the acquisition of First Pine Enterprises Limited ("First Pine") on 18 December 2008 as referred to in note 37, because the transactions, events and circumstances of the Company has been changed to and reflected in US$ from the date of acquisition of First Pine. The functional currencies of its major subsidiaries are US$ and HK$. In the opinion of the directors of the Company, there are no material effects on the financial statements of the Company arising from the change of the functional currency from HK$ to US$. The consolidated financial statements are presented in HK$, as the Company is listed in Hong Kong, the directors of the Company consider that it is more appropriate to present the consolidated financial statements in HK$, when most of its public investors are located in Hong Kong.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of the 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 that are 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 that are 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 the 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 34.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements *(continued)*

In preparing the financial statements, the directors have considered future liquidity of the Group in view of its consolidated net loss attributable to equity holders of the Company of approximately HK$162,860,000 for the year ended 31 March 2009 and had net current liabilities of approximately HK$12,175,000 as at 31 March 2009. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and liabilities in the normal course of business. Nevertheless, the directors of the Company are of the opinion that the Group will be able to finance its future working capital and financial requirements given that:

(i) On 30 September 2008, the Company has entered into a 3 year Euro 200 million convertible loan agreement (the "CLA") with Fortress World Limited (the "Lender"), an independent third party. The loan accrues interest in arrear at a fixed rate of 3% per annum, which is payable on an annual basis. Pursuant to terms of the CLA, the Lender may at any time after the date of drawdown but before the third year of the date of drawdown, convert the amount outstanding under the loan into new shares of the Company at a rate of Euro 0.10 per share at a fixed conversion rate of 1 Euro to HK$11.1678. Under the terms of the CLA, the Lender shall not exercise the conversion right of the allotment and issue of the conversion shares to the Lender pursuant to an exercise of the conversion right will cause the Company to be in breach of the minimum public float requirement of the GEM Listing Rules. The directors of the Company believe that the Group will ultimately be able to complete the drawn-down of this loan.

(ii) the promissory note holder has confirmed that he would not request early redemption of the note; and

(iii) the Group has been actively discussing with prospective investors to obtain new working capital and to meet financial requirements in the near future.

In the opinion of the directors, in light of the various measures/ arrangements implemented with the expected results of other measures in progress, the Group will be able to meet its financial obligations as and when they fall due and to finance its future working capital and financial requirements. Accordingly, the directors are of the opinion that it is appropriate to prepare the financial statements for the year ended 31 March 2009 on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Subsidiaries and minority interests

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.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. 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.

Minority interests represent the portion of the net asset of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet depending on the nature of the liability.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2 (k)(ii)).

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Associates and jointly controlled entities

An associate is an entity in which the Group and the Company has significant influence, but not control or joint control, over its management, including participation in the consolidated financial statements.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement established that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's or the jointly controlled entity's net assets, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidation income statement of the Group includes the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on goodwill relating to the investment in associates and jointly controlled entities recognised for the year.

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity. For this purpose, the Group's interest in the associate or the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from the Group's transactions with the associate and jointly controlled entities are eliminated to the extent of the Group's relevant interests in the associate or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred in which case losses are recognised immediately in profit or loss.

In the Company's balance sheet, its investment in an associate and jointly controlled entity is stated at cost less impairment losses (see note 2 (k)(ii)).

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identified assets, liabilities and contingent liabilities.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2 (k)(ii)).

Any excess of the Group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised immediately in income statement.

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of profit or loss on disposal.

(f) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2 (k)(ii)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives at the following annual rates:

Leasehold improvements	10% or over the term of the leases
Furniture and fixtures	30%
Office equipment	30%
Motor vehicles	30%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation 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, of any, are reviewed annually.

(g) Other intangible assets (other than goodwill)

(i) Film rights

Advances prepaid and paid by instalments under licensing agreements for reproduction and distribution of audio-visual products and for sub-licensing of film titles, in specific geographical areas and time periods, are recorded as payment for acquisition of film rights. Upon receipt of the master materials of films, all required payments under the licensing agreements are recorded as film rights. The balances payable under the licensing agreements are recorded as liabilities.

Film rights are stated at cost less accumulated amortisation and any accumulated impairment losses.

Film rights are amortised at rates calculated to write off the costs in proportion of the expected revenues. Such rates are subject to annual review by the directors.

(ii) Trademark

Trademark represents license fee paid for the use of trademark and is stated at cost less accumulated amortization and any identified impairment losses. The cost of trademark is amortised on a straight-line basis over the estimated useful life.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Other intangible assets (other than goodwill) *(continued)*

(iii) Programme and intellectual property rights

The cost of programme and intellectual property rights are stated at cost less accumulated amortization and any identified impairment losses. Programme and intellectual property rights are amortised on a straight-line basis over the estimated useful life.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the asset's estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

—	Film rights	2-5 years
—	Trademark	5 years
—	Programme and intellectual property rights	5 years

Both the period and method of amortisation are reviewed annually.

(h) Films in progress

Films in progress are stated at cost less any identified impairment losses. Costs include all direct costs associated with the production of films. Costs of films are transferred to film rights upon completion. Provisions are made for costs which are in excess of the expected future revenue generated by these films. The balance of film production cost not yet due are disclosed as commitments.

(i) Payment for intangible assets–mining claims

Payments for mining claims are recognised at cost on initial recognition. Subsequent to initial recognition, mining claims are stated at cost less any accumulated impairment losses. Mining claims represent all the rights of the Group to explore, develop and utilize in and to magnetite and other minerals located in the specified mining area pursuant to the issuance of an exploration permit and mineral agreement by the relevant authorities of the Philippines. When the exploration permit is issued, payments for mining claims is reclassified as exploration and evaluation assets (see note 2(l)).

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) 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 that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(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 is included in property, plant and equipment 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 Group will obtain ownership of the asset, the life of the asset, as set out in note 2 (f). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2 (k)(ii). Finance charge implicit in the lease payments are charged to income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to income statement in the accounting period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Leased assets *(continued)*

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to income statement in equal instalments over the accounting period 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 incentive received is recognised in income statement in the accounting period in which they are incurred.

The cost of acquiring land under an operating lease is amortised on a straight-line basis over the period of the lease term.

(k) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other receivables are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

— 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; and

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Impairment of assets *(continued)*

(i) Impairment of trade and other receivables (continued)

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

— For trade receivables and other 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.

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 been recognised in prior years.

Impairment losses for doubtful debts are recognised in respect of trade receivables included within trade and other receivables, whose recovery is considered doubtful but not remote are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills 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. 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 (excluding exploration and evaluation 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 an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment (other than properties carried at revalued amounts);
— goodwill;
— payment for intangible assets - mining claims;
— other intangible assets; and
— investments in subsidiaries and associates

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Impairment of assets *(continued)*

(ii) Impairment of other assets (excluding exploration and evaluation assets) (continued)

If any such indication exists, the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

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

— Recognition of impairment losses

An impairment loss is recognised in the consolidated income statement 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) 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 favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of 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 the profit or loss in the year in which the reversals are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Impairment of assets *(continued)*

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, 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.

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even of 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.

(l) Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses. Exploration and evaluation assets include the cost of exploration permit and mineral agreement and the expenditure incurred in research for mineral reserves as well as the determination of the feasibility and commercial viability of extracting mineral resources become demonstrable, previously resognised mining claims are reclassified as either intangible assets or other fixed assets.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Exploration and evaluation assets *(continued)*

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with HKAS 36 Impairments of Assets whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable:

– the period for which the entity has the right to explore in the specific areas has expired during the period or will expire in the near future, and is not expected to be renewed.

– substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.

– exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercial viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.

– sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in the consolidated income statement whenever the carrying amount of an asset exceeds its recoverable amount.

(m) Inventories

Inventories are carried at lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs to purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When the inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter measured at amortised cost using the effective interest method, less provision for impairment losses for bad and doubtful debts (see note 2 (k)(i)), 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 impairment of doubtful debts.

(o) Convertible notes

(i) Convertible notes that contains an equity component

Convertible notes that can be converted to equity share capital at the option of the holders, where the number of shares that would be issued on conversion and the value of the consideration that would be received do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition, the liability component of the convertible notes is determined using a market interest rate for an equivalent non-convertible note. The remainder of the proceeds is allocated to the conversion option as equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity. The equity component is recognised in equity, net of any tax effects.

When the note is converted, the relevant equity component and the carrying amount of the liability component at the time of conversion are transferred to share capital and share premium for the shares issued. When the note is redeemed, the relevant equity component is transferred to retained profits.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Convertible notes *(continued)*

(ii) Convertible notes that do not contain an equity component

All other convertible notes which do not exhibit the characteristics mentioned in (i) above are accounted for as hybrid instruments consisting of an embedded derivative and a host debt contract.

At initial recognition, the embedded derivative of the convertible notes is accounted for as derivative financial instruments and is measured at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as liability under the contract. Transaction costs that relate to the issue of the convertible notes are allocated to the liability under the contract.

The derivative component is subsequently carried at fair value and changes in fair value are recognised in the income statement. The liability under the contract is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity.

When the note is converted, the carrying amount of the liability under the contract together with the fair value of the relevant derivative component at the time of conversion are transferred to share capital and share premium as consideration for the shares issued. When the note is redeemed, any difference between the redemption amount and the carrying amounts of both components is recognised in income statement.

(p) Interest-bearing borrowings and promissory note

Interest-bearing borrowings and promissory note recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest-bearing borrowings and promissory note are stated at amortised cost, any difference between the amount initially recognised (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings, using the effective interest method.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, deemed deposits with banks and other financial institutions and short term highly liquid investments that readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value, having been within three months of maturity at acquisition. 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Borrowing costs

Borrowing costs are charged to the income statement in the period in which they are incurred.

(t) Employee benefits

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

Salaries, annual bonuses, paid annual leaves, contributions to defined contribution retirement 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 a capital reserve within equity. The fair value is measured at grant date using the appropriate valuation techniques, after 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.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged /credited to the profit or loss for the year of the review. 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 capital reserve) except where the 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 capital 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) 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 profit and loss 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.

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 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Income tax *(continued)*

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.

