XING LIN MEDICAL INFORMATION TECHNOLOGY COMPANY LIMITED

杏林醫療信息科技有限公司*

(Formerly known as Brilliant Arts Multi-Media Holding Limited)
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 8130)

Annual Report 2010

*for identification purposes only

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

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Corporate Information

Executive Directors

Mr. Au Ho Chuen, Bonny
(Chairman and Chief Executive Officer)
Mr. Lien Wai Hung

Independent Non-executive Directors

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

Company Secretary

Mr. Lien Wai Hung

Compliance Officer

Mr. Au Ho Chuen, Bonny

Authorised Representatives

Mr. Au Ho Chuen, Bonny
Mr. Lien Wai Hung

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Audit Committee

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

Remuneration Committee

Mr. Au Ho Chuen, Bonny
Mr. Leung Wai Man
Mr. Kwok Chuen Hung, Dominic

Nomination Committee

Mr. Au Ho Chuen, Bonny
Mr. Leung Wai Man
Mr. Kwok Chuen Hung, Dominic

Auditors

CCIF CPA Limited

Legal Advisers to the Company

As to Hong Kong Law
Michael Li & Co

As to Bermuda Law
Conyers Dill and Pearman

Head Office and Principal Place of Business in Hong Kong

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

Principal Banker

Hang Seng Bank Limited
Wing Lung Bank Limited

Corporate Website

www.bamm.com.hk

Gem Stock Code

8130

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board of Directors (the "Board") of Xing Lin Medical Information Technology Company Limited (the "Company"), I herein present the results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2010.

The global economy and markets have seen a great turnaround in 2009. Despite extreme pessimism at the beginning of 2009, the overall picture has been brightening with various leading economic indicators turning up. Riding along gentle recovery of global economy and the continual improving overall business environment, the Group has diversified its operations and broadens its revenues base by moving into the medical information technology area. During the year under review, for continuing operations, the Group recorded an increase in turnover of approximately 10.96 times to HK$19.0 million (2009: HK$1.6 million). The revenue was derived from the business of provision of medical information digitalisation system and leasing of an investment property located at Canada. The Group recorded a loss attributable to owners of the Company of approximately HK$74.2 million (2009: loss attributable to owners of the Company of approximately HK$20.6 million). The deterioration in results was mainly attributed to the combined effect of the amortisation of intangible assets acquired during the year of approximately HK$36.6 million, the increase in finance costs to approximately HK$29.4 million, the change in fair value of embedded derivative in a convertible loan note of approximately HK$35.3 million and the loss on early redemption of a promissory note of approximately HK$6.3 million.

Future Plans and Appreciation

With signs of recovery around the globe in particular the Asia Pacific region, the Group initiated a financing activity in the last year to develop its business diversification strategy into information technology provider for healthcare sector in PRC. The MIDS was demonstrated in the Greater Bohai Hospital Association 2009 Annual Conference where hundreds of hospitals attended and we have since received favorable response and the hospitals are either evaluating or have constructive advice on further development.

On 1 April 2010, the Company entered into a sale and purchase agreement (the "Agreement") with an independent third party (the "Vendor") pursuant to which the Company shall purchase the entire issued share capital of Fortune Mark International Limited ("FMI") and sale loans at a total consideration of HK$135,000,000. FMI had entered into a software licensing agreement (the "Licensing Agreement ") with Healthnet Limited ("Healthnet") pursuant to which Healthnet has granted to FMI an exclusive license to use and sublicense a software product (the "Software"). The Software is a scalable, reliable and integrated Picture Archiving and Communication System (PACS) and it is also HL-7 and DICOM compatible which consolidates a hospital's entire collection of medical imaging including X-ray, CT, MRI and ultrasound and merges with sophisticated workflow for radiology. The acquisition will enable the Group to expand into the area of PACS, as well as strengthening the coverage of MIDS, thus fulfilling the various emerging needs of hospitals in the PRC and all together an important part of MIDS implementation. The transaction was completed on 18 May 2010.

CHAIRMAN'S STATEMENT

On 9 April 2010, Grand Billion Investments Limited ("Grand Billion"), a wholly-owned subsidiary of the Company, entered into a provisional sale and purchase agreement with an independent third party (the "Purchaser") pursuant to which Grand Billion has agreed to dispose of an investment property owned by Grand Billion at a consideration of HK$36,000,000. The property was acquired by the Group in 2007 at a cost of HK$23,500,000 and has been held by the Group for capital appreciation. The property has been used by the Group for its own use as office after acquisition. The Board intends to look for an appropriate premises for office use by the Group on or before the completion of the disposal. The book value of the property as at 31 March 2009 amounted to approximately HK$23.1 million. Given the recent property market conditions and the value of the property has appreciated, the disposal is in the interest of the Company and its shareholders because the Company will realise capital gain from the disposal and the net proceeds from the disposal will enhance the working capital of the Group.

