ERA

ERA Holdings Global Limited
年代國際控股有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 8043

2009

ANNUAL REPORT

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.

The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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Corporate Information

EXECUTIVE DIRECTORS

Lee Jong Dae *(Chairman)*
Lee Sung Min
Kim Beom Soo

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chan Sze Hon
Christopher John Parker
David Marc Boulanger

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 9B
9th Floor, Shun Ho Tower
24-30 Ice House Street
Central
Hong Kong

COMPANY SECRETARY

Leung Ka Wo

COMPLIANCE OFFICER

Lee Sung Min

AUDIT COMMITTEE

Chan Sze Hon
(Chairman of the Audit Committee)
Christopher John Parker
David Marc Boulanger

REMUNERATION COMMITTEE

Chan Sze Hon
(Chairman of the Remuneration Committee)
Christopher John Parker
David Marc Boulanger

AUTHORISED REPRESENTATIVES

Lee Jong Dae
Lee Sung Min

AUDITOR

RSM Nelson Wheeler
Certified Public Accountants
29th Floor, Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Hong Kong

LEGAL ADVISOR

Coudert Brothers in association with
Orrick, Herrington & Sutcliffe LLP
39th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Bank of Bermuda (Cayman) Limited
P.O. Box 513 GT
Strathvale House
North Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Hong Kong Registrars Limited
Rooms 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

STOCK CODE

8043

WEBSITE

www.eraholdings.com.hk

Summary Financial Information

The following is a summary of the published consolidated results and balance sheet of the Group prepared on the bases set out in note below:

	Year ended 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**2,599**	15,955	50,710	71,129	79,445
Operating loss	**(29,570)**	(26,366)	(17,094)	(11,759)	(6,141)
Finance costs	**(1,349)**	(831)	(1)	(17)	(45)
Loss before tax	**(30,919)**	(27,197)	(17,095)	(11,776)	(6,186)
Income tax expense	**(3)**	–	(327)	(300)	(688)
Loss for the year attributable to owners of the Company	**(30,922)**	(27,197)	(17,422)	(12,076)	(6,874)

	At 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**31,155**	43,033	57,842	44,862	60,901
Total liabilities	**(46,851)**	(32,212)	(21,737)	(17,051)	(21,003)
Net (Liabilities)/Assets	**(15,696)**	10,821	36,105	27,811	39,898

Note: The above financial summary as of and for the years ended 31 December 2008 and 2009 have been extracted from the audited financial statements of the Group as set out on pages 26 to 86 of the annual report.

Chairman's Statement

On behalf of the directors (the "Directors") of ERA Holdings Global Limited and its subsidiaries (the "Company" and collectively the "Group"), I am pleased to present the annual results for the year ended 31 December 2009.

2009 was a difficult year for the Group. The Group's turnover in home video business was lower when compared to the previous year due to lack of major video titles released during the year.

The management team continues to actively seek promising business opportunities. During the year, the Group entered into two sale and purchase agreements to acquire two different groups of companies; one of them is a manufacturer in the PRC of hydraulic roof supports designed for underground coal mining, and the other company manufactures in the PRC machineries and related moulds as well as modules for the manufacture of concrete masonry products, modular concrete products and other building materials. More details of the proposed acquisition can be found in the Management Discussion and Analysis – Business Review section below.

The Board believes that the proposed acquisition of these companies could result in great value to the Company due to the long-term positive outlook in the equipment manufacturing sector related to mining and general infrastructure.

On behalf of the Board
Lee Jong Dae
Chairman

Hong Kong, 23 March 2010

FINANCIAL PERFORMANCE

For the year ended 31 December 2009, the Group recorded a consolidated turnover of approximately HK$2.6 million (2008: approximately HK$16.0 million). Consolidated loss for the year amounted to approximately HK$30.9 million (2008: approximately HK$27.2 million). Decrease in consolidated turnover is mainly due to the significant drop in revenue generated from home video products distribution as compared to the same period in the prior year. The increase in the consolidated loss for the year was mainly due to a loss incurred in the change of fair value on the derivative components of convertible bonds approximately HK$13.5 million (2008: gain of approximately HK$6.8 million) and an increasing amount of professional fees incurred in relation to the potential acquisitions of approximately HK$6.8 million (2008: HK$4.0 million). The increase in the consolidated loss for the year was partially setoff by reversal of allowance for doubtful debts on prepayments and deposits of approximately HK$10.2 million (2008: Nil), and also the lesser amount of allowance for doubtful debts were required in 2009.

BUSINESS REVIEW

In the year 2009, there was still a lack of major video titles released and turnover for the year represents release of minor video title and consultancy income related to corporate secretarial services.

On 9 October 2009, Vasky Energy Limited ("Vasky Energy"), a wholly owned subsidiary of the Company, and Mining Machinery Limited (the "Vendor"), a company incorporated in Mauritius, entered into the conditional sale and purchase agreement relating to the sale and purchase of 100% of the issued share capital of International Mining Machinery Siwei Holdings Limited, a company incorporated in Hong Kong with limited liability and its subsidiary (the "Target Group") ("Acquisition 1"). The aggregate consideration for Acquisition 1 payable by Vasky Energy to the Vendor shall be HK$1,164,000,000, which shall be satisfied by procuring the Company to issue 4,000,000,000 consideration shares at an issue price of HK$0.291 per consideration share to the Vendor at completion. The Target Group manufactures in the PRC hydraulic roof supports designed for underground coal mining. Acquisition 1 constitutes a very substantial acquisition for the Company under the GEM Listing Rules. Immediately upon completion of Acquisition 1, the interest of the Vendor and its concert parties will exceed 30% of the enlarged issued share capital of the Company and will become a controlling shareholder of the Company. Details are set out in the Company's announcement dated 20 November 2009.

Further on 22 January 2010, the Company made a new listing application to the Stock Exchange as Acquisition 1 and the transactions contemplated under the sale and purchase agreement constitute a reverse takeover for the Company under Rule 19.06(6)(a) of the GEM Listing Rules, and the Company will therefore be treated as if it were a new listing applicant under Rule 19.54 of the GEM Listing Rules. Currently, Acquisition 1 is in the process of being approved by the Hong Kong regulators and further announcement will be made as and when appropriate in accordance with the GEM Listing Rules.

BUSINESS REVIEW *(continued)*

On 16 April 2009, Vasky Energy entered into a sale and purchase agreement (the "Agreement") with American Investors In China, LLC ("AIC"), and G. F. Transnational, Inc. ("GFT") (together known as the "Sellers"), in relation to the acquisition of the entire issued capital of Key Target Holdings Limited ("Key Target"), which is incorporated in Hong Kong and which will acquire a 50% equity interest in Xi'An Eastern Star Electric-Mechanical Limited Liability Company ("Eastern Star"), a sino-foreign joint venture company established in the PRC, which manufactures machinery and related moulds as well as modules for the manufacture of concrete masonry products, modular concrete products and other building materials ("Acquisition 2"). Acquisition 2 was approved, ratified and confirmed at the extraordinary general meeting held on 11 June 2009. On 31 December 2009, the Company entered into a supplemental agreement with the Sellers to extend the closing date of Acquisition 2 to on or before 30 June 2010 (or such later date as may be agreed by the parties) as additional time is required to fulfill one of the conditions precedent as set out in the Key Target sale and purchase agreement as regards completion of transfer of 50% equity interest held by the Sellers to Key Target. The Company notes that the Sellers have not yet obtained a waiver from Xi'An Oriental Industrial Investment Limited (a limited liability company established in the PRC holding 50% equity interest in Eastern Star) on the transfer of 50% equity interest of Eastern Star from the Sellers to Key Target. Details are set out in the Company's announcement dated 31 December 2009.

On 7 July 2008, the Company entered into a memorandum of understanding ("MOU") with Sakhalin Resources Ltd. ("SR"), a company incorporated in the British Virgin Islands, in relation to the Company's possible acquisition from SR of a 100% equity interest in G.F.T. (FAREAST) Holding Limited ("GFT FAREAST"), a company incorporated in Hong Kong, for a consideration of approximately HK$112 million (the "Consideration") (subject to additional payment based on GFT FAREAST's performance in calendar year 2011, valuation, due diligence and negotiation). Details are set out in the Company's announcement dated 7 July 2008. On 19 March 2009 the Company entered into extension letter to extend the long stop date for the closing of such possible acquisition to 31 December 2009. On 31 December 2009 the Company entered into second extension letter to extend such date to 30 June 2010 as additional time is required to complete due diligence review on GFT FAREAST, which includes but not limited to the extension of review on the latest financial results of GFT FAREAST for the year ended 31 December 2009. Details are set out in the Company's announcement dated 31 December 2009.

PROSPECTS

The Group continues to seek opportunities in new video titles. Mindful of the highly competitive home video products market and the challenges from illegal internet download and piracy, the Group continues to actively consider the diversification of business into new areas of high-growth potential which will be in the best interest of the Company. The Board has been seeking opportunities in energy resources due to its long-term positive outlook. In addition, the Board is also exploring opportunities in the equipment manufacturing sector related to mining and general infrastructure.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally financed its operations and investing activities with internally generated cashflows. As at 31 December 2009, the Group had net current assets of approximately HK$52,000 (2008: HK$25.5 million). The Board is confident that the Group's existing financial resources will be sufficient to satisfy its commitments and working capital requirements.

FOREIGN EXCHANGE EXPOSURE

Transactions of the Group were mainly denominated either in Hong Kong dollars, Renminbi or United States dollars. In view of the stability of the exchange rate between these currencies, the Directors do not consider that the Group was significantly exposed to foreign exchange risk.

CAPITAL STRUCTURE

As at 31 December 2009, the Group's net liabilities were financed by internal resources through share capital and reserves and external fund raising. Total deficiency attributable to shareholders was approximately HK$15.7 million as at 31 December 2009.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2009, the Group's time deposits of approximately HK$34,000 (2008: HK$1.5 million) were pledged to a bank in respect of banking facilities granted to the Group.

MATERIAL ACQUISITION/DISPOSAL AND SIGNIFICANT INVESTMENTS

It was disclosed in the circular of the Company dated 25 May 2009 that on 16 April 2009, Vasky Energy entered into the Key Target sale and purchase agreement with AIC and GFT in relation to the acquisition by Vasky Energy of the entire issued capital of Key Target which would acquire a 50% equity interest in Eastern Star. Eastern Star is principally engaged in manufacturing machinery and related moulds as well as modules for the manufacture of concrete masonry products, modular concrete products and other building materials.

The consideration for the acquisition is HK$2.8 million and will be settled in full by way of issue of convertible bonds by the Company to AIC and GFT. The initial conversion price is HK$0.2 per share.