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 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; or

— 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that requires 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 payments 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 receivables 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 profit and loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2 (v)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, (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 depreciation.

(ii) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or 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 is also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Recognition of revenue

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 the profit or loss as follows:

(i) Sale of goods

Revenue from sales of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(ii) Sub-licensing of film rights

Licence income from film rights licensed to licensees is recognised over the license period and when the films are available for showing or telecast.

(iii) Film exhibition and film distribution income

Film exhibition and film distribution income is recognised when the right to receive payment is established.

(iv) Marketing service income and management fee income

Marketing service income and management fee income are recognised when the related services are rendered.

(v) Interest income

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

(vi) Royalty income

Royalty income is recognised on an accrual basis.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Foreign currency translation

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of operations outside Hong Kong are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

On disposal of an operation outside Hong Kong, the cumulative amount of the exchange differences recognised in equity which relate to that operation is included in the calculation of the profit or loss on disposal.

(y) Related parties

For the purpose of these financial statements, a party is 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 excise 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 the key management personnel of the Group or its 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 member of the family of any individual referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(y) Related parties *(continued)*

(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.

(z) Segment reporting

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

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format, and geographical segment information as the secondary reporting format for the purposes 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 inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, results, assets and liabilities are determined before intra-group balances and intra-group 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.

3. TURNOVER

The Group is principally engaged in the distribution of video products, sub-licensing of film rights, film exhibition and distribution, and sales of metals.

Turnover represents the sales value of goods sold to customers and is stated after deducting goods returns and trade discounts. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2009	2008
	HK$'000	HK$'000
Sales of video products	**9,637**	27,446
Sub-licensing of film rights	**3,418**	2,141
Film exhibition and film distribution income	**–**	3,570
Sales of metals	**4,287**	—
	17,342	33,157

4. OTHER REVENUE AND OTHER INCOME

	2009	2008
	HK$'000	HK$'000
Other revenue		
Interest income	**42**	133
Total interest income on financial assets not at fair value through profit or loss	**42**	133
Management fee income	**–**	605
Marketing service income	**–**	2,408
Royalty income	**487**	—
	529	3,146
Other income		
Gain on disposal of film rights	**3,551**	—
Gain on trading securities	**596**	—
Net exchange gain	**–**	30
Compensation received (note a)	**–**	1,324
Reversal of impairment on an amount due from a former related company (trade) (note b)	**4,125**	—
Reversal of impairment on other trade debtors	**982**	—
Sundry income	**750**	589
	10,004	1,943

Notes:

(a) Compensation received of HK$1,324,000 represented the damages awarded by the court in Germany to the Company for infringement of copy rights.

(b) Prior to the deregistration of a subsidiary during the year (see note 38 to the financial statements), the amount due from the former related company was fully recovered and thus, the impairment was fully reversed.

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2009 HK$'000	2008 HK$'000
(a) Finance costs:		
Interest on bank and other borrowings wholly repayable within five years	**718**	1,515
Finance charges on obligations under finance leases	**50**	49
Imputed interest on promissory note (note 26)	**8,754**	—
Imputed interest on convertible bonds (note 25)	**109,118**	—
Total interest expense on financial liabilities not at fair value through profit or loss	**118,640**	1,564

(b) Staff costs:

	2009 HK$'000	2008 HK$'000
Contributions to defined contribution retirement plans	**269**	238
Salaries, wages and other benefits	**11,471**	9,280
	11,740	9,518

(c) Impairment losses:

	2009 HK$'000	2008 HK$'000
– goodwill (note 16)	**4,259**	—
– intellectual property rights (note 15)	**12,568**	—
– programme rights (note 15)	**632**	—
– trade receivables	**3,466**	13,400
– other receivables	**2,991**	6,062
– deposits for acquisition of film rights	**–**	322
	23,916	19,784

5. LOSS BEFORE TAXATION *(continued)*

(d) Other items:

	2009	2008
	HK$'000	HK$'000
Amortisation		
– film rights	**4,551**	9,990
– intellectual property rights	**4,062**	3,521
– programme rights	**258**	258
Depreciation		
– owned assets	**1,002**	1,123
– assets held under finance leases	**290**	209
Auditor's remuneration		
– audit services	**500**	650
– non-audit services	**340**	200
Cost of inventories sold	**15,183**	25,890
Write-down of inventories	**410**	3,961
Operating lease charges in respect of properties	**2,424**	1,992
Loss on disposal of property, plant and equipment	**118**	2,346

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2009	2008
	HK$'000	HK$'000
Current tax – Hong Kong Profits Tax	**73**	—
– PRC enterprise income tax	**203**	—
Provision for the year	**–**	—
	276	—

Hong Kong Profits Tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profits for the year.

Taxation for the subsidiaries in the PRC is charged at the appropriate current rates for taxation ruling in the PRC. The applicable PRC income tax rate is 25% (2008: 33%).

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(continued)*

(a) Taxation in the consolidated income statement represents: *(continued)*

Withholding tax (applicable to PRC entities that pay dividend, interest, rent, royalty to non-resident companies)

Pursuant to the new PRC Corporate Income Tax Law which took effect from 1 January 2008, 10% withholding tax was levied on dividends declared to foreign enterprise investors from the PRC effective 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign enterprise investors.

On 22 February 2008, Caishui (2008) No. 1 was promulgated by the PRC tax authorities to specify that dividends declared and remitted out of the PRC from the retained earnings as at 31 December 2007 determined based on the relevant PRC tax law and regulations are exempted from the withholding tax.

At 31 March 2009, there were no material deferred tax liabilities in respect of the tax that would be payable on the distribution of the retained profits of the Group's PRC subsidiary which has accumulated losses as at 31 March 2009.

Taxation for other overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

The corporate income tax rate in the Philippines changed from 35% to 30% with effect on 1 January 2009. No provision for Philippines corporation income tax has been made as the subsidiaries in the Philippines did not have assessable profits subject to corporation income tax in the Philippines.

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2009 **HK$'000**	2008 HK$'000
Loss before taxation	**(162,642)**	(48,642)
Notional tax on loss before taxation, calculated at rates applicable to losses in the countries concerned	**(26,836)**	(8,512)
Tax effect of non-taxable income	**(218)**	(22)
Tax effect of non-deductible expenses	**23,228**	3,800
Tax effect of temporary differences recognised	**919**	690
Tax effect of different tax rates of operation in other jurisdiction	**131**	(332)
Tax loss utilised	**(869)**	—
Tax effect of unused tax losses not recognised	**3,921**	4,376
Actual tax expense	**276**	—

7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees HK$'000	Salaries and allowances HK$'000	Retirement scheme contributions HK$'000	2009 Total HK$'000
Executive directors				
Wong Chung Yu, Denny (appointed on 20 May 2008)	–	974	11	985
Kwong Wai Ho, Richard	–	1,405	14	1,419
Chin Wai Keung, Richard (resigned on 2 January 2009)	–	743	8	751
So Wing Lok, Jonathan (resigned on 13 October 2008)	390	–	–	390
Wong Hoi Yan, Audrey (resigned on 18 July 2008)	–	167	3	170
Non-executive directors				
Yin Mark Teh-min (appointed on 20 May 2008)	104	–	–	104
Independent non-executive directors				
Lai Kai Jin, Michael	120	–	–	120
Chan Siu Wing, Raymand (appointed on 1 September 2008)	70	–	–	70
Chu Hung Lin, Victor (appointed on 1 June 2009)	–	–	–	–
Shum Man Ching (resigned on 1 October 2008)	50	–	–	50
Chow Shiu Ki (resigned on 20 August 2008)	46	–	–	46
NG Yat Cheung, JP (appointed on 13 May 2008 and resigned on 1 March 2009)	96	–	–	96
	876	3,289	36	4,201

7. DIRECTORS' REMUNERATION *(continued)*

	Directors' fees HK$'000	Salaries and allowances HK$'000	Retirement scheme contributions HK$'000	2008 Total HK$'000
Executive directors				
Chin Wai Keung, Richard	—	1,924	15	1,939
Fung Yee Sang	—	—	—	—
Chow Chi Yiu Alvin	—	122	6	128
Fung Yu Hing, Allan	—	148	4	152
Ling Macadam	—	37	2	39
Kwong Wai Ho, Richard	—	—	—	—
Lo Wing Keung	—	322	11	333
So Wing Lok, Jonathan	—	—	—	—
Wong Hoi Yan, Audrey	—	561	8	569
Independent non-executive directors				
Chow Shiu Ki	120	—	—	120
Hung Tik	33	—	—	33
Lai Kai Jin, Michael	14	—	—	14
Lam Wai Leung	20	—	—	20
Shum Man Ching	100	—	—	100
	287	3,114	46	3,447

No emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. No directors of the Company waived or agreed to waive any emoluments during the years ended 31 March 2009 and 2008.

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2008: two) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2008: three) individuals are as follows:

	2009	2008
	HK$'000	HK$'000
Salaries and other emoluments	**1,840**	1,333
Retirement scheme contributions	**23**	49
	1,863	1,382

The emoluments of the two (2008: three) individuals with the highest emoluments are within the following bands:

	2009	2008
	Number of individuals	Number of individuals
Nil-$1,000,000	**1**	3
$1,000,001-$1,500,000	**1**	—

9. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a loss of HK$137,897,000 (2008: loss of HK$12,103,000) which has been dealt with in the financial statements of the Company.

10. DIVIDENDS

No payment of dividends has been proposed by the board of directors of the Company for the year ended 31 March 2009 (2008: Nil).

11. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$162,860,000 (2008: loss of HK$47,515,000) and the weighted average of ordinary shares of 2,304,551,000 shares (2008: 687,201,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2009	2008
	'000	'000
Issued ordinary shares at 1 April	**1,932,534**	484,860
Effect of shares issued by open offer (note 29(b)(iii))	**–**	101,268
Effect of shares issued upon conversion of convertible bonds (note 29(b)(vii))	**121,918**	18,142
Effect of shares issued upon exercise of share options (note 29(b)(i))	**–**	16,638
Effect of shares issued under a placement (note 29(b)(v))	**109,003**	66,293
Effect of consideration shares issued (note 29(b)(vi))	**141,096**	—
Weighted average number of ordinary shares at 31 March	**2,304,551**	687,201

(b) Diluted loss per share

The diluted loss per share for the year ended 31 March 2009 is equal to the basic loss per share as the outstanding convertible bonds were anti-dilutive.

