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If you have sold or transferred all your shares in Brilliant Arts Multi-Media Holding Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

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

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8130)

VERY SUBSTANTIAL ACQUISITION;
PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
AND
NOTICE OF SPECIAL GENERAL MEETING

A letter from the board of directors of Brilliant Arts Multi-Media Holding Limited is set out on pages 6 to 22 of this circular.

A notice convening the special general meeting of Brilliant Arts Multi-Media Holding Limited to be held at Unit 1611, 16/F., Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on Monday, 5 October 2009 at 4:00 p.m., or any adjournments thereof, is set out on pages 142 to 143 of this circular. Whether or not you intend to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch registrars, Tricor Secretaries Limited at 26th Floor, Tesbury Center, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

25 August 2009

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 high investment risk may be attached than other companies listed on the Stock 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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In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the acquisition of the Sale Shares under the Agreement and all the transactions contemplated thereunder
"Agreement"	the conditional sale and purchase agreement dated 29 June 2009 and entered into among the Company and the Vendor for the Acquisition
"Board"	the board of directors of the Company
"Bondholder(s)"	holder(s) of the Convertible Bond
"Business Day"	a day (other than a Saturday) on which banks are open for business in Hong Kong
"Certificate"	a certificate in the agreed form to be issued in respect of the Convertible Bond
"Company"	Brilliant Arts Multi-Media Holding Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued Shares are listed on GEM
"Completion"	completion of the Agreement in accordance with the terms thereof
"Connected Persons"	has the meaning ascribed thereto in the GEM Listing Rules
"Consent"	any licence, consent, approval, authorisation, permission, waiver, order or exemption
"Consideration"	a maximum of HK$1,500 million, being the consideration payable for the Sale Shares
"Conversion Period"	the period from the date of issue of the Convertible Bond up to 4:00 p.m. on the maturity date of the Convertible Bond
"Conversion Price"	the initial conversion price of the Convertible Bond at HK$0.10 per Conversion Share (subject to adjustments)

"Conversion Shares"	the new Shares to be issued upon the exercise of the conversion rights attaching to the Convertible Bond
"Convertible Bond"	a 10-year zero coupon convertible bond in the agreed form to be issued by the Company in favour of the Vendor to satisfy part of the Consideration in a principal amount up to HK$750 million
"Directors"	directors of the Company
"Eagle Mate"	Eagle Mate Limited, a substantial shareholder of the Company and is wholly and beneficially owned by Business Power Holdings Limited
"EBITDA"	the consolidated EBITDA of the Target Group as to be shown in its audited consolidated accounts for the Relevant Period to be prepared by a firm of certified public accountants in Hong Kong acceptable to the Company
"Enlarged Group"	the Group as enlarged immediately after Completion
"GEM"	the Growth Enterprise Market operated by the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Gold Asia"	Gold Asia Technology Limited, a wholly-owned subsidiary of the Target Company incorporated in Hong Kong
"Group"	the Company and its subsidiaries
"Guaranteed EBITDA"	the aggregate guaranteed EBITDA of HK$500 million provided by the Vendor to the Company, being the audited consolidated EBITDA of the Target Group for the Relevant Period
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Increase in Authorised Share Capital"	the proposed increase in the authorised share capital of the Company from HK$30,000,000 divided into 3,000,000,000 Shares to HK$200,000,000 divided into 20,000,000,000 Shares
"Independent Third Parties"	third parties independent of the Company and the Connected Persons of the Company and is not a Connected Persons of the Company
"Latest Practicable Date"	21 August 2009, being the latest practicable date prior to the printing of this circular for inclusion of certain information in this circular
"Last Trading Day"	29 June 2009, being the last trading day immediately before the date of the Agreement
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Long Stop Date"	28 February 2010
"Mander"	Mander International Limited, a substantial shareholder of the Company and is wholly and beneficially owned by Business Power Holdings Limited
"Master Services Agreement"	the master services agreement dated 1 June 2009 entered into between Gold Asia and Tianjn Kong Hong in respect of the provision of MIDS which includes healthcare information system and custom built Wi-Fi/RFID identification application system in Local Area Network (LAN) and Metropolitan Area Network (MAN) by Gold Asia to Tianjin Kong Hong which has contracted and will contract with hospitals in the PRC for the provision of Wi-Fi/RFID services
"MIDS"	medical information digitalization system
"Mr. Lei"	Mr. Lei Hong Wai, a substantial shareholder of the Company who is interested in the Shares held by Eagle Mate and Mander through his 50% interest in Business Power Holdings Limited

"Placing"	the proposed placing of up of 2,500,000,000 new Shares as disclosed in the announcement of the Company dated 15 June 2009, which was terminated on 20 July 2009
"PRC"	the People's Republic of China
"Promissory Note"	the promissory note of up to a principal sum of HK$750 million which may be executed by the Company at Completion for the purpose of settling part of the Consideration
"Relevant Period"	the period commencing from the date of Completion to 31 March 2012
"RFID"	Radio Frequency Identification, a data carrier technology that transmits information via signals in the radio frequency portion of the electromagnetic spectrum
"Sale Shares"	100 ordinary shares of US$1.00 each in capital of the Target Company, representing the entire issued share capital of the Target Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	a special general meeting of the Company to be convened and held to approve (a) the Agreement and all the transactions contemplated thereunder; and (b) the Increase in Authorised Share Capital, the notice of which is set out on pages 142 to 143 of this circular
"Shareholders"	shareholders of the Company
"Shares"	ordinary shares of HK$0.01 each in the issued share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Target Company"	Sunny Chance Limited, a company incorporated in the British Virgin Islands and wholly and beneficially owned by the Vendor

"Target Group"	the Target Company, Gold Asia and its subsidiaries from time to time
"Tianjin Kong Hong"	Tianjin Kong Hong Technology Company Limited 天津港宏科技有限公司, a company incorporated in the PRC, an Independent Third Party
"Valuation"	the fair market value of the Target Group shown in a valuation report from an independent valuer appointed by the Company, the full text of which is set out in Appendix V to this circular
"Vendor"	Growth Harvest Limited, a company incorporated in the British Virgin Islands, an Independent Third Party
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

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

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

Executive Directors:
Mr. Ho Ka Wai
Mr. Lee Chan Wah

Independent non-executive Directors:
Mr. Leung Wai Man
Mr. Man Kong Yui
Mr. Kwok Chuen Hung, Dominic

Registered office:
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2 Church Street
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Bermuda

Head office and principal place of business in Hong Kong:
Unit 1611
Shun Tak Centre
West Tower
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Central
Hong Kong

25 August 2009

To the Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION;
PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

On 9 July 2009, the Board announced that on 29 June 2009 (after trading hours), the Company as purchaser and the Vendor entered into the Agreement whereby the Company has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares at a maximum total consideration of HK$1,500 million, subject to downward adjustment based on the Valuation on a dollar-for-dollar basis. The Sale Shares represent the entire issued share capital of the Target Company.

The Board also proposes to increase the authorised share capital of the Company from HK$30,000,000, divided into 3,000,000,000 Shares to HK$200,000,000 divided into 20,000,000,000 Shares by the creation of 17,000,000,000 new Shares.

The purpose of this circular is to provide you with, among other things, (a) further details of the Acquisition and the Increase in Authorised Share Capital; (b) the financial information on the Group; (c) the accountants' report on the Target Group; (d) the unaudited pro forma financial information on the Enlarged Group; (e) the valuation report on the Target Group; and (f) a notice of the SGM for the purpose of approving the Acquisition and the Increase in Authorised Share Capital.

THE AGREEMENT

Date of the Agreement

29 June 2009

Parties to the Agreement

Purchaser: the Company

Vendor: Growth Harvest Limited, an investment holding company established in the British Virgin Islands with limited liability

The Vendor is beneficially owned as to 36% by Treasure Bonus Limited (which is wholly and beneficially owned by Mdm. Tan Ting Ting), 36% by Success Portal Limited (which is wholly and beneficially owned by Mr. Lum Chor Wah, Richard) and 28% by Easy Channel Limited (which is wholly and beneficially owned by Mr. Sin Chun Shing). The Vendor is not a party acting in concert with each of Mr. Lei, Eagle Mate and Mander under the Takeovers Code. Each of the Vendor and its beneficial owners has no current or prior relationship and business transactions with the Company's ex-directors, namely, Mr. Lei Hong Wai and Mr. Cheung Kwok Wai, the current Directors and Shareholders and/or the Company and its connected persons. The two existing executive Directors, namely Mr. Ho Ka Wai and Mr. Lee Chan Wah, are not representatives of the Vendor. The Vendor was introduced to the Group by Leung Wai Man, an independent non-executive Director, in mid May 2009 regarding the Acquisition.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

The Sale Shares, representing the entire issued share capital of the Target Company.

Consideration and payment terms

The Consideration of a maximum amount of HK$1,500 million, subject to downward adjustment based on the Valuation on a dollar-for-dollar basis, was arrived at after arms' length negotiations among the parties to the Agreement on normal commercial terms.

The Consideration was determined after taking into account (i) the Master Services Agreement entered into between Gold Asia, a wholly-owned subsidiary of the Target Company and Tianjin Kong Hong, (ii) the contracts signed and in negotiation and expected to be signed within the coming three months by Tianjin Kong Hong with various hospitals in the PRC for the provision of Wi-Fi/RFID services, (iii) the technical support contracts signed by the Target Group with world-class internationally renowned information technology companies; (iv) the market potential of the medical industry in PRC, being one of the sectors that the PRC government is and would continue investing substantially, including the computerisation of the data and the provision of the nationwide medical insurance system; (v) the potential of the Target Group in providing the MIDS to the healthcare sector of the PRC and becoming one of the leading healthcare information system and Wi-Fi/RFID identification application system providers in Local Area Network (LAN) and Metropolitan Area Network (MAN) and related computerised data-backup solutions, such as the establishment of data centres and disaster data recovery systems, to the healthcare sector in the PRC; (vi) the Guaranteed EBITDA of not less than HK$500 million up to 31 March 2012; and (vii) the final Consideration being subject to the Valuation up to a maximum amount of HK$1,500 million.

The maximum Consideration of HK$1,500 million and the Guaranteed EBITDA is determined after arms' length negotiations among the parties to the Agreement based on a preliminary estimated valuation on the Target Group of HK$1,500 million estimated by the Company. Such preliminary estimation was based on the indicative return to be generated from the provision of Wi-Fi/RFID services by the Target Group in order to determine the initial amount of the Consideration acceptable to the Board which, however, is subject to downward adjustment based on the Valuation.

In view of the above, the Directors (including the independent non-executive Directors) consider the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Consideration will be satisfied as to (i) HK$750 million in cash and/or by cheque (which is intended to be financed from the internal resources of the Company) on or before Completion, or to the extent that not the entire amount is paid in cash and/or by cheque then by the issue of the Promissory Note to the Vendor for the shortfall on Completion; and (ii) a maximum of HK$750 million by the Company issuing the Convertible Bond to the Vendor on Completion.

It was originally intended that the cash/cheque of HK$750 million would be paid by cash upon completion of each tranche of the Placing or the fund generated from internal resources, and the balance not so paid by cash on or before the date of Completion shall be settled by the Promissory Note upon Completion. In view of the termination of the Placing as disclosed in the announcement of the Company dated 20 July 2009, the Group will re-allocate its internal resources and consider other financial alternation to finance the cash portion of the Consideration.

Under the Agreement, there shall not be any adjustments to the Consideration if the Valuation shall be not less than HK$1,500 million. The Valuation has adopted an income approach based on discounted cash flow method which would constitute a profit forecast.

In the event that the Valuation shall be less than HK$1,500 million, the Consideration shall be adjusted downwards on a dollar-for-dollar basis and calculated in accordance with the following formula:

N = HK$1,500 million – A

Where

N = the sum to be deducted from the Consideration (the "**Deduction**")

A = the Valuation provided that where the Valuation exceeds HK$1,500 million, there shall not be any adjustments to the Consideration.

The Deduction shall first be applied to set off against the amount of the Convertible Bond to be issued up to a maximum amount of HK$250 million. If such amount is not sufficient to set off the Deduction, the amount of the Promissory Note (where applicable) or the cash consideration payable to the Vendor at Completion shall be deducted and used to set off the outstanding amount of the Deduction as determined by the Company in its sole discretion.

Based on the Valuation, the fair market value of the Target Group as at 30 June 2009 was HK$2,033 million. As such, there will not be any adjustment to the Consideration under the Agreement. The full text of the Valuation is set out in Appendix V to this circular.

The Convertible Bond shall be subject to escrow and conversion restrictions as detailed in the section headed "Undertakings by the Vendor" below.

Guaranteed EBITDA

Pursuant to the Agreement, the Vendor irrevocably and unconditionally warrants, guarantees and undertakes to and with the Company that the EBITDA for the Relevant Period as to be shown in the audited consolidated accounts of the Target Group for such period to be prepared by a certified public accountants acceptable to the Company shall not be less than the Guaranteed EBITDA of HK$500 million.

In the event that the EBITDA during the Relevant Period is less than the Guaranteed EBITDA, the shortfall shall be settled by the Vendor to the Company (the "**Shortfall Payment**") as follows:

Shortfall Payment = Guaranteed EBITDA – EBITDA

The Shortfall Payment shall be deducted against the principal amount of the Convertible Bond then outstanding on a dollar-for-dollar basis.

In the event that the Target Group does not have any EBITDA or incurs net loss during the Relevant Period as to be shown in the audited consolidated accounts of the Target Group, the Shortfall Payment shall be equivalent to the Guaranteed EBITDA.

Undertakings by the Vendor

To protect the interests of the Company, the Vendor has undertaken to and covenanted with the Company that forthwith upon Completion, it shall deposit with an escrow agent as may be agreed between the parties thereto the Certificate representing the Convertible Bond subject to such terms and conditions of an escrow letter as may be agreed between the parties hereto and such escrow agent, and in a particular a term to the effect that the Certificate representing the Convertible Bond will only be released to the Vendor upon the Guaranteed EBITDA has been achieved or the Shortfall Payment, if any, has been settled in full by the Vendor to the Company as mentioned in the section headed "Guaranteed EBITDA" above. The balance of the Certificate representing the sum payable to the Vendor (if any) shall be returned to the Vendor within 7 Business Days after the audited consolidated accounts of the Group have been prepared.

The Vendor shall only be entitled to exercise the conversion right attaching to the Convertible Bond (a) up to a principal amount of HK$250 million within the period commencing on the date of issue of the Convertible Bond and ending on 31 March 2012 provided, however, that all the Conversion Shares to be allotted and issued to the Vendor in relation thereto shall be subject to escrow; and (b) provided that any conversion of the Convertible Bond (i) does not result in the Bondholder(s) and parties acting in concert with it shall be interested (whether directly or indirectly) in 29.90% or more of the then issued share capital of the Company; (ii) does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Bondholder(s) and their respective concerted parties which exercised the conversion right; and (iii) will not cause the public float of the Company unable to meet the requirement under the GEM Listing Rules. The escrowed Conversion Shares shall be returned to the Vendor within 7 Business Days after the audited consolidated accounts of the Group have been prepared.

Conditions precedent

Completion is subject to each of the following conditions being satisfied or waived by the Company (other than conditions (i), (ii), (viii) and (ix)) in all respects:

(i) the passing by the Shareholders of the resolutions to approve (a) the Agreement and the transactions contemplated thereunder including but not limited to, the issue of the Promissory Note (where applicable), the issue of the Convertible Bond and the allotment and issue of the Conversion Shares; and (b) the Increase in Authorised Share Capital at the SGM;

(ii) the Stock Exchange not treating (a) the transactions contemplated under the Agreement as a "reverse takeover" under Rule 19.09(6) of the GEM Listing Rules and/or (b) the Company as a new listing applicant under Rule 19.54 of the GEM Listing Rules;

(iii) the Company undertaking a due diligence investigation in respect of the Target Group including but not limited to the affairs, business, assets, results, legal and financing structure of the Target Group and the Company being in its absolute discretion satisfied with the results of such due diligence investigation including but not limited to the issue of a legal opinion in form and substance satisfactory to the Company by a law firm in the PRC appointed by the Company confirming, inter alia, the legality, validity and enforceability of the Master Services Agreement;

(iv) all Consents of the Stock Exchange and the Securities and Futures Commission (if necessary) and all filings with any relevant governmental or regulatory authorities and other relevant third parties in Hong Kong, the PRC and the British Virgin Islands or elsewhere which are required or appropriate for the entering into and the implementation of the Agreement having been given or made; all waiting periods required under the laws of Hong Kong, the PRC, the British Virgin Islands or any other relevant jurisdictions having expired or terminated; and all applicable statutory or other legal obligations having been complied with;

(v) no event having occurred since the date of the Agreement to Completion, the consequence of which is to materially and adversely affect the financial position, business or property, results of operations or business prospects of the Target Company and such material adverse effect shall not have been caused;

(vi) the obtaining of a valuation report (in form and substance satisfactory to the Company) from an independent valuer appointed by the Company;

(vii) the warranties in the Agreement remaining true, accurate and correct in all material respects;

(viii) the GEM Listing Committee of the Stock Exchange granting listing of and permission to deal in the Conversion Shares;

(ix) if necessary, the Bermuda Monetary Authority granting consent to the allotment and issue of the Conversion Shares upon conversion of the Convertible Bond; and

(x) receipt by the Company of all necessary licences, approvals and consents in respect of the transactions contemplated under the Agreement.

If the above conditions have not been fulfilled (or as the case may be, waived by the Company other than conditions (i), (ii), (viii) and (ix)) on or before 5:00 p.m. on the Long Stop Date (or such later date as the Vendor and the Company may agree in writing) or following the fulfilment of the conditions, the Vendor or the Company shall fail to complete the sale and purchase of the Sale Shares in accordance with the terms and conditions contained in the Agreement and the Company gives notice to terminate the Agreement, the Agreement shall thereupon terminate and neither party shall thereafter have further claims against the other under the Agreement for costs, damages compensation or otherwise, save for antecedent breaches.

As at the Latest Practicable Date, none of the conditions precedent has been fulfilled or waived other than condition (vi).

Completion

Completion of the Agreement will take place within 3 Business Days after the fulfilment of the last of the conditions precedent or at such other time as the parties may agree.

After Completion, the Target Company will become a wholly-owned subsidiary of the Company. The financial statements of the Target Group will be consolidated in the accounts of the Group after Completion. The Board intends to nominate one executive Director who possesses the knowledge of managing the business of the Target Group to the Board after Completion and an announcement will be made by the Company upon such appointment. The beneficial owners of the Vendor, namely, Mdm. Tan Ting Ting, Mr. Lum Chor Wah, Richard and Mr. Sin Chun Shing will not be the executive Directors to be nominated by the Board as a result of Completion. The Company intends to maintain its existing principal business after Completion and the Acquisition will not result in a change of control of the Company.