On 30 April 2010, the Company proposed to raise not less than approximately HK$183.12 million, before expenses, by way of open offer of not less than 1,831,167,113 offer shares and not more than 1,831,710,077 offer shares at the subscription price of HK$0.10 per offer share on the basis of one offer share for every four existing shares held on the record date and payable in full on application. Qualifying shareholders are entitled to apply for excess offer shares not taken up in excess of their respective entitlements under the open offer. The open offer is fully underwritten in the manner that the Company entered into an underwriting agreement with an underwriter on 29 April 2010, whereby the underwriter has conditionally agreed to underwrite the offer shares which have not been taken up. The open offer was completed on 18 June 2010. The Board intends to apply the net proceeds from the open offer for the repayment of the outstanding promissory note of the Group.

Looking forward, the Group will continue to focus on its business of provision of medical information technology digitalisation solutions to the PRC healthcare sector. The Board will continue to put its best efforts to produce good economic results and better return to the shareholders.

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

Au Ho Chuen, Bonny
Chairman

Management Discussion and Analysis

General

During the year under review, the Group is principally engaged in development and provision of medical information digitalisation system, film production and film distribution and investment in properties. Following the disposal of a subsidiary, Creative Formula Limited of which its principal activities is film production and distribution and the decision made by the Board on 29 January 2010, the operation relating to film production and distribution is classified as discontinued operation for financial statements purpose.

Business Overview

In the first half of 2009, the PRC government announced China's healthcare reform program where an additional budget of RMB850 million is expected in the next three years. One area under the reform program is medical information digitalisation for healthcare providers. Armed with the technical expertise and hospitals clientele through the acquisition of Sunny Chance Limited and its subsidiary, the Company is transforming to healthcare information technology provider for the PRC. The flagship product Medical Information Digitalisation System, which unifies wireless Wi-Fi and RFID technology to eliminate paper-based workflow in hospitals, is a complete digitalisation solution for hospitals and enables healthcare professionals to reduce manual errors as well as improving accuracy, altogether fulfilling the demand for more capacity and need to increase efficiency.

In a continual effort to obtain better return to shareholders, after observing for a long period where the Company did not come across or secure plausible investment opportunities in the file related business and also in consideration of the unstable revenue pattern, the Company had relocated resources to focus on the high growth medical information digitalisation operation, in which the PRC is embracing accelerated growth in the healthcare information technology market.

On 26 November 2008, the Company entered into a subscription agreement with Golife Concepts Holdings Limited (now known as China Star Film Group Limited, the "Subscriber"), whose shares are listed on the GEM of the Stock Exchange, in respect of the subscription of convertible loan note in an aggregate principal amount of HK$100 million in five tranches of HK$20 million each (the "Subscription"). The Subscription constituted a very substantial acquisition of the Company under the GEM Listing Rules. A circular containing the details of the Subscription had been despatched to the shareholders of the Company on 29 December 2008. The Subscription was subsequently approved by the Company's Shareholders at the extraordinary general meeting held on 14 January 2009. On 28 April 2009, the Company subscribed the convertible loan note in the principal amount of HK$100 million. On 2 October 2009, the convertible loan note were redeemed by the Subscriber.

On 15 June 2009, the Company had entered into a non legal binding Memorandum of Understanding (the "MOU") with Growth Harvest Limited (the "Vendor") in relation to the possible acquisition of the entire issued share capital of Sunny Chance Limited (the "Target Company") which is principally engaged in the development and provision of custom built wireless radio frequency identification ("RFID") application system in both local area network ("LAN") and metropolitan area network ("MAN") to the healthcare sector in the PRC. On 29 June 2009, the Company had entered into an agreement whereby the Company has conditionally agreed to purchase and the Vendor had conditionally agreed to sell the entire issued share capital of the Target Company at a maximum total consideration of HK$1,500 million (the "Acquisition"), subject to post valuation adjustment. The Acquisition constituted a very substantial acquisition of the Company under the GEM Listing Rules. A circular containing the details of the Acquisition had been despatched to the shareholders of the Company on 25 August 2009 and subsequently approved at the special general meeting held on 5 October 2009. The Board believed that the participation in the business of provision of medical information digitalisation system ("MIDS") will broaden the Group's revenue base. The Acquisition was completed on 6 October 2009.

On 15 June 2009, the Company had entered into a placing agreement with a placing agent pursuant to which the Company had conditionally agreed to place, through the placing agent, up to 2,500,000,000 placing shares by tranches provided that the number of placing shares for each tranche is in integral multiples of 1,000,000, on a best effort basis, to independent investors at a price of HK$0.1 per placing share. The gross proceeds and the net proceeds from the placing would be approximately HK$250 million and approximately HK$247 million respectively which are intended to be used for financing possible diversified investment including the possible acquisition under the MOU and general working capital of the Group. Owing to the uncertain outlook of the market situation, the Company and the placing agent had mutually agreed to terminate the placing agreement on 20 July 2009.