On 30 September 2009, the Company announced that Vasky Energy, AIC and GFT entered into a supplemental agreement to extend the date for fulfilling the conditions precedent to the completion of the Key Target sale and purchase agreement to on or before 31 December 2009 or such later date as may be agreed by the parties to the Key Target sale and purchase agreement. On 31 December 2009, the Company further announced that such date has been extended to on or before 30 June 2010 (or such later date as may be agreed by the parties) pursuant to a supplemental agreement entered into between Vasky Energy, AIC and GFT.

Same as disclosed above, the Group did not have any material acquisition, disposal and significant investments during the year ended 31 December 2009.

Management Discussion and Analysis

GEARING RATIO

The Group's total borrowings as at 31 December 2009 amounted to approximately HK$16.4 million (2008: HK$15.0 million), all of which were represented by convertible bonds. On this basis, the gearing ratio is calculated at -1.04 (2008: 1.39), based on an amount of shareholders' deficiency of HK$15,696,000.

CAPITAL COMMITMENTS

As at 31 December 2009, the Group had no capital commitments.

CONTINGENT LIABILITIES

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

EMPLOYEE INFORMATION

As at 31 December 2009, the Group had a total of 10 employees. The total staff costs, including directors' emoluments, amounted to approximately HK$6.6 million for the year under review. Staff remuneration is reviewed by the Group from time to time depending on length of service and performance where warranted. In addition to salaries, the Group provides staff benefits including medical benefits and contributions to staff's provident fund. Share options and bonuses are also available to employees of the Group at the discretion of the Directors.

The emoluments of the Directors and senior management of the Company are determined in accordance with the recommendations from the remuneration committee of the Company. The remuneration committee of the Company considers factors including salaries paid by comparable companies, time commitment and responsibilities of the relevant employee, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

Directors and Senior Management

Details of the current management team are as follows:

DIRECTORS

Executive Directors

Mr. Lee Jong Dae, aged 50, is the Chairman and an executive Director of the Company, and is responsible for the Group's overall strategic planning and business development. Mr. Lee received his Bachelor of Arts degree with major in Economics from Haverfold College and holds a Juris Doctor degree from Georgetown University, Washington, D.C. He was an executive director of China HealthCare Holdings Limited (Stock Code: 673), a company listed on the Main Board of the Stock Exchange, for the period from July 2004 to August 2009, and a non-executive director of Asian Logic Limited, a company listed on Alternative Investment Market ("AIM") of the London Stock Exchange for the period from January 2008 to June 2009.

Mr. Lee Sung Min, aged 38, is the Compliance Officer of the Company. He is an Australian Korean who has 10 years' experience in legal practice. He has been a partner of DaeJi Law Firm in Korea since 2005. Prior to that, he worked for two renowned law firms in Korea. Mr. Lee was admitted as a legal practitioner of the Supreme Court of New South Wales in Australia in 1999. He also obtained a diploma in law granted by the Legal practice from The College of Law PTY Ltd. in Australia in 1999.

Mr. Kim Beom Soo, aged 41, is a director of Hunitech Co Limited which is principally engaged in telecommunication network construction in Korea since 2002. He is also a director of HtwoM Co. Limited, a company of which is engaged in the telecommunication equipment sales in Korea. Prior to that, he has years of experience in information and telecommunication industry.

Independent non-executive Directors

Mr. Chan Sze Hon, *ACCA, CPA,* aged 36, is the an independent non-executive Director of the Company. He holds a Bachelor of Arts Degree in Accountancy from City University of Hong Kong and a Master Degree in Corporate Finance from The Hong Kong Polytechnic University. He is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. He has over 14 years experience in accounting and financial management. Mr. Chan is currently an executive director and chief financial officer of Fantasia Holdings Group Co., Ltd, a company listed on the Main Board of the Stock Exchange (Stock Code: 1777). He is also a non-executive director of Greater China Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 431) and was its executive director during the period from 18 July 2005 to 12 October 2008. Mr. Chan is also an independent non-executive director of China Mining Resources Group Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 340), and China AU Group Holdings Limited (formerly known as Blu Spa Holdings Limited), a company listed on GEM (Stock Code: 8176).

Directors and Senior Management

DIRECTORS *(continued)*

Independent non-executive Directors *(continued)*

Mr. Christopher John Parker, aged 42, is an independent non-executive Director of the Company. He had also been an executive director of Asian Logic Limited, a company listed on AIM of the London Stock Exchange during the period from January 2008 to June 2009, which is engaged in online gaming and multiplayer games, live video streaming, casino gaming and related business. He has been a director of The Tressider-Tuohy Group (Hong Kong) Limited, an independent financial services firm, since 2003.

Mr. David Marc Boulanger, aged 45, is a director of Northman Holdings Inc., a company that owns Supplierpipeline Inc., a company engaged in the distribution of both professional and do-it-yourself hardware products and accessories and Lite Products Inc., a company engaged in the manufacture of ladders and other climbing products under proprietary brand names including "LITE" "EAGLE", and "GRIFFIN". Mr. Boulanger holds an honours bachelor of science degree in chemical engineering from University of Waterloo.

SENIOR MANAGEMENT

Mr. Leung Ka Wo, *AICPA,* aged 36, is the Finance Director and Company Secretary of the Company. He holds a Bachelor of Arts Degree in Accountancy from Seattle University, Seattle, Washington, USA. He is a member of the American Institute of Certified Public Accountants and Certified Public Accountants, California, USA. He has over 10 years of experience in auditing and accounting, and had worked as a manager for Deloitte Touche Tohmatsu before joining the Company.

Mr. David Leng, aged 63, is the General Counsel of the Company. He holds a Juris Doctor degree from Harvard University, Cambridge, Massachusetts. He has almost thirty years of work experience in Asia, including being a senior lawyer for the Asian Development Bank in Manila, Philippines, and serving as the head of the inhouse legal departments for the Asian operations of Digital Equipment Corporation and Kraft Foods Asia Limited.

The Directors have pleasure in presenting their report and the audited financial statements of the Group for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 32 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2009 and the state of the affairs of the Group at that date are set out in the financial statements on pages 26 to 86.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2009.

There is no arrangement under which a shareholder of the Company has waived or agreed to waive any dividends.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the Group's property, plant and equipment during the year are set out in note 18 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2009 are set out in note 32 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movement in the Company's share capital and share options during the year are set out in notes 26 and 29 to the financial statements respectively.

RESERVES

Movements in the reserves of the Company and the Group during the year are set out in note 28 to the financial statements and the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

At 31 December 2009, the Company had no reserves available for cash distribution and/or distribution in specie. Under the Companies Law (Revised) of the Cayman Islands, the share premium of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the relevant law of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders to the Company.

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

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers accounted for approximately 61% of the total sales for the year and the sales attributable to the largest customer included therein amounted to approximately 54%.

The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 100% of the total purchases for the year and purchases attributable to the largest supplier included therein amounted to approximately 100%.

None of the Directors, any of their associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The Directors during the year under review and up to the date of this report were as follows:

Executive directors
Mr. Lee Jong Dae *(Chairman)*
Mr. Lee Sung Min
Mr. Kim Beom Soo

Independent non-executive directors
Mr. Chan Sze Hon
Mr. Christopher John Parker
Mr. David Marc Boulanger

In accordance with article 87(1) and (2) of the Company's articles of association as resolved by the board of Directors, Mr. Lee Jong Dae and Mr. David Marc Boulanger will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

BIOGRAPHICAL DETAILS OF THE DIRECTORS

Biographical details of the Directors are set out on pages 9 and 10 of the annual report.

DIRECTORS' EMOLUMENTS AND THE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and of the individuals with highest emoluments of the Group are set out in notes 13 and 14 to the financial statements respectively.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes of the Group are set out in note 15 to the financial statements.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2009, the interests of the Directors and the chief executive of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which would have to be notified to the Company and the Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have taken under such provisions of the SFO) and/or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which have been be notified to the Company and the Exchange pursuant to Rule 5.46 of the GEM Listing Rules relating to securities transactions by the Directors were as follows:

Interests in shares of the Company

Name of Directors	Capacity	Number and class of shares	Approximate percentage of issued share capital
Mr. Lee Sung Min	Corporate Interest *(Note 1)*	105,512,000 ordinary shares (long position)	26.41%
Mr. Lee Jong Dae	Corporate Interest *(Note 2)*	30,512,000 ordinary shares (long position)	7.64%

Note 1: The 105,512,000 ordinary shares in the Company owned by Mr. Lee Sung Min are beneficially owned by and registered in the name of Vasky Inc.

Note 2: Out of the 30,512,000 ordinary shares in the Company owned by Mr. Lee Jong Dae, 18,000,000 ordinary shares are beneficially owned by and registered in the name of Wah Hong Investments Limited, and the remaining 12,512,000 ordinary shares are beneficially owned by and registered in the name of Penryn Limited.

Long positions in underlying shares of equity derivatives of the Company

Name of Directors	Capacity	Description of equity derivatives (number and class of underlying shares)	Approximate percentage of issued share capital
Mr. Lee Jong Dae	Beneficial owner	share options to subscribe for shares (3,800,000 ordinary shares) *(Note)*	0.95%
Mr. Lee Sung Min	Beneficial owner	share options to subscribe for shares (900,000 ordinary shares) *(Note)*	0.23%
Mr. Kim Beom Soo	Beneficial owner	share options to subscribe for shares (900,000 ordinary shares) *(Note)*	0.23%
Mr. David Marc Boulanger	Beneficial owner	share options to subscribe for shares (900,000 ordinary shares) *(Note)*	0.23%
Mr. Christopher John Parker	Beneficial owner	share options to subscribe for shares (900,000 ordinary shares) *(Note)*	0.23%
Mr. Chan Sze Hon	Beneficial owner	share options to subscribe for shares (300,000 ordinary shares) *(Note)*	0.08%

Note: The aforesaid share options are classified as "long position" under the SFO. For details of the share options granted, please refer to note 29.

Save as disclosed above, as at 31 December 2009, none of the Directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party thereof during the year under review.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2009, so far is known to the Directors, the following persons (not being a Director or a chief executive of the Company) had an interest and/or a short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company and the Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or were directly or 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 members of the Group.

Name	**Number and class of shares**	**Approximate percentage of issued share capital**
Vasky Inc. *(Note)*	105,512,000 ordinary shares (long position)	26.41%

Note: Vasky Inc. is wholly and beneficially owned by Mr. Lee Sung Min, an executive Director.

Save as disclosed above, as at 31 December 2009, there was no person who had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or was directly or 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 members of the Group, or any options in respect of such capital.