Promissory Note

The terms of the Promissory Note have been negotiated on arm's length basis and the principal terms of which are summarised below:

Parties:	The Company as issuer and the Vendor as payee
Principal amount:	up to HK$750 million
Interest:	The Promissory Note will not carry any interest.
Maturity:	A fixed term of twelve months from the date of issue of the Promissory Note. If the Company defaults in repayment on the maturity date of any part of the principal sum, the Company shall pay interest on such overdue sum from the maturity date until payment in full (before and after judgment) at the rate of 10% per annum.

Early repayment:	Provided that the Company has given to payee not less than ten Business Day's prior notice in writing of its intention to repay any part of the outstanding principal amount of the Promissory Note, the Company may at any time from the date of the issue of the Promissory Note up to the date immediately prior to the maturity date, repay the entire Promissory Note up or part of it (in amounts of not less than HK$1 million) by payment to payee of the outstanding principal amount of the Promissory Note save that if at that time, the outstanding principal amount of the Promissory Note is less than HK$1 million, the whole (but not part only) of the Promissory Note may be repaid.
Assignment:	The Promissory Note may, subject to the ten Business Days' prior written notice to the Company and subject to the written consent of the Company, be transferred or assigned by the Vendor to any person. The Company will issue an announcement and inform the Stock Exchange if the Promissory Note is transferred or assigned to the connected persons of the Company.
Extension:	The Company has the right to extend the maturity date of the Promissory Note by giving not less than 30 days prior written notice to the payee. It is intended that the Promissory Note may be extended for not more than five years upon expiry of a fixed term of twelve months from the date of issue.

Convertible Bond

The Convertible Bond will be issued on Completion in a maximum aggregate principal amount of HK$750 million. The 7,500,000,000 Conversion Shares to be allotted and issued at the Conversion Price represent (i) approximately 5,850% of the existing issued share capital of the Company; and (ii) approximately 98.32% of the issued share capital of the Company as enlarged by allotment and issue of the Conversion Shares, assuming full conversion of the Convertible Bond at the Conversion Price.

The terms of the Convertible Bond have been negotiated on arm's length basis and the principal terms of which are summarised below:

Issuer: The Company

Principal Amount: A maximum of HK$750 million

Maturity: A fixed term of ten years from the date of issue of the Convertible Bond. Unless previously redeemed, converted or cancelled, the Company shall redeem the outstanding principal amount of the Convertible Bond on the maturity date.

Interest: The Convertible Bond will not carry any interest.

Redemption: The Company may at any time upon the date of issue and before the maturity date of the Convertible Bond, by serving at least seven days' prior written notice to the Bondholder(s) with the total amount proposed to be redeemed from the Bondholder(s) specified in the Convertible Bond, redeem the Convertible Bond at par.

Any amount of the Convertible Bond which remains outstanding on the maturity date shall be redeemed at its then outstanding principal amount.

Conversion Price: The Conversion Price is HK$0.10 per Conversion Share (subject to adjustments). The adjustments for the Conversion Price, which is subject to review by the Company's auditors or independent financial advisers, include the followings:

(i) an alternation of the nominal amount of each Share by reason of any consolidation or subdivision;

(ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);

(iii) a capital distribution being made by the Company, whether on a reduction or otherwise, to Shareholders (in their capacity as such);

(iv) an offer of new Shares for subscription by way of rights, or grant of options or warrants to subscribe new Shares being made by the Company to Shareholders (in their capacity as such);

(v) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares and the total effective consideration per Share receivable for such securities is less than 90% of the market price on the date of announcement of the terms of the issue of such securities;

(vi) an issue of Shares wholly for cash at a price per Share which is less than 90% of the market price on the date of announcement of the terms of such issue; and

(vii) an issue of Shares for acquisition of assets at a total effective consideration per Share which is less than 90% of the market price of the date of the announcement of the terms of such issue.

The Conversion Price represents (i) a discount of approximately 70.15% to the closing price of HK$0.335 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 69.70% to the average closing price of HK$0.330 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; (iii) a discount of approximately 67.74% to the average closing price of HK$0.310 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and (iv) a discount of approximately 52.38% to the closing price of HK$0.210 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The Conversion Price was determined after arm's length negotiations between the parties with reference to the fact that: (a) the Convertible Bond is interest free for 10 years; (b) the Convertible Bond is subject to escrow for approximately 2.5 years and shall only be released upon the Guaranteed EBITDA has been achieved or the Shortfall Payment has been settled in full by the Vendor as mentioned in the section headed "Guaranteed EBITDA" in this circular; (c) the Vendor shall only be entitled to exercise the conversion rights attaching to the Convertible Bond up to a principal amount of HK$250 million before the end of the Relevant Period and all the Conversion Shares in relation thereto are also subject to escrow; (d) the balance of the Convertible Bond up to a principal amount of HK$500 million shall only be converted into the Conversion Shares after the end of the Relevant Period; (e) there is a possibility that the Convertible Bond up to a principal amount of HK$250 million may not be converted in full as any conversion of the Convertible Bond is subject to a condition that it will not result in the Bondholder(s) and the parties acting with it shall be interested (whether directly or indirectly) in 29.90% or more of the then issued share capital of the Company and trigger a mandatory offer obligation under Rule 26 of the Takeovers Code; (f) the liquidity of the Shares is not high and in order to protect the interests of the Vendor, the Conversion Price has to be lower; and (g) the Group recorded a loss attributable to equity holders of the Company of approximately HK$20.6 million for the year ended 31 March 2009.

In view of the above, notwithstanding that the Conversion Price represents a significant discount to the current price of the Share, the Directors consider that the Conversion Price is fair and reasonable.

Conversion Shares: The Conversion Shares will be allotted and issued pursuant to the specific mandate to be sought at the SGM.

Conversion: The Bondholder(s) may at any time during the Conversion Period convert the whole or part (in multiples of HK$1 million), save that if at any time the aggregate outstanding principal amount of the Convertible Bond is less than HK$1 million, the whole (but not part only), of the outstanding principal amount of the Convertible Bond may be converted, of the principal amount of the Convertible Bond into the Conversion Shares at the Conversion Price, provided that (a) the Bondholder(s) shall only be entitled to exercise the conversion right attaching to the Convertible Bond up to a principal amount of HK$250 million within the period commencing on the date of issue of the Convertible Bond and ending on 31 March 2012 provided, however, that all the Conversion Shares to be allotted and issued to the Vendor in relation thereto shall be subject to escrow; and (b) any conversion of the Convertible Bond (i) does not result in the Bondholder(s) and parties acting in concert with it shall be interested (whether directly or indirectly) in 29.90% or more of the then issued share capital of the Company; (ii) does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Bondholder(s) and their respective concerted parties which exercised the conversion right; and (iii) will not cause the public float of the Company unable to meet the requirement under the GEM Listing Rules, the Bondholder(s) shall have the right at any time during the Conversion Period to convert the whole or part of the outstanding principal amount of the Convertible Bond into the Conversion Shares.

Transferability: The Convertible Bond (or any part thereof) may not be transferred during the 3 years' period commencing from the date of issue without the prior written consent of the Company, except by a transfer to wholly-owned subsidiaries or the holding company (as defined in the Companies Ordinance (Cap.32 of the Laws of Hong Kong) of the Bondholder. The Convertible Bond may not be transferred by the Bondholder, without the prior written consent of the Company, to any connected person (as defined in the GEM Listing Rules) of the Company.

Ranking: The Conversion Shares, when allotted and issued, will rank pari passu in all respects with all existing Shares in issue in the date of the allotment and issue of the Conversion Shares.

Status of Convertible Bond:	The Convertible Bond constitutes direct, unconditional, unsubordinated and unsecured obligations of the Company and rank pari passu without any preference (with the exception as may be provided by applicable legislation) equally with all other present and/or future unsecured and unsubordinated obligations of the Company.
Voting Rights:	The Convertible Bond does not confer any voting rights at any meetings of the Company.
Application for Listing:	No application will be made by the Company for listing of the Convertible Bond. Application will be made by the Company to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

INFORMATION ON TARGET COMPANY

The Target Company is an investment holding company incorporated in the British Virgin Islands with limited liability on 18 May 2009. The Target Company is beneficially owned by the Vendor.

The Target Company is the beneficial owner of the entire issued share capital of Gold Asia, a company incorporated in Hong Kong on 25 May 2009 and is principally engaged in provision of MIDS which includes healthcare information system and custom built Wi-Fi/RFID identification application system in Local Area Network (LAN) and Metropolitan Area Network (MAN) to the healthcare sector in the PRC. Gold Asia has entered into the Master Services Agreement with Tianjin Kong Hong whereby Gold Asia will provide on the start custom built Wi-Fi/RFID identification application system in Local Area Network (LAN) and Metropolitan Area Network (MAN) to Tianjin Kong Hong, which has contracted and will contract with hospitals in the PRC for the provision of Wi-Fi/RFID services on an exclusive basis for a term of 15 years commencing on 1 June 2009. The Target Group can provide such services irrespective of its short corporate history due to its own technical expertise and the technical back up from world-class internationally renowned information technology companies. The Target Group has signed technical support contracts with world-class internationally renowned information technology companies for the provision of Wi-Fi/RFID services. It has been revealed to the Company that as at the Latest Practicable Date, Tianjin Kong Hong has contracted with 30 hospitals in the PRC for the provision of custom built Wi-Fi/RFID identification application system in Local Area Network (LAN) and Metropolitan Area Network (MAN) to such hospitals and expects to contract with additional 20 hospitals within the coming three months.

The business of the Target Group will be run and managed by the existing management of the Target Group and one director, who possesses the knowledge of managing the business of the Target Group, is intended to be appointed to the Board upon completion of the Acquisition. Furthermore, the Target Group has signed technical support contracts with world-class internationally renowned information technology companies, which would provide technical backups for the provision of Wi-Fi/RFID services.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, Tianjin Kong Hong and its ultimate beneficial owners are Independent Third Parties.

As each of the Target Company and Gold Asia has not commenced business since the date of its incorporation, the Target Company and Gold Asia have no turnover, net profit before or after taxation and extraordinary items during the last two financial years and significant assets and liabilities as at the Latest Practicable Date. The book value of the Target Group is US$100.

INFORMATION ON MASTER SERVICES AGREEMENT

Under the Master Services Agreement, Tianjin Kong Hong appoints Gold Asia as its exclusive partner in the provision of MIDS which includes healthcare information system and custom built Wi-Fi/RFID identification application system in Local Area Network (LAN) and Metropolitan Area Network (MAN) (the "**Services**") to Tianjin Kong Hong until 30 June 2025. Tianjin Kong Hong shall request the Services by sending Gold Asia a separate statement of work setting out the requirements and specifications of the Services. Tianjin Kong Hong shall pay the charges to Gold Asia which varies according to the nature, complexity and specifications of the Services rendered to different hospitals.

Tianjin Kong Hong has contracted with 30 hospitals in the PRC for the provision of the Services to such hospitals for a term of 5 years. The relevant hospitals shall pay the service charges as set out in the statement of work which vary depending on the nature, complexity and specifications of the Services.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company and the Group is principally engaged in the provision of film productions and worldwide film distribution and property investment.

Having taken into account (i) the long term growth in the medical information digitalization industry via the use of healthcare information system and custom built Wi-Fi/RFID identification application system in Local Area Network (LAN) and Metropolitan Area Network (MAN) to the healthcare sector in the PRC, (ii) the contracts signed and in negotiation and expected to be signed within the coming three months by Tianjin Kong Hong with various hospitals in the PRC for the provision of Wi-Fi/RFID services, (iii) the market potential of the medical industry in the PRC, being one of the sectors that the PRC government is and would continue investing substantially, including the computerisation of the data and the provision of the nationwide medical insurance system, (iv) the potential of the Target Group in becoming one of the leading MIDS, including the provision of healthcare information system and Wi-Fi/RFID identification application system and related computerised data-backup solutions, such as the establishment of data centres and disaster data recovery systems to the healthcare sector in the PRC, (v) the technical backup from world-class internationally renowned information technology companies, (vi) the Guaranteed EBITDA, and (vii) the final Consideration being subject to the Valuation up to a maximum amount of HK$1,500 million, the Board is of the opinion that the Acquisition provides a good opportunity for the Company to participate in the business of provision of MIDS to the healthcare sector in the PRC, which in turn will not only enlarge the markets of the Group, but will also broaden the Group's revenue base. Following Completion, the Company will continue with its existing business.

The Directors (including the independent non-executive Directors) are of the view that the Acquisition is in the interest of the Group and the terms and conditions of the Acquisition are in normal commercial terms, which are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

EFFECT ON SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon the allotment and issue of the Conversion Shares assuming the Convertible Bond is converted into Share at the Conversion Price in full; and (iii) upon the allotment and issue of the Conversion Shares assuming the Convertible Bond is converted into Share at the Conversion Price up to the extent the Vendor being interested in not more than 29.9% of the issued share capital of the Company are as follows:

	As at the Latest Practicable Date		**Upon allotment and issue of the Conversion Shares, assuming the Convertible Bond is converted into Share at the Conversion Price in full** *(Note 2)*		**Upon allotment and issue of the Conversion Shares, assuming the Convertible Bond is converted into Shares at the Conversion Price up to the extent of the Vendor being interested in not more than 29.9% of the issued share capital of the Company** *(Note 2)*	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
Mr. Lei *(Note 1)*	1,053,853	0.82	1,053,853	0.01	1,053,853	0.57
Eagle Mate *(Note 1)*	18,000,000	14.04	18,000,000	0.24	18,000,000	9.84
Mander *(Note 1)*	10,506,000	8.20	10,506,000	0.14	10,506,000	5.75
Vendor	0	0	7,500,000,000	98.32	54,683,091	29.90
Sub-total	29,559,853	23.06	7,529,559,853	98.71	84,242,944	46.06
Public Shareholders	98,643,650	76.94	98,643,650	1.29	98,643,650	53.94
Total	128,203,503	100.00	7,628,203,503	100.00	182,886,594	100.00

Notes:

1. Mr. Lei owns 1,053,853 Shares in his personal capacity. Eagle Mate and Mander are wholly and beneficially owned by Business Power Holdings Limited ("Business Power"). Mr. Lei is interested in the Shares held by Eagle Mate and Mander through his 50% interest in Business Power.

2. For illustration purpose only. The Bondholder(s) shall only be entitled to exercise the conversion right attaching to the Convertible Bond (a) up to a principal amount of HK$250 million within the period commencing on the date of issue of the Convertible Bond and ending on 31 March 2012; and (b) provided that any conversion of the Convertible Bond (i) does not result in the Bondholder(s) and parties acting in concert with it shall be interested (whether directly or indirectly) in 29.90% or more of the then issued share capital of the Company; (ii) does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Bondholder(s) and their respective concerted parties which exercised the conversion right; and (iii) will not cause the public float of the Company unable to meet the requirement under the GEM Listing Rules. The Bondholder(s) shall have the right at any time during the Conversion Period to convert the whole or part of the outstanding principal amount of the Convertible Bond into the Conversion Shares.

FINANCIAL EFFECT OF THE ACQUISITION

After Completion, the Target Company will become a wholly-owned subsidiary of the Company. The financial statements of the Target Group will be consolidated in the accounts of the Group after Completion.

Set out in Appendix IV to this circular is the unaudited pro forma financial information on the Enlarged Group which illustrates the financial effect of the Acquisition on the assets and liabilities of the Group assuming the Completion had taken place on 31 March 2009.

Based on the unaudited pro forma consolidated balance sheet of the Enlarged Group as set out in section 2 of Appendix IV to this circular, the total assets of the Enlarged Group would increase by approximately 754.0% from approximately HK$198.94 million to approximately HK$1,698.94 million; and its total liabilities would increase by approximately 12,129.3% from approximately HK$8.26 million as at 31 March 2009 to approximately HK$1,010.14 million (assuming no cash deposit is paid by the Purchaser on Completion), as a result of the Acquisition. The Acquisition would have no effect on the Group's unaudited pro forma consolidated income statement of the Enlarged Group as set out in the section 3 of Appendix IV to this circular.

PROSPECTS OF THE ENLARGED GROUP

Following Completion, the Target Group will become wholly-owned subsidiaries of the Group. Upon Completion, whilst the Enlarged Group will continue to carry out its existing business of film production, worldwide film distribution and property investment, the Enlarged Group will also be engaged in provision of MIDS which includes healthcare information system and custom built Wi-Fi/RFID identification application system in Local Area Network (LAN) and Metropolitan Area Network (MAN) to the healthcare sector in the PRC. The Company would then leverage on the relationship and experience built and may consider in expanding into the horizontal integrated businesses of the (a) establishment of the offshore disaster recovery center for contracted hospitals in the PRC; and (b) development of a virtual system linking up offshore disaster recovery center and the contracted hospitals in the PRC.

The Directors believe that the Acquisition will enable the Enlarged Group to diversify its business and broaden its revenue base which would have a positive impact on the Enlarged Group's profitability.

INCREASE IN AUTHORISED SHARE CAPITAL

The authorised share capital of the Company was HK$30,000,000, divided into 3,000,000,000 Shares, of which 128,203,503 Shares had been issued as at the Latest Practicable Date. The Board proposes to increase the authorised share capital of the Company from HK$30,000,000, divided into 3,000,000,000 Shares to HK$200,000,000 divided into 20,000,000,000 Shares by the creation of 17,000,000,000 new Shares.

The Increase in Authorised Share Capital shall be subject to Shareholders' approval at the SGM. Completion is subject to, inter alia, the approval of the Increase in Authorised Share Capital, but not vice versa.

The Directors will seek alternative financing opportunities to satisfy the cash requirement for reducing the potential Promissory Notes debt. However, the Directors currently do not have intention but do not preclude possibility of issuing any part of the authorised share capital of the Company save and except for the Conversion Shares to be issued and allotted upon exercise of the conversion rights attaching to the Convertible Bond.

IMPLICATIONS UNDER THE GEM LISTING RULES

The Acquisition constitutes a very substantial acquisition for the Company under the GEM Listing Rules and is subject to the approval of Shareholders at the SGM. The Company will seek the approval of its Shareholders at the SGM to be convened and held by the Company to approve (a) the Agreement and the transactions contemplated thereunder including the issue of the Promissory Note (where applicable), the issue of the Convertible Bond and the allotment and issue of the Conversion Shares upon conversion of the Convertible Bond; and (b) the Increase in Authorised Share Capital. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition other than their shareholding interests in the Shares, and accordingly no Shareholder is required to abstain from voting at the SGM.

Shareholders and investors should note that the Agreement is subject to various conditions as stated in the section headed "Conditions precedent" above and investors and Shareholders are urged to exercise caution when dealing in the Shares.