The diluted loss per share for the year ended 31 March 2008 is equal to the basic loss per share as the effect of any dilution arising from the outstanding share options was anti-dilutive.

12. SEGMENT REPORTING

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.

Business segments

The Group organises its business into three main segments:

— Sales of video products and sub-licensing of film rights
— Sales of metals
— Mining exploration and exploitation

(a) For the year ended 31 March 2009

The Group

	Sales of video products and sub-licensing of film rights HK$'000	Sales of metals HK$'000	Mining exploration and exploitation HK$'000	Consolidated HK$'000
Revenue from external customers	13,055	4,287	–	17,342
Segment result	(27,753)	(46)	(15,644)	(43,443)
Unallocated operating income and expenses				(559)
Loss from operations				(44,002)
Finance costs	(768)	–	(117,872)	(118,640)
Loss before taxation	(28,521)	(46)	(133,516)	(162,642)
Income tax				(276)
Loss after taxation				(162,918)
Capital expenditure	826	–	8,431,464	8,432,290
Depreciation	572	–	720	1,292
Amortisation	8,871	–	–	8,871
Write down of inventories	410	–	–	410
Impairment loss	23,916	–	–	23,916

12. SEGMENT REPORTING *(continued)*

Business segments *(continued)*

(a) For the year ended 31 March 2009 *(continued)*

The Group

	Sales of video products and sub-licensing of film rights HK$'000	Sales of metals HK$'000	Mining exploration and exploitation HK$'000	Consolidated HK$'000
Segment assets	17,446	–	8,451,258	8,468,704
Unallocated assets	–	–	–	1,229
				8,469,933
Segment liabilities	43,119	–	1,128,366	1,171,485
Unallocated liabilities	–	–	–	2,787
				1,174,272

12. SEGMENT REPORTING *(continued)*

Business segments *(continued)*

(b) For the year ended 31 March 2008

The Group

	Sales of video products and sub-licensing of film rights HK$'000	Sales of metals HK$'000	Mining exploration and exploitation HK$'000	Consolidated HK$'000
Revenue from external customers	33,157	—	—	33,157
Segment result	(41,058)	—	—	(41,058)
Unallocated operating income				(6,020)
Loss from operations				(47,078)
Finance costs	(1,564)			(1,564)
Loss before taxation	(42,622)	—	—	(48,642)
Income tax	—	—	—	—
Loss for the year	(42,622)	—	—	(48,642)
Depreciation				
– Segment	1,294	—	—	1,294
– Unallocated	—	—	—	38
				1,332
				—
Amortisation	13,769	—	—	13,769
Write-down of inventories	3,961	—	—	3,961
Impairment loss	19,784	—	—	19,784
Segment assets	46,958	—	—	46,958
Unallocated assets	—	—	—	58,854
				105,812
Segment liabilities	44,927	—	—	44,927
Unallocated liabilities	—	—	—	4,961
				49,888
Capital expenditure	408	—	—	408
Unallocated expenditure	—	—	—	1,248
				1,656

12. SEGMENT REPORTING *(continued)*

Geographical segments

The Group's operations are mainly located in Hong Kong.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	The Group	
	2009	2008
	HK$'000	HK$'000
Revenue from external customers		
– Hong Kong	**12,882**	32,075
– PRC	**4,460**	1,082
– Philippines	**—**	—
	17,342	33,157
Segment assets		
– Hong Kong	**17,430**	103,688
– PRC	**1,245**	2,124
– Philippines	**8,451,258**	—
	8,469,933	105,812
Capital expenditure incurred during the year		
– Hong Kong	**548**	1,591
– PRC	**278**	65
– Philippines	**8,431,464**	—
	8,432,290	1,656

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:					
At 1 April 2007	2,608	1,917	4,105	3,008	11,638
Additions	—	477	409	770	1,656
Disposals	(2,608)	(1,404)	(3,852)	—	(7,864)
At 31 March 2008 and 1 April 2008	—	990	662	3,778	5,430
Acquisition of subsidiaries (Note 37)	—	—	262	—	262
Additions	142	354	163	1,490	2,149
Disposals	—	(249)	—	(550)	(799)
Exchange adjustment	—	(5)	(1)	—	(6)
At 31 March 2009	**142**	**1,090**	**1,086**	**4,718**	**7,036**
Accumulated depreciation and impairment loss:					
At 1 April 2007	493	1,280	3,635	2,223	7,631
Charge for the year	174	298	248	612	1,332
Written back on disposal	(667)	(1,201)	(3,650)	—	(5,518)
At 31 March 2008 and 1 April 2008	—	377	233	2,835	3,445
Charge for the year	70	296	199	727	1,292
Written back on disposal	—	(131)	—	(550)	(681)
Exchange adjustment	—	(1)	—	—	(1)
At 31 March 2009	**70**	**541**	**432**	**3,012**	**4,055**
Carrying amount:					
At 31 March 2009	**72**	**549**	**654**	**1,706**	**2,981**
At 31 March 2008	—	613	429	943	1,985

At 31 March 2009, the carrying amount of the Group's property, plant and equipment includes an amount of HK$444,000 (2008: HK$192,000) in respect of assets held under finance leases.

14. PAYMENT FOR INTANGIBLE ASSETS - MINING CLAIMS

	The Group	
	2009	2008
	HK$'000	HK$'000
Addition through acquisition of subsidiaries (note 37)	**8,427,515**	—
Additions	**2,364**	—
	8,429,879	—

On 2 May 2008, the Group entered into an acquisition agreement with Kesterion Investments Limited, which is wholly owned by Ms Eva Wong, who is the sister of Wong Chung Yu, Denny and sister-in-law of Yin Mark Teh-min, being an executive director and non-executive director of the Company respectively. Pursuant to the agreement Kesterion Investments Limited agreed to sell and the Group agreed to purchase the entire equity interest in First Pine Enterprises Limited which, at acquisition date on 18 December 2008, holds an indirect 64% equity interest in Mt. Mogan Resources and Development Corporation ("Mogan"), a company incorporated in the Philippines, Mogan holds certain offshore exploration permit applications for mining claims which represent the rights to explore, develop operate and exploit magnetite sand and other minerals located in certain specified offshore area of approximately 41,094 hectares in the Leyte Gulf and San Padro Bay off Leyte and Samar Provinces of the Phillippines ("Mining Area") subject to the issuance of in favour of Mogan of an Exploration Permit and a Mineral Agreement in accordance with the Philippine Mining Act 1995 (Republic Act No. 7942), at a consideration of HK$5,700,000,000 satisfied by issuing to Kesterion Investments Limited (i) 500,000,000 consideration shares of the Company; (ii) HK$200,000,000 promissory note with zero coupon rate with a maturity of 1.5 years; (iii) HK$5,110,000,000 convertible bonds with zero coupon rate with a maturity of 10 years of the issue date and (iv) cash paid of HK$40,000,000. The acquisition was completed on 18 December 2008. Details of convertible bonds, promissory note and consideration shares issued are set out in notes 25, 26 and 29, respectively. The directors of the Company have considered that (a) the Mining Act and its Revised Implementing Rules and Regulations are considered by the industry to be one of the most socially and environmentally-sensitive legislation in its class; and (b) they have specific provisions that take into consideration: (i) local government empowerment; (ii) respect and concern for indigenous cultural communities; (iii) equitable sharing of benefits and natural wealth; (iv) economic demands of present generation while providing the necessary foundation for future generations; (v) worldwide trend towards globalization; and (vi) protection for and wise management of the environment. Pursuant to the Mining Act, an Exploration Permit, when approved by the Mines and Geosciences Bureau (the "MGB") of the Department of Environment and Natural Resources (the "DENR") of the Philippines, grants the exploration mining applicant the right to conduct exploration for the specified mineral(s) in the specified area(s) within a specified timeframe; whilst a Mineral Agreement, when made with and granted by the DENR/MBG acting on behalf of the Government of Philippines, shall provide the applicant with the exclusive rights to conduct mining operations to extract and exploit the pre-agreed upon mineral resource(s) in the specified area(s) for a term of 25 years starting from the execution date and renewable for another term not exceeding 25 years. The technical reserve assessment report prepared by Dehre Dolbear Asia, Inc, an international technical expert dated 1 September 2008, indicated that total exploration potential of the two mining claims for the Mining Area in the range of 3,300 million to 7,000 million tones of magnetite sand at greater than 5% magnetic fraction. Independent

14. PAYMENT FOR INTANGIBLE ASSETS - MINING CLAIMS *(continued)*

professional valuation on the business value of Mogan was conducted by B.I. Appraisals Limited, a firm of independent professional valuers, at 21 November 2008 in relation to the offshore magnetite mining tenements at approximately US$4,685 million (or US$2,998 million as to 64% of US$4,685 million) covered by the Mining Area of the two exploration permit applications using the discounted cash flow approach, at the discount rate of 19.3%, for the valuation on the basis that the relevant Exploration Permits and Mineral Agreement were granted in favour of Mogan by the relevant authorities of the Philippines. Both Dehre Dolbear Asia, Inc and B.I. Appraisals Limited are independent of the Group and management. As at 31 March 2009 and up to the approval date of these financial statements, neither an Exploration Permit nor a Mineral Agreement has been approved and granted in favour of Mogan by the relevant authorities of the Philippines. The directors of the Company believe that Mogan will ultimately be able to obtain both the Exploration Permit and Mineral Agreement in respect of the Mining Area. The directors of the Company has obtained legal opinion in respect of Philippine law that the MGB has accepted Mogan's exploration permit applications and that Mogan has priority in securing the Exploration Permit(s) over the applied Mining Area. During the year, Mogan also entered into a Memorandum of Agreement with DENR ("MOA") under which Mogan was entitled to conduct a technical study jointly with DENR in the area covered by Mogan's exploration permit applications. Mogan has also entered into a soil sampling agreement with a geotechnical contractor during the year. Mogan has subsequently commenced exploration jointly with DENR in the Leyte Gulf area covered by Mogan's exploration permit applications and the MOA since early April 2009.