On 8 October 2009, the Company announced that the Company had entered into a sale and purchase agreement with Dance Star Group Limited ("DS"), a wholly-owned subsidiary of China Star Film Group Limited, of which its issued shares are listed on the GEM Board of the Stock Exchange. Pursuant to the sale and purchase agreement, the Company agreed to dispose the entire issued share capital of Creative Formula Limited ("Creative Formula") to DS for the consideration of HK$8,200,418. Completion took place upon signing of the sale and purchase agreement. Creative Formula is principally engaged in the business of film production and distribution. The principal asset of Creative Formula is the film rights (excluding Hong Kong Theatrical Right, Hong Kong Video Right, Airline Right, Hong Kong Cable Television Right, All Rights for Singapore and Malaysia, and Asian Satellite Television Right) of a film titled "Written By" "再生號". The Directors considered that the disposal provided an opportunity for the Group to realise its investment in film business for an immediate cash inflow to finance the newly expanded business of the development and provision of MIDS to the healthcare sector in the PRC.

In order to facilitate the expansion and accelerate the development of the Company wireless RFID based MIDS in the PRC, a letter of intent was entered into between the Company and Guo Kang Pharmaceutical & Medical Supplies Limited ("Guo Kang") on 11 December 2009 (the "Letter of Intent"). Guo Kang is a company registered in PRC under Ministry of Foreign Trade and Economic Cooperation ("Foreign Trade and Economic [1997] No. 1401") and is the representative office of the Ministry of Health (the "MOH") of the PRC in Hong Kong. As a "Window Company" of MOH, Guo Kang is responsible for healthcare business promotion with various international healthcare centers. Guo Kang is principally engaged in trading business relating to medical instruments, Western and Chinese medications, healthcare equipments and its by-products. Guo Kang also provides investment opportunity in healthcare industry in the PRC to global investors. Pursuant to the Letter of Intent, Guo Kang agreed to promote the Company's MIDS and to liaise and coordinate with the relevant government bodies or organisations and hospitals in the PRC in relation to MIDS. Meanwhile, the Company will provide all resources, including but not limited to technical and financial support, to Guo Kang in promoting the Company's MIDS in the PRC.

On 21 January 2010, Innovate International Group Limited ("IIG"), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement pursuant to which IIG had conditionally agreed to purchase 20% of the total registered capital of Redart Digital Technology Co., Limited, a company incorporated in the PRC ("RDT") at a total consideration of, subject to post valuation adjustment, HK$145,000,000 (the "Second Acquisition"). The main assets of RDT are memorandum of understanding and co-operation agreement. The co-operation agreement sets out the framework for the digitalisation programme of the medical and healthcare system in Chengde in the PRC. The memorandum of understanding, tentative term of five years, covers the construction, maintenance and operation of digitalisation programme and the marketing of the healthcare digitalised products. The Board considers the opportunity for the Group to accelerate the pilot of MIDS Phase 2 – healthcare collaboration platform and to leverage the relationship and connection of the RDT to provide MIDS to over 200 hospitals/clinics in the target cities, will speed up the pace of becoming the market leader in medical information digitalisation, present large business prospect and profitability thereof, is in the interests of the Company and the Shareholders as whole.

Management Discussion and Analysis

Financial Review

For the year under review, for continuing operations, revenue of the Group was approximately HK$19.0 million (2009: HK$1.6 million), of which HK$17.4 million (2009: HK$Nil) was generated from rollout of MIDS and HK$1.6 million (2009: HK$1.6 million) was generated from the leasing of an investment property located at Canada, representing an increase of approximately 10.96 times as compared with the year ended 31 March 2009.

Following the completion of the acquisition of Sunny Chance Limited on 6 October 2009, turnover of approximately HK$17.4 million was contributed from the segment of RFID and MIDS. The gross profit of such segment was approximately HK$3.9 million.

Other revenue amounted to approximately HK$1.6 million, representing an increase of 32.4% over the prior year. Such increase was mainly contributed by the imputed interest income of approximately HK$1.6 million derived during the year.

Other operating expenses increased by 376.6% to approximately HK$53.3 million from HK$11.2 million in prior year. Such increase was mainly attributed to (i) amortisation of intangible assets of approximately HK$36.6 million (2009: HK$Nil), (ii) overseas travelling expenses of approximately HK$1.1 million (2009: HK$Nil), (iii) legal and professional fees of approximately HK$3.0 million (2009: HK$1.8 million) and (iv) repair and maintenance of approximately HK$0.6 million (2009: HK$0.1 million).