THE SGM

A notice convening the SGM to be held on Monday, 5 October 2009 at 4:00 p.m. at Unit 1611, 16/F., Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong is set out on pages 142 to 143 of this circular for the purpose of considering and, if thought fit, passing, with or without amendments, the ordinary resolutions in respect of the Acquisition and the Increase in Authorised Share Capital. A form of proxy for use by the Shareholders at the

SGM is enclosed. Whether or not you are able to intend to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch registrars, Tricor Secretaries Limited at 26th Floor, Tesbury Center, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the opinion that the Acquisition and the Increase in Authorised Share Capital are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders should vote in favour of the resolutions to be proposed at the SGM to approve the Acquisition and the Increase in Authorised Share Capital.

ADDITIONAL INFORMATION

Your attention is drawn to the general information set out in the appendices to this circular.

By Order of the Board
Brilliant Arts Multi-Media Holding Limited
Ho Ka Wai
Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP

Set out below is the management discussion and analysis (modified as appropriate) extracted from the annual reports of the Company for each of the three financial years ended 31 March 2007, 2008 and 2009:

(i) For the twelve months ended 31 March 2007

Financial Review

Financial Performance

The Group recorded a turnover for the year ended 31 March 2007 of approximately HK$62.3 million (2006: HK$17.3 million), representing an increase of approximately 261% when compared to that of previous financial year. The growth was attributable to the increased revenue from provision of film production services from approximately HK$7.9 million in prior year to approximately HK$22 million this year coupled with the boosted revenue from film distribution from approximately HK$9.3 million in prior year to approximately HK$40.3 million this year. Revenue from film distribution segment has overtaken that from provision of film production services and accounted for approximately 65% of the overall turnover for the year.

Gross profit also soared from approximately HK$3.8 million in prior year to approximately HK$13.3 million in current year. Gross profit ratio remained similar to prior year of 21% (2006: 22%).

Despite of the encouraging growth in turnover and soaring gross profit, the Group, however, recorded a net loss of approximately HK$16.2 million (2006: HK$18.2 million) representing a minor improvement from that in the previous year. The continued loss recorded was attributable to the sustained high level of overhead of the Group. Marketing and promotion expenses increased commensurate with the increased productions while finance costs also hit a new record at the time the Group's borrowings reached a new high. Professional fees incurred during the year in connection with the issue of shares and convertible bonds also contributed to the soared overhead. Coupled with the increase in the aforementioned overhead, the Group also made a provision for a litigation claim from an individual who was injured at the time of rendering service in film production. The combine effect results in a 34% increase in the overall administrative and other operating expenses.

Liquidity, Financial Resources and Capital Structure

A deficit in shareholders' funds of the Group as at 31 March 2007 amounted to approximately HK$18.1 million (2006: HK$9.9 million) was recorded. Current assets amounted to approximately HK$80.8 million (2006: HK$32.8 million), of which approximately HK$23.9 million (2006: HK$3.6 million) were bank deposits and cash representing 29.5% of the current assets. Current liabilities amounted to approximately HK$94.8 million (2006: HK$54.6 million) mainly comprised advanced receipts from film companies and loans from related companies. The liability component of convertible bonds not yet converted of approximately HK$13.8 million (2006: nil) was recorded as non-current liabilities. At 31 March 2007, the Group had loans from related companies amounted to HK$37.5 million (2006: HK$15 million). The bank loans of HK$3 million as at 31 March 2006 was repaid during the year. The Group also incepted a new finance lease of HK$664,000 during the year for the financing of purchase of property, plant and equipment.

The Group generally financed its film production activities and other operations with inflow of advanced receipts from film companies. During the year, it issued zero coupon convertible bonds to provide funds for its general working capital and financing of any possible diversified future investments. The Group also procured loans from related companies to finance its film production activities. All the Group's borrowings bear interest at commercial rates.

In December 2006, the Group placed 161,000,000 shares of HK$0.01 each (equivalent to 16,100,000 shares of HK$0.1 each upon share consolidation in January 2007) under general mandate with net proceeds of approximately HK$3.4 million.

Foreign Exchange Exposure

As the majority of the Group's business transactions for the year ended 31 March 2007 and its assets and liabilities at the balance sheet date were denominated in Hong Kong Dollars and United States Dollars, the risk on fluctuation in exchange rates was considered to be minimal. Accordingly, the Group did not enter into any foreign exchange contract for hedging purpose.

Material Acquisition, Disposal and Significant Investments

For the year ended 31 March 2007, the Group did not made any significant capital investment other than investment in film projects which were recorded as films in progress at the production stage and transferred to film rights upon completion. The Group owns these film rights for future distribution purpose.

In April 2007, the Group entered into an agreement with a company beneficially owned by the Group's chief executive officer, Mr. To Kei Fung to disposed of the interests in two subsidiaries, namely, Milkyway Image (Hong Kong) Limited and Luminous Star Limited to it at a consideration of HK$26 million. The disposal was unanimously approved by the Company's shareholders at an extraordinary general meeting held in June 2007.

Employees and Remuneration Policies

As at 31 March 2007, the Group employed a total of 20 employees (2006: 22), including the executive directors. The Group remunerated its employees in accordance with their work performance and experience. The Directors had their discretions in granting share options and bonuses to the Group's employees depending upon the work performance of particular employee and the financial performance of the Group. No share options were granted in previous year. For the year ended 31 March 2007, total staff costs, including Directors' emoluments, amounted to approximately HK$10.7 million (2006: HK$11.1 million).

Charges on Group Assets

As at 31 March 2007, the Group did not have any charges on its assets.

Gearing Ratio

As at 31 March 2007, the gearing ratio, expressed as a percentage of total liabilities over total assets, was 120% (2006: 122.2%).

Contingent Liabilities

As at 31 March 2007, the Group did not have any material contingent liabilities.

Business Review

Segment Information

For the year ended 31 March 2007, the Group's total turnover amounted to approximately HK$62.3 million (2006: 17.3 million), of which approximately HK$40.3 million (2006: 9.3 million) or 65% (2006: 54%) was derived from film distribution and the remaining of approximately HK$22 million (2006: 7.9 million) or 35% (2006: 46%) was derived from film production.

During the year, the Group continued to devote more resources to investments in its own productions for distribution purpose. As a consequence, the revenue from film distribution overtook that from provision of production services to outsiders. The outcome was appealing as the gross profit attributable to the film distribution business accounted for 65% of the overall gross profit of the Group.

For the year ended 31 March 2007, the Group did not produce any television movies. Nevertheless, the Group will continue to explore business opportunities in this segment in the future.

Sales and Marketing

With the aim of raising public awareness and enhancing the sales potential of the films produced by the Group, the Group continued to actively promote and market its films by participating in both local and international film festivals and it became an integral part of the Group's marketing strategy.

The Group has not only earned praises and achieved encouraging box office receipts in local market for the films produced by itself, but has also proven its competitiveness in international film market. Details of awards and acclaims received by the Group in the year are set out below:

Name of Films	**Film Festivals**	**Awards and Acclaims**
Eye in the Sky	The 31st Hong Kong Film Festival	Opening Film
	The 9th Udine Fareast Film Festival	Official Entry
	The 10th Shanghai Film Festival	Opening Film
	The 25th Cognac Film Festival	Official Entry
Exiled	The 2006 Hong Kong Asia Film Festival	Closing Film
	The 39th Sitges International Film Festival of Catalonia	Best Film (Young Jury Award)
	The 43rd Taipei Golden Horse Award	Best Action Choreography
	The 13th Hong Kong Film Critics Society Award	Best Director Recommended Film
	The 25th Cognac Film Festival	Opening Film
	The 39th Auckland Film Festival	Official Entry
	The 8th Jeonju Film Festival	Closing Film
Election	The 51st Asia-Pacific Film Festival	Official Entry
	The 7th Tokyo Filmex Film Festival	Official Entry
	The 31st Toronto International Film Festival	Official Entry
	The 2006 Munich Asia Filmfest	Official Entry
Election 2	The 44th New York Film Festival	Official Selection
	The 24th Torino Film Festival	Official Selection
	The 30th Hong Kong International Film Festival	Opening Film (World Premiere)
	The 2006 Cannes International Film Festival	Out of Competition Official Selection
	The 7th Tokyo Filmex Film Festival	Official Entry
	The 31st Toronto International Film Festival	Official Entry
	The 2006 Munich Asia Filmfest	Official Entry
	The 13th Hong Kong Film Critics Society Award	Best Film
Triangle	The 60th Cannes Film Festival	Official Selection

The Group's film directors also received acclaims during the year, out of which Mr. To Kei Fung was granted the title "Filmmaker In Focus" at the 36th International Film Festival Rotterdam. He was also granted "Best Director" (based on the Group's previous production entitled "The Mission") at The 10th Anniversary of the Establishment of HKSAR Film Election.

Film Investment

During the year, the Group completed the production of three film projects entitled, "Election 2"「黑社會以和為貴」, "love@first note"「戀愛初歌」and "Fatal Contact"「黑拳」. The Group owns the film rights of these films for distribution. The corresponding distribution income was recognized during the year in accordance with the Group's revenue recognition policy. At the balance sheet date, several other film projects to which the Group will solely or partially own the film rights are in the production phases or in their pre-production phases. One of these films, titled "Triangle"「鐵三角」has completed subsequent to the balance sheet date and pending for release. It was selected as the Official Selection at The 60th Cannes Film Festival. The Directors are confident in the Group's productions and believe that by investing in the film projects produced by the itself, the Group is able to broaden its recurrent income base and will benefit the shareholders in the long-run. The encouraging results of film distribution during the year supported this move.

Film Production

During the year, the Group continued in the provision of film production services to other film companies. It completed the production of two film projects entitled "Exiled"「放 • 逐」and "Eye in the Sky"「跟蹤」. The films were completed and delivered during the year. At the date of this report, the Group has entered into production agreements with several film companies, to produce and/or to provide production resources for a number of films. The productions of some of these films have commenced at the balance sheet date.

Future Plans for Material Investments

Save as the aforementioned film investment activity, the Group does not have any concrete future plans for material investments.

Prospects

Despite of the drastic increase of turnover for the year, the Group still recorded a net loss of approximately HK$16 million. The Group considers the overhead of two wholly-owned subsidiaries, namely, Milkyway Image (Hong Kong) Limited and Luminous Star Limited has been at a consistently high level which is one of the major underlying reasons for the operating loss. With the decision made in disposing of the Group's interest in these two subsidiaries, the Group believes that the overall overhead in future can be significantly reduced and it will be in the best interests of the Group and the shareholders as a whole.

Following the conversions of nearly all the convertible bonds issued during the year and subsequent to the balance sheet date, the capital base of the Group has strengthened and the gearing ratio further reduced. As a consequence, the Group can be more responsive to any emerging business opportunities. The board of directors may invite talents to join the management of the Group in order to bring new thoughts and expertise to the Group.

Meanwhile, the name of the Company will be changed from "Milkyway Image Holdings Limited" to "Brilliant Arts Multi-Media Holding Limited". The Group considers the current principal activities undertaken by the Group only relate to the media of film whereas the new name indicate multi-media which including various kinds of media and is to reflect the nature of the business of the Group in future.

(ii) For the twelve months ended 31 March 2008

Business Overview

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

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

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

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

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

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

Financial Review

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

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

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

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

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

Significant investment

The principal activities of the Group are film production and film distribution and the properties investment. Save for the acquisitions of Classic Grace and Grandeur Concord, and the disposals of Luminous Star and Milkyway Image as disclosed under the sub-section headed "Business Overview" above, no other investment was entered or proposed during the period under review.

Dividend

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

Liquidity, Financial Resources and Capital Structure

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

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

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

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

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

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

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

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

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

Business segment

During the year under review, the Group did not have revenue generated from the business segment of film production and distribution. All the revenue was generated from the leasing of the investment property located at Canada.

Future plans for material investment or capital assets

The Group will continue to focus on its business of film production and film distribution and properties investment, meanwhile, the Group will continue to seek for new investment opportunities. The sources of funding of the Group in the coming year is expected to be financed from the internal resource of the Group.

Treasury Policies

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

Contingent Liabilities

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

Material Acquisitions and Disposal of Subsidiaries and Affiliated Companies

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

Capital Reorganisation and Change of Board Lot Size

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

Employee Information

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

(iii) For the twelve months ended 31 March 2009

Business Overview

Owing to the global economic downturn, the operating environment of the film industry has been increasingly challenging. Given the above, the Group has been alert and cautious in utilising its resources for the production of new films. The Group recorded a turnover of approximately HK$1.6 million (2008: HK$10.6 million) during the year under review.

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

Financial Review

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

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

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

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

Significant investment

The principal activities of the Group are film production and film distribution, as well as properties investment. No significant investment was entered or proposed during the period under review.

Dividend

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

Liquidity, Financial Resources and Capital Structure

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

During the year under review, the Group financed its operations with internally generated cash flows and the proceeds from the open offer.

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

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

At 31 March 2009, save as the mortgage loan, the Group did not have any bank borrowings nor any banking facilities. The gearing ratio, expressed as a percentage of total liabilities over total assets, was 4.2% (2008: 5.1%).

Business segment

During the year under review, the Group did not have revenue generated from the business segment of film production and distribution. All the revenue was generated from the leasing of the investment property located at Canada.

Future plans for material investment or capital assets

The Group will not only continue to focus on its business of film production and film distribution and properties investment, but also continue to seek for new investment opportunities. The sources of funding of the Group in the coming year is expected to be financed from the internal resource of the Group.

Treasury Policies

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

Contingent Liabilities

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

Material Acquisitions and Disposal of Subsidiaries and Affiliated Companies

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

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

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

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

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

Employee Information

As at 31 Mach 2009, the Group had 6 (2008: 6) full times employees, including executive directors. The Group remunerated its employees in accordance their work performance and experience. The Directors had their discretions in granting share options and bonuses to the Group's employees depending upon the work performance of particular employee and the financial performance of the Group. For the year ended 31 March 2009, total staff costs, including directors' emoluments, amounted to approximately HK$7.0 million (2008: HK$7.9 million).

MANAGEMENT DISCUSSION AND ANALYSIS ON TARGET COMPANY

Set out below is the management discussion and analysis on the Target Company for the period from 18 May 2009 (i.e. the date of incorporation) to 30 June 2009.

Overview

The Target Company is an investment holding company incorporated in the British Virgin Islands with limited liability on 18 May 2009. The Target Company is beneficially owned by the Vendor. The Target Company holds the entire issued share capital of Gold Asia.

Significant investments

The Target Company is principally engaged in provision of MIDS which includes healthcare information system and custom built Wi-Fi/RFID identification application system in Local Area Network (LAN) and Metropolitan Area Network (MAN) to the healthcare sector in the PRC. Gold Asia has entered into the Master Services Agreement with Tianjin Kong Hong whereby Gold Asia will provide on the start custom built Wi-Fi/RFID identification application system in Local Area Network (LAN) and Metropolitan Area Network (MAN) to Tianjin Kong Hong, which has contracted and will contract with hospitals in the PRC for the provision of Wi-Fi/RFID services on an exclusive basis for a term of 15 years commencing on 1 June 2009. The Target Group can provide such services irrespective of its short corporate history due to its own technical expertise and the technical back up from world-class internationally renowned information technology companies. The Target Group has signed technical support contracts with world-class internationally renowned information technology companies for the provision of Wi-Fi/RFID services. It has been revealed to the Company that as at the Latest Practicable Date, Tianjin Kong Hong has contracted with 30 hospitals in the PRC for the provision of custom built Wi-Fi/RFID identification application system in Local Area Network (LAN) and Metropolitan Area Network (MAN) to such hospitals and expects to contract with additional 20 hospitals within the coming three months. In view of the Guaranteed EBITDA of not less than HK$500 million for the period from the date of Completion to 31 March 2012, the acquisition of the Target Company will broaden the Group's revenue base.

Revenue

No revenue, taxation and profit/(loss) of Target Company was recorded for the period.

Liquidity and financial resources

As far as the liquidity and the financial resources are concerned, there is no specific minimum capital requirement nor any other financial resources requirement. The balance sheet is represented just by the equity (paid up capital) without any liability, including borrowing. None of the asset of the Target Group has charged.

Charges on assets

The Target Company did not have any charge on its assets.

Net current liabilities

No net current liabilities was recorded by the Target Company for the period.

Material acquisitions and disposals of subsidiaries and associated companies

Save for the acquisition of Gold Asia, the Target Company did not make any material acquisitions and disposal of subsidiaries and affiliated companies during the period.

Business Segment

The business segment of the Target Group is the healthcare sector in China. According to the statistics from the Ministry of Health in the PRC, the total spending on healthcare and per capital spending in China were increased by 74% and 60% respectively during the period from the year of 2004 to 2008 and this represents less than 5% of its GDP, compared to 16% in the United States. In 2008, China had less than 1.3 licensed doctor and registered nurse per 1,000 people while most developed countries had 2-4 licensed doctor and registered nurse per 1,000 people. China has been calling for higher healthcare efficiency and information system and management upgrades among hospitals. It is a national policy to undertake healthcare reform in order to provide a safe, effective, convenient and affordable healthcare infrastructure. An aggregate of government spending of RMB850 billion for the period from 2009 to 2011 has been proposed by the Ministry of Health in China with the approval of the State Council.

Future Plan for Investments

A one off capital investment of acquiring the relevant hardware and software per contracted hospital would be financed by the income generated from the relevant contracted hospital on a monthly basis, the credit term provided by the suppliers, the internal resources of the Target Company. The installation of MIDS in the various contracted hospitals would be conducted by phases in line with the fund on hand and the technical support available to the Company. The annual maintenance fee would be financed by the maintenance and upgrading fee charged to the relevant contracted hospitals on a recurrent basis.

Contingent liabilities

No contingent liabilities was recorded by the Target Company for the period.

Capital structure

No capital investment has been recorded.

Exchange risk and hedging

The capital structure of the Target Group is very simple with currency denominated in HK$. The income would be in form of RMB whereas payment would be in HK$ or US$, no hedging vehicle has been adopted.

Staff and remuneration policies

No employee has been employed for the time being.

A. SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and the assets and liabilities of the Group for the last three financial years, as extracted from the audited financial statements, is set out below. No qualified or modified opinion has been issued on the Group's financial statements for the three years ended 31 March 2007, 2008 and 2009 respectively.