Management considered that the carrying amount of the "Payment for intangible assets – mining claims" can be fully recoverable and no impairment on its carrying amount is necessary at 31 March 2009.

Impairment test

The Company has engaged an independent professional valuer, Asset Appraisal Limited, to determine the value in use of the mining claims as a cash-generation unit ("CGU") on the basis that the Exploration Permit(s) and Mineral Agreement would be granted by the relevant authorities of the Philippines.

The recoverable amount of the "Payment for intangible assets – mining claims" is determined based on the estimate of the value in use of the Mining Claims on the basis that the Exploration Permits and Mineral Agreement were granted to Mogan. The estimated cash flows of 20 years are discounted at 16% to calculate the present value. Key assumptions for the value in use are on magnetic sand quantities, prices and operating costs after considering the magnetic content that can be extracted. Based on these evaluations, management is of the view that the recoverable amount of the "Payment for intangible assets – mining claims" exceeds its carrying amount.

15. OTHER INTANGIBLE ASSETS

The Group

	Film rights HK$'000	Trademark HK$'000	Programme rights HK$'000	Intellectual property rights HK$'000	Total HK$'000
Cost:					
At 1 April 2007	208,255	75	1,288	2,815	212,433
Additions	5,692	—	—	17,500	23,192
At 31 March 2008 and 1 April 2008	213,947	75	1,288	20,315	235,625
Additions	546	—	—	—	546
Disposals	(6,308)	—	—	—	(6,308)
At 31 March 2009	**208,185**	**75**	**1,288**	**20,315**	**229,863**
Accumulated amortisation and impairment loss:					
At 1 April 2007	194,936	75	140	164	195,315
Charge for the year	9,990	—	258	3,521	13,769
At 31 March 2008 and 1 April 2008	204,926	75	398	3,685	209,084
Charge for the year	4,551	—	258	4,062	8,871
Disposal	(6,308)	—	—	—	(6,308)
Impairment recognised	—	—	632	12,568	13,200
At 31 March 2009	**203,169**	**75**	**1,288**	**20,315**	**224,847**
Carrying amount:					
At 31 March 2009	**5,016**	**–**	**–**	**–**	**5,016**
At 31 March 2008	9,021	—	890	16,630	26,541

Intangible assets are amortised on a straight line basis over their estimated useful lives as follows:

Film rights	2–5 years
Trademark	5 years
Intellectual property rights	5 years
Programme rights	5 years

The amortisation charge for the year is included in "cost of sales" in the consolidated income statement.

15. OTHER INTANGIBLE ASSETS *(continued)*

Subsequent to 31 March 2009, the intellectual property and programme rights were terminated on mutual agreement with the licensors. Accordingly, full impairment of the programme rights and intellectual property rights amounting to HK$13,200,000 was recognised as at 31 March 2009.

Impairment test on film rights

The value-in-use of film rights has been determined based on the income approach and with reference to the past experience which uses 5 years cash flows forecast prepared by the management. Based on the calculations, the directors considered no impairment was recognised for the year ended 31 March 2009.

16. GOODWILL

	The Group	
	2009	2008
	HK$'000	HK$'000
Cost	**4,259**	4,259
Less: impairment loss (note 5(c))	**(4,259)**	—
Carrying amount	**–**	4,259

Impairment test for cash-generating unit containing goodwill – 2008

The goodwill arising from the acquisition of Datewell Limited and its subsidiaries ("Datewell Group") was treated as a separate cash generating unit ("CGU") which is engaged in the holding and distribution of intellectual property rights. The recoverable amount of the CGU is based on value-in use calculation. The calculation used cash flow projection based on financial budgets approved by management, with reference to the past experience covering a five-year period. By reference to the valuation report prepared by an independent professional valuer, BMI Appraisals Limited ("BMI"), the recoverable amount of Datewell Group was determined based on income approach, which used discounted cash flow method, as assumptions used for value-in-use calculation:

Risk-free rate	2.58%	Yield rate of the 10-year Hong Kong Exchange Fund Note
Market risk premium	14.47%	
Beta	0.596	Average of betas of publicly listed comparable companies that are in the same industry
Size premium	3.88%	
Growth rate	3%	
Discount rate	12.51%	

In 2008, management determined the budget gross margin based on the growth rate, past performance and its expectation for market development. The weighted average growth rate was estimated by the management after taking into consideration an industry growth forecast. The discount rate used was pre-tax and reflected specific risk relating to the relevant segment. Based on the calculations, no impairment was recognised for the year ended 31 March 2008.

16. GOODWILL *(continued)*

Subsequent to 31 March 2009, the intellectual property and programme rights were terminated on mutual agreement with the licensors. In the opinion of the directors of the Company, it is uncertain that sufficient cash flow will be generated by the cash-generating unit in the foreseeable future to substantiate the carrying amount of the goodwill and, accordingly, full impairment of the goodwill of HK$4,259,000 as at 31 March 2009.

17. INVESTMENTS IN SUBSIDIARIES

	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**31,672**	31,372
Less: impairment	**(31,372)**	(25,572)
	300	5,800
Amounts due from subsidiaries	**5,331,827**	97,356
Less: impairment	**(39,092)**	(17,158)
	5,292,735	80,198
	5,293,035	85,998

The amounts due from subsidiaries are unsecured and interest free and in substance form part of the Company's investments in subsidiaries as quasi-equity contributions.

Due to the recent financial turmoil, the market for sales of video products and sub-licensing of film rights was adversely affected, the operating results of Panorama Distributions Company Limited and its subsidiaries ("Panorama Group") for the year was significantly below that of the approved budget. In this connection, after consideration of the market demands and financial viability of the Panorama Group's business in the foreseeable future, the management has assessed the recoverable amount of the interest in Panorama Group.

An impairment was recognised for certain amounts due from subsidiaries, engaged in sales of video products and sub-licence of film rights, with an aggregate amount of HK$27,734,000 for the year (2008: HK$1,254,000) because the recoverable amounts of these balances were lower than their carrying amounts. These subsidiaries, engaged in sales of video products and sub-licencing of film rights, have been operating at losses. The provision for impairment was made based on assessment of the recoverable amounts for the corresponding cash-generating units, which requires an estimation of the value in use of the cash-generating units.

17. INVESTMENTS IN SUBSIDIARIES *(continued)*

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

		Proportion of ownership interest				
Name	Place of incorporation /operation	Group's effective holding	Held by the Company	Held by a subsidiary	Issued and paid up capital	Principal activities
Black Sand Enterprises Limited	Hong Kong	100%	100%	—	HK$300,000	Investing holding
Black Sand Resources Trading Limited	British Virgin Islands	100%	—	100%	US$1	Trading of metals
Black Sand Securities Trading Limited	Hong Kong	100%	—	100%	HK$1	Trading of securities
CPE Program Distribution Limited	British Virgin Islands/ Hong Kong	100%	100%	—	US$1	Dormant
Creative Power Entertaining Company Limited (Note i)	PRC	100%	—	100%	HK$500,000	Marketing and sub-licensing
Datewell Limited	British Virgin Islands/ Hong Kong	100%	100%	—	US$100	Investment holding
First Pine Enterprises Limited	British Virgin Islands/ Hong Kong	100%	—	100%	US$1	Investment holding
Intelli-Media (HK) Limited	Hong Kong	100%	—	100%	HK$100	Marketing and sub-licensing
Mt.Mogan Holdings, Inc.	British Virgin Islands	100%	—	100%	US$1	Investment holding
Mt.Mogan Resources and Development Corporation, Inc.	Philippines	64%	—	64%	PHP2,500,000	Mineral exploration and mining activities
Panorama Distributions Company Limited	Hong Kong	100%	—	100%	HK$10,000,002	Distribution of video products
Panorama Entertainment Company Limited	Hong Kong	100%	—	100%	HK$10,000	Holding of film rights
Panorama Entertainment Group Limited	British Virgin Islands/ Hong Kong	100%	100%	—	US$200	Investment holding

17. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation /operation	Proportion of ownership interest: Group's effective holding	Held by the Company	Held by a subsidiary	Issued and paid up capital	Principal activities
Panorama Entertainment (Singapore) Ptd Ltd	Singapore	100%	—	100%	S$100,000	Distribution of video products
Panorama Film Company Limited	British Virgin Islands/ Hong Kong	100%	—	100%	US$1	Inactive
Punch Pictures Company Limited	Hong Kong	100%	—	100%	HK$100	Production of films
Panorama Theatrical Distributions Company Limited	British Virgin Islands/ Hong Kong	100%	—	100%	US$100	Investment holding
Scenerama Company Limited (Note ii)	British Virgin Islands/ Hong Kong	33.4%	—	33.4%	US$1,000	Investment holding
Scenerama Holdings Company Limited (Note ii)	British Virgin Islands/ Hong Kong	58%	—	58%	US$100	Investment holding

Notes:

(i) The company is wholly-foreign owned enterprise established in the PRC.

(ii) 57.5% of the issued capital of Scenerama Company Limited is held by Scenerama Holdings Company Limited which can command the majority of the voting rights and appoint 3 out of 5 board members of Scenerama Company Limited.