Given the recent improvement of the global economy and the value of the property has appreciated, a one time fair value gain on the investment properties of approximately HK$12.7 million was recorded. In addition, a gain on early redemption of a convertible loan note of approximately HK$33.7 million was recorded during the year under review.

Finance costs increased by 220.2 times to approximately HK$29.4 million from HK$0.1 million in prior year. The increase of approximately HK$29.3 million was mainly attributed to the increase in effective interest expenses on convertible bond and promissory note. The effective interest expenses on convertible bond and promissory note were approximately HK$11.5 million (2009: HK$8,000) and HK$17.9 million (2009: HK$Nil) respectively.

Following the disposal of Creative Formula Limited of which its principal activities is film production and distribution and the decision made by the Board on 29 January 2010, the operation relating to film production and distribution is classified as discontinued operation for financial statements purpose. The revenue and the loss of the discontinued operation is approximately HK$6.4 million (2009: HK$Nil) and HK$2.7 million (2009: HK$1.5 million) respectively.

Loss attributable to owners of the Company was approximately HK$74.2 million (2009: loss attributable to owners of the Company of approximately HK$20.6 million). The deterioration in results was mainly attributed to (i) the amortisation of intangible assets acquired during the year of approximately HK$36.6 million (2009: HK$Nil); (ii) finance costs incurred in the current year of approximately $29.4 million (2009: HK$0.1 million); (iii) the change in fair value of embedded derivative in a convertible loan note of approximately HK$35.3 million (2009: HK$Nil) and (iv) the loss on early redemption of a promissory note of approximately HK$6.3 million (2009: HK$Nil).

Dividend

The Board does not recommend the payment of a dividend for the year ended 31 March 2010 (2009: HK$Nil).

Liquidity, Financial Resources and Capital Structure

At 31 March 2010, the Group had assets of approximately HK$1,717.1 million (2009: HK$198.9 million), including net cash and bank balances of approximately HK$328.8 million (2009: HK$142.4 million). The increase in net cash and bank balances was mainly contributed by net cash inflow from investing and financing activities during the year.

During the year under review, the Group financed its operations with internally generated cash flows, the proceeds from the issuance of new shares and the proceeds from the disposal of a subsidiary.

On 20 October 2009, the Company entered into a placing agreement (the "Placing Agreement") with CLSA Limited (the "Placing Agent"), pursuant to which, the Company has conditionally agreed to place, through the Placing Agent, up to 5,000,000,000 placing shares in one or more tranches, on a best efforts basis, to place at a placing price of HK$0.10 per placing share (the "Placing"). If all the placing shares are fully placed, the gross proceeds and the net proceeds from the Placing would be approximately HK$500.0 million and approximately HK$484.2 million, A circular containing the details of the Placing was despatched to the shareholders on 9 November 2009. As stated in the circular, the Company intends to apply the proceeds from the placement toward the rollout of MIDS at hospitals contracted and to be contracted. In the event that it comes across attractive business expansion opportunities that would accelerate the Company's pace in expanding market place and/or strengthen the Company's positioning in the health sector, it may consider applying part of the proceeds toward such uses. The Company would reserve at least 70% of the proceeds for first year MIDS rollouts. The Company does not intend to apportion any specific portion of the proceeds for general working capital uses. However, the remaining balance after spends on MIDS rollout and business expansion, if any, would be kept for general working capital purposes. The Board believes that the Placing presents an opportunity for the Company to broaden its Shareholders' base and strengthen the Company's financial position. The Placing was approved by the shareholders at the special general meeting held on 25 November 2009 and completed on 10 December 2009.

During the year ended 31 March 2010, certain option holders exercised their option rights to subscribe for an aggregate of 1,256,897 shares at an exercise of HK$0.2 per share, an aggregate of 6,021,849 shares at an exercise price of HK$0.25 per share and an aggregate of 11,700,000 shares at an exercise price of HK$0.5 per share. The net proceeds from the exercise of option rights amounted to approximately HK$7.6 million.

At 31 March 2010, the total borrowings of the Group amounted to HK$489.9 million (2009: HK$1.8 million), comprising:

(a) the liability component of approximately HK$320.4 million in respect of the promissory note with a principal amount of HK$602 million issued to Growth Harvest Limited as part of the consideration of the acquisition of Sunny Chance Limited which is unsecured, interest free and maturing in 6 October 2010;

(b) the liability component of approximately HK$167.6 million in respect of the convertible bonds with an aggregate principal amount of HK$532 million issued to Growth Harvest Limited as part of the consideration of the acquisition of Sunny Chance Limited which is unsecured, interest and maturing in 6 October 2019;

(c) mortgage loan of approximately HK$1.8 million secured by an investment property located at Canada of the Group.

The gearing ratio, expressed as a percentage of total liabilities over total assets, was 29.6% (2009: 4.2%).