Results

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

Assets and Liabilities

	As at 31 March		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	9,952	58,288	42,904
Current assets	80,834	114,447	159,035
Current liabilities	94,845	1,609	4,060
Non-current liabilities	14,085	7,157	4,203

B. AUDITED CONSOLIDATED FINANCIAL INFORMATION

Consolidated Income Statement
For the year ended 31 March 2009

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

Consolidated Balance Sheet

As at 31 March 2009

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

Balance Sheet

As at 31 March 2009

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2009

	Attributable to equity holders of the Company							
	Share capital	Share premium	Contributed surplus	Share-based compensation reserve	Convertible bonds reserve	Translation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2007	10,620	18,074	10	1,030	2,369	–	(50,247)	(18,144)
Profit for the year	–	–	–	–	–	–	19,289	19,289
Issue of shares	80,452	16,230	–	–	–	–	–	96,682
Share issue expenses	–	(2,241)	–	–	–	–	–	(2,241)
Recognition of equity-settled share-based payments	–	–	–	4,370	–	–	–	4,370
Issue of convertible bonds	–	–	–	–	10,107	–	–	10,107
Conversion into shares from convertible bonds	31,456	30,855	–	–	(12,226)	–	–	50,085
Shares issued upon exercise of share options	3,162	2,650	–	(1,699)	–	–	–	4,113
Cancellation of share options	–	–	–	(1,030)	–	–	1,030	–
Exchange differences arising on translation of financial statements of foreign operation	–	–	–	–	–	(292)	–	(292)
At 31 March 2008 and 1 April 2008	125,690	65,568	10	2,671	250	(292)	(29,928)	163,969
Loss for the year	–	–	–	–	–	–	(20,593)	(20,593)
Capital reduction	(124,433)	–	87,244	–	–	–	37,189	–
Issue of shares	11,312	33,936	–	–	–	–	–	45,248
Share issue expenses	–	(969)	–	–	–	–	–	(969)
Recognition of equity-settled share-based payments	–	–	–	5,017	–	–	–	5,017
Redemption of convertible bonds	–	–	–	–	(250)	–	250	–
Cancellation of share options	–	–	–	(2,091)	–	–	2,091	–
Share options lapsed	–	–	–	(1,397)	–	–	1,397	–
Exchange differences arising on translation of financial statements of foreign operation	–	–	–	–	–	(1,996)	–	(1,996)
At 31 March 2009	12,569	98,535	87,254	4,200	–	(2,288)	(9,594)	190,676

Consolidated Cash Flow Statement
For the year ended 31 March 2009

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

	2009	2008
	HK$'000	*HK$'000*
FINANCING ACTIVITIES		
Interest paid	–	(1,305)
Finance charges on finance leases paid	–	(8)
Repayment of bank loan	(486)	(65)
Net amounts due to related companies	–	18,500
Proceeds from issue of shares	45,248	78,682
Proceeds from issue of convertible bonds	–	22,500
Proceeds from issue of shares under share option scheme	–	4,113
Repayment of amounts due to related companies	–	(36,000)
Repayment of obligations under finance leases	–	(96)
Share issue expenses	(969)	(2,241)
Payment for redemption of convertible bonds	(1,100)	–
NET CASH GENERATED FROM FINANCING ACTIVITIES	42,693	84,080
NET INCREASE IN CASH AND CASH EQUIVALENTS	39,779	77,752
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	101,760	23,877
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	870	131
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	142,409	101,760
CASH AND CASH EQUIVALENTS ANALYSIS		
Bank balances and cash	142,409	101,760

Notes to the Financial Statements

For the year ended 31 March 2009

1. GENERAL

The Company was incorporated in the Cayman Islands on 9 November 2001 and redomiciled and continued in Bermuda as an exempted company with limited liability on 20 April 2009 and its shares are being listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office and principal place of business of the Company are located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Unit 1611, 16/F., Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong respectively.

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

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

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

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

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

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

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

HKFRSs (Amendments)	Improvements to HKFRSs[5]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[8]
HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and separate financial statements[2]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[1]
HKAS 39 (Amendment)	Eligible hedged items[2]
HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate[1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[1]
HKFRS 3 (Revised)	Business combinations[2]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 19 & HKAS 39 (Amendments)	Embedded Derivatives[7]
HK(IFRIC) – Int 13	Customer loyalty programmes[3]
HK(IFRIC) – Int 15	Agreements for the construction of real estate[1]

HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation[4]
HK(IFRIC) – Int 17	Distributions of non-cash assets to owners[2]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[6]

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

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

HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

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

3. SIGNIFICANT ACCOUNTS POLICIES

(a) Statement of compliance

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

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

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

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

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

(b) Basis of consolidation

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

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

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

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

(c) Business combination

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

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

(d) Goodwill

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

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

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

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

(e) Interests in subsidiaries

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

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

(f) Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

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

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

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

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

(g) Investment properties

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

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

(h) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Assets acquired under finance leases

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

(iii) Operating lease charges

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

(i) Trade and other receivables

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

(j) Interest-bearing borrowings

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

(k) Trade and other payables

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

(l) Cash and cash equivalents

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

(m) Film rights

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

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

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

(n) Production in progress

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

(o) Films in progress

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

(p) Impairment of assets

(i) Impairment of other receivables

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

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

– significant financial difficulty of the debtor;

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

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

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

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

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

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

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

(ii) Impairment of other assets

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

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

– film in progress;

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

– goodwill.

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

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

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

(q) Convertible bonds

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

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

In subsequent year, the liability component of the convertible bonds is carried at amortised cost. The interest expenses recognised in the income statement on the liability components is calculated using the effective interest method.

The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds reserve until the embedded conversion option is exercised (in which case the balance stated in convertible bonds reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds reserve will be released to the retained profits. No gain or loss is recognised in the income statement upon conversion or expiration of the option. If the convertible bonds are redeemed, the convertible bonds reserve is released directly to retained profits.

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

(r) Revenue recognition

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

(i) Film production income

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

(ii) Film distribution income

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

(iii) Rental income from operating leases

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

(iv) Interest income

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

(s) Employee benefits

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

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

(ii) Share-based payments

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

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

(iii) Termination benefits

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

(t) Income tax

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

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

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

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

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

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

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

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

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

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

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

  – the same taxable entity; or

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

(u) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

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

(ii) Contingent liabilities acquired in business combinations

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

(iii) Other provisions and contingent liabilities

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

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

(v) Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the income statement in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). The translation reserve are recognised in the consolidated income statement in the period in which the foreign operation is disposed of.

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

(w) Borrowing costs

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

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

(x) Related parties

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

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals, or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

(y) Segment reporting

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

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

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

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

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

4. CAPITAL MANAGEMENT

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

The capital structure of the Group consists of total assets and total liabilities. Consistent with industry practice, the Group monitors its capital structure on the basis of a gearing ratio. The gearing ratio determined as the proportion of total liabilities to total assets. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

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

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

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

5. FINANCIAL INSTRUMENTS

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

(a) Fair values

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

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

(b) Credit risk

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

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 90 days from the date of billing. The Group does not have any significant concentration of credit risk on its trade receivables and does not obtain collateral from customers.

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

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

(c) Interest rate risk

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

(i) Interest rate profile

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

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

(ii) Sensitivity analysis

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

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

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivation and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2008.

(d) Liquidity risk

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

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

The Group

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total un-discounted cash flow	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2009							
Other creditors and accruals	–	2,914	–	–	–	2,914	2,914
Amounts due to directors	–	527	–	–	–	527	527
Bank loan	5.78	438	438	1,205	–	2,081	1,819
		3,879	438	1,205	–	5,522	5,260
2008							
Other creditors and accruals	–	870	–	–	–	870	870
Bank loan	5.78	537	537	1,611	433	3,118	2,626
Convertible bonds*	9.00	–	–	662	–	662	662
		1,407	537	2,273	433	4,650	4,158

The Company

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total un-discounted cash flow	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2009							
Other creditors and accruals	–	1,122	–	–	–	1,122	1,122
Amounts due to directors	–	527	–	–	–	527	527
		1,649	–	–	–	1,649	1,649
2008							
Other creditors and accruals	–	687	–	–	–	687	687
Amount due to a subsidiary	–	29	–	–	–	29	29
Convertible bonds*	9.00	–	–	662	–	662	662
		716	–	662	–	1,378	1,378

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

(e) Currency risk

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

(i) Exposure to currency risk

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

(ii) Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to a 5% increase and decrease in Hong Kong dollars against Canadian dollars. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding amounts of a subsidiary's Canadian dollars denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. For a 5% strengthening of Hong Kong dollars against Canadian dollars, the loss for the year ended 31 March 2009 would be reduced by approximately HK$350,000 (2008: HK$461,000). For a 5% weakening of Hong Kong dollars against Canadian dollars, there would be an equal and opposite impact on the loss. The analysis is performed on the same basis for 2008.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

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

(i) Estimated impairment of goodwill

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

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

(ii) Useful lives of property, plant and equipment

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

(iii) Impairment of property, plant and equipment

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(iv) Impairment of receivables

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

(v) Impairment of films in progress

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

(vi) Valuation of investment properties

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

(vii) Income tax

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

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

Provisions and contingent liabilities

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

7. TURNOVER, OTHER REVENUE AND OTHER INCOME

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

Turnover, other revenue and other income consist of:

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

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

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

(a) Business segments

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

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

Income statement

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

Balance sheet

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

Other information

	Film production		Film distribution		Properties investment		Unallocated		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure incurred during the year	–	4	–	77	–	56,935	–	–	–	57,016
Depreciation	–	102	–	393	286	95	–	646	286	1,236
Additions of film rights	–	–	–	4,697	–	–	–	–	–	4,697
Fair value (loss)/gain on investment properties	–	–	–	–	(11,200)	7,700	–	–	(11,200)	7,700
Amortisation of film rights	–	–	–	2,976	–	–	–	–	–	2,976
Impairment loss on films in progress	–	–	1,432	–	–	–	–	–	1,432	–
Loss on disposal of property, plant and equipment	–	–	–	3	–	–	–	–	–	3

(b) Geographical segments

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

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

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	180,962	149,554	–	1,510
Overseas	17,977	23,181	–	–
	198,939	172,735	–	1,510

9. LOSS FROM OPERATIONS

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

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

10. FINANCE COSTS

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

11. DIRECTORS' REMUNERATION

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

For the year ended 31 March 2009

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

For the year ended 31 March 2008

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

Notes:

(a) Mr. Yip Tai Him was appointed on 9 October 2007 and resigned on 27 August 2008

(b) Mr. Lei Hong Wai was appointed on 9 October 2007

(c) Mr. Cheung Kwok Wai, Elton was appointed on 27 August 2008

(d) Mr. Lai Hok Lim was appointed on 10 July 2007 and resigned on 10 November 2008

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

(f) Mr. Man Kong Yui was appointed 18 September 2007

(g) Mr. Kwok Chuen Hung, Dominic was appointed on 10 November 2008

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

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

(j) Ms. Chan Dao Ho resigned on 7 September 2007

(k) Mr. Lung Hak Kau resigned 24 August 2007

(l) Ms. Wai Lai Yung resigned on 18 September 2007

(m) Ms. Tsang Kei Ling resigned on 24 August 2007

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

At 31 March 2009 and 2008, the directors held share options under the Company's share option scheme. Details of the share options are disclosed under the paragraph "Share option schemes" in the report of the directors and note 36.

During the years ended 31 March 2009 and 2008, no emoluments or incentive payments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year. During the year ended 31 March 2008, Mr. Law Sau Yiu, Dennis and Ms. Teng Chia Lin, Chialina have waived emoluments as set out in note (h) and (i) respectively.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

	2009	**2008**
Number of directors	1	2
Number of other individuals	4	3
	5	5

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

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

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

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

13. TAXATION

	2009	**2008**
	HK$'000	*HK$'000*
Current tax charge for the year		
Hong Kong	–	–
Other jurisdiction	–	–
	–	–
Deferred tax (credit)/charge *(Note 26)*		
Current year	(1,823)	1,360
Attributable to a change in other jurisdiction tax rate	809	(38)
	(1,014)	1,322
	(1,014)	1,322

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group has no assessable profits in Hong Kong for the year ended 31 March 2009 and 2008. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

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

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

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

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

15. DIVIDEND

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

16. (LOSS)/EARNINGS PER SHARE

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

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

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

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

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

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

17. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Machinery and equipment *HK$'000*	Motor vehicles *HK$'000*	Office equipment *HK$'000*	Total *HK$'000*
Cost						
At 1 April 2007	4,245	778	17,733	776	2,338	25,870
Additions	1,037	322	–	–	151	1,510
Disposal	–	–	–	–	(6)	(6)
Disposal of subsidiaries	(4,245)	(827)	(17,733)	(776)	(2,365)	(25,946)
At 31 March 2008	1,037	273	–	–	118	1,428
At 1 April 2008 and 31 March 2009	1,037	273	–	–	118	1,428
Accumulated depreciation						
At 1 April 2007	3,290	611	10,316	170	1,531	15,918
Charge for the year	300	66	646	70	154	1,236
Written back on disposal of subsidiaries	(3,522)	(659)	(10,962)	(240)	(1,676)	(17,059)
At 31 March 2008	68	18	–	–	9	95
At 1 April 2008	68	18	–	–	9	95
Charge for the year	207	55	–	–	24	286
At 31 March 2009	275	73	–	–	33	381
Net book value						
At 31 March 2009	762	200	–	–	85	1,047
At 31 March 2008	969	255	–	–	109	1,333

18. INVESTMENT PROPERTIES

The Group

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

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

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

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

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

19. GOODWILL

The Group

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

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

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

For the year ended 31 March 2008, goodwill was recognised on the acquisition of the active interests in Grandeur Concord Limited and its subsidiary, Vincent Investment Limited ("Grandeur Group"), which principal activities were investment holding and properties investment respectively.

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

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

At 31 March 2009, the Group has prepared cash flow forecast derived from Grandeur Group approved budget for 5 years. The rate used to discount the forecasted cash flows is 6% (2008: 5.09%) per annum.

As Grandeur Group's principal operation is rental of properties which is regulated in nature, the Group considers that cash flow projection for 5 years and 2.13% (2008: 2.13%) growth rates are appropriate for the impairment test review.

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

20. INTERESTS IN SUBSIDIARIES

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

Notes:

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

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

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

(iii) On 23 April 2007, the Group through its wholly owned subsidiary, Galaxy Image (BVI) Limited, entered into an agreement with Keep Beat Enterprises Limited, a company wholly owned by the former chief executive officer (resigned on 28 June 2007), Mr. To Kei Fung, pursuant to which the Group disposed of its entire interest in Milkyway Group for a total consideration of HK$26 million resulting a gain on disposal of approximately HK$28,320,000 (Note 30). The principal activities of Milkyway Group were provision of film production, film distribution and film production facilities. The net liabilities of the subsidiaries disposed of were disclosed in note 30. The transaction was completed on 28 June 2007.

(iv) On 28 August 2007, the Company entered into an agreement with a third party for the acquisition of the entire interests of Classic Grace Enterprises Limited and its subsidiary, Grand Billion Investments Limited ("Classic Grace Group"), for a total consideration of HK$24 million by issuing the 5% convertible bonds in the principal amount of HK$24 million resulting an excess of interest in fair value of acquiree's identifiable assets and liabilities over the cost of a business combination of approximately HK$2,057,000. The net assets of the subsidiaries acquired were disclosed in note 29(a). The transaction was completed on 2 November 2007.

(v) On 23 October 2007, the Company entered into an agreement with an independent third party for the acquisition of the entire interests of Grandeur Group for a total consideration of HK$18 million by issuing 180,000,000 shares in the authorised share capital at an issue price of HK$0.10 each resulting a goodwill of approximately HK$1,449,000. The net assets of the subsidiaries acquired of were disclosed in note 29(b). The transaction was completed on 28 January 2008.

(vi) On 9 January 2008, the Group through its wholly owned subsidiary, Galaxy Image (BVI) Limited, entered into an agreement with Mr. Law Sau Yau, Dennis, a former director of the Company (resigned on 9 October 2007), pursuant to which the Group will dispose of its entire interest in Point of View Movie Production Company Limited, Brilliant Picture Movie Production Company Limited (formerly known as Milkyway Image Limited) and Inspire Film Distribution Limited ("POV Group") for a total consideration of HK$2 million resulting a loss on disposal of approximately HK$2,584,000 (Note 30). The principal activities of POV Group were provision of film production, film distribution and holding of film rights. The net assets of the subsidiaries disposed of were disclosed in note 30. The transaction was completed on 15 January 2008.

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

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

Name of subsidiary	**Place of incorporation/ operation**	**Issued and fully paid share capital**	**Interest held**	**Principal activities**
Direct subsidiaries:				
Creative Formula Limited	Hong Kong/ Hong Kong	HK$1	100%	Provision of film production and film distribution
Classic Grace Enterprises Limited *(Note (iv))*	British Virgin Islands/ Hong Kong	US$1	100%	Investment holding
Grandeur Concord Limited *(Note (v))*	British Virgin Islands/ Hong Kong	US$1	100%	Investment holding
Indirect subsidiaries:				
Grand Billion Investments Limited *(Note (iv))*	Hong Kong/ Hong Kong	HK$1	100%	Properties investment
Vincent Investment Limited *(Note (v))*	Canada/Canada	CAD360	100%	Properties investment

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the years ended 31 March 2009 and 2008.

21. FILM RIGHTS AND FILM IN PROGRESS

The Group

	Film rights	Film in progress	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost			
At 1 April 2007	39,627	10,710	50,337
Additions	1,072	28,020	29,092
Transfer	3,625	(3,625)	–
Disposal of subsidiaries *(Note 30)*	(44,324)	(22,790)	(67,114)
At 31 March 2008	–	12,315	12,315
At 1 April 2008	–	12,315	12,315
Additions	–	2,335	2,335
At 31 March 2009	–	14,650	14,650
Accumulated amortisation and impairment			
At 1 April 2007	37,230	1,600	38,830
Transfer	1,600	(1,600)	–
Amortisation for the year	2,976	–	2,976
Written back on disposal of subsidiaries *(Note 30)*	(41,806)	–	(41,806)
At 31 March 2008	–	–	–
At 1 April 2008	–	–	–
Impairment loss recognised	–	1,432	1,432
At 31 March 2009	–	1,432	1,432
Net book value			
At 31 March 2009	–	13,218	13,218
At 31 March 2008	–	12,315	12,315

The recoverable amount of film in progress was assessed by the directors of the Company with reference to the value-in-use calculation of film in progress as at the balance sheet date. The key assumptions for the value-in-use calculation are those regarding the discount rate and budgeted gross margin and turnover during the period. The Group estimates discount rate using the rate that reflects current market assessments of the time value of money and the risks specific to the film distribution segment. Budgeted gross margin and turnover are based on past practices and expectations in the film distribution industry.

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

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

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

22. TRADE AND OTHER RECEIVABLES

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

(a) Ageing analysis

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

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

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

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

(b) Trade debtors that are not impaired

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

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

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

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

23. OTHER PAYABLES

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

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

24. BANK LOAN

Bank loan comprises:

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

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

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

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

25. CONVERTIBLE BONDS

Convertible bonds with principal amount of HK$20 million

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

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

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

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

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

Convertible bonds with principal amount of HK$25 million

On 25 May 2007, the Company issued bonds with total nominal value of HK$25,000,000 at the price of HK$22,500,000 to a wholly owned subsidiary of China Star Entertainment Limited, Classical Statue Limited, which became a substantial shareholder of the Company during the year ended 31 March 2008. The bonds are non-interest bearing and will be redeemed within five years from the date of issue at the bonds' nominal value.