18. INTERESTS IN ASSOCIATES

(a) Share of net assets

	The Group	
	2009	2008
	HK$'000	HK$'000
Addition through acquisition of subsidiaries (note 37)	**283**	—
Share of post-acquisition loss	**(21)**	—
Share of net assets	**262**	—

The following list contains only the particulars of associates, all of which are unlisted corporate entities, which principally affected the results or assets of the Group:

Name	Form of business structure	Place of incorporation/ operation	Proportion of ownership interest: Group's effective holding	Held by the Company	Held by a subsidiary	Issued and paid up capital	Principal activity
Belgravia Holdings & Investments, Inc	Incorporated	Philippines	40%	—	40%	25,000 ordinary shares of PHP100 each	Inactive
Triple Edge Resources Holdings, Inc	Incorporated	Philippines	40%	—	40%	25,000 ordinary shares of PHP100 each	Inactive

The Group's share of the aggregate amounts of the assets, liabilities and results of the associates are as follows:

	2009	2008
	HK$'000	HK$'000
Assets	**493**	—
Liabilities	**(231)**	—
Equity	**(262)**	—
Revenue	**–**	—
Share of result of associates for the year	**(21)**	—

(b) Amounts due to associates

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

19. INVENTORIES

(a) Inventories in the balance sheet comprise:

	The Group	
	2009	2008
	HK$'000	HK$'000
Work in progress	**1,424**	2,487
Finished goods	**936**	6,682
	2,360	9,169

(b) The analysis of the amount of inventories recognised as an expense is as follows:

	2009	2008
	HK$'000	HK$'000
Carrying amount of inventories sold	**15,183**	25,890
Write down of inventories	**410**	3,961
	15,593	29,851

20. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade debtors	**12,715**	15,951	**–**	—
Less: allowance for doubtful debts	**(11,759)**	(13,400)	**–**	—
	956	2,551	**–**	—
Deposits	**5,131**	5,075	**–**	—
Prepayments	**1,822**	2,311	**–**	—
Other receivables	**6,611**	5,462	**–**	157
	13,564	12,848	**–**	157
Less: allowance for doubtful debts	**(9,053)**	(6,062)	**–**	—
	4,511	6,786	**–**	157
	5,467	9,337	**–**	157

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

20. TRADE AND OTHER RECEIVABLES *(continued)*

(a) Ageing analysis of trade debtors

	The Group	
	2009	2008
	HK$'000	HK$'000
Current	**131**	1,370
Less than 3 months past due	**712**	107
3 to 6 months past due	**93**	400
Over 6 months past due	**20**	674
	956	2,551

Trade receivables are due within 60 to 180 days from the date of billing. The Group may, on a case by case basis and after evaluation of the business relationship and creditworthiness of its customers, extend the credit period upon customer's request.

(b) Impairment of trade debtors

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly. (see note 2(k)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2009	2008
	HK$'000	HK$'000
At 1 April	**13,400**	—
Impairment loss recognised	**3,466**	13,400
Reversal of impairment on trade receivables	**(5,107)**	—
	11,759	13,400

As at 31 March 2009, the Group's trade debtors of HK$11,759,000 (2008: HK$13,400,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of HK$11,759,000 (2008: HK$13,400,000) were recognised at the balance sheet date. The Group does not hold any collateral over these balances.

20. TRADE AND OTHER RECEIVABLES *(continued)*

(c) Trade debtors that are not impaired

	The Group	
	2009	2008
	HK$'000	HK$'000
Neither past due nor impaired	**131**	1,370
Less than 3 months past due	**712**	107
3 to 6 months past due	**93**	400
Over 6 months past due	**20**	674
	956	2,551

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.

21. PLEDGED BANK DEPOSITS

Pledged bank deposits at 31 March 2009 represented deposits pledged with a bank as security for certain bank and other borrowings of a subsidiary, Panorama Distribution Limited (note 24).

22. CASH AND BANK BALANCE

	The Group	
	2009	2008
	HK$'000	HK$'000
Cash and bank balances in the consolidated balance sheet	**21,150**	51,746
Bank overdrafts (note 24(a))	**(2,432)**	(1,904)
Cash and bank balances in the consolidated cash flow statement	**18,718**	49,842

23. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**8,427**	11,112	**–**	—
Accruals	**43**	654	**–**	—
Withholding tax payable (note a)	**2,101**	2,099	**–**	—
Receipts in advance (note b)	**11,899**	13,817	**–**	—
Other payables	**9,983**	5,466	**2,282**	3,400
	32,453	33,148	**2,282**	3,400

Notes:

(a) Withholding tax payable represents the tax withheld on film licenses acquired from foreign licensors at 5.75% on the purchase cost.

(b) Receipts in advance represent one year sub-licensing fees received in advance upon the signing of the sub-licensing agreement with customers.

23. TRADE AND OTHER PAYABLES *(continued)*

Included in trade and other payables are trade creditors with the following ageing analysis as of the balance sheet date.

	The Group	
	2009	2008
	HK$'000	HK$'000
Due within 3 months	**257**	113
Due over 3 months but within 6 months	**59**	86
Due over 6 months but within 9 months	**122**	767
Due over 9 months but within 12 months	**7,989**	10,146
	8,427	11,112

24. BANK OVERDRAFTS AND BORROWINGS

(a) At 31 March 2009, the bank borrowings were analysed as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
Bank overdrafts	**2,432**	1,904
Bank borrowings	**3,907**	8,182
	6,339	10,086

(b) At 31 March 2009, the bank borrowings were repayable as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
On demand or within 1 year	**4,520**	7,698
After 1 year but within 2 years	**1,819**	2,049
After 2 years but within 5 years	**–**	339
	1,819	2,388
	6,339	10,086

24. BANK OVERDRAFTS AND BORROWINGS *(continued)*

The Group

(c) At 31 March 2009, the bank borrowings were secured as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
Secured	**6,339**	10,086
Unsecured	**–**	–
	6,339	10,086
Secured by		
– bank deposits	**2,183**	2,155
– film rights	**–**	769
– guarantee of a subsidiary's directors (note 35 (f))	**11,000**	27,800
	13,183	30,724

All of the non-current interest-bearing borrowings are carried at amortised cost. None of the non-current interest-bearing borrowings is expected to be settled within one year.

The range of effective interest rates (which are also the contract interest rates) on the Group's bank borrowings are as follows:

	2009	2008
Effective interest rates:		
Fixed rate borrowings	**4.05% to 5.38%**	6.05% to 7.60%

All of the Group's borrowings are denominated in Hong Kong dollars.

As at 31 March 2009, the Group had total banking facilities amounting to HK$11,000,000 (2008: HK$27,982,000) which were utilised to the extent of HK$6,339,000 (2008: HK$10,086,000).

25. CONVERTIBLE BONDS

The Group and the Company

(a) On 15 January 2008, the Company issued HK$50,000,000 Zero Coupon Convertible Notes due 2010 to eight subscribers. The conversion price is HK$0.05 and is subject to anti-dilutive adjustments in the event of further issues of shares or other dilutive events. The fair value of the liability and equity components of the convertible notes were determined by an independent professional qualified valuer at the issue date of the Convertible Notes. During the year ended 31 March 2008, the Convertible Notes were fully converted into 1,018,292,682 ordinary shares of the Company.

(b) On 18 December 2008, the Company entered into subscription agreement with Kesterion Investments Limited, which is beneficially owned by Ms. Eva Wong, a sister of Mr. Wong Chung Yu, Denny and sister-in-law of Mr. Yin Mark Teh-min, being an executive director and non-executive director of the Company respectively, for the issue of convertible bonds with an aggregate principal amount of US$655,128,205 (equivalent to approximately HK$5,110,000,000) (the "Bonds") in connection with the acquisition of 64% equity interest in Mogan. The Bonds, denominated in US$ which is the functional currency of the Company, are convertible into ordinary shares of the Company at an initial conversion price of HK$0.70 per conversion share, subject to any anti-dilution adjustments and certain events such as share consolidation, share subdivision, capitalization issue, capital distribution, right issue and other equity or equity or equity derivative issued. The Bonds are unsecured, non- interest bearing and matures on 18 December 2018 and can be redeemed at par by the Company at anytime before the maturity date. If the Bonds were not converted, they will be redeemed on 18 December 2018. The total number of shares to be issued on conversion of the Bonds will be determined by dividing the principal amount of bonds to be converted (using an agreed fixed exchange rate of US$1= HK$7.8) by the conversion price HK$0.70 in effect at the conversion date.

The fair value of the liability component was determined as of the date of issue by an independent professional valuer, BMI Appraisals Limited. The residual amount represents the value of the equity conversion component. The effective interest rate of the liability component is 17.7% per annum.

During the year, a total principal amount of US$89,743,590 (equivalent to HK$700,000,000 at the agreed fixed exchange rate of US$1 = HK$7.8) was converted into 1,000,000,000 new ordinary shares of the Company of HK$0.01 each as referred to note 29(b)(vii) to the financial statements.

25. CONVERTIBLE BONDS *(continued)*

The Group and the Company *(continued)*

The net proceeds received from the issue of the Convertible Bonds have been split between the liability component and equity component, representing the fair value of the embedded option to convert the liability to equity of the Company, as follows:

	Liability component HK$'000	Equity conversion component HK$'000
At 1 April 2008	–	–
Issue of Convertible Bonds (note 37)	1,001,172	4,108,828
Effective interest expenses recognised (note 5(a))	109,118	–
Conversion during the year (note 29(b)(vii))	(146,255)	(562,853)
At 31 March 2009	964,035	3,545,975

The interest charged for the year is calculated by applying an effective interest rate of 17.7% to the liability component for the period since the Bonds were issued.

26. PROMISSORY NOTE

The Group

On 18 December 2008, Black Sand Enterprises Limited ("BSEL"), a wholly-owned subsidiary of the Company, issued HK$200,000,000 unsecured redeemable promissory note with zero coupon rate in connection with the acquisition of the 64% equity interest in Mogan (see note 37). The promissory note is repayable in 4 instalments over 1 year of the date of issue with the first instalment falling due on 3 months after the date of issue. BSEL has the unconditional right to defer all instalment payments until the final instalment date, i.e a lump sum payment on the 1.5 years of the date of issue i.e. on 18 June 2010. BSEL has the unconditional right to redeem the promissory note prior to the maturity date by serving a written notice to the note-holder. The promissory note has been accounted for at amortised cost, using the effective interest method. The fair value of promissory note is determined at HK$161,756,183, as at the issue date, based on the independent valuation performed by an independent valuer, BMI Appraisals Limited. The effective interest rate of the promissory note is determined to be 15.20% per annum. The promissory note is classified under non-current liabilities and carried on the amortised cost basis until extinguishment or redemption. During the year, BSEL has redeemed HK$10,000,000 of the promissory note.