Treasury Policies

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

Commitment

At 31 March 2010, the Group, as a lessor, had operating lease commitments of approximately HK$5.9 million (2009: HK$2.4 million) and as a lessee, had operating lease commitment of approximately HK$0.2 million (2009: HK$Nil million).

Contingent liabilities

At 31 March 2010, the Group had no contingent liabilities (2009: HK$Nil).

Employee

At 31 Mach 2010, the Group had 25 employees (2009: 6). Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practices. The employees in Hong Kong joined the mandatory provident fund scheme. Other benefits include share options granted or to be granted under the share option scheme.

Significant Investment

The Group did not enter into any new significant investment during the year ended 31 March 2010.

Material acquisitions and disposal of subsidiaries and affiliated companies

Save as the acquisition and disposal as disclosed in the "Business Review" under the "Management Discussion and Analysis" section, the Group did not make any material acquisitions and disposal of subsidiaries and affiliated companies during the year ended 31 March 2010.

Future Plan for Material Investments and Capital Assets

Save as the proposed acquisition and disposal as disclosed in the "Future Plans" under the "Chairman's Statement" section, the Group does not have any concrete plan for material investments or capital assets for the coming year.

Share Consolidation, Capital Reorganisation and Change in Domicile

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

Change of Company Name

On 26 August 2009, the Company proposed that the name of the Company be changed from "Brilliant Arts Multi-Media Holding Limited (采藝多媒體控股有限公司)" to "Xing Lin Medical Information Technology Company Limited (杏林醫療信息科技有限公司*)". The proposed change in name of the Company had been resolved as a special resolution by the shareholders of the Company at the special general meeting held on 5 October 2009. The Registrar of Companies in Bermuda and Hong Kong had granted approval for the proposed change in name of the Company on 16 October 2009 and 9 November 2009 respectively. The changes of name and stock short name of the Company were effective on 25 November 2009.

* *For identification purpose only*

Directors and Senior Management Profile

Executive Directors

Mr. Au Ho Chuen, Bonny, aged 33, is the chairman and chief executive officer of the Company, Mr. Au is responsible for the overall strategic planning and operations function of the Group. He graduated with a Master Degree in electrical and electronic engineering with management from the Imperial College of Science, Technology and Medicine, University of London in the United Kingdom. Mr. Au has over 9 years of experience in the area of information technology system development. Prior to joining the Company, Mr. Au has worked for Hong Kong and Shanghai Banking Corporation as an assistant technical services manager in Hong Kong. He was appointed as an executive director and the chairman on 1 November 2009 and 27 April 2010 respectively.

Mr. Lien Wai Hung, aged 47, is a practicing solicitor in Hong Kong since 1997 and is a partner of Messrs. Leung & Lien, a firm of solicitors in Hong Kong. Mr. Lien is responsible for overseeing corporate governance and the overall management of the Group. He graduated from the University of East London with a LLB Degree in the United Kingdom. Mr. Lien was appointed as an executive director on 27 April 2010.

Independent Non-executive Directors

Mr. Leung Wai Man, aged 41, has over ten years of experience in company secretarial, accounting and financial management. He is a member of the Association of Chartered Certified Accountants in the United Kingdom and Hong Kong Institute of Certified Public Accountants. Mr. Leung was appointed as an independent non-executive director on 10 July 2007.

Mr. Man Kong Yui, aged 50, has been involved in the financial and securities industries for over 25 years and has extensive experience in bullion, securities, futures and foreign exchange business. He has held various senior positions with prominent banks and international financial institutions, Mr. Man holds a Bachelor Degree in Business Administration from Chinese University of Hong Kong. Mr. Man is currently an independent non-executive director of Get Nice Holdings Limited, which is listed on the main board operated by the Stock Exchange. Mr. Man was appointed as an independent non-executive director on 18 September 2007.

Mr. Kwok Chuen Hung, Dominic, aged 50, has substantial experience in project investment and other trading business both in Hong Kong and South East Asia. Mr. Kwok was appointed as an independent non-executive director on 10 November 2008.

Corporate Governance Report

The Board of Directors ("Board") is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 March 2010.

In November 2004, The Stock Exchange of Hong Kong Limited ("Stock Exchange") issued the Code on Corporate Governance Practices ("CG Code") contained in Appendix 15 of the Rules governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Rules") which sets out corporate governance principles ("Principles") and code provisions ("Code Provisions") with which listed issuers are expected to follow and comply.

The Company has applied the Principles as set out in the CG Code that are considered to be relevant to the Company and has complied with most of the Code Provisions set out in the CG Code save for certain deviations, details of which will be explained in the relevant paragraphs in this report.