SHARE OPTION SCHEME

The following table discloses details of options outstanding and the movements during the year ended 31 December 2009 under the Company's share option scheme (the "Share Option Scheme") adopted by the Company on 5 June 2001:

			Number of shares options		
Name of grantee	Date of grant	Granted	Outstanding as at 1 January 2009	Lapsed during the year under review	Outstanding as at 31 December 2009
Mr. Lee Jong Dae	10 July 2008	3,800,000	–	–	3,800,000
Mr. Lee Sung Min	10 July 2008	900,000	–	–	900,000
Mr. Kim Beom Soo	10 July 2008	900,000	–	–	900,000
Mr. David Marc Boulanger	10 July 2008	900,000	–	–	900,000
Mr. Christopher John Parker	10 July 2008	900,000	–	–	900,000
Mr. Chan Sze Hon	10 July 2008	300,000	–	–	300,000
Employees in aggregate	10 July 2008	4,900,000	–	–	4,900,000
Advisors and Consultants	10 July 2008	25,800,000	–	–	25,800,000
Total			–	–	38,400,000

The share options were granted on 10 July 2008 at the exercise price of HK$0.40 per share with exercisable period from 10 July 2009 to 9 July 2013.

Details of the Share Option Scheme are set out in note 29. In order to widen the scope of eligible participants under the Share Option Scheme, afford more flexibility for the Board in considering the grant of share options to the eligible participants under the Share Option Scheme, and to update certain terms of the Share Option Scheme to comply with the current requirements of the GEM Listing Rules, certain terms have been amended in the Share Option Scheme during the year. Details of the amendments are set out in the Company's circular dated 2 April 2008.

RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 December 2009 which do not constitute connected transactions under the GEM Listing Rules are set out in note 31 to the financial statements.

Directors' Report

COMPETING INTEREST

As at 31 December 2009, none of the Directors or their respective associates (as defined in the GEM Listing Rules) had any interests in any business that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

AUDIT COMMITTEE

As required by the GEM Listing Rules, the Company has established an audit committee (the "Audit Committee") with written terms of reference which deal clearly with its authority and duties. Its principal duties are to review and supervise the Group's financial reporting process and internal control systems. The Audit Committee comprises three independent non-executive Directors, Chan Sze Hon, Christopher John Parker and David Marc Boulanger. The Audit Committee met on a quarterly basis during the year under review. The Group's financial results for the year ended 31 December 2009 have been reviewed by the Audit Committee which is of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures have been made.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 19 to 23 of this annual report.

AUDITOR

RSM Nelson Wheeler will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of RSM Nelson Wheeler as auditor of the Company is to be proposed at the forthcoming annual general meeting.

There is no change in auditor of the Company in the preceding three years.

On behalf of the Board

Lee Jong Dae
Chairman and Executive Director

Hong Kong, 23 March 2010

CORPORATE GOVERNANCE PRACTICES

The Company has established a formal and transparent procedure to protect the interests of the shareholders of the Company. The Company applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the year under review, except that:

– Code A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

  Mr. Lee Jong Dae is the Chairman and Chief Executive Officer of the Company. The Board consider that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting operations of the Company. The Board believe that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board have full confidence in Mr. Lee and believe that his appointment to the posts of Chairman and Chief Executive Officer is beneficial to the business prospects of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealing and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2009.

Corporate Governance Report

BOARD OF DIRECTORS

Directors	Attendance
The Directors held 9 meetings during the year. Details of the attendance are as follows:	
Executive Directors	
Mr. Lee Jong Dae	9/9
Mr. Lee Sung Min	5/9
Mr. Kim Beom Soo	5/9
Independent non-executive Directors	
Mr. Chan Sze Hon	8/9
Mr. Christopher John Parker	8/9
Mr. David Marc Boulanger	7/9

Apart from the above regular board meetings of the year, the board of Directors will meet on other occasions when a board-level decision on a particular matter is required. The Directors receive details of agenda items for decision and minutes of committee meetings in advance of each board meeting. The board of Directors has reserved for its decision or consideration matters covering corporate strategy, annual and interim results, Directors' appointment, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the board of Directors to the management include the preparation of annual and interim accounts for board approval before public reporting, execution of business strategies and initiatives adopted by the board of Directors, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

The Company appointed three independent non-executive Directors who have appropriate and sufficient experience and qualification pursuant to the GEM Listing Rules to carry out their duties so as to protect the interests of shareholders.

The board of Directors established audit committee and remuneration committee and their duties were discussed and approved in the board meeting.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the chairman and chief executive officer of the Company are not separated and are performed by the same individual, Mr. Lee Jong Dae. The Directors consider that this structure will not impair the balance of power and authority between the Directors and the management of the Company and believe that this structure will enable the Group to make and implement decisions promptly and efficiently.

NON-EXECUTIVE DIRECTORS

Each of Mr. Chan Sze Hon, Mr. Christopher John Parker and Mr. David Marc Boulanger has been appointed for a term of one year commencing from 25 February 2008, 17 August 2007 and 17 August 2007 respectively and may be extended for such period as agreed by the concerned directors and the Company. All of them are subject to retirement by rotation in accordance with the Company's articles of association.

REMUNERATION OF DIRECTORS

A remuneration committee of the Company was established in December 2005. The role and function of the remuneration committee included the determination of the specific remuneration packages of all executive Directors and senior management of the Company, including benefits in kind, pension rights and compensation payments, such as any compensation payable for loss or termination of their office or appointment, and make recommendations to the board of the remuneration of non-executive Directors.

Members of the remuneration committee included:

Mr. Chan Sze Hon
Mr. Christopher John Parker
Mr. David Marc Boulanger

The remuneration committee has held one meeting during the year. Details of the attendance of the remuneration committee meetings are as follows:–

Members	Attendance
Mr. Chan Sze Hon	1/1
Mr. Christopher John Parker	1/1
Mr. David Marc Boulanger	1/1

The remuneration committee of the Company has considered and reviewed the existing terms of employment contracts of the executive Directors and appointment letters of the independent non-executive Directors with reference to the factors including salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The remuneration committee of the Company considers that the existing terms of employment contracts of the executive Directors and appointment letters of the independent non-executive Directors are fair and reasonable.

NOMINATION OF DIRECTORS

The board of Directors considers the past performance and qualification of the candidates for Directors, general market conditions and the Company's articles of association in selecting and recommending candidates for directorship during the year under review.

The board of Directors held a meeting for nomination of Directors on 20 March 2009. Details of the attendance of the meetings are as follows:–

Directors	Attendance
Executive Directors	
Mr. Lee Jong Dae *(Chairman)*	1/1
Mr. Lee Sung Min	1/1
Mr. Kim Beom Soo	1/1
Independent non-executive Directors	
Mr. Chan Sze Hon	1/1
Mr. Christopher John Parker	1/1
Mr. David Marc Boulanger	1/1

During the meeting, the board of Directors considered and resolved that all the existing Directors shall be recommended to be retained by the Company.

AUDITOR'S REMUNERATION

The Company's external auditor is RSM Nelson Wheeler. The Audit Committee is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Group. During the year under review, the Group has paid an aggregate of approximately HK$2,600,000 to the external auditor for their non-audit services including taxation and other advisory services.

AUDIT COMMITTEE

As required by Rules 5.28 to 5.33 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference which deal clearly with its authority and duties. Its principal duties are to review and supervise the Group's financial reporting process and internal control systems.

Members of the audit committee included:

Mr. Chan Sze Hon
Mr. Christopher John Parker
Mr. David Marc Boulanger

The audit committee held four meetings during the year. Details of the attendance of the audit committee meetings are as follows:–

Members	Attendance
Mr. Chan Sze Hon	3/4
Mr. Christopher John Parker	3/4
Mr. David Marc Boulanger	3/4

The Group's audited results for the year ended 31 December 2009 and the unaudited results for the financial statements published during the year ended 31 December 2009 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures have been made.

The audit committee of the Company considered that the existing the proposed terms in relation to the appointment of the Group's external auditor are fair and reasonable.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors' responsibilities for the financial statements and the responsibilities of the external auditor to the shareholders are set out on pages 24 and 25 of this annual report.

INTERNAL CONTROL

The board of Directors have overall responsibilities for maintaining and reviewing the effectiveness of the system of internal control of the Group. The internal control system is to safeguard the assets of the Group and the shareholders' investment and to ensure the reliability of financial reporting as well as compliance with the relevant requirements of the GEM Listing Rules. During the year ended 31 December 2009, the board of Directors had reviewed the effectiveness of the system of internal control of the Group. The review had covered all material aspects of internal control including financial, operational and compliance controls and risk management functions of the Group.

Independent Auditor's Report

RSM! Nelson Wheeler
中瑞岳華(香港)會計師事務所
Certified Public Accountants

29th Floor,
Caroline Centre,
Lee Gardens Two,
28 Yun Ping Road,
Hong Kong

TO THE SHAREHOLDERS OF
ERA HOLDINGS GLOBAL LIMITED
(FORMERLY KNOWN AS ERA INFORMATION & ENTERTAINMENT LIMITED)
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of ERA Holdings Global Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 86, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

AUDITOR'S RESPONSIBILITY *(continued)*

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

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

OPINION

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

Without qualifying our opinion, we draw attention to note 2 to the financial statements which mentions that the Group incurred a loss attributable to owners of the Company of approximately HK$30,922,000 for the year ended 31 December 2009 and as at 31 December 2009 the Group had net liabilities of approximately HK$15,696,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements have been prepared on a going concern basis, the validity of which depends upon whether the Group can successfully implement measure as set out in note 2 to the financial statements in order to have sufficient working capital to finance the operations of the Group. The financial statements do not include any adjustments that would result from the failure of carrying out such measure. We consider that the material uncertainty has been adequately disclosed in the financial statements.