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

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

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

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

Convertible bonds with principal amount of HK$24 million

On 2 November 2007, the Company issued bonds with total nominal value of HK$24,000,000 at the price of HK$24,000,000 to an independent third party as a consideration for the acquisition of the entire issued share capital of Classic Grace Group (Note 29(a)). The bonds are interest bearing at 5% per annum, payable on semi-annual basis and will be redeemed within five years from the date of issue at the bonds' nominal value.

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

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

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

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

	The Group and the Company			
	Convertible bonds with principal amount of HK$20 million	**Convertible bonds with principal amount of HK$25 million**	**Convertible bonds with principal amount of HK$24 million**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Liability component at 1 April 2007	13,841	–	–	13,841
Proceeds from convertible bonds issued on 25 May 2007	–	22,500	–	22,500
Proceeds from convertible bonds issued on 2 November 2007	–	–	24,000	24,000
Equity component *(Note 28)*	–	(6,262)	(3,845)	(10,107)
Liability component on initial recognition at 25 May 2007 and 2 November 2007	–	16,238	20,155	36,393
Accrued interest capitalised *(Note 10)*	228	125	582	935
Interest paid	–	–	(422)	(422)
Conversion into shares	(14,069)	(15,701)	(20,315)	(50,085)
Liability component at 31 March 2008 and 1 April 2008	–	662	–	662
Accrued interest capitalised *(Note 10)*	–	8	–	8
Redemption during the year	–	(670)	–	(670)
Liability component at 31 March 2009	–	–	–	–

26. DEFERRED TAXATION

The Group

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

	Accelerated tax depreciation	**Revaluation of investment properties**	**Fair value adjustments arising from acquisition of subsidiaries**	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2007	1,064	–	–	(1,064)	–
Disposal of subsidiaries	(1,064)	–	–	1,064	–
Arising from acquisition of subsidiaries *(Note 29(a) and (b))*	806	1,634	570	(3)	3,007
Effect of change in tax rate	(13)	(24)	(1)	–	(38)
Exchange adjustments	(20)	(40)	(3)	–	(63)
Charge to consolidated income statement	15	1,345	–	–	1,360
At 31 March 2008 and 1 April 2008	788	2,915	566	(3)	4,266
Effect of change in tax rate	267	384	158	–	809
Exchange adjustments	(172)	(204)	(143)	(6)	(525)
Charge to consolidated income statement	59	(1,453)	(438)	9	(1,823)
At 31 March 2009	942	1,642	143	–	2,727

At 31 March 2009, the Group did not recognise deferred tax assets in respect of the tax losses and other deductible temporary difference of approximately HK$3,024,000 and HK$14,000 (2008: HK$6,175,000 and HK$28,000 respectively) respectively. As it is not probable that taxable profits will be available against which the unused tax losses and other deductible temporary difference of the Group can be utilised, deferred tax assets have not been recognised in respect of the unused tax losses and other deductible temporary difference. Tax losses are available indefinitely for offsetting future taxable profit of the companies in which the losses arose.

27. SHARE CAPITAL

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

Notes:

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

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

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

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

(v) During the year of 2008, bonds with nominal value HK$17,600,000 were converted into 70,400,000 shares of the Company of HK$0.1 each at a conversion price of HK$0.25 per share, bonds with nominal value HK$24,000,000 were converted into 72,727,272 shares of the Company of HK$0.1 each at a conversion price of HK$0.33 per share and bonds with the nominal value HK$24,000,000 were converted into 171,428,571 shares of the Company of HK$0.1 each at a conversion price of HK$0.14 per share.

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

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

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

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

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

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

28. RESERVES

The Group

	Attributable to equity holders of the Company						
	Share premium	Contributed surplus	Share-based compensation reserve	Convertible bonds reserve	Translation reserve	Accumulated losses	Total
	(Note (i))	*(Note (i), (ii))*	*(Note (iii))*	*(Note (iv))*	*(Note (v))*	*(Note (i))*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2007	18,074	10	1,030	2,369	–	(50,247)	(28,764)
Profit for the year	–	–	–	–	–	19,289	19,289
Issue of shares *(Note 27(ii), (iii))*	16,230	–	–	–	–	–	16,230
Share issue expenses	(2,241)	–	–	–	–	–	(2,241)
Recognition of equity-settled share-based payments *(Note 36)*	–	–	4,370	–	–	–	4,370
Issue of convertible bonds *(Note 25)*	–	–	–	10,107	–	–	10,107
Conversion into shares from convertible bonds *(Note 25)*	30,855	–	–	(12,226)	–	–	18,629
Share issued upon exercises of share options *(Note 36)*	2,650	–	(1,699)	–	–	–	951
Cancellation of share options *(Note 36)*	–	–	(1,030)	–	–	1,030	–
Exchange differences arising on translation of financial statements of foreign expenses	–	–	–	–	(292)	–	(292)
At 31 March 2008 and 1 April 2008	65,568	10	2,671	250	(292)	(29,928)	38,279
Loss for the year	–	–	–	–	–	(20,593)	(20,593)
Capital reduction *(Note 27 (vi)(d))*	–	87,244	–	–	–	37,189	124,433
Issue of shares *(Note 27 (vii))*	33,936	–	–	–	–	–	33,936
Share issue expenses	(969)	–	–	–	–	–	(969)
Recognition of equity-settled share-based payments *(Note 36)*	–	–	5,017	–	–	–	5,017
Redemption of convertible bonds	–	–	–	(250)	–	250	–
Cancellation of share options *(Note 36)*	–	–	(2,091)	–	–	2,091	–
Share options lapsed *(Note 36)*	–	–	(1,397)	–	–	1,397	–
Exchange differences arising on translation of financial statements	–	–	–	–	(1,996)	–	(1,996)
At 31 March 2009	98,535	87,254	4,200	–	(2,288)	(9,594)	178,107

The Company

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

(i) In accordance with the laws of the Cayman Islands, the Company's share premium and contributed surplus are distributable to the shareholders of the Company subject to the Company's articles of association and provided that immediately following the distribution of dividends, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The Company's reserves available for distribution to shareholders as at 31 March 2009 amounting to approximately HK$177,013,000 (2008: HK$28,457,000).

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

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

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

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

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

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

29. ACQUISITION OF A SUBSIDIARY

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

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

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

	Acquiree's carrying amount before combination on 28 August 2007	**Fair value adjustments**	**Fair value on acquisition date 2 November 2007**
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Investment property	24,100	2,500	26,600
Deferred tax liabilities	(106)	(437)	(543)
	23,994	2,063	26,057
Excess of interest in fair value of acquiree's identifiable assets and liabilities over the cost of a business combination ("discount on acquisition")			(2,057)
Total consideration			24,000
Satisfied by:			
Convertible bonds issued *(Note 25)*			24,000
Net cash inflow/(outflow) arising on acquisition			–

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

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

(b) Acquisition of Grandeur Concord Limited and its subsidiary

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

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

	Acquiree's carrying amount before combination on 23 October 2007	**Fair value adjustments**	**Fair value on acquisition date 28 January 2008**
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Investment property	20,993	778	21,771
Trade debtors	37	–	37
Prepayments and other debtors	47	–	47
Bank balances and cash	311	–	311
Bank loan	(2,761)	–	(2,761)
Other creditors and accruals	(390)	–	(390)
Deferred tax liabilities	(2,331)	(133)	(2,464)
	15,906	645	16,551
Goodwill *(Note 19)*			1,449
Total consideration			18,000
Satisfied by:			
Shares issued *(Note 27)*			18,000
Net cash flow arising on acquisition:			
Bank balances and cash acquired			311

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

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

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

30. DISPOSAL OF SUBSIDIARIES

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

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

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

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

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

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

31. MAJOR NON-CASH TRANSACTIONS

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

32. CONTINGENT LIABILITIES

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

33. PLEDGED OF ASSETS

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

34. COMMITMENTS

Operating lease commitments

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

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

Other commitments

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

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

35. RELATED PARTY TRANSACTIONS

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

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

Details of interest expenses charged during the year ended 31 March 2008 are disclosed in note 10.

(ii) Keep Beat Enterprise Limited, which was incorporated in the British Virgin Islands and controlled by the former Chief Executive Officer of the Company, Mr. To Kei Fung (resigned on 28 June 2007), granted a loan to the Group of approximately HK$3,000,000. The Group drew the loan of approximately HK$3,000,000 during the year of 2008. The loan is unsecured, interest charged at the rate of three month HIBOR plus 0.85% and repaid on 28 July 2007.

Details of interest expenses charged during the year ended 31 March 2008 are disclosed in note 10.

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

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

(c) On 23 April 2007, the Group through its wholly owned subsidiary, Galaxy Image (BVI) Limited, entered into an agreement with Keep Beat Enterprises Limited, a company wholly owned by the former chief executive officer, Mr. To Kei Fung (resigned on 28 June 2007), pursuant to which the Group disposed of its entire interests in Milkyway Group for a total consideration of HK$26 million resulting a gain on disposal of approximately HK$28,320,000 (Note 30). The principal activities of Milkyway Group were provision of film production, film distribution and film production facilities. The net liabilities of the subsidiaries disposed of were disclosed in note 30. The transaction was completed on 28 June 2007.

(d) On 9 January 2008, the Group through its wholly owned subsidiary, Galaxy Image (BVI) Limited, entered into an agreement with Mr. Law Sau Yau, Dennis, a former director of the Company (resigned on 9 October 2007), pursuant to which the Group disposed of its entire interests in POV Group for a total consideration of HK$2 million resulting a loss on disposal of approximately HK$2,584,000 (Note 30). The principal activities of POV Group were provision of film production, film distribution and holding of film rights. The net assets of the subsidiaries disposed of were disclosed in note 30. The transaction was completed on 15 January 2008.

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

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

36. SHARE OPTION SCHEME

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

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

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

(b) The participants include:

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

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

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

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

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

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

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

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

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

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

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

(d) Maximum number of shares:

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

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

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

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

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

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

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

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

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

Date of grant	Category of eligible persons	Exercise period	Exercise price	Number of options												Vesting period
				At 1 April 2007	Cancelled *(Note (vi))*	Granted during the year	Exercised during the year *(Note (i))*	Exercisable at 31 March 2008	Granted during the year	Cancelled *(Note (vi))*	Consolidation of shares *(Note (iv))*	Transfer *(Note (iii))*	Open offer of shares *(Note (v))*	Lapsed *(Note (vi))*	Exercisable at 31 March 2009 *Note (i)*	
16 September 2005	Chief executive office	20 September 2005 to 19 September 2015	HK$0.40 *(Note (ii))*	6,440,000	(6,440,000)	–	–	–	–	–	–	–	–	–	–	N/A
30 October 2007	Directors	30 October 2007 to 29 October 2017	HK$1.4880 *(Note (iv))*	–	–	4,986,544	(2,493,272)	2,493,272	–	(249,327)	(2,243,945)	–	–	–	–	N/A
	Consultants	30 October 2007 to 29 October 2008	HK$1.4880 *(Note (iv))*	–	–	14,959,632	(2,493,272)	12,466,360	–	–	(11,219,725)	–	–	(1,246,635)	–	N/A
	Employees	30 October 2007 to 29 October 2008	HK$1.4880 *(Note (iv))*	–	–	4,986,544	(2,000)	4,984,544	–	–	(4,486,090)	–	–	(498,454)	–	N/A
29 November 2007	Directors	29 November 2007 to 28 November 2017	HK$1.1800 *(Note (iv))*	–	–	3,490,534	(1,745,267)	1,745,267	–	(174,527)	(1,570,740)	–	–	–	–	N/A
	Consultants	29 November 2007 to 28 November 2008	HK$1.1800 *(Note (iv))*	–	–	35,404,322	(1,745,267)	33,659,055	–	–	(30,293,148)	–	–	(3,365,907)	–	N/A
	Employees	29 November 2007 to 28 November 2008	HK$1.1800 *(Note (iv))*	–	–	3,490,534	–	3,490,534	–	–	(3,141,480)	–	–	(349,054)	–	N/A
25 February 2008	Consultants	25 February 2008 to 24 February 2011	HK$1.0910 *(Note (iv), (v))*	–	–	19,246,851	(6,300,000)	12,946,851	–	(694,447)	(11,652,166)	–	57,970	–	658,208	N/A
	Employees	25 February 2008 to 24 February 2011	HK$1.0910 *(Note (iv), (v))*	–	–	6,300,000	–	6,300,000	–	–	(5,670,000)	–	28,208	–	658,208	N/A
5 March 2008	Directors	5 March 2008 to 4 March 2011	HK$0.1330	–	–	6,300,000	(6,300,000)	–	–	–	–	–	–	–	–	N/A
	Employees	5 March 2008 to 4 March 2011	HK$0.1330	–	–	10,538,539	(10,538,539)	–	–	–	–	–	–	–	–	N/A
28 April 2008	Directors	28 April 2008 to 27 April 2011	HK$0.9740 *(Note (iv), (v))*	–	–	–	–	–	20,899,401	(833,043)	(18,809,461)	1,256,897	112,556	–	2,626,350	N/A
	Consultants	28 April 2008 to 27 April 2011	HK$0.9740 *(Note (iv), (v))*	–	–	–	–	–	79,752,768	(2,839,007)	(71,777,493)	–	357,096	–	5,493,364	N/A
	Employees	28 April 2008 to 27 April 2011	HK$0.9740 *(Note (iv), (v))*	–	–	–	–	–	22,929,832	–	(20,636,849)	(1,256,897)	46,391	–	1,082,477	N/A
27 March 2009	Consultants	27 March 2009 to 26 March 2010	HK$0.0200	–	–	–	–	–	6,268,970	–	–	–	–	–	6,268,970	N/A
	Employees	27 March 2009 to 26 March 2010	HK$0.0200	–	–	–	–	–	6,300,000	–	–	–	–	–	6,300,000	N/A
				6,440,000	(6,440,000)	109,703,500	(31,617,617)	78,085,883	136,150,971	(4,790,351)	(181,501,097)	–	602,221	(5,460,050)	23,087,577	

Notes:

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

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

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

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

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

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

(g) Fair value of share options and assumptions

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

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

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

Notes:

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

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

The Group recognised total expenses related to equity-settled share-based payment transactions during the year of approximately HK$5,017,000 (2008: HK$4,370,000).

37. POST BALANCE SHEET EVENTS

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

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

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

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

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

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

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

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

(d) On 15 June 2009, the Company entered into the Placing Agreement with Placing agent, Kingston Securities Limited, pursuant to which, the Company has conditionally agreed to place, through the placing agent, up to 2,500,000,000 placing shares by tranches provided that the number of placing shares for each tranche is in integral multiples of 1,000,000, on a best effort basis, to independent placees at a price of HK$0.10 per placing share. This arrangement was proposed by the Company on 15 June 2009, which is subject to shareholders' approval. Given the uncertain outlook of the market situations, the Placing Agreement was terminated between the Company and Kingston Securities on 20 July 2009.

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

38. COMPARATIVE FIGURES

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

C. INDEBTEDNESS STATEMENT

Borrowings

As at the close of business on 30 June 2009, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of the Circular, the Enlarged Group had borrowings of amounts due to directors of approximately HK$157,000.

Commitments

As at the close of business on 30 June 2009, the Enlarged Group did not have any commitments.

Debt securities

As at the close of business on 30 June 2009, the Enlarged Group had no debt securities.

Contingent liabilities

As at the close of business on 30 June 2009, the Enlarged Group did not have any material contingent liabilities.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, as at the close of business 30 June 2009, the Enlarged Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities.

D. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into account the financial resources available to the Enlarged Group, the Enlarged Group will have sufficient working capital for at least twelve months from the date of this circular.

E. MATERIAL ADVERSE CHANGES

The Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 March 2009, being the date of which the latest published financial statements of the Group were made up.

The following is the text of a report, prepared for inclusion in this circular, from the reporting accountants of the Company, CCIF CPA Limited, Certified Public Accountants, Hong Kong.

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

The Directors
Brilliant Arts Multi-Media Holding Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to Sunny Chance Limited (the "Target") and its subsidiary (hereinafter collectively referred to as the "Target Group") which comprises the statements of financial position of the Target and the Target Group as at 30 June 2009, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement of the Target Group for the period from 18 May 2009 (date of incorporation) to 30 June 2009 (the "Relevant Period") and a summary of significant accounting policies and other explanatory notes, for inclusion in the circular of Brilliant Arts Multi-Media Holding Limited dated 25 August 2009 (the "Circular") in connection with the proposed acquisition of the entire issued share capital of the Target.

The Target was incorporated and registered in the British Virgin Islands on 18 May 2009 with limited liability and acts as an investment holding company. As at the date of this report, the Target holds the entire share capital of its subsidiary namely Gold Asia Technology Limited ("Gold Asia"). The details of its subsidiary are set out in Note 9 of Section I in this report.

No audited financial statements have been prepared for the Target and its subsidiary for the Relevant Period or since the date of their incorporation as there is no statutory requirement to do so.

For the purpose of this report, the sole director of the Target has prepared the consolidated financial statements of the Target Group for the Relevant Period in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). We have carried out independent audit procedures on the consolidated financial statements for the Relevant Period (the "Underlying Financial Statements"), in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Target Group for the Relevant Period set out in this report has been prepared based on the Underlying Financial Statements for the purpose of preparing our report for inclusion in the Circular. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The preparation of the Underlying Financial Statements is the responsibility of the sole director of the Target. The directors of Brilliant Arts Multi-Media Holding Limited are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon give, for the purpose of this report, a true and fair view of the state of affairs of the Target Group and the Target as at 30 June 2009 and of the consolidated result and cash flows of the Target Group for the Relevant Period.

FINANCIAL INFORMATION

Consolidated statement of comprehensive income

	Note	For the period from 18 May 2009 to 30 June 2009 HK$'000
Turnover	6	–
Administrative expenses		–
Profit before taxation		–
Income tax	8	–
Profit for the period attributable to equity holders of the Target		–

Consolidated statement of financial position

	Note	As at 30 June 2009 HK$'000
Current assets		
Amount due from ultimate holding company	10	1
Net assets		1
Capital and reserves		
Share capital	11	1
Reserves		–
Total equity		1

Statement of financial position

	Note	As at 30 June 2009 HK$'000
Non-current asset		
Interest in a subsidiary	9	6,000
Current asset		
Amount due from ultimate holding company	10	1
Current liability		
Amount due to a subsidiary	11	6,000
Net current liabilities		(5,999)
Net assets		1
Capital and reserves		
Share capital	12	1
Reserves		–
Total equity		1

Consolidated statement of changes in equity

	Attributable to equity holders of the Target		
	Share capital HK$'000	Retained profits HK$'000	Total HK$'000
At 18 May 2009 (date of incorporation)	–	–	–
Issue of share	1	–	1
At 30 June 2009	1	–	1

Consolidated cash flow statement

	For the period from 18 May 2009 to 30 June 2009
	HK$'000
OPERATING ACTIVITIES	
Profit before taxation	–
Increase in amount due from ultimate holding company	(1)
NET CASH USED IN OPERATING ACTIVITIES	(1)
FINANCIAL ACTIVITIES	
Proceeds from issue of share	1
NET CASH GENERATED FROM FINANCING ACTIVITIES	1
NET INCREASE IN CASH AND CASH EQUIVALENTS	–
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	–
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	–

I. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target is a limited liability company incorporated in the British Virgin Islands and acts as an investment holding company. The address of its registered office is Palm Grove House P.O. Box 438 Road Town, Tortola, British Virgin Islands and its principal place of business is 5705, 57th Floor, The Center, 99 Queen's Road Central, Hong Kong.