The amount of the carrying amount of the promissory note during the year ended 31 March 2009 is set out below:

	The Group	
	2009	2008
	HK$'000	HK$'000
At 1 April	**–**	—
Issue of promissory note (note 37)	**161,756**	—
Redemption	**(10,000)**	—
Imputed interest charged (note 5(a))	**8,754**	—
At 31 March	**160,510**	—

27. OBLIGATIONS UNDER FINANCE LEASES

At 31 March 2009, the Group had obligations under finance leases:

	2009		2008	
	Present value of the minimum lease payments HK$'000	**Total minimum lease payments HK$'000**	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	**424**	**464**	346	384
After 1 year but within 2 years	**164**	**178**	297	328
After 2 years but within 5 years	**138**	**150**	36	39
	302	**328**	333	367
	726	**792**	679	751
Less: total future finance charges		**(66)**		(72)
Present value of lease obligations		**726**		679

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets (note 13).

28. INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	The Group	
	2009	2008
	HK$'000	HK$'000
Provision for taxation	**296**	6

Income tax in the consolidated balance sheet represents provision for income tax of a subsidiary in PRC and Hong Kong.

(b) Deferred tax assets and liabilities recognised

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

	The Group		
	Depreciation allowances in excess of the related depreciation	**Tax losses**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Deferred tax arising from:			
At 1 April 2007, 31 March 2008, 1 April 2008 and 31 March 2009	12,652	(8,475)	4,177

Representing:

	The Group	
	2009	2008
	HK$'000	HK$'000
Deferred tax liability recognised in the balance sheet	**12,652**	12,652
Deferred tax asset recognised in the balance sheet	**(8,475)**	(8,475)
	4,177	4,177

28. INCOME TAX IN THE BALANCE SHEET *(continued)*

(c) Deferred tax assets not recognised

At the balance sheet date, the Group has unused tax losses of HK$36,164,434 (2008: HK$24,053,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of these tax losses as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

29. SHARE CAPITAL

	Note	No. of ordinary shares of HK$0.01 each	Nominal value of ordinary shares HK$'000
Authorised ordinary shares:			
At 1 April 2007		1,500,000,000	15,000
Increase in authorised share capital	(a)	18,500,000,000	185,000
At 31 March 2008 and 31 March 2009		20,000,000,000	200,000
Issued and fully paid ordinary shares:			
At 1 April 2007		484,860,000	4,849
Issue of new shares			
– placing of shares	(b)(ii)	78,670,000	786
– open offer	(b)(iii)	300,511,341	3,005
– conversion of convertible notes	(b)(iv)	1,018,292,682	10,183
– exercise of share options	(b)(i)	50,200,000	502
At 31 March 2008 and 1 April 2008		1,932,534,023	19,325
Issue of new shares			
– placing of shares	(b)(v)	114,000,000	1,140
– acquisition of subsidiaries	(b)(vi)	500,000,000	5,000
– conversion of convertible bonds	(b)(vii)	1,000,000,000	10,000
		3,546,534,023	35,465

29. SHARE CAPITAL *(continued)*

(a) Authorised share capital

Pursuant to the extraordinary general meeting held on 18 February 2008, the authorised share capital of the Company was increased to HK$200,000,000 by the creation of an additional 18,500,000,000 shares of HK$0.01 each, ranking pari passu with the existing shares of the Company in all respects.

(b) Issue of share capital

(i) Issue of new shares upon exercise of share options

During 2008, share options to subscribe for 50,200,000 shares were exercised, of which HK$502,000 was credited to share capital and the balance of HK$10,516,000 was credited to the share premium account.

(ii) Issue of new shares under placing of shares

On 2 May 2007 and 29 May 2007, the Company issued 37,310,000 and 41,360,000 shares with a par value of HK$0.01 each, at a price of HK$0.268 and HK$0.299 per share respectively by way of placement to Nice Hill Investments Limited in which a former director, Mr. Chin Wai Keung, Richard was the sole beneficial owner. Net proceeds from such issues amounted to HK$21,077,000 (after offsetting issuing expenses of HK$1,288,000) out of which approximately HK$786,000 and approximately HK$20,291,000 were recorded in share capital and share premium, respectively.

(iii) Issue of new shares under open offer

On 30 November 2007, the Company issued 300,511,341 shares with a par value of HK$0.01 each, at a price of HK$0.050 per share by way of open offer to the issuance shareholders of the Company. Net proceeds from such issues amounted to HK$14,468,000 (after offsetting issuing expenses of HK$557,000) out of which approximately HK$3,005,000 and approximately HK$11,463,000 were recorded in share capital and share premium, respectively.

(iv) Issue of new shares under conversion of convertible notes

18,292,682 and 1,000,000,000 shares with a par value of HK$0.01 each, were issued and allotted at HK$0.328 and HK$0.05, respectively, per share as a result of the conversion of convertible notes by the convertible note holders of the Company. Approximately HK$10,183,000 and approximately HK$45,206,000 were recorded in share capital and share premium, respectively (after offsetting issuing expenses of HK$611,000).

29. SHARE CAPITAL *(continued)*

(b) Issue of share capital *(continued)*

(v) Issue of new shares under placement

On 17 April 2008, the Company issued 114,000,000 ordinary shares with a par value of HK$0.01 each, at a price of HK$0.44 per share by way of placement to Nice Hill Investments Limited in which the former director Mr Chin Wai Keung, Richard was the sole beneficial owner. Net proceeds from such issue amounted to HK$49,250,000 (after offsetting issue expenses of HK$910,000) out of which HK$1,140,000 and HK$48,110,000 were recorded in share capital and share premium, respectively.

(vi) Issue of new shares for acquisition of subsidiaries

On 18 December 2008, the Company issued 500,000,000 ordinary shares with a par value of HK$0.01 each, at a price of HK$0.14 per share, being the closing market price at completion date, as part of the consideration for the acquisition of 64% equity interest in First Pine Enterprises Limited as referred to note 37 to the financial statements. HK$5,000,000 and HK$65,000,000 were recorded in the share capital and share premium, respectively.

(vii) Issue of new shares under conversion of convertible bonds

During the year, 1,000,000,000 ordinary shares with a par value of HK$0.01 each , were issued at HK$0.70 per share as a result of the conversion of convertible bonds of US$89,743,590 (equivalent to HK$700,000,000 at the fixed exchange rate of US$1 = HK$7.8) by the convertible bond holders as referred to note 25(b) to the financial statements. HK$10,000,000 and HK$699,108,000 were recorded in share capital and share premium, respectively. Liabilities component of HK$146,255,000 and equity conversion component of HK$562,853,000 were derecognised upon conversion of these bonds as referred to note 25(b).

All of the shares issued during the years ended 31 March 2008 and 2009 rank pari passu with the then existing shares in all respects.

(c) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

29. SHARE CAPITAL *(continued)*

(c) Capital management *(continued)*

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and trade and other payables, as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The net debt-to-adjusted capital ratio at 31 March 2009 and 2008 was as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
Current liabilities		
– Trade and other payables	**32,453**	33,148
– Bank overdrafts and borrowings	**4,520**	7,698
– Amounts due to related parties	**3,063**	517
– Amount due to a related company	**2,600**	1,275
– Amount due to associates	**73**	—
– Obligations under finance leases	**424**	346
	43,133	42,984
Non-current liabilities		
– Bank overdrafts and borrowings	**1,819**	2,388
– Convertible bonds	**964,035**	—
– Promissory note	**160,510**	—
– Obligations under finance leases	**302**	333
	1,126,666	2,721
Total debt	**1,169,799**	45,705
Less: Cash and bank balances and pledged bank deposits	**(23,333)**	(53,901)
Net debt	**1,146,466**	(8,196)
Total capital	**7,295,661**	55,924
Net debt-to-capital ratio	**15.7%**	N/A

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

30. RESERVES

(a) The Group

	Share premium HK$'000	Special reserve HK$'000	Exchange reserve HK$'000	Share option reserve HK$'000	Equity component of convertible bonds HK$'000	Accumulated losses HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2007	17,697	10,440	68	3,055	—	(37,094)	6,319	485
Equity component of convertible bonds	—	—	—	—	2,043	—	—	2,043
Issue of new shares								
– placing of shares	20,291	—	—	—	—	—	—	20,291
– open offer	11,463	—	—	—	—	—	—	11,463
– conversion of convertible bonds	45,206	—	—	—	(2,043)	—	—	43,163
– exercise of share options	10,516	—	—	(2,735)	—	—	—	7,781
Exchange difference on translation of the financial statements of foreign subsidiaries	—	—	15	—	—	—	—	15
Loss for the year	—	—	—	—	—	(47,515)	(1,127)	(48,642)
At 31 March 2008 and 1 April 2008	105,173	10,440	83	320	—	(84,609)	5,192	36,599
Acquisition of subsidiaries (note 37)	—	—	—	—	—	—	3,033,421	3,033,421
Equity component of convertible bonds (note 25(b))	—	—	—	—	4,108,828	—	—	4,108,828
Issue of new shares								
– placing of shares (note 29(b) (v))	48,110	—	—	—	—	—	—	48,110
– acquisition of subsidiaries (note 29(b) (vi))	65,000	—	—	—	—	—	—	65,000
– conversion of convertible bonds (note 25(b) and (note 29(b) (vii))	699,108	—	—	—	(562,853)	—	—	136,255
Exchange difference on translation of the financial statements of foreign subsidiaries	—	—	73	—	—	—	—	73
Deregistration of a subsidiary (note 38)	—	—	—	—	—	—	(5,172)	(5,172)
Loss for the year	—	—	—	—	—	(162,860)	(58)	(162,918)
At 31 March 2009	**917,391**	**10,440**	**156**	**320**	**3,545,975**	**(247,469)**	**3,033,383**	**7,260,196**

30. RESERVES *(continued)*

(b) The Company

	Share premium HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000	Equity component of convertible bonds HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2007	17,697	3,055	25,571	—	(47,836)	(1,513)
Equity component of convertible bonds	—	—	—	2,043	—	2,043
Issue of new shares						
– placing of shares	20,291	—	—	—	—	20,291
– open offer	11,463	—	—	—	—	11,463
– conversion of convertible notes	45,206	—	—	(2,043)	—	43,163
– exercise of share options	10,516	(2,735)	—	—	—	7,781
Loss for the year	—	—	—	—	(12,103)	(12,103)
At 31 March 2008 and 1 April 2008	105,173	320	25,571	—	(59,939)	71,125
Equity component of convertible bonds (note 25(b))	—	—	—	4,108,828	—	4,108,828
Issue of new shares						
– placing of shares (note 29(b)(v))	48,110	—	—	—	—	48,110
– acquisition of subsidiaries (note 29(b)(vi))	65,000	—	—	—	—	65,000
– conversion of convertible bonds (note 25(b) and 29(b)(vii))	699,108	—	—	(562,853)	—	136,255
Loss for the year	—	—	—	—	(137,897)	(137,897)
At 31 March 2009	**917,391**	**320**	**25,571**	**3,545,975**	**(197,836)**	**4,291,421**

30. RESERVES *(continued)*

(c) Nature and purpose of reserves

(i) Share premium

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Special reserve

The special reserve of the Group represents the difference between the nominal value of the issued shares of subsidiaries acquired over the nominal value of the shares issued by the Company pursuant to the Group Reorganization to rationalise the group structure in preparation of the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations into the presentation currency which is HK$. The reserve is dealt with in accordance with the accounting policies in note 2(x).