Certified Public Accountants
Hong Kong

23 March 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Turnover	7	**2,599**	15,955
Cost of goods sold		**(540)**	(13,256)
Gross profit		**2,059**	2,699
Other income	8	**12,071**	2,140
Fair value (loss)/gain on derivative components of convertible bonds	25	**(13,507)**	6,845
Selling and distribution costs		**–**	(1,066)
Administrative expenses		**(23,720)**	(25,715)
Gain on disposal of a subsidiary		**–**	1,484
Other operating expenses		**(6,473)**	(12,753)
Loss from operations		**(29,570)**	(26,366)
Finance costs	10	**(1,349)**	(831)
Loss before tax		**(30,919)**	(27,197)
Income tax expense	11	**(3)**	–
Loss for the year attributable to owners of the Company	12	**(30,922)**	(27,197)
		HK Cents	HK Cents
Loss per share	17		
Basic		**(7.78)**	(7.08)
Diluted		**N/A**	(8.03)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
Loss for the year attributable to owners of the Company	**(30,922)**	(27,197)
Other comprehensive income:		
Exchange differences on translating foreign operations	**(95)**	(412)
Other comprehensive income for the year, net of tax	**(95)**	(412)
Total comprehensive income for the year attributable to owners of the Company	**(31,017)**	(27,609)

Consolidated Statement of Financial Position

At 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	18	**260**	399
Current assets			
Film rights	20	**–**	–
Trade and other receivables	21	**6,100**	5,705
Prepayments and deposits	22	**19,486**	28,986
Income tax recoverable		**9**	–
Pledged bank deposits	23	**34**	1,477
Bank and cash balances	23	**5,266**	6,466
		30,895	42,634
Current liabilities			
Trade and other payables	24	**15,901**	16,088
Derivative components of convertible bonds	25	**14,548**	1,041
Convertible bonds – current portion	25	**394**	–
Current tax liabilities		**–**	11
		30,843	17,140
Net current assets		**52**	25,494
Total assets less current liabilities		**312**	25,893
Non-current liabilities			
Convertible bonds – non-current portion	25	**16,008**	15,072
Net (liabilities)/assets		**(15,696)**	10,821
Capital and reserves			
Share capital	26	**3,996**	3,840
Share premium		**92,871**	91,066
Share option reserve		**4,877**	2,338
Exchange reserve		**(514)**	(419)
Accumulated losses		**(116,926)**	(86,004)
(CAPITAL DEFICIENCY)/TOTAL EQUITY		**(15,696)**	10,821

The financial statements on pages 26 to 86 were approved and authorised for issue by the Board of Directors on 23 March 2010 and are signed on its behalf by

Lee Jong-Dae
Chairman and Executive Director

Lee Sung Min
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to owners of the Company					
	Share capital	**Share premium**	**Share option reserve**	**Exchange reserve**	**Accumulated losses**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2008	3,840	91,066	–	6	(58,807)	36,105
Total comprehensive income for the year	–	–	–	(412)	(27,197)	(27,609)
Recognition of share-based payments	–	–	2,338	–	–	2,338
Disposal of a subsidiary	–	–	–	(13)	–	(13)
Changes in equity for the year	–	–	2,338	(425)	(27,197)	(25,284)
At 31 December 2008	3,840	91,066	2,338	(419)	(86,004)	10,821
At 1 January 2009	3,840	91,066	2,338	(419)	(86,004)	10,821
Total comprehensive income for the year	–	–	–	(95)	(30,922)	(31,017)
Issue of shares	156	1,805	–	–	–	1,961
Recognition of share-based payments	–	–	2,539	–	–	2,539
Changes in equity for the year	156	1,805	2,539	(95)	(30,922)	(26,517)
At 31 December 2009	3,996	92,871	4,877	(514)	(116,926)	(15,696)

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(30,919)**	(27,197)
Adjustments for:		
Allowance for doubtful debts		
– Trade and other receivables	**4,942**	1,919
– Prepayments and deposits	**–**	10,168
Amortisation of film rights	**–**	6,803
Bad debts written off	**1,529**	–
Depreciation	**139**	202
Equity-settled share-based payments	**2,733**	2,338
Fair value loss/(gain) on derivative components of convertible bonds	**13,507**	(6,845)
Film rights written off	**–**	1,241
Finance costs	**1,349**	831
Gain on disposal of a subsidiary	**–**	(1,484)
Gain on disposals of property, plant and equipment	**–**	(80)
Goodwill written off	**–**	85
Interest income	**(837)**	(96)
Inventories written off	**–**	1,014
Property, plant and equipment written off	**–**	496
Reversal of allowance for trade and other receivables	**(182)**	(401)
Reversal of allowance for inventories	**–**	(816)
Reversal of allowance for prepayments and deposits	**(10,168)**	–
Operating loss before working capital changes	**(17,907)**	(11,822)
Decrease in inventories	**–**	2,144
(Increase)/decrease in trade and other receivables	**(6,191)**	8,635
Decrease in prepayments and deposits	**19,716**	1,672
Decrease in trade and other payables	**(337)**	(5,637)
Cash used in operations	**(4,719)**	(5,008)
Income tax paid	**(23)**	(5)
Interest paid	**(19)**	–
Net cash used in operating activities	**(4,761)**	(5,013)

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in pledged bank deposits		**1,449**	1,260
Interest income		**837**	96
Deposit paid for acquisition of an investment		**–**	(18,604)
Purchases of film rights		**–**	(6,326)
Purchases of property, plant and equipment		**–**	(504)
Net cash outflow arising on disposal of a subsidiary		**–**	(222)
Net cash inflow arising on acquisition of a subsidiary		**–**	1,007
Proceeds from disposal of property, plant and equipment		**–**	80
Net cash generated from/(used in) investing activities		**2,286**	(23,213)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**1,275**	–
Proceeds from issue of convertible bonds		**–**	21,727
Net cash generated from financing activities		**1,275**	21,727
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,200)**	(6,499)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**6,466**	13,366
Effect of foreign exchange rate change		**–**	(401)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**5,266**	6,466
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**5,266**	6,466

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 26 May 2000 under the Companies Law (Revised) of the Cayman Islands. The address of registered office and principal place of business of the Company are disclosed in the Corporate Information Section of the annual report. The Company's shares are listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 32 to the financial statements.

2. GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of approximately HK$30,922,000 for the year ended 31 December 2009 and as at 31 December 2009 the Group had net liabilities of approximately HK$15,696,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These financial statements have been prepared on a going concern, the validity which depends upon the success of the fund raising activities of the Company to obtain funding to finance the working capital requirement of the Group. In the opinion of the directors, the liquidity and going concern of the Group can be maintained in the coming year, after taking into consideration of the expected outcome of the success of the fund raising plan the directors currently in discussion with the potential investors. In the opinion of the directors, in light of the measures and arrangements implemented to date, together with the expected results of other measures and arrangements in progress and as planned, the Group will have sufficient financial resources to satisfy its operation, future working capital and other financing requirements for the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2009. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting polices, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

(a) Presentation of Financial Statements

HKAS 1 (Revised) "Presentation of Financial Statements" affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the income statement and statement of comprehensive income, and the total carried to the statement of changes in equity. The owner changes in equity are presented in the statement of changes in equity. HKAS 1 (Revised) also requires disclosures of the reclassification adjustments and tax effects relating to each component of other comprehensive income for the year. HKAS 1 (Revised) has been applied retrospectively.

(b) Operating Segments

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Previously, HKAS 14 "Segment Reporting" required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's "system of internal financial reporting to key management personnel" serving as the starting point for the identification of such segments. HKFRS 8 results in a redesignation of the Group's reportable segments, but has had no impact on the reported results or financial position of the Group. HKFRS 8 has been applied retrospectively.

The segment accounting policies under HKFRS 8 are stated in note 9 to the financial statements.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivatives which are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the financial statements.

The significant accounting policies applied in the preparation of the consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its carrying amount together with any remaining goodwill relating to the subsidiary and also any related exchange reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Business combination and goodwill

The purchase method is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in consolidated profit or loss.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The interests of minority shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Foreign currency translation *(continued)*

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful life is four years.

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit or loss.

(e) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(f) Film rights

Film rights represent license fees prepaid and/or payable by instalments under license agreements for the reproduction and distribution of video products, films in theatre and television, and sub-licensing of film titles in specified geographical areas and time periods.

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

The portion of film rights expected to be recouped within 12 months of the end of the reporting period date is reported as a current asset. The portion of film rights expected to be recouped in more than 12 months from the end of the reporting is reported as a non-current asset.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Film rights *(continued)*

The costs of film rights are amortised on a systematic basis over the underlying license periods with reference to projected revenue, ranging from 1 year to 12 years, according to the following:

– video products: upon sales of video products;

– theatrical release: when films are released in theatre;

– television release: when film materials are delivered; and

– film rights sub-licensing: when film materials are delivered.

(g) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

(h) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Trade and other receivables *(continued)*

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(i) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and shortterm highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which 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.

(j) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Convertible bonds

Convertible bonds which entitle the holder to convert into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments consist of a liability and a derivative component. At the date of issue, the fair value of the derivative component is determined using an option pricing model; and this amount is carried as a derivative liability until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability components and is carried as a liability at amortised cost using the effective interest rate method until extinguished on conversion or redemption. The derivative components is measured at fair value with gains and losses recognised in profit or loss.

Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components on initial recognition.

(m) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Equity instruments

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

(o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Revenue recognition *(continued)*

Theatrical income is recognised when the film is released.

Revenue from the distribution of film in television is recognised when the film materials are delivered.

Film rights sub-licensing income is recognised on the transfer of risks and rewards of ownership, which is generally in accordance with the terms of the underlying license agreements.

Revenue from the provision of accounting, management and consultancy services is recognised when the services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

Rental income is recognised on a straight-line basis over the lease term.

(p) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Share-based payments

The Group issues equity-settled share-based payments to certain employees and consultants. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

(s) Taxation

Income tax represents the sum of the current tax and deferred tax.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Taxation *(continued)*

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

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

(u) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell 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 risks specific to the asset.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Impairment of assets *(continued)*

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(v) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present 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 expenditures 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 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 is remote.

(w) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Going concern basis

The Group adopted the going concern assumption in the preparation of the financial statements. Details of the assumptions adopted by the directors for adopting the going concern basis in preparing the financial statements are set out in note 2 to the financial statements.

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

Key sources of estimation uncertainty

(a) Allowance for doubtful debts of receivables

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables and prepayments and deposits, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables, prepayments and deposits and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(b) Share-based payment expenses

The fair value of the share options granted to the directors, employees and consultants determined at the date of grant of the respective share options is expensed over the vesting period, with a corresponding adjustment to the Group's share option reserve. In assessing the fair value of the share options, the Binomial option pricing model (the "Binomial Model") was used. The Binomial Model is one of the generally accepted methodologies used to calculate the fair value of the share options. The Binomial Model requires the input of subjective assumptions, including the expected dividend yield and expected life of options. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(c) Fair value of derivative components

As disclosed in note 25 to the financial statements, determination of the fair values of the derivative components of the convertible bonds at the date of issue and the end of the reporting period date involves the use of Binomial Model. Application of Binomial Model requires the Group to estimate the prominent factors affecting the fair value, including but not limited to, the expected life of the derivative components, the expected volatility of the share prices of the Company and the potential dilution in the share prices of the Company. Where the estimation on these factors is different from those previously estimated, such differences will impact the fair value gain or loss of the derivative components of the convertible bonds in the period in which such determination is made.