The sole director of the Target considers the ultimate holding company of the Target Group to be Growth Harvest Limited, a company incorporated in the British Virgin Islands, as at 30 June 2009.

2. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Target Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 (Revised)	First-time Adoption of HKFRSs[1]
HKFRS 3 (Revised)	Business Combinations[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items[1]
HK(IFRIC)-Int 9 and HKAS 39 (Amendments)	Amendments to HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives[2]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[3]

Apart from the above, the HKICPA has also issued *Improvements to HKFRSs* in May 2009 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Improvements to HKFRSs issued in May 2009 contains amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, Appendix to HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16. Except for the amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 which are effective for annual periods beginning on or after 1 July 2009 and no transitional provisions for amendment to Appendix to HKAS 18 has been specified, other amendments are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods ending on or after 30 June 2009
3 Effective for transfers of assets from customers received on or after 1 July 2009

The Target Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKAS 27 (Revised) may result in changes in accounting policies, the other new and revised HKFRSs are unlikely to have a significant impact on the Target Group's results of operations and financial position.

3. SIGNIFICANT ACCOUNT POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with HKFRS issued by the HKICPA and the applicable disclosure requirements of the Hong Kong Companies Ordinance and Rules Governing the Listing of Securities on the GEM ("GEM Listing Rules"). These financial statements are prepared under the historical cost convention except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out below.

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

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

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Target and its subsidiary.

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

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

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

(c) Interests in subsidiaries

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

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

(d) Trade and other receivables

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

(e) Trade and other payables

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

(f) Impairment of assets

(i) Impairment of other receivables

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

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

– significant financial difficulty of the debtor;

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

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

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

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

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

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

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

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the investment in subsidiaries may be impaired or, an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(g) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in consolidated statement of comprehensive income 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 that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

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

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

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

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 Target or the Target 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 Target or the Target Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

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

– the same taxable entity; or

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

(h) Related parties

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

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Target Group or exercise significant influence over the Target Group in making financial and operating policy decisions, or has joint control over the Target Group;

(ii) the Target Group and the party are subject to common control;

(iii) the party is an associate of the Target Group or a joint venture in which the Target Group is a venturer;

(iv) the party is a member of key management personnel of the Target Group or the Target Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Target Group or of any entity that is a related party of the Target 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.

4. CAPITAL MANAGEMENT

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

The capital structure of the Target Group consists of total assets and total liabilities. Consistent with industry practice, the Target Group monitors its capital structure on the basis of a debt-to-assets ratio. The debt-to-assets ratio determined as the proportion of total liabilities to total assets. In order to maintain or adjust the ratio, the Target Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The debt-to-assets ratio at 30 June 2009 was as follows:

	The Target Group	**The Target**
	2009	**2009**
	HK$000	*HK$'000*
Current liabilities		
Amount due to a subsidiary	–	6,000
Total debt	–	6,000
Non-current assets		
Interest in a subsidiary	–	6,000
Current assets		
Amount due from ultimate holding company	1	1
Total assets	1	6,001
Debt-to-assets ratio	0%	100%

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

5. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Target Group's major financial instruments include amount due from ultimate holding company. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and an effective manner.

(i) Foreign exchange risk

All the Target Group's monetary assets and liabilities are denominated in Hong Kong dollars and the Target Group had not yet commenced its business. The Target Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure if necessary.

(ii) Interest rate risk

The Target Group's has no exposure to interest rate risk . The Target Group does not use financial derivatives to hedge against the interest rate risk. The Target Group monitors the interest rate risk exposure on a continuous basis and adjust the portfolio of borrowings where necessary.

(iii) Credit risk

The Target Group has no significant credit risk.

(iv) Liquidity risk

The sole director of the Target has built an appropriate liquidity risk management framework for the management of the Target Group's short, medium and long-term fundings and liquidity management requirements. The Target Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Group's operation and mitigate the effects of fluctuations in cash flows. As at June 2009, the Target Group did not held any financial liabilities.

(v) Fair value of financial instruments

The sole director of the Target considers that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements during the Relevant Period approximate their fair values at the respective balance sheet dates due to their short maturities.

6. TURNOVER

The Target Group had not commenced business and did not have turnover for the period from 18 May 2009 (date of incorporation) to 30 June 2009.

7. DIRECTORS' REMUNERATION

No directors' remuneration have been paid or payable to the Target's director during the Relevant Periods.

8. INCOME TAX

The Target was incorporated in the British Virgin Islands (the "BVI") and is exempted from income tax in the BVI. Gold Asia was incorporated in Hong Kong during the Relevant Periods. No provision for Hong Kong Profits Tax of Gold Asia has been made in the consolidated financial statements as it had no taxable profits for the Relevant Period.

9. INTEREST IN A SUBSIDIARY

	The Target As at 30 June 2009 *HK$'000*
Unlisted shares, at cost	6,000

Particulars of the subsidiary as at 30 June 2009 are as follows:

Name	**Place of incorporation/ operation**	**Nominal value of issued and fully paid capital**	**Percentage of equity interest held directly by the Company**	**Principal activities**
Gold Asia Technology Limited	Hong Kong/PRC	6,000,000 ordinary share of HK$1	100%	the provision of Wi-Fi/RFID services

10. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

The amount is unsecured, interest-free and repayable on demand.

11. AMOUNT DUE TO A SUBSIDIARY

The amount is unsecured, interest-free and repayable on demand.

12. SHARE CAPITAL

		As at 30 June 2009
Authorised:		
50,000 ordinary shares of USD1 each		USD50,000
	equivalent to	HK$390,000
Issued and fully paid:		
At 18 May 2009 (date of incorporation)		USD–
Issue of shares		USD100
1 ordinary share of USD1 each		USD100
	equivalent to	HK$780

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Group have been prepared in respect of any period subsequent to 30 June 2009.

Yours faithfully,
CCIF CPA Limited
Certified Public Accountants
Hong Kong, 25 August 2009

Ho Chun Shing
Practising Certificate Number P04396

1. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report, prepared for inclusion in the circular of the Company dated 25 August 2009, received from the reporting accountants of the Company, CCIF CPA Limited, Certified Public Accountants, Hong Kong.

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

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF BRILLIANT ARTS MULTI-MEDIA HOLDING LIMITED

We report on the unaudited pro forma financial information of Brilliant Arts Multi-Media Holding Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed acquisition (the "Acquisition") of the entire issued share capital of Sunny Chance Limited (the "Target") and its subsidiary (hereinafter collectively referred to as the "Target Group") (together with the Group referred to as the "Enlarged Group"), might have affected the financial information presented for inclusion in sections 2 to 4 of Appendix IV to the circular issued by the Company dated 25 August 2009 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out in sections 2 to 4 of Appendix IV to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with rule 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by rule 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to rule 7.31(1) of the GEM Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

– the financial position of the Group had the Acquisition actually occurred as at 31 March 2009 or any future date; and

– the results and cash flows of the Group for the year ended 31 March 2009 or any future periods.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to the rule 7.31(1) of the GEM Listing Rules.

CCIF CPA Limited
Certified public Accountants
Hong Kong, 25 August 2009

Ho Chun Sing
Practising Certificate Number P04396

2. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The unaudited pro forma consolidated balance sheet of the Enlarged Group (the "Unaudited Pro Forma Consolidated Balance Sheet") is prepared based on the audited consolidated balance sheet extracted from the annual report of the Group as at 31 March 2009 as set out in Appendix II to the Circular, after making pro forma adjustments that are necessary. The pro forma adjustments have not taken into account of the Company's transactions made subsequent to 31 March 2009, which included (i) the capital reorganisation of the Company; and (ii) the subscription of convertible bonds (the "GC Convertible Bond") of HK$100 million with consideration of HK$100 million from Golife Concepts Holdings Limited (the "Golife") on 28 April 2009 (the "Subscription"). The details of the above transactions are set out in the Company's circular dated 5 March 2009 and 21 December 2009 respectively.

The Unaudited Pro Forma Consolidated Balance Sheet has been prepared to provide the unaudited pro forma financial information of the Enlarged Group as if the Acquisition had been completed on 31 March 2009.

As the Unaudited Pro Forma Consolidated Balance Sheet has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group as at 31 March 2009 and at any future date.

Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group

	The Group as at 31 March 2009	Target Group as at 30 June 2009	Pro forma Adjustment	Unaudited pro forma consolidated balance sheet of the Enlarged Group as at 31 March 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Note a)*	*(Note b)*	
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	1,047			1,047
Investment property	40,408			40,408
Intangible asset	–		1,500,000	1,500,000
Goodwill	1,449			1,449
	42,904			1,542,904
Current assets				
Film in progress	13,218			13,218
Trade and other receivables	408			408
Bank and cash balances	142,409			142,409
Amount due to ultimate holding company	–	1	(1)	–
	156,035			156,035

	The Group as at 31 March 2009	Target Group as at 30 June 2009	Pro forma Adjustment	Unaudited pro forma consolidated balance sheet of the Enlarged Group as at 31 March 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Note a)*	*(Note b)*	
Current liabilities				
Other payables	3,717			3,717
Bank loan	343			343
Promissory note	–		750,000	750,000
	4,060			754,060
Net current assets/(liabilities)	151,975			(598,025)
Total assets less current liabilities	194,879			944,879
Capital and reserves				
Share capital	12,569	1	(1)	12,569
Reserves	178,107		613,358	791,465
	190,676			804,034
Non-current liabilities				
Convertible bond	–		136,642	136,642
Bank loan	1,476			1,476
Deferred tax liabilities	2,727			2,727
	4,203			140,845
	194,879			944,879

Notes to the Unaudited Pro Forma Consolidated Balance Sheet:

(a) This represents the inclusion of the assets and liabilities of the Target Group as at 30 June 2009 set out in the Appendix II to this circular.

(b) The adjustments reflect the Acquisition for a consideration of HK$1,500,000,000, which shall be satisfied by:

(i) the issue of the Company's convertible bond (the "CB") with a face value of HK$750,000,000 to the Vendor. The Company's directors have considered a valuation performed by Grant Sherman Appraisal Limited, independent professional valuers, and are of the opinion that at 31 March 2009, the liability component and the equity component of the CB in compliance with Hong Kong Accounting Standards 32 and 39 issued by the Hong Kong Institute of Certified Public Accountants were approximately HK$136,642,000 and HK$613,358,000 respectively. The fair value of the liability component of the CB is calculated base on the discounted cash flow method with reference to the Company's expected rate of return on the CB repayment. The equity component which is the difference between the proceeds of the issued amount and the fair value of the liability component. The final fair value of the CB, which may be different to that presented above, to be recorded by the Group on completion will be determined with reference to the valuation performed by Grant Sherman Appraisal Limited, independent professional valuers, at the date of completion of the CB; and

(ii) the issue of the Company's promissory note with a principal sum of HK$750,000,000. The final principal sum of the promissory note, which may be different to that presented above, to be determined by the Group with reference to its internal resources at the date of completion, to the extent that not the entire amount is settled by issue of promissory note then by the payment of cash and/or by cheque.

The Acquisition of the Target Group was assumed to be completed on 31 March 2009 and with reference to the identifiable net assets of the Target Group as at 30 June 2009, the Group recognised the intangible asset of HK$1,500,000,000 at cost (the consideration of HK$1,500,000,000 after the elimination of amount due from ultimate holding company and share capital of Target group).

Since the carrying amounts of the identifiable assets and liabilities of the Target Group at the date of completion may be different from their carrying amounts as at 30 June 2009, the actual cost of intangible arising from the acquisition may be different from that presented above.

(c) The pro forma adjustments have not taken into account of the Subscription. As if the Subscription has been completed on 31 March 2009, the Group shall record:

(i) the payment of HK$100,000,000 by the Group for the Subscription;

(ii) the initial measurement of the estimated fair values of the debt element and the conversion option element of the GC Convertible Bond as at 31 March 2009, assuming the Subscription had been completed on 31 March 2009, were approximately HK$65,700,000 and HK$33,894,000 respectively, based on a valuation performed by Grant Sherman Appraisal Limited, an independent professional valuer; and

(iii) the impairment loss on acquisition date of HK$406,000 which debited to income statement. The amount represents the payment of HK$100,000,000 by the Group for the Subscription less the initial measurement of the estimated fair values of the debt element and the conversion option element of the GC Convertible Bond, based on a valuation performed by Grant Sherman Appraisal Limited, an independent professional valuer.

Assume no conversion of the GC Convertible Bond to be taken as at 31 March 2009, as the subscription price (HK$0.04) is higher than the market share price (HK$0.02) of Golife.

3. UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT FOR THE ENLARGED GROUP

The following is the unaudited pro forma consolidated income statement (the "Unaudited Pro Forma Consolidated Income Statement") of the Enlarged Group assuming that the Acquisition had been completed on 1 April 2008. The Unaudited Pro Forma Consolidated Income Statement is based on the audited consolidated income statement of the Group for the year ended 31 March 2009 as set out in Appendix II to the Circular, and the audited consolidated statement of comprehensive income of the Target Group for the period from 18 May 2009 to 30 June 2009 as set out in Appendix III to the Circular. The Unaudited Pro Forma Consolidated Income Statement has been prepared for illustrative purposes only, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial result of the Enlarged Group for the year ended 31 March 2009 and any future period.

Unaudited Pro Forma Consolidated Income Statement for the Enlarged Group

	Audited consolidated income statement of the Group for the year ended 31 March 2009	**Audited consolidated statement of comprehensive income of the Target Group for the period from 18 May 2009 to 30 June 2009**	**Unaudited pro forma consolidated income statement of the Enlarged Group for the year ended 31 March 2009**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	1,585		1,585
Cost of sales	–		–
Gross profit	1,585		1,585
Other revenue and other income	1,498		1,498
Other operating expenses	(12,927)		(12,927)
Fair value loss on investment properties	(11,200)		(11,200)
Loss on redemption of convertible bond	(430)		(430)

	Audited consolidated income statement of the Group for the year ended 31 March 2009 *HK$'000*	Audited consolidated statement of comprehensive income of the Target Group for the period from 18 May 2009 to 30 June 2009 *HK$'000*	Unaudited pro forma consolidated income statement of the Enlarged Group for the year ended 31 March 2009 *HK$'000*
Loss from operations	(21,474)		(21,474)
Finance costs	(133)		(133)
Change in fair value of conversion option embedded in convertible bonds receivable	–		–
Loss before taxation	(21,607)		(21,607)
Taxation	1,014		1,014
Loss for the year	(20,593)		(20,593)

Notes to the Unaudited Pro Forma Consolidated Income Statement:

(d) The pro forma adjustments have not taken into account of the Subscription. As if the Subscription has been completed on 31 March 2009, the Group shall record a loss on fair value change of the conversion option element of the GC Convertible Bond amounted to approximately HK$406,000 for the year ended 31 March 2009, based on a valuation performed by Grant Sherman Appraisal Limited, an independent professional valuer. The adjustment had continuing financial effect.

4. UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT FOR THE GROUP

The following is the unaudited pro forma consolidated cash flow statement (the "Unaudited Pro Forma Consolidated Cash Flow Statement") of the Enlarged Group assuming that the Subscription and the Acquisition had been completed on 1 April 2008. The Unaudited Pro Forma Consolidated Cash Flow Statement is based on the audited consolidated cash flow statement of the Group for the year ended 31 March 2009 as set out in Appendix II to the Circular, the audited consolidated cash flow statement of the Target Group for the period from 15 May 2009 to 30 June 2009 as set out in Appendix III to the Circular, and after making pro forma adjustments relating to the Acquisition, as if the Acquisition had been completed on 31 March 2009.

The Unaudited Pro Forma Consolidated Cash Flow Statement has been prepared for illustrative purposes only, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the cash flow of the Enlarged Group for the year ended 31 March 2009 and any future period.

Unaudited Pro Forma Consolidated Cash Flow Statement for the Enlarged Group

	Audited consolidated cash flow statement of the Group for the year ended 31 March 2009	Audited consolidated cash flow statement of the Target Group for the period from 18 May 2009 to 30 June 2009	Pro forma adjustments		Unaudited pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 March 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Note e)	*(Note f)*	
OPERATING ACTIVITIES					
Loss before taxation	(21,607)				(21,607)
Adjustments for:					
Interest income	(1,498)				(1,498)
Fair value loss on investment properties	11,200				11,200
Depreciation	286				286
Impairment loss on films in progress	1,432				1,432
Interest expenses	133				133
Loss on redemption of convertible bond	430				430
Share-based payments	5,017				5,017
Operating cash flows before movements in working capital	(4,607)				(4,607)
Increase in films in progress	(2,335)				(2,335)
Increase in trade and other receivables	(71)				(71)
Increase in amount due from ultimate holding company	–	(1)	1		–
Increase in trade and other payables	2,601				2,601
NET CASH USED IN OPERATING ACTIVITIES	(4,412)				(4,412)

	Audited consolidated cash flow statement of the Group for the year ended 31 March 2009	Audited consolidated cash flow statement of the Target Group for the period from 18 May 2009 to 30 June 2009	Pro forma adjustments		Unaudited pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 March 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Note e)	*(Note f)*	
INVESTING ACTIVITIES					
Interest received	1,498				1,498
Acquisition of convertible bond	–				–
Acquisition of intangible asset	–			(1,500,000)	(1,500,000)
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES	1,498				(1,498,502)
FINANCING ACTIVITIES					
Repayment of bank loan	(486)				(486)
Proceeds from issue of shares	45,248	1	(1)		45,248
Share issue expenses	(969)				(969)
Payment for redemption of convertible bond	(1,100)				(1,100)
Proceeds from issue of convertible bond	–			750,000	750,000
Proceeds from issue of promissary note	–			750,000	750,000
NET CASH GENERATED FROM FINANCING ACTIVITIES	42,693				1,542,693

	Audited consolidated cash flow statement of the Group for the year ended 31 March 2009	Audited consolidated cash flow statement of the Target Group for the period from 18 May 2009 to 30 June 2009	Pro forma adjustments		Unaudited pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 March 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Note e)	*(Note f)*	
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	39,779				39,779
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	101,760				101,760
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	870				870
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	142,409				142,409

Notes to the Unaudited Pro Forma Consolidated Cash Flow Statement:

(e) The pro forma adjustment represented the elimination of the share capital of the Target Group and the intra-group balance.