Good corporate governance has always been recognised as vital to the Group's success and to sustain development of the Group. The Company acknowledges the important role of its Board in providing effective leadership and direction to company business, and ensuring transparency and accountability of company operations. The Company also endeavors to periodically review its corporate governance practices to ensure that these and these continue to meet the requirements of the CG Code.

The key corporate governance principles and practices of the Company are summarised as follows:

The Board

Responsibilities

The Board is responsible for the leadership and control of the Company and oversees the Group's business, strategic decisions and performances and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. In practice, the Board takes responsibility for decision making in all major matters of the Company including: the approval and monitoring of all policy matters, the setting of objectives, annual budgets and overall strategies, material transaction, appointment of directors and other significant financial and operational matters. The day-to-day management, administration and operation of the Company are delegated to the senior executives. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by these senior executives and the Board has the full support of them to discharge its responsibilities.

Composition

The Board currently comprises five Directors: two executive Directors and three independent non-executive Directors that are more than one-third of the Board. Biographical details of the Chairman and other Directors are set out in the section of "Directors and Senior Management Profile on page 12.

Corporate Governance Report

The Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. All the Directors give sufficient time and attention to the Company's affairs. The Board believes that the ratio of executive to non-executive Directors is reasonable and adequate to provide checks and balances that safeguard the interest of the shareholders and the Company as a whole.

At 31 March 2010, the Board comprised five Directors, including two executive Directors, namely Mr. Ho Ka Wai and Mr. Au Ho Chuen, Bonny and three independent non-executive Directors, Mr. Leung Wai Man, Mr. Man Kong Yui, and Mr. Kwok Chuen Hung, Dominic. Mr. Ho Ka Wai had resigned as the chairman, the chief executive officer and an executive Director with effect from 27 April 2010. Mr. Au Ho Chuen, Bonny has been appointed as the chairman and the chief executive officer with effect from 27 April 2010. Mr. Lien Wai Hung has been appointed as an executive Director on 27 April 2010. One of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise.

In accordance with the Company's bye-laws, newly appointed Directors are required to offer themselves for re-election at the first annual general meeting following their appointment.

The Board as a whole is responsible for the appointment of new Directors and Directors nomination for re-election by shareholders at the annual general meeting of the Company. Under the Company's bye-laws, the Board may from time to time appoint a Director either to fill a vacancy or as an addition to the Board. Any new Director appointed to fill a casual vacancy shall hold office until the first general meeting after his appointment and shall then be eligible for re-election. Any Director appointed by the Board as an addition to the existing Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election.

Independence

The Company has three independent non-executive Directors, at least one of whom has appropriate financial management expertise, in compliance with the GEM Listing Rules. The Company considers these directors to be independent under the guidelines set out in Rules 5.09 of the GEM Listing Rules.

Chairman and Chief Executive Officer

Under the Code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of the chairman and chief executive officer of the Company have been performed by Mr. Au Ho Cheun, Bonny, who is also an executive Director. The Board considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently. The Board will review the effectiveness of this arrangement form time to time and will consider appointing an individual as the chief executive officer of the Company when it thinks appropriate.

Non-executive Directors

Under the Code provision A4.1, all the non-executive directors should be appointed for a specific term, subject to re-election. The term of office for non-executive directors is subject to retirement from office by rotation and is eligible for re-election in accordance with the provisions of the Company's bye-laws. At each annual general meeting, one-third of the directors for the time being, (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. As such, the Company considers that such provisions are sufficient to meet the underlying objective of this code provision.

Board Meetings

The Board regularly meets in person or through other electronic means of communication at least four times every year to determine overall strategic direction and objectives and approve quarterly, interim and annual results, and other significant matters. At least seven business days' notice of regular Board meeting are given to all Directors, who are all given an opportunity to attend and include matters in the agenda for discussion. Apart from regular meetings, senior management from time to time provides Directors Information on activities and development of the businesses of the Group. The company secretary takes detailed minutes of the meetings and keeps records of matters discussed and decision resolved at the meetings.

During the year ended 31 March 2010, 35 meetings were held. Details of the attendance of the Directors at the meetings of the Board and its respective Committees are as follows:

Name of Director	*Notes*	Board Meeting Attended/Held	Audit Committee Attended/Held	Remuneration Committee Attended/Held	Nomination Committee Attended/Held
Executive Directors					
Mr. Au Ho Chuen, Bonny	*(1)*	19/19	N/A	0/0	0/0
Mr. Lien Wai Hung	*(2)*	N/A	N/A	N/A	N/A
Mr. Ho Ka Wai	*(3)*	29/30	N/A	0/0	0/0
Mr. Lee Chan Wah	*(4)*	11/11	N/A	0/0	1/1
Mr. Lei Hong Wai	*(5)*	5/6	N/A	1/1	1/1
Mr. Cheung Kwok Wai, Elton	*(6)*	6/6	N/A	N/A	N/A
Independent non-executive Directors					
Mr. Leung Wai Man		33/35	4/4	1/1	2/2
Mr. Man Kong Yui		27/35	4/4	N/A	N/A
Mr. Kwok Chuen Hung, Dominic		23/35	4/4	1/1	2/2

Notes:

(1) Mr. Au Ho Chuen, Bonny has been appointed as an executive Director with effect from 1 November 2009.