(d) Impairment loss of film rights

The Group's management evaluates whether film rights have suffered any impairment loss whenever events or changes in circumstances indicate that the carrying amount of the film rights may not be recoverable. The recoverable amounts of film rights have been determined based on value in use calculations and in accordance with the relevant accounting policy set out above. The value in use calculations require the Group to estimate the cash flows expected to arise from the film rights.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the principal operating entities of the Group. The Group currently does not have a foreign currency hedging policy in respect of foreign currency debt. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

6. FINANCIAL RISK MANAGEMENT *(continued)*

Price risk

The Group's derivative components of convertible bonds are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to price risk.

At 31 December 2009, if the share prices of the Company increase/decrease by 20% with all other variables held constant and the fair value of the derivative components of convertible bonds moved according to the historical correlation with the share price of the Company, the consolidated loss after tax for the year would have been HK$3,572,000 or HK$3,362,000 (2008: HK$448,000 or HK$389,000) higher or lower respectively, arising from losses or gains in fair value of the derivative components of convertible bonds.

Credit risk

The carrying amount of the bank and cash balances, trade and other receivables, and prepayments and deposits included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentration of credit risk on the trade and other receivables. It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The Group has significant concentration of credit risk on prepayments and deposits, with exposure spread over a few number of counterparties. If the relationship with these parties is terminated, it could materially and adversely affect the Group's result.

The credit risk on bank deposits and bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual debt at each reporting date to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

6. FINANCIAL RISK MANAGEMENT *(continued)*

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
At 31 December 2009				
Trade and other payables	15,909	–	–	–
Convertible bonds	621	217	21,862	–
At 31 December 2008				
Trade and other payables	16,106	–	–	–
Convertible bonds	229	629	22,378	–

Interest rate risk

The Group's exposure to interest rate risk arises from its bank balances and convertible bonds. The interest rates of the convertible bonds are fixed as disclosed in note 25 and expose the Group to fair value interest rate risks. The bank balances bear interests at variable rates varied with the then prevailing market condition and therefore are subject to cash flow interest rate risks. The exposure of the interest rate risks of the bank balances is insignificant given the existing low bank interest deposit rate.

Categories of financial instruments at 31 December 2009

	2009 HK$'000	2008 HK$'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**12,050**	14,768
Financial liabilities:		
Financial liabilities at fair value		
Derivative components of convertible bonds	**14,548**	1,041
Financial liabilities at amortised cost	**32,303**	31,160

6. FINANCIAL RISK MANAGEMENT *(continued)*

Fair values

Except as disclosed in note 25 to the financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

The following disclosures of fair value measurements use a fair value hierarchy which has 3 levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Disclosures of level in fair value hierarchy at 31 December 2009

	Fair value measurement using:			**Total**
Description	**Level 1**	**Level 2**	**Level 3**	**2009**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Convertible bonds				
– Derivative components	**–**	**14,548**	**–**	**14,548**

Description	Level 1	Level 2	Level 3	2008
	HK$'000	HK$'000	HK$'000	HK$'000
Convertible bonds				
– Derivative components	–	1,041	–	1,041

7. TURNOVER

The Group is principally engaged in theatrical release arrangement and film rights sub-licensing, and consultancy services. It also engaged in home video products distribution in the previous years. An analysis of the Group's turnover is as follows:

	2009 HK$'000	2008 HK$'000
Home video products distribution	–	15,691
Theatrical release arrangement and film rights sub-licensing	1,395	264
Consultancy services income	1,204	–
	2,599	15,955

8. OTHER INCOME

	2009 HK$'000	2008 HK$'000
Accountancy fee income	90	236
Bad debts recovered	182	–
Bank interest income	13	96
Consultancy services income	–	882
Distribution income	–	9
Management fee income	–	150
Other interest income	824	–
Rental income	420	402
Reversal of allowance for prepayments and deposits	10,168	–
Sundry income	374	365
	12,071	2,140

9. SEGMENT INFORMATION

In prior years, segment information reported externally was analysed on the basis of the types of goods/services supplied by the Group's operating divisions (i.e. home video products distribution, theatrical release arrangement and film rights sub-licensing). However, information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of performance focuses more specifically on the category of nature for each type of goods/services. The principal categories of nature for these goods/services are video related products and consultancy services. The Group's reportable segments under HKFRS 8 are therefore as follows:

Video related products	–	Sale of home video products, arrange distribution of motion pictures and sub-licensing film rights
Consultancy services	–	Provision of corporate secretarial consultancy services

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 4 to the financial statements. Segment profits or losses do not include dividend income, and gains or losses from fair value change in derivative components of convertible bonds. Segment assets do not include amounts due from related parties, investments and derivative. Segment liabilities do not include tax liabilities, corporate borrowings, convertible loans and its derivative components.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

9. SEGMENT INFORMATION *(continued)*

Information about reportable segment profit or loss, assets and liabilities:

	Video related products HK$'000	Consultancy services HK$'000	Total HK$'000
Year ended 31 December 2009			
Revenue from external customers	**1,395**	**1,204**	**2,599**
Segment (loss)/profit	**(2,312)**	**13**	**(2,299)**
Interest revenue	**12**	**–**	**12**
Interest expense	**13**	**–**	**13**
Depreciation and amortisation	**139**	**–**	**139**
Income tax expense	**–**	**3**	**3**
Other material non-cash items:			
Allowance on trade receivables	**29**	**489**	**518**
Allowance on other receivables	**121**	**–**	**121**
Written off of trade receivables	**1,496**	**–**	**1,496**
Written off of prepayments and deposits	**33**	**–**	**33**
As at 31 December 2009			
Segment assets	**3,020**	**1,976**	**4,996**
Segment liabilities	**6,233**	**1,661**	**7,894**

	Video related products HK$'000	Consultancy services HK$'000	Total HK$'000
Year ended 31 December 2008			
Revenue from external customers	15,955	882	16,837
Segment loss	(7,875)	(14)	(7,889)
Interest revenue	76	1	77
Interest expense	–	12	12
Depreciation and amortisation	202	–	202
Other material non-cash items:			
Allowance on trade receivables	1,614	–	1,614
As at 31 December 2008			
Segment assets	11,066	2,322	13,388
Segment liabilities	8,288	2,021	10,309

9. SEGMENT INFORMATION *(continued)*

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	2009 HK$'000	2008 HK$'000
Revenue		
Total revenue of reportable segments and consolidated revenue	2,599	16,837
Profit or loss		
Total profit or loss of reportable segments	(2,299)	(7,889)
Other profit or loss	(20,980)	(17,469)
(Loss)/gain on fair value on derivative components of convertible bonds	(13,507)	6,845
Reversal of impairment loss on prepayments and deposits	10,168	–
Impairment loss on other receivables	(4,304)	(10,168)
Gain on disposal of subsidiary	–	1,484
Consolidated loss for the year	(30,922)	(27,197)
Assets		
Total assets of reportable segments	4,996	13,388
Other assets	26,159	29,645
Consolidated total assets	31,155	43,033
Liabilities		
Total liabilities of reportable segments	7,894	10,309
Other liabilities	8,007	5,791
Convertible bonds	30,950	16,112
Consolidated total liabilities	46,851	32,212

9. SEGMENT INFORMATION *(continued)*

Geographical information

The majority revenue generated by the Group for the two years ended 31 December 2009 and 2008 were attributable to customers based in Hong Kong. In addition, majority of the Group's non-current assets are located in Hong Kong. Accordingly, no geographical analysis is presented.

Revenue from major customers:

Revenue generated from one single customer of the Group's video related products segment during the year represents approximately HK$1,395,000 (2008: HK$6,865,000) of the Group's total revenue.

10. FINANCE COSTS

	2009 **HK$'000**	2008 HK$'000
Interest on convertible bonds wholly repayable within five years	**1,330**	831
Interest on other loans not wholly repayable within five years	**14**	–
Interest on bank overdrafts	**5**	–
	1,349	831

11. INCOME TAX EXPENSE

	2009 HK$'000	2008 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**3**	–

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the year ended 31 December 2009. No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2008 as the Group did not generate any assessable profit during that year.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof. No provision for overseas tax was required as there was no assessable profit for both years.

The reconciliation between the income tax expense and the product of loss before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2009 HK$'000	2008 HK$'000
Loss before tax	**(30,919)**	(27,197)
Tax at the domestic income tax rate of 16.5%	**(5,102)**	(4,488)
Tax effect of expenses that are not deductible	**4,593**	5,686
Tax effect of income that is not taxable	**(1,703)**	(1,143)
Tax effect of temporary differences not recognised	**5**	(178)
Tax effect of utilisation of tax losses not recognised previously	**(28)**	(701)
Tax effect of tax losses not recognised	**2,238**	824
Income tax expense	**3**	–

12. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group's loss for the year attributable to owners of the Company is stated after charging/(crediting):

	2009	2008
	HK$'000	HK$'000
Allowance for doubtful debts		
– Trade and other receivables	**4,942**	1,919
– Prepayments and deposits	**–**	10,168
Amortisation of film rights (included in cost of goods sold)	**–**	6,803
Auditor's remuneration		
– Current year	**537**	526
– Under/(over)-provision in prior years	**59**	(21)
	596	505
Bad debts written off	**1,529**	–
Cost of inventories sold *(note)*	**–**	13,256
Depreciation	**139**	202
Director's emoluments *(note 13)*		
– As directors	**258**	249
– For management	**1,541**	881
	1,799	1,130
Film rights written off	**–**	1,241
Gain on disposal of a subsidiary	**–**	(1,484)
Gain on disposal of property, plant and equipment	**–**	(80)
Goodwill written off	**–**	85
Inventories written off	**–**	1,014
Operating lease rentals in respect of land and buildings	**951**	1,481
Other equity-settled share-based payments	**1,900**	1,571
Property, plant and equipment written off	**–**	496
Staff costs including directors' emoluments		
– Salaries and other costs	**5,711**	8,504
– Equity-settled share-based payments	**833**	767
– Retirement benefit scheme contributions	**103**	174
	6,647	9,445
Reversal of allowance for doubtful debts		
– Trade and other receivables	**(182)**	(401)
– Prepayments and deposits	**(10,168)**	–
Reversal of allowance for inventories (included in cost of goods sold)	**–**	(816)

Note:

For the year ended 31 December 2008, cost of inventories sold includes inventories written off of approximately HK$1,014,000 and reversal of allowance for inventories of approximately HK$816,000 which included in the amounts disclosed separately.