(f) The pro forma adjustment represented the Acquisition for a consideration of HK$1,500,000,000 which shall be satisfied by the issue of the Company's convertible bond and promissary note as stated in Note (c). The adjustment did not have continuing effect.

(g) The pro forma adjustments have not taken into account of the Subscription. As if the Subscription has been completed on 31 March 2009, the Group shall record cash payment for the Subscription in investing activities of HK$100 million.

The following is the text of a letter prepared for the purpose of incorporation in this circular received from Grant Sherman Appraisal Limited, an independent valuer, in connection with its valuation of the market value as at 30 June 2009 of a 100% equity interest in the business enterprise of Sunny Chance Limited and its subsidiaries.

GRANT SHERMAN APPRAISAL LIMITED

Room 1701 17/F, Jubilee Centre
18 Fenwick Street,
Wanchai, Hong Kong.

25 August 2009

The Board of Directors
Brilliant Arts Multi-Media Holding Limited
Unit 1611, 16/F, West Tower, Shun Tak Centre
168-200 Connaught Road Central,
Hong Kong

Dear Sirs or Madams,

In accordance with your instructions, we have made an appraisal of the fair market value of a 100% equity interest in the business enterprise of Sunny Chance Limited (the "Target Company") and its subsidiaries (collectively referred to as the "Target Group"), which are principally engaged in the provision of medical information digitalization system ("MIDS") in the PRC.

This letter identifies the business appraised, describes the basis of valuation and assumptions, explains the valuation methodology utilized, and presents our conclusion of value.

Business enterprise value is defined for this appraisal as the total invested capital, excluding debts but including shareholders' loans, and is equivalent to shareholders' equity plus shareholders' loans. The fair market value of the equity interest in the business enterprise of the Target Group is derived through the application of the income approach.

The purpose of this appraisal is to express an independent opinion of the fair market value of a 100% equity interest in the Target Group as of 30 June 2009 ("the Appraisal Date"). It is our understanding that this appraisal will be used by Brilliant Arts Multi-Media Holding Limited (the "Company") for acquisition purposes and our report might be used in connection with a public document.

INTRODUCTION

Background of the Acquisition

On 29 June 2009, the board of directors of the Company announces that the Company as purchaser and Growth Harvest Limited as vendor (the "Vendor") entered into a conditional sale and purchase agreement dated 29 June 2009 (the "Agreement") for the acquisition of the entire issued share capital of the Target Company at a maximum total consideration of HK$1,500 million, subject to downward adjustment based on the fair market value of the Target Group to be shown in an independent valuation report on a dollar-for-dollar basis (the "Acquisition"). Pursuant to the Agreement, the Vendor irrevocably and unconditionally warrants, guarantees and undertakes to and with the Company that the consolidated EBITDA of the Target Group as to be shown in its audited consolidated accounts for the period commencing from the date of completion of the Agreement to 31 March 2012 (the "Relevant Period") shall not be less than the guaranteed EBITDA of HK$500 million (the "Guaranteed EBITDA"). In the event that the actual EBITDA during the Relevant Period is less than the Guaranteed EBITDA, the shortfall shall be settled by the Vendor to the Company.

The Target Group

The Target Company is an investment holding company incorporated in the British Virgin Islands with limited liability on 18 May 2009. The Target Company is beneficially owned by the Vendor.

The Target Group is principally engaged in the provision of MIDS which includes healthcare information system and custom built Wi-Fi/RFID identification application system in Local Area Network (LAN) and Metropolitan Area Network (MAN) to the healthcare sector in the PRC. On 1 June 2009, Gold Asia Technology Limited ("Gold Asia"), a wholly-owned subsidiary of the Target Company, has entered into the master services agreement with Tianjin Kong Hong Technology Company Limited ("Tianjin Kong Hong"), in respect of the provision of MIDS ("Master Services Agreement"). Pursuant to the Master Services Agreement, Gold Asia will provide the start custom built Wi-Fi/RFID identification application system in LAN and MAN to Tianjin Kong Hong, which has contracted and will contract with hospitals in the PRC for the provision of Wi-Fi/RFID services on an exclusive basis for a term of 15 years commencing on 1 June 2009.

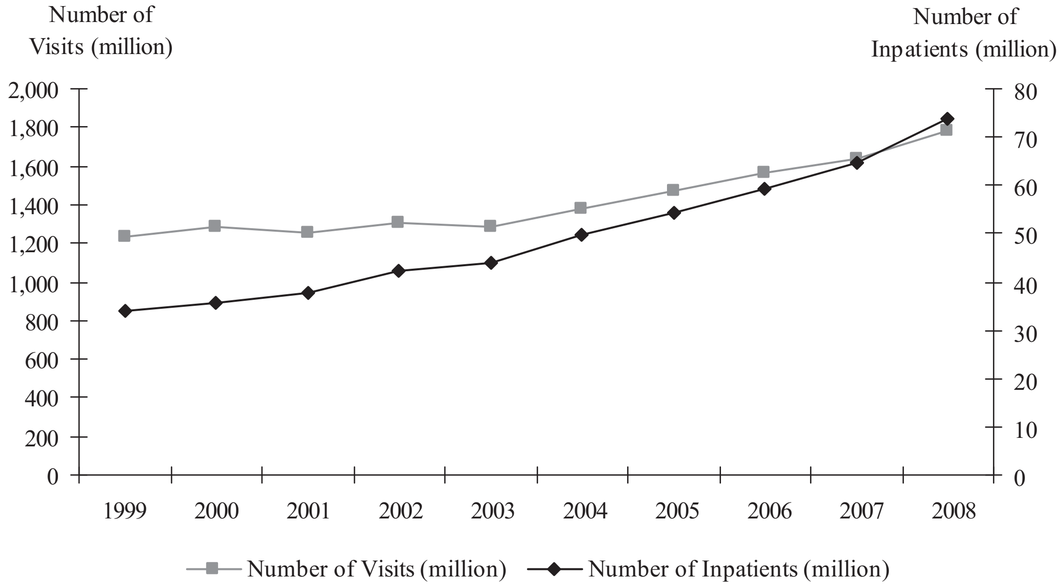
As disclosed by the management of the Company (the "Management"), the Target Group can provide the above-mentioned services due to its own technical expertise and the technical back-up from internationally renowned information technology companies. Moreover, as at the date of this announcement, Tianjing Kong Hong has already contracted with 30 hospitals in the PRC for the provision of custom built Wi-Fi/RFID identification application system in LAN and MAN to such hospitals.

INDUSTRY OVERVIEW

Healthcare sector in the PRC

The healthcare industry in the PRC has experienced significant growth over the last two decades since the inception of economic reforms in the early 1980s. Due to the moderate growth of population, increasing longevity of life expectancies and medical breakthrough, the strong demand of quality health facilities and medical services become a major social security issue.

Exhibit 1 Total number of medical visits and inpatients in the PRC, 1999-2008



Source: Statistics from the Ministry of Health, the PRC

According to statistics from the Ministry of Health, the annual health expenditure per capita increased from RMB14.5 in 1980 to RMB854.4 in 2007, representing a compound annual growth rate (CAGR) of 16.3%. However, the total healthcare investment by the PRC government is insufficient compared with the developed countries. The total expenditure in healthcare sector only accounted for approximately 4.7% of the gross domestic products (GDP), which is the lowest amongst the BRIC countries (i.e. Brazil, Russia, India and China).

In April 2009, the State Council of the PRC government (中華人民共和國國務院) unveiled a three-year implementation plan on healthcare reform between 2009 and 2011 (醫藥衛生體制改革近期重點實施方案(2009-2011年)) with a total budget of RMB850 billion. The core principle of the reform is to provide a basic health-care system that can provide "safe, effective, convenient and affordable" healthcare services to both urban and rural residents by 2020. Meanwhile, the PRC government has set the target that over 90% of the population in the PRC will be covered by basic medical insurance by 2011.

Hospital Information System ("HIS") market in the PRC

An HIS is a comprehensive, integrated information system designed to provide hospital departments with the ability to collect, store, process, retrieve and communicate patient and administrative information. In general, an HIS consists of two components: the management information system for administrative purposes and the clinical information system for clinical purposes, including but not limited to patient monitoring, anesthesia monitoring, physician orders and data collection systems such as patient vital signs.

Hospitals in the PRC are still in the exploratory stage with regard to using data provided by information systems for support of medical management and decision making. According to a survey conducted by the Centre for Health Statistics and Information of Ministry of Health in 2007 (the "Survey") covering a total of 3,765 hospitals in the PRC on the status of hospital computerization, more than 80% of hospitals have installed billing and administration systems and over 70% have adopted inpatient management systems of various levels. However, only 8% and 6% of the hospitals have adopted medical management and quality control systems and clinical decision making support systems, respectively.

On the other hand, hardware investment is still the major segment in HIS market. According to the White Paper on China's Hospital Information Systems, a report co-published by China Hospital Information Management Association and Accenture Limited, services and software accounted for 35.3% in healthcare information technology investment which is approximately half of the world average. The significantly low proportions of software and services in the HIS market indicated that the HIS market in the PRC is still far from the maturity phase.

BASIS OF VALUATION AND ASSUMPTIONS

We have appraised the business enterprise of the Target Group on the basis of fair market value. Fair market value is defined as the estimated amount at which the business enterprise might be expected to exchange between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts, and with the buyer and seller contemplating retention of the business at its present location for continuation of current operations unless the break-up of the business or the sale of its assets would yield greater investment returns. Business enterprise value is defined for this appraisal as shareholders' equity.

Our investigation included a review of the Target Group's statutory documents, historical financial information, projected operating results, as well as other relevant documents. We have assumed that the data, information, opinions and representation provided to us by the management of the Company (the "Management") in the course of the valuation are true and accurate. Before arriving at our opinion of value, we have considered the following principal factors:

– The business nature of the Target Group;

– The financial condition of the Target Group;

– The specific economic and competitive elements affecting the Target Group's business, its industry and its markets;

– The nature and prospect of the healthcare sector in the PRC;

– The potential of the target markets to be served;

– Past operating results;

- The terms of the Master Services Agreements as well as the terms of the contracts signed between Tianjin Kong Hong and the 30 hospitals in the PRC;

- Appropriate rates of return as indicated by alternative investment opportunities of comparable magnitude, character and risk;

- Extent, utility and capacity of the property, machinery and equipment utilized by the business; and

- The business risks of the Target Group and inherent uncertainties involved in its operation.

Due to the changing environment in which the Target Group is operating, a number of assumptions have to be established in order to sufficiently support our concluded value of the business enterprise. The major assumptions adopted in this appraisal are:

- There will be no major changes in the existing political, legal, fiscal and economic conditions in the country in which the Target Group carries on its business;

- There will be no major changes in the current taxation laws in Hong Kong and the PRC, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;

- Exchange rates and interest rates will not differ materially from those presently prevailing;

- The availability of finance will not be a constraint on the forecasted growth of the Target Group's operations;

- The Target Group will successfully maintain its competitiveness and market share through optimizing the utilization of its production capacity and expanding its marketing network;

- The Target Group will successfully obtain the technical back-up from internationally renowned information technology companies in the provision of the above-mentioned services;

- The Target Group can keep abreast of the latest development of the industry such that the competitiveness and profitability of the Target Group can be sustained;

- The Target Group will utilize and maintain its current operational, administrative and technical facilities to expand and increase its sales;

- The Target Group will be able to secure funds to repay its debts when they fall due;

- The Target Group will retain and have competent management, key personnel, and technical staff to support its ongoing operations; and

– Industry trends and market conditions for related industries will not deviate materially from economic forecasts.

We were furnished, for the purpose of this appraisal, with audited/unaudited financial data as well as other records and documents. We have reviewed and examined the financial information and have no reason to doubt the truth and accuracy of the information contained therein. We have also consulted public sources of financial and business information to supplement the information provided by the Management. In arriving at our opinion of value, we have relied to a very considerable extent on the above-mentioned information.

VALUATION METHODOLOGY

To develop our opinion of value for the Target Group, we considered the three generally accepted approaches to value: the Cost Approach, the Market Approach and the Income Approach. We consider that Cost Approach is not applicable to this appraisal as it cannot reflect the fair market value of the Target Group which is driven by the future revenue generated from the healthcare sector in the PRC. For the Market Approach, we consider that it is not reliable and accurate enough to draw a conclusion of the fair market value of the Target Group without historical earnings record. Thus, based on the financial projection and relevant supporting documents provided by the Management, we concluded that the most appropriate method for valuing the Target Group in this appraisal is the Income Approach.

The fair market value of the Target Group is developed through the application of the income approach technique known as the discounted cash flow method. In this method, value depends on the present worth of future economic benefits to be derived from ownership of shareholders' equity and shareholders' loans. Thus, indication of value was developed by discounting future free cash flows available for distribution to shareholders and for servicing shareholders' loans to their present worth at market-derived rates of return appropriate for the risks and hazards of the subject business.

A discount rate is the expected rate of return (or yield) that an investor would have to give up by investing in the subject investment instead of available alternative investments that are comparable in terms of risk and other investment characteristics. When developing the discount rate to apply to the future economic income streams attributable to shareholders, the discount rate is the cost of equity. The cost of equity was developed using Capital Asset Pricing Model ("CAPM") with reference to the required rates of return demanded by investors for similar projects. A major requirement in generating the cost of equity is to identify companies that are comparable to the subject company in terms of business nature and associated risks. We have selected the same group of comparable companies, which have been used in generating the discount rate as mentioned above. In practice, we have selected comparable companies based on the following relevant factors: (1) products, (2) markets, (3) earnings and growth, (4) capital structure, (5) nature of competition and (6) the characteristics of driving underlying investment risk and expected rate of return. The comparable companies selected in this appraisal include (1) Hua Xia Healthcare Holdings Limited (Code: 08143.HK), (2) China Renji Medical Group Limited (Code: 00648.HK), (3) Mindray Medical International Limited (Code: MR.US),

(4) Shinva Medical Instrument Co., Ltd. (Code: 600587.CH), (5) Neusoft Corporation (Code: 600718.CH), (6) RCG Holdings Limited (Code: RCG.LN), (7) Belgravium Technologies PLC (Code: BVM.LN) and (8) Intermec Inc (Code: IN.US). All comparable companies are engaged in similar business.

The CAPM states that an investor requires excess returns to compensate for any risk that is correlated to the risk in the return from the stock market as a whole but requires no excess return for other risks. Risks that are correlated with the return from the stock market are referred to as systematic and measured by a parameter called beta, whereas other risks are referred to as nonsystematic. Under the CAPM, the appropriate rate of return is the sum of the risk-free return and the equity risk premium required by investors to compensate for the systematic risk assumed with adjustment for increments for risk differentials of the Target Group being valued versus those of the comparative companies, which include risk adjustments for size (the "Small Capitalization Risk Premium") and other risk factors in relation to the comparative companies. Our analysis suggested that a discount rate of 25.90% was appropriate for valuing the Target Group.

Small Capitalization Risk Premium

Small capitalization risk premium is the excess return that an investor would demand in order to compensate for the additional risk over that of the entire stock market when investing in a small capitalization company. This premium reflects the fact that cost of capital increases with decreasing size of a company.

A number of studies were conducted in the U.S., which concludes that the risk premium associated with a small company is over and above the amount that would be warranted just as a result of the company's systematic risk derived from the CAPM model. For the case of the Target Group, 3.74% is considered as an appropriate small capitalization risk premium in our valuation model.

Startup Risk Premium

The Target Group is a newly startup business which requires some time to fine-tool its operations and marketing strategies. To reflect the startup risk, a startup risk premium of 5% is added in developing the discount rate for the Target Group.

Company Specific Risk Premium

Increasing competition is expected for the business segment served by the Target Group though the entry barrier is relatively high for this segment. Thus, the pace of expansion is quite critical to gain the market share by the Target Group. To reflect such risk, a company specific risk premium of 5% is also added in developing the discount rate for the Target Group.

After summing up the risk-free return (i.e. 3.21%), the cost of equity developed from CAPM (i.e. 8.95%), the small capitalization risk premium, startup risk premium and company specific risk premium, our analysis suggested that a discount rate of 25.90% was appropriate for valuing the Target Group.

Financial Projection

The Management has provided us the financial projection of the Target Group during the five-year period commencing from 1 July 2009 to 30 June 2014 (the "Projection Period"). As disclosed by the Management, the Target Group has already contracted with 30 hospitals in the PRC for the provision of the Services to such hospitals for a term of 5 years and the contracted revenue amount is RMB313,000,000. The relevant hospitals shall pay the service charges as set out in the statement of work which varies depending on the nature, complexity and specifications of the Services. The forecasted revenue and net profit for the first year of the Projection Period were amounted to approximately RMB255.8 million and RMB133.3 million respectively. We consider that the high revenue growth rates in the five-year projection period (i.e. 5-year compounded annual growth rate ("CAGR") of 40.6% for revenue and 4-year CAGR of 10.8% for net income excluding the first year of projection) are reasonable in view of the rapidly growing market and the pioneer status of the Target Group in the PRC. In this appraisal, we assumed a prudent terminal growth rate of 3% in determining the terminal value of the Target Group after the five-year projection period.

Discount for Lack of Marketability

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in a closely held corporation. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

A number of studies were conducted in the U.S. in an attempt to determine average levels of discounts for lack of marketability. These studies all fall into one of two basic categories, depending on the type of market transaction data on which they are based:

- Restricted ("letter") stock studies.

- Studies of transactions in closely held stocks prior to initial public offerings (IPOs).

In this case, a lack of marketability discount of 40 percent is deemed to be reasonable for the equity interest of the Target Group as of the Appraisal Date.

CONCLUSION OF VALUE

Based on the above investigation and analysis, it is our opinion that the fair market value of a 100% equity interest in the Target Group as of the Appraisal Date is reasonably stated by the amount of **HONG KONG DOLLAR TWO BILLION THIRTY THREE MILLION (HKD2,033,000,000) ONLY**.

This conclusion of value was based on the International Valuation Standards (Eighth Edition 2007) and generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We have not investigated the title to or any liabilities against the property appraised.

We hereby certify that we have neither present nor prospective interests in the Company, the Target Group, or the value reported.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED

Keith C.C. Yan, *ASA*	**Kelvin C.H. Chan,** *FCCA, CFA*
Managing Director	*Director*

Note: Mr. Keith C.C. Yan is an Accredited Senior Appraiser (Business Valuation) of the American Society of Appraisers and he has been conducting business valuation of various industries, including computer software, in the Greater China region for various purposes since 1988. Mr. Kelvin C.H. Chan is a CFA Charterholder and a fellow member of the Association of Chartered Certified Accountants. He has been working in the financial industry since 1996, with experiences covering the area of corporate banking, equity analysis and business valuation. Mr. Yan and Mr. Chan have followed and adopted appropriate guidelines and rules in their respective professional associations as mentioned above.