(2) Mr. Lien Wai Hung has been appointed as an executive Director with effect from 27 April 2010.

(3) Mr. Ho Ka Wai had been appointed as an executive Director on 22 June 2009 and resigned from his position as an executive Director with effect from 27 April 2010.

(4) Mr. Lee Chan Wah had been appointed as an executive Director on 22 June 2009 and resigned from his position as an executive director with effect from 1 November 2009.

(5) Mr. Lei Hong Wai resigned from his position as an executive Director with effect from 24 June 2009.

(6) Mr. Cheung Kwok Wai, Elton resigned from his position as an executive Director with effect from 24 June 2009.

Remuneration Committee

A remuneration committee was established with specific written terms of reference which deal clearly with its authority and duties in accordance with the requirements of the new Code. The remuneration committee is responsible for reviewing and developing the remuneration polices of the Directors and senior management. At the date of this annual report, the remuneration committee consists of three members, of which the majority are independent non-executive Directors, namely Mr. Au Ho Chuen, Bonny, Mr. Leung Wai Man, Mr. Kwok Chuen Hung, Dominic. The chairman of the remuneration committee is Mr. Au Ho Chuen, Bonny.

During the year under review, the remuneration committee held 1 meeting.

Nomination Committee

The nomination committee was established with specific written terms of reference which deal clearly with its authority and duties in accordance with the requirements of the new Code. At the date of this annual report, the nomination committee consists of three members, of which the majority is independent non-executive Directors, namely Mr. Au Ho Chuen, Bonny, Mr. Leung Wai Man, Mr. Kwok Chuen Hung, Dominic. The chairman of the nomination committee is Mr. Leung Wai Man.

During the year under review, the nomination committee held 2 meetings.

Auditors' Remuneration

For the year ended 31 March 2010, the remuneration in respect of audit services provided by the auditors, CCIF CPA Limited, amounted to HK$540,000. Except for the audit service fee, the Company has paid HK$312,000 to the auditors for non-audit services.

Audit Committee

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules. Rule 5.28 of the GEM Rules requires that the audit committee must comprise a minimum of three members with a majority of independent non-executive Directors and at least one member must have appropriate professional qualifications or accounting or related financial management expertise.

The main duties of the audit committee include the followings:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer or external auditors before submission to the board.

(b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The audit committee held 4 meetings during the year ended 31 March 2010, to review the financial results and reports, financial reporting and compliance procedures, report on the company's internal control and risk management review and processes as well as the re-appointment of the external auditors.

There is no material uncertainty relating to events and conditions that may cast significant doubt on the Company's ability to continue as a going concern.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditors.

The Company's annual results for the year ended 31 March 2010, has been reviewed by the audit committee.

Directors' Securities Transactions

The Company has adopted the Model Code as set out in rules 5.48 to 5.67 to the GEM Listing Rules as its own code of conduct for dealings in securities of the Company by Directors (the "Code"). The Company, having made specific enquiry of all Directors, confirms that its Directors have complied with the required standard set out in the Code during the financial year ended 31 March 2010.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for the preparation of the financial statements, which give a true and fair view of the financial position of the Group. The auditors are responsible to form an independent opinion, based on the audit, on the financial statements prepared by the Directors and report the opinion solely to the shareholders of the Company.

Internal Controls

The Board has overall responsibility for the internal control system of the Company. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company.

Shareholder Rights

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meeting are contained in the Company's bye-laws. Details of such rights to demand a poll were included in the circular to shareholders in relation to the holding of 2009 annual general meeting and explained during the proceedings of the meeting.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The chairman of the Board and the chairman of the audit committee attended the annual general meeting in 2009 to answer questions at the meeting.

Separate resolutions were proposed at the annual general meeting in 2009 on each substantial issue, including the election of individual directors.

Conclusion

The Company believes that good corporate governance is significant in maintaining investor confidence and attracting investment. The Management will devote considerate effort to strengthen and improve the standards of the corporate governance of the Group.

The directors present their annual report and the audited financial statements for the year ended 31 March 2010.

Change of Company Name

Pursuant to a special resolution passed at the special general meeting held on 5 October 2009, the name of the Company was changed from Brilliant Arts Multi-Media Holding Limited to Xing Lin Medical Information Technology Company Limited.