13. DIRECTORS' EMOLUMENTS

The emoluments of each director were as follows:

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Share-based payments HK$'000	Retirement benefit scheme contributions HK$'000	2009 Total HK$'000
Executive directors					
Lee Jong Dae	**–**	**1,170**	**251**	**–**	**1,421**
Kim Beom Soo	**–**	**–**	**60**	**–**	**60**
Lee Sung Min	**–**	**–**	**60**	**–**	**60**
Independent non-executive directors					
Chan Sze Hon *(note ii)*	**120**	**–**	**18**	**–**	**138**
Boulanger David Marc	**–**	**–**	**60**	**–**	**60**
Parker Christopher John	**–**	**–**	**60**	**–**	**60**
Total for 2009	**120**	**1,170**	**509**	**–**	**1,799**

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Share-based payments HK$'000	Retirement benefit scheme contributions HK$'000	2008 Total HK$'000
Executive directors					
Lee Jong Dae	–	540	231	–	771
Kim Beom Soo	–	–	55	–	55
Lee Sung Min	–	–	55	–	55
Independent non-executive directors					
Chan Sze Hon *(note ii)*	102	–	18	–	120
Boulanger David Marc	–	–	55	–	55
Parker Christopher John	–	–	55	–	55
Wong Man Hin, Raymond *(note i)*	19	–	–	–	19
Total for 2008	121	540	469	–	1,130

13. DIRECTORS' EMOLUMENTS *(continued)*

Notes:

(i) Resigned on 25 February 2008.
(ii) Appointed on 25 February 2008.

There was no arrangement under which a Director waived or agreed to waive any emoluments during the year. In addition, no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

14. EMPLOYEE EMOLUMENTS

The five highest paid individuals in the Group during the year included one (2008: one) director whose emoluments are disclosed in note 13 to the consolidated financial statements. The emoluments of the remaining four (2008: four) individuals are set out below:

	2009 HK$'000	2008 HK$'000
Basic salaries, allowances and benefits in kind	**2,616**	3,415
Discretionary bonuses	**60**	–
Share-based payments	**165**	152
Retirement benefit scheme contributions	**43**	42
	2,884	3,609

The emoluments of the remaining four (2008: four) individuals with the highest emoluments are within the following bands:

	Number of employees	
	2009	2008
Nil to HK$1,000,000	**3**	3
HK$1,500,001 to HK$2,000,000	**1**	1
	4	4

During the year, no emoluments were paid by the Group to any of the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

For the year ended 31 December 2008, emoluments of HK$228,000 were paid by the Group to one individual with highest emoluments as compensation for loss of office.

15. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with employees when contributed into the MPF Scheme.

In addition to the participation in the MPF Scheme, the Group is required to contribute to a defined contribution retirement scheme for its employees in the Republic of South Korea based on the applicable basis and rates with the relevant government regulations.

The only obligation of the Group with respect of the retirement benefit schemes is to make the required contributions under the respective schemes.

16. DIVIDENDS

No dividends have been paid or declared by the Company during the year (2008: Nil).

17. LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$30,922,000 (2008: HK$27,197,000) and the weighted average number of ordinary shares of 397,667,883 (2008: 384,000,000) in issue during the year.

No diluted loss per share figures are presented for the year ended 31 December 2009 as the effects of all potential ordinary shares are anti-dilutive for this year. The calculation of diluted loss per share attributable to owners of the Company for the year ended 31 December 2008 was based on the adjusted loss for that year attributable to owners of the Company of approximately HK$33,211,000 and the adjusted weighted average number of ordinary share outstanding of 413,538,240 to assume the conversion of convertible bonds. The convertible bonds was assumed to be converted into ordinary shares, and the loss for that year attributable to owners of the Company was adjusted to eliminate the interest expenses and fair value gain on the derivates.

17. LOSS PER SHARE *(continued)*

	2008
	HK$'000
Loss attributable to owners of the Company	
Loss attributable to owners of the Company for the purpose of calculating basic loss per share	27,197
Finance costs saving on conversion of outstanding convertible bonds	(831)
Fair value gain on derivative components of convertible bonds	6,845
Loss for the purpose of calculating diluted loss per share	33,211

	2008
	'000
Number of shares	
Weighted average number of ordinary shares in issue	384,000
Effect of dilutive potential ordinary shares arising from convertible bonds outstanding	29,538
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	413,538
Diluted loss per share (Hong Kong Cents per share)	8.03

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Computers HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 January 2008	3,992	3,686	2,888	644	11,210
Additions	186	–	–	318	504
Written off/disposals	(4,178)	(3,447)	(2,876)	(644)	(11,145)
Disposal of a subsidiary	–	–	(12)	–	(12)
At 31 December 2008 and 2009	–	239	–	318	557
Accumulated depreciation					
At 1 January 2008	3,811	3,225	2,757	644	10,437
Charge for the year	33	68	68	33	202
Written off/disposals	(3,844)	(3,168)	(2,818)	(644)	(10,474)
Disposal of a subsidiary	–	–	(7)	–	(7)
At 31 December 2008	–	125	–	33	158
Charge for the year	–	59	–	80	139
At 31 December 2009	–	184	–	113	297
Carrying amount					
At 31 December 2009	–	55	–	205	260
At 31 December 2008	–	114	–	285	399

19. DEFERRED TAX

The principal components of the Group's deferred tax asset position not recognised in the financial statements are as follows:

	2009 HK$'000	2008 HK$'000
Accelerated depreciation allowances	**(81)**	(55)
Tax losses	**18,343**	11,434
	18,262	11,379

At the end of the reporting period, the Group has unused tax losses of HK$111,170,000 (2008: HK$69,297,000) available for off set against future profits. No deferred tax assets have been recognised due to the unpredictability of future profit streams. Certain tax losses have not been agreed by the tax authority.

The analysis of the expiry date of unrecognised tax losses of the Group is as follows:

	2009 HK$'000	2008 HK$'000
Tax losses will expire in:		
2013	**1,435**	1,435
2019	**1,262**	–
	2,697	1,435
Tax losses with no expiry date	**108,473**	67,862
	111,170	69,297

20. FILM RIGHTS

	HK$'000
Cost	
At 1 January 2008	61,636
Additions	6,326
Written off/disposals	(25,252)
At 31 December 2008 and 2009	42,710
Accumulated amortisation	
At 1 January 2008	56,627
Charge for the year	6,803
Written off	(23,261)
At 31 December 2008 and 2009	40,169
Impairment losses	
At 31 December 2007 and 1 January 2008	3,291
Written off	(750)
At 31 December 2008 and 2009	2,541
Carrying amount	
At 31 December 2008 and 2009	–

At 31 December 2008, because of the termination and expiry of licenses agreements signed with film right licensers during that year, the carrying amount of film rights amounted to HK$1,241,000 have been fully written off and included in cost of inventories sold.

21. TRADE AND OTHER RECEIVABLES

	Note	2009 HK$'000	2008 HK$'000
Trade receivables, net	(a)	**2,286**	3,832
Other receivables, net	(b)	**3,814**	1,873
		6,100	5,705

(a) General credit terms of the Group range from 0 days to 90 days. An ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2009 HK$'000	2008 HK$'000
Current – 30 days	**2**	12
31 – 60 days	**164**	82
61 – 90 days	**34**	191
91 – 180 days	**–**	2,715
181 – 365 days	**–**	832
Over 1 year	**2,086**	–
	2,286	3,832

21. TRADE AND OTHER RECEIVABLES *(continued)*

(a) *(continued)*

As at 31 December 2009, trade receivables of approximately HK$2,286,000 (2008: HK$3,611,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. An ageing analysis of these trade receivables is as follows:

	2009 HK$'000	2008 HK$'000
Up to 3 months	**200**	2,842
3 to 6 months	**–**	446
Over 6 months	**2,086**	323
	2,286	3,611

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2009 HK$'000	2008 HK$'000
Hong Kong dollars	**2,086**	3,704
US dollars	**200**	128
Total	**2,286**	3,832

(b) (i) As at 31 December 2009 included in other receivables was loan receivables amounting to HK$2,500,000 (2008: Nil) which has been arrived at after deducting impairment losses of HK$4,304,000 and included in other operating expenses. The amount due is interest bearing at 6% per annum.

(ii) As at 31 December 2009 included in other receivables was amount due from Topluxe International Limited, a related company in respect of key management personnel of the Group, of HK$775,250 (2008: HK$775,250). The amount due was unsecured, interest free and repayable on demand. The maximum amount due during the year was HK$775,250. Detailed relationship has been disclosed in note 31(b).

21. TRADE AND OTHER RECEIVABLES *(continued)*

(b) *(continued)*

(iii) As at 31 December 2008 included in other receivables was amount due from Era International (HK) Limited, a related company in respect of key management personnel of the Group, of HK$161,000. As at 30 June 2009, the outstanding amount of HK$121,000 has been fully impaired and included in other operating expenses. The amount due was unsecured, interest free and repayable on demand. The maximum amount due during the year was HK$221,000. Detailed relationship has been disclosed in note 31(a)(ii).

(iv) As at 31 December 2009, total allowance was made for estimated irrecoverable other receivables of approximately HK$4,425,000 (2008: HK$Nil) and included in other operating expenses. Details refer to note 21(b)(i) and 21(b)(iii).

22. PREPAYMENTS AND DEPOSITS

	2009 **HK$'000**	2008 HK$'000
Prepayments and deposits	**24,628**	44,296
Allowance for doubtful debts		
At 1 January	**15,310**	5,142
Charge for the year	**–**	10,168
Recoverable amount written back	**(10,168)**	–
At 31 December	**5,142**	15,310
Prepayments and deposits, net	**19,486**	28,986

(a) Included in prepayments and deposits was deposit of approximately HK$18,605,000 (originally denominated in USD of USD2,383,600) paid for a possible acquisition. On 7 July 2008, the Group entered into a memorandum of understanding ("MOU1") with Sakhalin Resources Ltd. in relation to possible acquisition of 100% equity interest in G.F.T. (FAREAST) Holdings Limited ("G.F.T.") which was established in Hong Kong for a cash consideration of approximately HK$112,000,000. G.F.T. ultimately owns certain coal mining operation in Sakhalin, Russia.

22. PREPAYMENTS AND DEPOSITS *(continued)*

(a) *(continued)*

On 21 August 2008, the Group entered into an amended term sheet with G.F.T. (being the wholly owned subsidiary of Sakhalin Resources Ltd. and G.F.T becomes the vendor after entering this amended term sheet) to amend certain terms of MOU1. Pursuant to the amended term sheet, the Group will acquire 100% equity interest in Adventio Investments Limited which ultimately owns certain coal mining operation on Sakhalin, Russia (the “Adventio Transaction”). The deposit should be refundable to the Group with accrued interest if the transaction cannot be completed by 31 December 2008.