(i) Letter from reporting accountants of the Company

The following is the text of a report, prepared for inclusion in this circular, from the reporting accountants of the Company, CCIF CPA Limited, Certified Public Accountants, Hong Kong.

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

The Board of Directors
Brilliant Arts Multi-Media Holding Limited
Unit 1611, 16/F, West Tower, Shun Tak Centre
168-200 Connaught Road Central,
Hong Kong

Dear Sirs,

RE: BRILLIANT ARTS MULTI-MEDIA LIMITED (the "Company")

We report on the calculations of the discounted future estimated cash flows on which the business valuation (the "Valuation") dated 25 August 2009 prepared by Grant Sherman Appraisal Limited (the "Valuer") in respect of the fair value of 100% equity interest in Sunny Chance Limited (the "Target") as at 30 June 2009 as set out in Appendix V of the circular of the Company dated 25 August 2009 (the "Circular") in connection with the proposed acquisition of 100% equity interest in Target by the Company.

Respective responsibilities of the directors of the Company, the Valuer and the auditors of the Company

The directors of the Company and the Valuer are solely responsible for the preparation of the discounted future estimated cash flows for the Valuation which is regarded a profit forecast under the rule 19.61 of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

It is our responsibility to report, as required by Rule 19.62(2) of the GEM Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. The discounted future estimated cash flows do not involve the adoption of accounting policies. We do not provide any opinion on the accounting policies. The discounted future estimated cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Consequently, we have not reviewed, considered or conducted any work on the appropriateness and validity of the assumptions and express no opinion on the appropriateness and validity of the assumptions on which the discounted future estimated cash flows, and thus the Valuation, are based.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to the procedures under the Auditing guideline 3.341 "Accountants' Report on Profit Forecasts" issued by the Hong Kong Institute of Certified Public Accountants. We examined the arithmetical accuracy of the Valuation. Our work has been undertaken solely to assist the directors of the Company in evaluating whether the Valuation, so far as the calculations are concerned, has been properly compiled and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work. Our work does not constitute any valuation of the Target.

Opinion

Based on the foregoing, in our opinion, the Valuation, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions made by the Valuer as set out in the "Valuation Methodology" and "Basis of Valuation and Assumptions" sections of the Valuation, respectively.

Yours faithfully,
CCIF CPA Limited
Certified Public Accountants

Ho Chun Shing
Practising Certificate Number P04396

Hong Kong, 25 August 2009

(ii) Letter from Board

The following is the text of a report, prepared for the purpose of incorporation in this circular, issued by the Board.

25 August 2009

To the Shareholders

Dear Sirs,

Brilliant Arts Multi-Media Holding Limited (the "Company")

We refer to the valuation report dated 25 August 2009 prepared by Grant Sherman Appraisal Limited in relation to the fair market value (the "**Valuation**") of the 100% equity interest in the business enterprise operated by Sunny Chance Limited and its subsidiaries as at 30 June 2009.

We have considered the letter from CCIF CPA Limited dated 25 August 2009 addressed to the board of directors of the Company regarding whether the Valuation was compiled properly so far as the calculations are concerned.

We are of the opinion that the Valuation has been properly stated and we confirm that we have made the forecast after due and careful enquiry.

Yours faithfully,
By the Order of the Board
Brilliant Arts Multi-Media Holding Limited
Ho Ka Wai
Executive Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

(i) the information contained in this circular is accurate and complete in all material respects and not misleading;

(ii) there are no other matters the omission of which would make any statement in this circular misleading; and

(iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on the bases and assumptions that are fair and reasonable.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and issued share capital of the Company was, and immediately following: (a) the Increase in Authorised Share Capital and (b) the allotment and issue of the Conversion Shares, assuming the conversion rights attaching to the Convertible Bond are exercised in full will be as follows:

		HK$
Authorised		
3,000,000,000	Shares as at the Latest Practicable Date	30,000,000
17,000,000,000	Shares to be created upon the Increase in Authorised Share Capital	170,000,000
20,000,000,000		200,000,000
Issued and credited as fully paid		
128,203,503	Shares as at the Latest Practicable Date	1,282,035.03
7,500,000,000	Shares to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bond in full	75,000,000.00
7,628,203,503		76,282,035.03

All the issued share capital of the Company shall rank pari passu with each other in all respects including the rights as to dividends, voting and return of capital. The Conversion Shares to be allotted and issued will, when issued and fully paid, rank pari passu in all respects with the then existing Shares in issue on the date of their allotment.

The issued Share are listed on GEM. There is no arrangement under which future dividends are/will be waived or agreed to be waived.

Save as disclosed in this circular, no share or loan capital of the Company or any members of the Group has been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion right affecting the Shares has been issued or granted or agreed conditionally, or unconditionally to be issued or granted.

3. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the directors in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register are (a) required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO), or (b) kept by the Company pursuant to Section 352 of the SFO, or as (c) otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Name of director	**Interest in shares** *(Note 1)*	**Interest in underlying shares** *(Note 1)*	**Total interest in shares** *(Note 1)*	**Percentage of the Company's issued share captial**
Mr. Lee Chan Wah	10 *(Note 2)*	87,033 *(Note 2)*	87,043	0.07%

Note:

1. The numbers of shares have been adjusted due to completion of share consolidation on 11 May 2009.

2. Mr. Lee Chan Wah, an executive Director, owns 10 shares in his personal capacity and is deemed to be interested in 87,033 shares which would fall to be issued upon exercise of the 87,033 share options of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company and their associates had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which 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 which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 and 5.67 of the GEM Listing Rules relating to the securities transactions by the Directors.

4. SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors or chief executive of the Company, the following person (other than the Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed under provisions of Division 2 and 3 of Part XV of the SFO, or who, as at the Latest Practicable Date, was directly and indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member the Enlarged Group:

Name of shareholder	Capacity	Interest in shares *(Note 1)*	Interest in underlying shares *(Note 1)*	Total interest in shares *(Note 1)*	Percentage of the Company's issued share capital
Mr. Lei	Personal and interest of controlled corporation *(Note 2)*	29,559,853	1,256,896	30,816,749	24.04%
Ms. Lok Hoi Yan	Interest of controlled corporation *(Note 2)*	28,506,000	–	28,506,000	22.23%
Business Power Holdings Limited	Interest of controlled corporation *(Note 2)*	28,506,000	–	28,506,000	22.23%
Eagle Mate	Beneficial owner *(Note 2)*	18,000,000	–	18,000,000	14.04%
Mander	Beneficial owner *(Note 2)*	10,506,000	–	10,506,000	8.19%

Name of shareholder	Capacity	Interest in shares *(Note 1)*	Interest in underlying shares *(Note 1)*	Total interest in shares *(Note 1)*	Percentage of the Company's issued share capital
Vendor	Beneficial owner *(Note 3)*	–	7,500,000,000	7,500,000,000	5,850.07%
Success Portal Limited	Interest of controlled corporation *(Note 3)*	–	7,500,000,000	7,500,000,000	5,850.07%
Treasure Bonus Limited	Interest of controlled corporation *(Note 3)*	–	7,500,000,000	7,500,000,000	5,850.07%
Mr. Lum Chor Wah, Richard	Interest of controlled corporation *(Note 3)*	–	7,500,000,000	7,500,000,000	5,850.07%
Ms. Tan Ting Ting	Interest of controlled corporation *(Note 3)*	–	7,500,000,000	7,500,000,000	5,850.07%

Notes:

(1) The numbers of shares have been adjusted as a result of completion of share consolidation on 11 May 2009.

(2) 10,506,000 shares and 18,000,000 shares are held by Mander and Eagle Mate respectively. Both companies are wholly and beneficially owned by Business Power Holdings Limited which is jointly owned by Mr. Lei and his spouse, Ms. Lok Hoi Yan. Mr. Lei also owns 1,053,853 shares in his personal capacity and is deemed to be interested in 1,256,896 Shares which would fall to be issued upon exercise of the 1,256,896 share options of the Company.

(3) The Vendor is deemed to be interested in 7,500,000,000 shares pursuant to the conditional sale and purchase agreement dated 29 June 2009 entered into between the Vendor and the Company. Each of Success Portal Limited ("Success Portal") and Treasure Bonus Limited ("Treasure Bonus") owns 36% of the issued share capital of the Vendor and Success Portal and Treasure Bonus are wholly and beneficially owned by Mr. Lum Chor Wah, Richard and Ms. Tan Ting Ting respectively. Success Portal, Treasure Bonus, Mr. Lum Chor Wah, Richard and Ms. Tan Ting Ting are deemed to be interested in these 7,500,000,000 shares.

Save as disclosed herein, there is no person known to the Directors or chief executive of the Company, no other person (other than a Director or chief executive of the Company), who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10%

or more of the normal value of any class of shares carrying the rights to vote in all circumstances at general meetings of the Company or any other members of the Group and none of the Directors or proposed Director is a director of employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

5. DIRECTORS' SERVICE CONTRACTS

Each of Mr. Lee Chan Wah and Mr. Ho Ka Wai has entered into a contract with the Company, subject to termination by either party with three months, written notice in advance.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into any service contract with the Company or any other member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation)).

6. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates were considered to have interest in any business which competes or may compete, either directly or indirectly, with the business of the Group or have or may have any other conflicts of interest with the Group pursuant to the GEM Listing Rules.

7. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the member of the Enlarged Group within the two years immediately preceding the Latest Practicable Date:

(a) the sale and purchase agreement dated 28 August 2007 and entered into between the Company, Billion Era Group Limited as vendor and Mr. Leong Chi Meng as guarantor in relation to the sale and purchase of the entire issued share capital of Classic Grace Enterprises Limited and a sale loan at a total consideration of HK$24,000,000;

(b) the placing agreement dated 23 October 2007 entered into between the Company and Kingston Securities Limited for the placing of up to 49,860,000 ordinary shares of HK$0.10 each on a fully underwritten basis at a price of HK$0.12 per share;

(c) the placing agreement dated 23 October 2007 entered into between the Company and Kingston Securities Limited for the placing of up to 900,000,000 ordinary shares of HK$0.10 each on a best effort basis and 450,000,000 ordinary shares of HK$0.10 each on a fully underwritten basis at a price of HK$0.12 per share;

(d) the sale and purchase agreement dated 23 October 2007 in relation to the acquisition of Grandeur Concord Limited from Eagle Mate at a total consideration of HK$18,000,000;

(e) the service agreement entered into between the Group and China Star HK Entertainment Co. Ltd., a wholly-owned subsidiary of Chin Star Entertainment Limited, dated 21 December 2007 in relation to the provision of the lead actor of the motion picture to be produced and the procurement to provide professionals services in relation to post-production of the said film from China Star HK Entertainment Co. Ltd. at a total consideration of HK$4,500,000;

(f) the disposal agreement dated 9 January 2008 for the disposal of the shares of Point of View Movie Production Company Limited, Brilliant Picture Movie Production Company Limited and Inspire Film Distribution Limited to a former Director for a total consideration of HK$2,000,000;

(g) the subscription agreement dated 26 November 2008 and entered into between the Company and Golife Concepts Holdings Limited ("Golife") in relation to the subscription for the zero coupon convertible bonds in an aggregate principal amount of HK$100 million to be issued by Golife in five tranches of HK$20 million each;

(h) the underwriting agreement dated 27 November 2008 (the "Underwriting Agreement") and entered into between the Company and Kingston Securities Limited in relation to the open offer of 1,131,207,381 shares of the Company ("Offer Shares") on the basis of nine Offer Shares for every Share held on 14 January 2009;

(i) the supplemental agreement dated 4 December 2008 and entered into between the Company and Kingston Securities Limited in relation to certain amendments to the Underwriting Agreement;

(j) the conditional placing agreement dated 15 June 2009 and entered into between the Company and Kingston Securities Limited in relation to placing of up to 2,500,000,000 Shares ordinary shares of HK$0.01 each on a best effort basis;

(k) the Agreement;

(l) the Master Services Agreement; and

(m) the termination agreement dated 20 July 2009 and entered into between the Company and Kingston Securities Limited in relation to the termination of the placing agreement dated 15 June 2009.

9. MISCELLANEOUS

(a) The company secretary and the compliance officer of the Company is Mr. Lee Chan Wah who is a member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business in Hong Kong is located at Unit 1611, 16/F., Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong. The principal share registrar and transfer office of the Company in Bermuda is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at 26th Floor, Tesbury Center, 28 Queen's Road East, Wanchai, Hong Kong.

(d) The English text of this circular shall prevail over the Chinese text.

(e) None of the Directors was materially interested, directly or indirectly, in any asset, contract or arrangement entered into by any member of the Enlarged Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Enlarged Group.

(f) None of the Directors has or had any direct or indirect in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group are proposed to be acquired or disposed of by or leased to member of the Enlarged Group since 31 March 2009, being the date to which the latest published audited accounts of the Group were made up.

(g) The audit committee of the Company comprises Mr. Leung Wai Man. Mr. Man Kong Yui and Mr. Kwok Chuen Hung, Dominic (all being independent non-executive Directors). The audit committee of the Company is mainly responsible for supervising the Company's internal control system and its execution, evaluating financial information and related disclosure, reviewing the internal control system, auditing major connected transactions and also communicating, supervising and investigating the the Company's internal and external audits. The particulars of the audit committee members of the Company are as follows:

Mr. Leung Wai Man

Mr. Leung Wai Man, aged 39, has over eight years of experience in company secretarial, accounting and financial management. He is an associate member of the Association of Chartered Certified Accountants in the United Kingdom. Mr. Leung was appointed as the independent non-executive director on 10 July 2007.

Mr. Man Kong Yui

Mr. Man Kong Yui, aged 49, has been involved in the financial and securities industries for over 25 years and has extensive experience in bullion, securities, futures and foreign exchange business. He has held various senior positions with prominent banks and international financial institutions. Mr. Man holds a Bachelor Degree in Business Administration from the Chinese University of Hong Kong. Mr. Man is currently an independent non-executive director of Greater China Technology Group Limited and Get Nice Holdings Limited, all of them are listed on the Stock Exchange. Mr. Man was appointed as independent non-executive director on 18 September 2007.

Mr. Kwok Chuen Hung, Dominic

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

10. EXPERT AND CONSENT

The following are the qualifications of the experts who have given opinion or advice contained in this circular:

Name	Qualification
CCIF CPA Limited ("CCIF")	Certified Public Accountants
Grant Sherman Appraisal Limited ("Grant Sherman")	Independent Professional Valuer

Each of CCIF and Grant Sherman is not beneficially interested in the share capital of any member of the Enlarged Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

Each of CCIF and Grant Sherman has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and references to its name in the form and context in which they appear.

Each of CCIF and Grant Sherman did not have any direct or indirect interest in any assets which have been, since 31 March 2009 (the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at Unit 1611, 16/F., Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong during normal business hours on any weekday other than public holidays, up to and including the date of the SGM:

(a) the Memorandum and Bye-laws of the Company;

(b) the material contracts referred to in the paragraph headed "Material Contracts" to this Appendix;

(c) the annual reports of the Group for the three financial years ended 31 March 2007, 2008 and 2009;

(d) all circulars of the Company issued pursuant to the requirements set out in Chapters 19 and/or 20 of the GEM Listing Rules which have been issued since 31 March 2009 (being the date to which the latest published audited consolidated financial statements of the Company was made up);

(e) the accountants' report on the Target Group, the text of which is set out in Appendix III to this circular;

(f) the unaudited pro-forma financial information on the Enlarged Group as set out in Appendix IV to this circular;

(g) the letter from reporting accountants of the Company in respect of the valuation report on Target Group as set out in Appendix V to this circular;

(h) the letter from the Board in respect of the valuation report on Target Group as set out section (ii) in Appendix V to this circular;

(i) the valuation report on the Target Group, the text of which is set out under section (i) in Appendix V to this circular; and

(j) the written consent of the experts referred to in the section headed "Expert and Consent" in this appendix.

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

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

NOTICE IS HEREBY GIVEN that the special general meeting (the "**Meeting**") of Brilliant Arts Multi-Media Holding Limited (the "**Company**") will be held at Unit 1611, 16/F., Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on Monday, 5 October 2009 at 4:00 p.m. for the purpose of consideration and, if thought fit, passing with or without modification the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

(a) the agreement dated 29 June 2009 (the "**Agreement**") entered into between the Company as purchaser and Growth Harvest Limited as vendor in relation to the acquisition of the entire issued share capital of Sunny Chance Limited (the "**Target Company**") at a total consideration of HK$1,500 million (the "**Consideration**"), a copy of the Agreement having been produced and marked "A" and initialed by the chairman of the Meeting for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) the issue of the promissory note up to a principal sum of HK$750 million for the purpose of settling part of the Consideration, where applicable (the "**Promissory Note**") be and is hereby approved;

(c) the issue of the convertible bond in a principal amount of up to a maximum of HK$750 million (the "**Convertible Bond**") by the Company to the Vendor or its nominee(s) to satisfy part of the Consideration pursuant to the terms of the Agreement be and is hereby approved;

(d) the allotment and issue of such number of new shares of the Company (the "**Conversion Shares**") of HK$0.01 each in the share capital of the Company at the initial conversion price of HK$0.10 per Conversion Share upon exercise of the conversion rights attaching to the Convertible Bond be and are hereby approved; and

(e) the directors of the Company (the "**Directors**") be and are hereby authorised to execute all such documents and do all such acts and things as they consider desirable, necessary or expedient in connection with and to give effect to the Agreement and the transactions contemplated thereunder including but not limited to the issue of the Promissory Note, the Convertible Bond and the allotment and issue of the Conversion Shares."

2. "**THAT** the authorised share capital of the Company be and is hereby increased from HK$30,000,000, divided into 3,000,000,000 Shares to HK$200,000,000 divided into 20,000,000,000 Shares by the creation of 17,000,000,000 new Shares (the "**Increase in Authorised Share Capital**") and the Directors be and are hereby authorised for and on behalf of the Company to execute all such documents and to do all such acts and things as they consider desirable, necessary or expedient in connection with and to give effect to the Increase in Authorised Share Capital".

By Order of the Board
Brilliant Arts Multi-Media Holding Limited
Ho Ka Wai
Executive Director

Hong Kong, 25 August 2009

Head office and principal place of business in Hong Kong:
Unit 1611, 16/F., Shun Tak Centre, West Tower,
168-200 Connaught Road Central, Hong Kong

Notes:

(1) A member of the Company entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

(2) A form of proxy for use at the Meeting is enclosed. Whether or not you intend to attend the Meeting in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the Meeting or any adjournment thereof, should he so wish.

(3) In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

(4) In the case of joint holders of shares, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.