(iv) Share option reserve

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to the eligible participants recognised in accordance with the accounting policy adopted for equity settled payments in note 2(t)(ii).

(v) Contributed surplus

The contributed surplus of the Company represents the excess of the net assets of the subsidiaries acquired pursuant to the Group Reorganisation, over the nominal value of the Company's shares issued in exchange.

30. RESERVES *(continued)*

(c) Nature and purpose of reserves *(continued)*

(vi) Equity component of convertible bonds

The value of unexercised equity component of convertible bonds issued by the Company is recognised in accordance with the accounting policy adopted for convertible notes in note 2(o)(i).

(vii) Distributability of reserves

At 31 March 2009, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$745,126,000 (2008: HK$70,805,000) subject to the conditions on the share premium account as stated above.

31. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Share Option Scheme was adopted on 25 April 2002 for the primary purpose of providing incentives and to recognise the contribution of the eligible participants to the growth of the Group and will expire on 24 April 2012. Under the Share Option Scheme, the Board may grant options to eligible full-time or part-time employees, including any executive, non-executive and independent non-executive Directors, and consultants or advisers of the Company and/or any of its subsidiaries.

The total number of shares in respect of which options may be granted under the Share Option Scheme, and any other option schemes is not permitted to exceed 30% of the issued share capital of the Company from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the issued share capital of the Company, without prior approval from the Company's shareholders.

Options granted must be taken up within three days of the date of grant, upon payment of HK$1 per grant.

Options may be exercised at any time during a period to be notified by the Board of Directors (the "Board") upon the grant of options provided that the option period shall not exceed 10 years from the date of grant of the options. No minimum period for which an option must be held is required. The exercise price, which is determined by the Board is the highest of: (i) the closing price per share on the date of grant; (ii) the average closing price per share for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

31. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(a) The terms and conditions of the grant that existed during the two years ended 31 March 2009 and 2008 are as follows, whereby all options are settled by physical delivery of shares:

Options granted to consultants	Exercise price	Number of shares issuable under options	Share issued	Vesting conditions	Contractual life of options
	HK$				
– on 6 March 2007	0.188	5,000,000	—	Three days from the date of grant	10 years

(b) The number and weighted average exercise prices of share options are as follows:

	2009		2008	
	Weighted average exercise price	**Number of shares issuable under options granted**	**Weighted average exercise price**	**Number of shares issuable under options granted**
Outstanding at the beginning of the year	**HK$0.188**	**5,000,000**	HK$0.167	55,200,000
Granted during the year	**–**	**–**	—	—
Exercised during the year	**–**	**–**	HK$0.165	(50,200,000)
Outstanding at the end of the year	**HK$0.188**	**5,000,000**	HK$0.188	5,000,000
Exercisable at the end of the year	**HK$0.188**	**5,000,000**	HK$0.188	5,000,000

The option outstanding at 31 March 2009 had an exercise price of HK$0.188 (2008: HK$0.188) and weighted average remaining contractual life of 8 years (2008: 9 years).

31. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted, which is measured based on the binomial option pricing model. The contractual life of the share option is used as an input into this model.

	6 March 2007
Fair value at measurement date	HK$0.080
Option life	10 years
Share price at grant date	HK$0.200
Exercise price	HK$0.188
Expected volatility	170.32%
Risk-free rate	3.741%
Expected dividend yield	—

32. MAJOR NON-CASH TRANSACTIONS

(a) During the year, the Group entered into an agreement for the acquisition of subsidiaries for a consideration of of HK$5,393,074,000. The consideration of which was partially settled by the issue of 500,000,000 consideration shares at HK$0.14 each, being the closing market price at completion date, promissory note of HK$161,756,000 (note 32) and convertible bonds of HK$5,110,000,000 (note 25(b)). Further details of the acquisition are set out in note 37 below.

(b) During the year ended 31 March 2009, the Group acquired a motor vehicle amounted to HK$393,000, under a finance lease.

(c) During 2008, convertible notes of HK$6,000,000 were issued to an independent third party as part of the consideration for the acquisition of intellectual property rights by a subsidiary.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and financial management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

(i) Trade and other receivables

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 30 to 180 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. Further quantitative analysis in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 20.

At the balance sheet date, the Group has a certain concentration of credit risk as 39% (2008: 45%) and 11% (2008: 25%) of the total trade receivables were due from the Group's largest customer and the five largest customers as at 31 March 2009, respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet after deducting any impairment allowance. The Group does not provide any guarantees which would exposure the Group or the Company to credit risk.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(a) Credit risk *(continued)*

(ii) Deposits with banks

The Group mitigates its exposure to credit risk by placing deposits with financial institutions with established credit ratings. Given the high credit ratings of the bank, management does not expect any counterparty to fail to meet its obligations.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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 reserves of cash and adequate committed lines of funding from major financial institutes to meet its liquidity requirements in the short and longer term.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(b) Liquidity risk *(continued)*

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual 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 the Group and the Company can be required to pay:

The Group

	2009					2008				
	Contractual undiscounted cash outflow					Contractual undiscounted cash outflow				
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Bank overdrafts and borrowings	4,746	1,910	–	–	6,656	8,194	2,532	–	–	10,726
Obligation under finance lease	464	178	150	–	792	384	367	–	–	751
Trade and other payables	32,453	–	–	–	32,453	33,148	–	–	–	33,148
Promissory note	–	190,000	–	–	190,000	–	–	–	–	–
Convertible bonds	–	–	–	4,410,000	4,410,000	–	–	–	–	–
Amounts due to related parties/companies	5,736	–	–	–	5,736	1,792	–	–	–	1,792
	43,399	192,088	150	4,410,000	4,645,637	43,518	2,899	–	–	46,417

The Company

	2009					2008				
	Contractual undiscounted cash outflow					Contractual undiscounted cash outflow				
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Other payables	2,282	–	–	–	2,282	3,409	–	–	–	3,409
Convertible bonds	–	–	–	4,410,000	4,410,000	–	–	–	–	–
	2,282	–	–	4,410,000	4,412,282	3,409	–	–	–	3,409

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(c) Interest rate risk

(i) Interest rate profile

The Group's interest rate risk arises primarily from bank borrowings and deposits at bank. All of the bank loans of the Group were bearing prevailing market interest rates and were sensitive to any change in market interest rates. The Group did not use derivative financial instruments to hedge its debt obligations.

The Group manages the risk by setting roll-over periods of various duration on its revolving loans after due consideration of market conditions and expectation of future interest rate movements. However, the Group does not expect any significant changes in interest rates which might materially affect the Group' results of operations.

The following table details the interest rate profile of the Group's and the Company's interest-generating financial assets and interest-bearing financial liabilities at the balance sheet date:

The Group

	2009		2008	
	Effective interest rate	**HK$'000**	Effective interest rate	HK$'000
Pledged bank deposits	**0.20%**	**2,183**	1.90%	2,155
Cash and bank balances	**0.05%**	**21,150**	3.00%	51,746
Bank loans	**4.05%**	**3,907**	6.05%	8,182
Bank overdrafts	**5.38%**	**2,432**	7.60%	1,904

The Company

	2009		2008	
	Effective interest rate	**HK$'000**	Effective interest rate	HK$'000
Cash and cash equivalents	**0.05%**	**168**	3.00%	7,704

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(c) Interest rate risk *(continued)*

(ii) Sensitivity analysis

At 31 March 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variable held constant, would increase/decrease the Group's loss after income tax and accumulated losses for the year by approximately HK$297,000 (2008: HK$640,000). Other components of equity would not be affected (2008: Nil) by the changes in interest rates.

The above sensitivity analysis 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 financial instruments in existence at that day. The 100 basis points 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) Currency risk

The currency risk of the Group arises mainly from the its revenues from its film rights licensing and sub-licensing and purchases of film rights denominated in currencies other than the functional currency.

The Group minimized its currency risk by denominating majority of its transactions in Hong Kong Dollars ("HK$") and United States Dollars ("US$"), which is pegged with Hong Kong dollars at a desginated range such that the exposure on fluctuation of foreign currency rate is limited. Given that the foreign currency exposure is limited, sensitivity analysis to changes in foreign currency rates is not presented thereof.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(e) Fair value

The carrying amounts of significant financial assets and liabilities approximate their respective fair values as at 31 March 2009 and 2008.

The following methods and assumptions were used to estimate the fair value for each class of financial instruments:

(i) Cash and cash equivalents, pledged deposits, trade and other receivables, and trade and other payables.

The carrying values of these financial assets and liabilities approximate fair value because of the short maturities of these instruments.

(ii) Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

34. 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 2, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that may have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Impairment of property, plant and equipment and intangible assets

The Group assesses annually whether property, plant and equiptment and intangible assets that have indefinite useful lives have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amounts of assets or cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates, such as discount rates, future profitability and growth rates. Where the actual future cash flows are less than expected, a material impairment loss may arise. During the year, impairment loss for goodwill and other intangible assets of HK$4,259,000 and HK$13,200,000 was recognised in the consolidated income statement. As at 31 March 2009, the carrying amounts of goodwill and programme and intellectual property rights were nil.