On 19 March 2009, the Group entered into the extension letter to extend the completion date of the Adventio Transaction by twelve months from 31 December 2008 to 31 December 2009, or such date as may be agreed by the Company and the Vendor, and the deposit is refundable to the transaction being cancelled or expired on the closing date of 31 December 2009.

On 31 December 2009, the Group entered into the second extension letter to further extend the completion date of the Adventio Transaction by six months from 31 December 2009 to 30 June 2010, or such later date as may be agreed by the Company and the Vendor.

(b) As at 31 December 2008, included in prepayments and deposits was deposit of approximately HK$19.5 million paid for a possible acquisition. On 21 December 2007, the Group entered into a memorandum of understanding (“MOU2”) in relation to possible acquisition of 25% equity interest of Tusunchovan Kebar Joint Venture Company Limited which was established in Mongolia (the “Target Company”) for a cash consideration of between US$2.5 million to US$5 million (subject to valuation, due diligence and negotiation). On 29 April 2008, the Company and the vendor entered into an amended term sheet to amend certain terms of the MOU2. Pursuant to the amended term sheet the vendor granted an option to the Company to purchase additional 26% equity interest in the Target Company for additional consideration between US$2.5 million to US$5 million (subject to valuation, due diligence and negotiation). The Target Company owns concession rights to certain natural resources. In addition, pursuant to the amended term sheet, the deposit is refundable subject to the transaction being cancellable or expired on the closing date of 31 December 2008. This amount had been settled by the vendor during the year ended 31 December 2009.

23. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

The Group's pledged bank deposits represented deposits pledged to a bank to secure banking facilities granted to the Group. The deposits are in South Korean Won and at fixed interest rate of 3.58% per annum and therefore are subject to foreign currency risk and fair value interest rate risk.

The carrying amounts of the Group's bank and cash balances are denominated in the following currencies:

	2009 HK$'000	2008 HK$'000
Hong Kong dollars	**4,469**	4,807
US dollars	**782**	1,353
Other currencies	**15**	306
Total	**5,266**	6,466

24. TRADE AND OTHER PAYABLES

	Note	2009 HK$'000	2008 HK$'000
Trade payables	(a)	**2,494**	2,480
Film right payables	(b)	**1,465**	1,836
Other payables	(c)	**11,942**	11,772
		15,901	16,088

(a) An ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	2009 HK$'000	2008 HK$'000
Current – 30 days	**–**	6
31 – 60 days	**28**	28
61 – 90 days	**8**	24
91 – 180 days	**36**	125
181 – 365 days	**56**	109
Over 1 year	**2,366**	2,188
	2,494	2,480

24. TRADE AND OTHER PAYABLES *(continued)*

(a) *(continued)*

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2009 HK$'000	2008 HK$'000
Hong Kong dollars	**2,451**	2,480
US dollars	**43**	–
Total	**2,494**	2,480

(b) An ageing analysis of film right payables is as follows:

	2009 HK$'000	2008 HK$'000
181 – 365 days	**–**	405
Over 1 year	**1,465**	1,431
	1,465	1,836

The carrying amounts of the Group's film right payables are denominated in the following currencies:

	2009 HK$'000	2008 HK$'000
Hong Kong dollars	**1,140**	1,142
US dollars	**325**	694
Total	**1,465**	1,836

24. TRADE AND OTHER PAYABLES *(continued)*

(c) As at 31 December 2009 included in other payables are short term loans of approximately HK$107,000 which are unsecured, interest bearing at 9% per annum and repayable on 10 June 2010 and 26 August 2010.

As at 31 December 2008 included in other payable was short term loans of approximately HK$1,326,000 which was secured by a personnel guarantee issued by a director of a wholly owned subsidiaries, interest bearing at 1.25% per annum and repayable on 31 May 2009.

25. CONVERTIBLE BONDS

On 1 May 2008 the Group issued convertible bonds with a nominal value of HK$400,000 ("CB1"). At the option of the bondholders, the bondholders have the right, subject to "Conditions Precedent" stated in terms of CB1 to convert either in whole or in part (in multiples of HK$100) the principal amount into the Company's ordinary shares at an initial conversion price, subject to adjustment, of HK$0.5 per share for the period commencing from the date of issue of the CB1 up to the maturity date at the discretion of the holders of the CB1, provided that any conversion shall be made in amounts of not less than a whole multiple of HK$100 on each conversion save that if at any time the outstanding principal amount of the CB1 is less than HK$100, the whole (but not part only) of the outstanding principal amount of the CB1 may be converted. Any CB1 not converted will be redeemed on 30 April 2010 at 100% of their face value plus accrued interest. CB1 carries interests at 3% per annum payable semi-annually in arrears on the last day of each half year.

On 14 July 2008 the Group issued convertible bonds with a nominal value of HK$21,726,600 ("CB2"). At the option of the bondholders, the bondholders have the right, subject to "Conditions Precedent" stated in terms of CB2 to convert either in whole or in part (in multiples of HK$100) the principal amount into the Company's ordinary shares at an initial conversion price, subject to adjustment, of HK$0.35 per share for the period commencing from the date of issue of the CB2 up to the maturity date at the discretion of the holders of the CB2, provided that any conversion shall be made in amounts of not less than a whole multiple of HK$100 on each conversion save that if at any time the outstanding principal amount of the CB2 is less than HK$100, the whole (but not part only) of the outstanding principal amount of the CB2 may be converted. Any CB2 not converted will be redeemed on 13 July 2013 at 100% of their face value plus accrued interest. CB2 carries interests at 1% per annum payable semi-annually in arrears on the last day of each half year. In the event that the prevailing price of the conversion shares is at least HK$2 per share for 5 consecutive trading days before the maturity date, the bondholders of the CB2 shall mandatory exercise its rights to convert all of the CB2 into conversion shares. The Company may redeem all but not some of the CB2 at face value plus accrued interest at any time after the issuance of the CB2 but prior to the maturity date at its discretion by 30 business days' notice in advance to the bondholders of the CB2, provided that each bondholders of the CB2 shall retain its conversion right prior to the completion of the redemption.

Details of CB2 are disclosed in the Company's announcement dated 16 July 2008.

25. CONVERTIBLE BONDS *(continued)*

The fair values of the derivative components estimated at the issuance using an option pricing model and the change in fair value of that components is recognised in profit or loss. The residual amount is assigned as the liability components.

	CB1 HK$'000	CB2 HK$'000	Total HK$'000
Nominal values of convertible loan notes issued	400	21,727	22,127
Derivate components	(58)	(7,828)	(7,886)
Liability components at date of issue	342	13,899	14,241
Interest charged	26	805	831
Liability components at 31 December 2008	368	14,704	15,072
Interest charged	26	1,304	1,330
Liability components at 31 December 2009	394	16,008	16,402
Derivative components at date of issue	58	7,828	7,886
Fair value gain for the year	(57)	(6,788)	(6,845)
Derivative components at 31 December 2008	1	1,040	1,041
Fair value loss for the year	36	13,471	13,507
Derivative components at 31 December 2009	37	14,511	14,548

	2009 **HK$'000**	2008 HK$'000
Analysed of liabilities components as follows:		
Current liabilities	**394**	–
Non-current liabilities	**16,008**	15,072
	16,402	15,072

25. CONVERTIBLE BONDS *(continued)*

The interest charged for the year for CB1 and CB2 are calculated by applying effective interest rates of 10.21% and 10.18% respectively to the liability components since the bonds were issued.

The directors estimate the fair values of the liability components of CB1 and CB2 at 31 December 2009 to be approximately HK$390,000 (2008: HK$363,000) and HK$13,861,000 (2008: HK$13,138,000) respectively. These fair values have been calculated by discounting the future cash flows at the market rate.

The fair values of the derivative components of CB1 and CB2 were revalued as at the date of issue and at the end of each reporting period based on valuations by an independent valuer, Greater China Appraisal Limited, determined using the Binomial Model. The significant inputs to the model were as follows:

	CB1			**CB2**		
	At 31 December 2009	At 31 December 2008	At 1 May 2008	**At 31 December 2009**	At 31 December 2008	At 14 July 2008
Share price of underlying shares (HK$)	**0.450**	0.100	0.425	**0.450**	0.100	0.340
Exercise price (HK$)	**0.500**	0.500	0.500	**0.350**	0.350	0.350
Expected volatility (%)	**65.340**	64.128	54.075	**95.690**	58.055	54.653
Expected life (years)	**0.33**	1.33	2	**3.53**	4.53	5
Risk-free rate (%)	**0.098**	0.341	1.662	**1.347**	1.124	3.400
Expected dividend yield (%)	**–**	–	–	**–**	–	–

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous periods equivalent to the length of the expected life.

26. SHARE CAPITAL

	Note	Number of Shares	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.01 each			
At 1 January 2008, 31 December 2008, 1 January 2009 and 31 December 2009		10,000,000,000	100,000
Issued and fully paid:			
Ordinary shares of HK$0.01 each			
At 1 January 2008, 31 December 2008 and 1 January 2009		384,000,000	3,840
Issue of shares on placement	(a)	14,724,000	147
Equity-settled share based payments	(b)	838,851	9
At 31 December 2009		399,562,581	3,996

(a) On 29 December 2008, the Company entered into the subscription agreements with three subscribers for the aggregate subscription of 14,724,000 subscription shares at an aggregate consideration of HK$1,766,880, representing a subscription price of HK$0.12 per subscription share. The subscription was completed on 2 February 2009 and the premium on the issue of shares, amounting to approximately HK$1,620,000, net of share issue expenses, was credited to the Company's share premium account.

(b) On 29 June 2009, the Company issued 388,000 ordinary shares of HK$0.01 each at a price of HK$0.2 per share to Somerley Limited ("Somerley"), an independent consultant, to settle of professional fees of approximately HK$78,000. The premium on the issue of shares, amounting to approximately HK$74,000, net of share issue expenses, was credited to the Company's share premium account.

On 1 December 2009, the Company further issued 450,581 ordinary shares of HK$0.01 each at a price of HK$0.258 per share to Somerley to settle the professional fees of approximately HK$116,000. The premium on the issue of shares, amounting to approximately HK$111,000, net of share issue expenses, was credited to the Company's share premium account.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

26. SHARE CAPITAL *(continued)*

The Group reviews the capital structures frequently by considering the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts, redemption of existing debts or selling assets to reduce debts.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit through the year. As at 31 December 2009, 65.96% (2008: 67.84%) of the shares were in public hands.

27. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2009 **HK$'000**	2008 HK$'000
Interests in subsidiaries	**(708)**	4,513
Prepayments and deposits and other receivables	**21,907**	28,353
Bank and cash balances	**3,853**	1,228
Derivative component of convertible bonds	**(14,548)**	(1,041)
Convertible bonds	**(16,402)**	(15,072)
Other current liabilities	**(6,025)**	(5,484)
NET (LIABILITIES)/ASSETS	**(11,923)**	12,497
Share capital	**3,996**	3,840
Reserves	**(15,919)**	8,657
(CAPITAL DEFICIENCY)/TOTAL EQUITY	**(11,923)**	12,497

28. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

(b) Company

	Share premium	Share option reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2008	109,628	–	(77,363)	32,265
Recognition of share-based payments	–	2,338	–	2,338
Loss for the year	–	–	(25,946)	(25,946)
At 31 December 2008 and 1 January 2009	109,628	2,338	(103,309)	8,657
Issue of shares	1,805	–	–	1,805
Recognition of share-based payments	–	2,539	–	2,539
Loss for the year	–	–	(28,920)	(28,920)
At 31 December 2009	111,433	4,877	(132,229)	(15,919)

28. RESERVES *(continued)*

(c) Nature and purpose of reserves

(i) Share premium account

The share premium account of the Group includes (i) the premium arising from the issue of shares; and (ii) the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to a group reorganisation scheme completed in 2001, over the nominal value of the shares of the Company issued in exchange therefor.

In accordance with the Companies Law (Revised) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

(ii) Exchange reserve

The exchange 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 4(c) to the financial statements.

(iii) Share options reserve

The share options reserve represents the fair value of the actual or estimated number of unexercised share options granted to certain directors, employees and other eligible participant of the Group as set out in note 29 to financial statements recognised in accordance with the accounting policy in note 4(q) to the financial statements.

29. SHARE-BASED PAYMENTS

(a) Share option scheme

Pursuant to written resolutions of the shareholders of the Company dated 5 June 2001, Share Option Scheme was adopted by the Company with a purpose to recognise the contribution of certain Directors, employees, consultants and advisors of the Group to the growth of the Group and/or the listing of the Company's shares on GEM on 28 June 2001.

Under the terms of the Share Option Scheme adopted by the Company, Directors are authorised, at their discretion, to invite any Directors and employees of the Group to take up options to subscribe for shares of the Company. The subscription price will be determined by the Directors, and will be equal to the higher of (i) the nominal value of the shares; (ii) the closing price per share of the Company as stated in the daily quotation sheet of the Stock Exchange of Hong Kong Limited (the "Exchange") on the date of the grant of the option, which must be a business day; and (iii) the average of the closing price of the shares of the Company as stated in the Exchange's daily quotation sheet for the five trading days immediately preceding the date of the grant of the options.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other schemes of the Company is not permitted to exceed 10% of the shares of the Company in issue at the adoption date. The Company may seek approval by the Company's shareholders in general meeting for granting options beyond the 10% limit.

The total number of the shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. HK$1 is payable as consideration for each offer of share option granted and options granted must be taken up within 28 days from date of grant. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period commencing immediately after the date on which the options deemed to be granted and accepted and expiring on a date to be determined and notified by the Directors to the grantee.

The Share Option Scheme became effective for a period of 10 years commencing on the adoption on 5 June 2001. Further details of the Share Option Scheme are set out in the prospectus of the Company dated 12 June 2001.

29. SHARE-BASED PAYMENTS *(continued)*

(a) Share option scheme *(continued)*

The following table discloses details of options outstanding and the movements during the year ended 31 December 2009 under the Share Option Scheme adopted by the Company on 5 June 2001:

			Number of shares options		
Name of grantee	**Date of grant**	**Grant**	**Outstanding as at 1 January 2008**	**Lapsed during the year**	**Outstanding as at 31 December 2008**
Total of directors	10 July 2008	7,700,000	–	–	7,700,000
Employees in aggregate	10 July 2008	4,900,000	–	–	4,900,000
			–	–	12,600,000
Advisors and consultants *(note 1)*	10 July 2008	25,800,000	–	–	25,800,000

			Number of shares options		
Name of grantee	**Date of grant**	**Grant**	**Outstanding as at 1 January 2009**	**Lapsed during the year**	**Outstanding as at 31 December 2009**
Total of directors	10 July 2008	7,700,000	7,700,000	–	7,700,000
Employees in aggregate	10 July 2008	4,900,000	4,900,000	–	4,900,000
			12,600,000	–	12,600,000
Advisors and consultants *(note 1)*	10 July 2008	25,800,000	25,800,000	–	25,800,000

note 1: Included 5,600,000 shares (2008: 5,600,000 shares) were granted to the advisors and consultants as a company.

29. SHARE-BASED PAYMENTS *(continued)*

(a) Share option scheme *(continued)*

Details of the options granted under the share option scheme are as follows:

Date of grant	Vesting period	Exercise period	Exercise price HK$
10 July 2008	10 July 2008 – 09 July 2009	10 July 2009 – 09 July 2013	0.40

If the options remain unexercised after a period of 5 years from the date of grant, the options will be expired. Options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year are as follows:

	2009		2008	
	Number of share options	**Weighted average exercise price** HK$	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	38,400,000	0.40	–	
Granted during the year	–		38,400,000	0.40
Outstanding at the end of the year	38,400,000	0.40	38,400,000	0.40
Exercisable at the end of the year	38,400,000		–	

29. SHARE-BASED PAYMENTS *(continued)*

(a) Share option scheme *(continued)*

The fair values of the options as at grant date is approximate to HK$4,877,000.

These fair values were calculated using the Binomial Model. The inputs into the model were as follows:

	2008
	HK$
Share price	0.39
Exercise price	0.40
Expected volatility *(%)*	54.84
Expected life *(years)*	5
Risk free rate *(%)*	3.191
Expected dividend yield *(%)*	Nil

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 5 years. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

(b) Other equity settled share-based payments

On 29 June 2009 and 1 December 2009, the Company issued 388,000 and 450,581 ordinary shares to Somerley, to settle the outstanding professional fees of approximately HK$78,000 and HK$116,000 respectively. At 31 December 2009, the Group has recorded these amount as expenses. The fair value of the issued shares is determined by the reference of the invoice amounts charged by Somerley, based on the market value of their services provided to the Group. Details refer to note 26(b) of the financial statements.

30. COMMITMENTS

As at 31 December 2009 the Group had the following commitments:

(a) Operating lease commitments

The Group as Lessee

The Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2009 HK$'000	2008 HK$'000
Within one year	**658**	923
In the second to fifth years inclusive	**102**	269
	760	1,192

Operating lease payments represent rentals payable by the Group for its offices and motor vehicles. Leases are negotiated for a term ranging from one to three years and rentals are fixed over the lease terms and do not include contingent rentals.

The Group as Lessor

The Group's total future minimum lease payments under non-cancellable sub-leases are receivable as follows:

	2009 HK$'000	2008 HK$'000
Within one year	**–**	720
In the second to fifth years inclusive	**–**	240
	–	960

30. COMMITMENTS *(continued)*

(b) Capital and other commitments

	2009 **HK$'000**	2008 HK$'000
PC game		
Contracted but not provided for	**–**	1,764
Film rights		
Contracted but not provided for	**–**	367

31. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the year:

(a)

	2009 **HK$'000**	2008 HK$'000
China Healthcare Holdings Limited *(note i)*		
Rental income	**150**	231
Era International (HK) Limited *(note ii)*		
Distribution fee income	**–**	8
Accountancy fee income	**90**	236
Management fee income	**–**	150

(i) On 24 April 2008, the Group entered into a tenancy agreement with China Healthcare Holdings Limited ("CHC") to lease an office area to CHC for a period of two years, commencing from 24 April 2008. The rental charged to CHC was determined by reference to open market rentals at HK$30,000 per month. Mr. Lee Jong Dae, a chairman and executive director of the Company, is also an executive director of CHC. Mr. Lee Jong Dae resigned as an executive director of CHC with effect on 25 August 2009.

(ii) Era Films (HK) Limited ("EFHK"), a wholly owned subsidiary of the Company, received distribution fee income, management fee income and accountancy fee income from Era International (HK) Limited ("EIHK") on the rates agreed by both parties. Mr. Leung Chung Chu, Andrew, being key management personnel of the Group, was also a director of EIHK.

The Directors have confirmed that all the related party transactions were conducted in the ordinary course of business.

31. RELATED PARTY TRANSACTIONS *(continued)*

(b) During the year, IFS Asia-Pacific Limited ("IFSAP"), a wholly owned subsidiary of the Company, advanced HK$775,000 to Topluxe International Limited ("Topluxe"). Mr. Franciso C. Sebastian., a key management personnel of the Group, is also a beneficial owner and director of Topluxe. Detail refer to note 21(b)(ii).

(c) The remuneration of the Group's directors and other members of key management personnel during the year was as follows:

	2009 **HK$'000**	2008 HK$'000
Short-term benefits	**3,329**	3,115
Post-employment benefits	**33**	34
Share-based payments	**667**	615
	4,029	3,764

32. PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries as at 31 December 2009 are as follows:

Name	**Place of incorporation/ registration and operation**	**Issued and fully paid-up share capital/ registered capital**	**Attributable equity interest held by the Company**		**Principal activities**
			Direct	**Indirect**	
Era Information & Entertainment (BVI) Limited	British Virgin Islands	26,200 ordinary shares of US$0.1 each	100%	–	Investment holding
Era Home Entertainment Limited	Hong Kong	24,000,000 ordinary shares of HK$1 each	–	100%	Inactive
Era Films (HK) Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Distribution of films in various formats and sub-licensing of film rights
Era Digital Media Limited	Hong Kong	10,000 ordinary shares of HK$1 each	–	100%	Inactive

32. PARTICULARS OF SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operation	Issued and fully paid-up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities
			Direct	Indirect	
Red River Agents Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Inactive
Vasky Energy Ltd.	British Virgin Islands	1 ordinary share of US$1 each	100%	–	Investment holding
IFS Asia-Pacific Limited*	Hong Kong	100,000 ordinary shares of HK$1 each	100%	–	Provision of corporate secretarial services
Vasky Korea Inc.	South Korea	40,000 common stocks of KRW5,000 each	100%	–	Development and distribution of computer software and provision of service for information process
ERA Global Machinery Limited	Hong Kong	1 ordinary share of HK$1 each	–	100%	Inactive

* Not audited by RSM Nelson Wheeler or RSM International member firms.

33. EVENTS AFTER THE REPORTING PERIOD

On 1 February 2010, the Company issued 1,144,000 ordinary shares of HK$0.01 each at the price of HK$0.35 per share to JDFM Investments Limited for the conversion of convertible bonds of HK$400,400

34. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 23 March 2010.