(ii) Income taxes and deferred taxation

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the provision for taxation. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred taxation provisions in the financial period in which such determination is made.

Deferred tax assets relating to certain temporary differences and certain tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences will impact the recognition of deferred tax and tax in the periods in which such estimate is changed.

34. ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

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

(iii) Impairment of trade and other receivables

If circumstances indicate that the carrying amount of trade and other receivables may not be recoverable, the assets may be considered impaired and an impairment loss may be recognised. The carrying amounts of trade and other receivables are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. The recoverable amount of trade and other receivables is the estimated future cash flows discounted at the current market rate of return of similar assets. The Group used all readily available information in determining an amount that is a reasonable approximation of the recoverable amount.

(iv) Write down of inventories

The Group performs regular review of the carrying amounts of inventories with reference to aged inventories analyses, historical consumption trends and management's experience and judgement. Based on this review, write down of inventories would be made when the carrying amounts of inventories decline below their estimated net realisable value. Owing to changes in market trend, actual sales may be different from estimation and profit or loss could be affected by the accuracy of this estimation.

(v) Recoverability of payment for intangible assets – mining claims

The Group's accounting policy for payment for intangible assets – mining claims results in certain items of expenditure capitalised for areas of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the income statement.

Management evaluates the current status of Mogan's offshore exploration permit applications as detailed in note 14 to the financial statements. In the opinion of the directors of the Company, Mogan will ultimately be able to obtain both the relevant Exploration Permit(s) and the Mineral Agreements over the applied Mining Area.

(vi) Liability component of convertible bonds and promissory note

The fair value of the liability component of the convertible bonds and the promissory note are estimated by independent professional valuer based on transactions of similar financial instruments in the market which generally represent the best estimate of the market value.

35. RELATED PARTY TRANSACTIONS

During the years ended 31 March 2009 and 2008, the directors are of the view that the following companies are related parties to the Group:

Name of the related party	Relationship
Pacific Glory Industries Limited	Shareholder of a subsidiary
Panorama Entertainment Holdings Limited	A subsidiary's director. Fung Yu Hing, and Leung Siu Kuen have beneficial interest
Fung Yu Hing	Director of a subsidiary
Leung Siu Kuen	Director of a subsidiary
Allan Fung Assets Limited	A subsidiary's director, Fung Yu Hing, has beneficial interest
So Wing Lok	Ex-director of the Company
Lo Wing Keung	Ex-director of the Company

(a) Amount due from a related party

	The Group	
	2009	2008
	HK$'000	HK$'000
– Leung Siu Kuen	**84**	—

The amount due from a related party is of non-trade nature, unsecured, interest free and repayable on demand.

(b) Amount due from a related company

	The Group	
	2009	2008
	HK$'000	HK$'000
– Panorama Entertainment Holdings Limited	**10**	—
– Allan Fung Assets Limited	**–**	12

The amount due from a related company is of non-trade nature, unsecured, interest free and repayable on demand.

(c) Amount due to a related company

	The Group	
	2009	2008
	HK$'000	HK$'000
– Pacific Glory Industries Limited	**2,600**	1,275

The amount due to a related company is of non-trade nature, unsecured, interest-free and repayable on demand.

35. RELATED PARTY TRANSACTIONS *(continued)*

(d) Amounts due to related parties

	The Group	
	2009	2008
	HK$'000	HK$'000
– So Wing Lok	**1,817**	517
– Lo Wing Keung	**390**	—
– Fung Yu Hing	**856**	—
	3,063	517

The amounts due to related parties are of non-trade nature, unsecured, interest-free and repayable on demand.

(e) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid individuals as disclosed in note 8, is as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
Short-term employee benefits	**4,784**	3,401
Post-employment benefits	**51**	46
	4,835	3,447

Total remuneration is included in "staff costs" (note 5(b)).

(f) Personal guarantees and securities provided by a subsidiary's directors

During the year, a subsidiary's directors provided personal guarantees and securities to banks and financial institution to the extent of HK$11,000,000 (2008: HK$27,800,000) to secure credit facilities granted to the subsidiary of the Company as follows:

(i) Certain properties owned by a subsidiary's directors.

(ii) Certain properties owned by companies in which the subsidiary's directors have beneficial interests.

36. COMMITMENTS

(a) Operating lease commitments

At 31 March 2009, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises are payable as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Premises				
Within one year	**1,221**	550	**–**	321
After one year but within five years	**55**	—	**–**	—
	1,276	550	**–**	321

(b) Capital commitments

	The Group	
	2009	2008
	HK$'000	HK$'000
Contracted for but not provided for in the financial statements		
– Film rights	**520**	1,010
– Cartoon Films	**–**	747
– Intellectual property rights	**–**	15,037
	520	16,794

Capital commitments represent license fee commitments to licensors for which film master materials have not been delivered to the Group. Mogan has no material capital commitment as the mining operation has not yet been commenced at 31 March 2009.

The Company did not have any significant capital commitments as at the balance sheet date.

37. PURCHASE OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

On 18 December 2008, the Group acquired certain offshore exploration permit applications for mining claims in Philippines (see note 14 to the financial statements) and its related assets and liabilities for a total consideration of HK$5,700 million which was satisfied by cash of HK$40 million, HK$350 million by the allotment and issue of 500,000,000 consideration shares of the Company, HK$200,000,000 promissory note with zero coupon rate and HK$5,110,000,000 convertible bonds with zero coupon rate. The purchase was by way of acquisition of the entire issued share capital of First Pine Enterprises Limited ("First Pine"). This transaction has been accounted as a purchase of assets and liabilities. First Pine has not yet commenced the mining and exploration business at the date of acquisition.

	HK$'000
Net assets acquired:	
Property, plant and equipment	262
Interest in associates	283
Payment for intangible assets – mining claims (note (14))	8,427,515
Other receivables	209
Cash at bank	162
Other payables	(1,936)
	8,426,495
Less: minority interest	(3,033,421)
	5,393,074
Total consideration satisfied by:	
– Cash paid	40,000
– Consideration shares of the Company – at fair value (note 29(vi))	70,000
– Promissory note (note 26)	161,756
– Convertible bonds (note 25)	5,110,000
– Direct expenses relating to the acquisition	11,318
	5,393,074
Net cash outflow arising on acquisition	
Cash acquired	162
Consideration paid in cash	(40,000)
Direct expenses relating to the acquisition	(11,318)
	(51,156)

The fair value of 500,000,000 consideration shares issued for the acquisition of First Pine was determined at HK$0.14 each, being the closing market price at acquisition date on 18 December 2008.

38. DEREGISTRATION OF A SUBSIDIARY

Upon deregistration of Go Film Distribution Limited, 60% of its issued capital was held by Scenerama Company Limited, on 24 October 2008, minority interest of HK$5,172,000 was derecognised.

39. CONVERTIBLE LOAN AGREEMENT

On 30 September 2008, the Company and its wholly-owned subsidiary, Black Sand Enterprises Limited (as borrower) entered into a convertible loan agreement with an independent third party which has agreed to provide a credit facility of Euro 200 million ("Convertible Loan"). The loan will bear interest at the rate of 3% per annum and will be unsecured and repayable together with all accrued interest, upon the third anniversary of the drawdown date.

Pursuant to the agreement, the lender may, at any time after the drawdown date but before the third anniversary of the drawdown date, convert the amount outstanding under the loan up to 2,000,000,000 new shares of the Company at a rate of Euro 0.1 per share (equivalent to HK$1.1168 per share, based on the exchange rate of Euro1:HK$11.1678) at a fixed conversion rate of Euro 1 : HK$11.1678. No conversion shall be permitted to the extent that the following such conversion, the lender and parties acting in with it will, directly or indirectly, control or be interested in 29% or more of the issued share capital of the Company or in such lower % may from time to time be specified in the Takeover Code of the GEM Listing Rules as being the level of triggering a mandatory general offer. In addition, the lender shall not exercise the conversion right if the allotment and issue of the conversion shares to the lender pursuant to an exercise of the conversion right will cause the Company to be in breach of the minimum public float requirement stipulated under Rule 11.23 of the GEM Listing Rules.

The Company has served notice to the lender for drawdown of the loan but up to the approval date of these financial statements, the drawdown is not yet completed.

40. CONTINGENT LIABILITIES

As at 31 March 2009, the Company has given corporate guarantee of HK$2,000,000 (2008: nil) to a financial institute for credit facilities granted to a subsidiary. As at 31 March 2009, none of the facilities has been drawn down by the subsidiary. No recognition was made because the fair value of the guarantee was insignificant.

41. POST BALANCE SHEET EVENTS

On 23 June 2009, the Company entered into the sale and purchase agreement to dispose of its entire interest in subsidiaries, Datewell Limited and its subsidiaries (the "Datewell Group") and CPE Program Distribution Limited at a nominal price. The principal activities of the Datewell Group are sub-licensing of film rights while CPE Program Distribution Limited is a dormant company. The intellectual property and programme rights of Datewell Group were also subsequently terminated by the relevant licensors.

Financial Summary

For the year ended 31 March 2009

RESULTS

	For the year ended 31 March				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**17,342**	33,157	59,671	83,901	79,986
(Loss)/profit from operations	**(44,002)**	(47,078)	(66,626)	5,894	8,142
Finance costs	**(118,640)**	(1,564)	(3,569)	(2,512)	(1,337)
(Loss)/profit before income tax	**(162,642)**	(48,642)	(70,195)	3,382	6,805
Income tax	**(276)**	—	(38)	(932)	(1,662)
(Loss)/profit before minority interests	**(162,918)**	(48,642)	(70,233)	2,450	5,143
Minority interests	**58**	1,127	426	(145)	(749)
Net (loss)/profit for the year	**(162,860)**	(47,515)	(69,807)	2,305	4,394

ASSETS AND LIABILITIES

	At 31 March				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**8,469,933**	105,812	88,184	151,014	144,206
Total liabilities	**(1,174,272)**	(49,888)	(82,850)	(84,073)	(81,235)
Minority interests	**(3,033,383)**	(5,192)	(6,319)	(6,745)	(6,600)
	4,262,278	50,732	(985)	60,196	56,371