Principal activities and geographical analysis of operations

The Group is principally engaged in the provision of Wi-Fi/RFID medical information digitalization system to healthcare sector in Mainland China and property investment. Details of the activities of its subsidiaries are set out in note 22 to the financial statements.

Results

The results of the Group for year ended 31 March 2010 are set out in the consolidated income statement on page 28 of this annual report.

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

Financial summary

The summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 108 of this annual report.

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 19 to the financial statements.

Share capital and share options

Details of the movements in the Company's share capital and share options during the year are set out in notes 31 and 41 to the financial statements respectively.

Reserves

Details of the movement in the reserves of the Group and the Company during the year are set out in note 32 to the financial statements.

Purchase, sale or redemption of shares

During the year ended 31 March 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Pre-emptive rights

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

Convertible bonds

Details of the movements in convertible bonds during the year are set out in note 34 to the financial statements.

Distributable reserves

The Company's reserves available for distribution to shareholders at 31 March 2010 amounting to approximately HK$145,798,000 (2009: HK$177,013,000).

Charitable donations

Charitable donations made by the Group during the year amounted to HK$Nil (2009: HK$Nil).

Events after the reporting period

Details of significant events occurring after the reporting period date are set out in note 42 to the financial statements.

Connected transactions

Details of connected transactions are set out in note 40 to the financial statements.

Sufficiency of public float

The Company has maintained a sufficient public float throughout the year ended 31 March 2010.

Directors

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

Executive Directors

Mr. Au Ho Chuen, Bonny	(appointed on 1 November 2009)
Mr. Lien Wai Hung	(appointed on 27 April 2010)
Mr. Ho Ka Wai	(appointed on 22 June 2009 and resigned on 27 April 2010)
Mr. Lee Chan Wah	(appointed on 22 June 2009 and resigned on 1 November 2009)
Mr. Lei Hong Wai	(resigned on 24 June 2009)
Mr. Cheung Kwok Wai, Elton	(resigned on 24 June 2009)

Independent non-executive Directors

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

In accordance with article 84(1) of the Company's bye-laws, Mr. Leung Wai Man and Mr. Man Kong Yui would retire from the office by rotation at the annual general meeting. Mr. Man Kong Yui will not offer himself for re-election whereas Mr. Leung Wai Man will offer himself for re-election.

Each of Mr. Au Ho Chuen, Bonny and Mr. Lien Wai Hung was appointed as an executive Directors by the Board on 1 November 2009 and 27 April 2010 respectively. According to article 83(2) of the Company's bye-laws, Mr. Au Ho Chuen, Bonny and Mr. Lien Wai Hung shall hold office until the next following general meeting of the Company and shall then be eligible for re-election. As such, Mr. Au Ho Chuen, Bonny and Mr. Lien Wai Hung would retire and, being eligible, offer themselves for re-election.

Directors' service contracts

Mr. Au Ho Chuen, Bonny has entered into a contract with the Company, subject to termination by either party in writing three months in advance.

Save as disclosed above, none of the directors being 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 within one year without payment of compensation, other than statutory compensation.

Directors' and chief executives' interest and short positions in shares, underlying shares and debentures of the Company and its associated corporations

As at 31 March 2010, the interests and short positions of the directors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM) of the Stock Exchange (the "GEM Listing Rules"), were as follows:–

Long positions in the ordinary shares of HK$0.01 each of the Company

Name of Director	Personal interests	Corporate interest	Number of underlying shares held	Total number of shares and underlying shares held	Percentage of the Company's issued share capital
Mr. Au Ho Chuen, Bonny	1,728,000	–	–	1,728,000	0.02%

Save as disclosed above, at 31 March 2010, none of the directors, or chief executive of the Company or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO); or which were required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules.

Share option schemes

Particulars of the Company's share option schemes are set out in note 41 to the financial statements.

Arrangement to purchase shares or debentures

Other than the share option schemes disclosed above and in note 41 to the financial statements respectively, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interest in contracts

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Competing interests

At 31 March 2010, none of the directors, the substantial shareholders nor their respective associates had an interest in any business which competes or may compete with the business of the Group pursuant to Rule 11.04 of the GEM Listing Rules.

Substantial shareholders

At 31 March 2010, the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain directors, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Long position in ordinary shares of HK$0.01 each of the Company

Name of shareholder	Capacity	Interest in shares	Interest in underlying shares	Total interest in shares	Percentage of the Company's issued share capital
Growth Harvest Limited	Beneficial owner *(Note 1)*	2,180,000,000	5,320,000,000	7,500,000,000	102.39%
Success Portal Limited	Interest of controlled corporation *(Note 1)*	2,180,000,000	5,320,000,000	7,500,000,000	102.39%
Treasure Bonus Limited	Interest of controlled corporation *(Note 1)*	2,180,000,000	5,320,000,000	7,500,000,000	102.39%
Mr. Lum Chor Wah	Interest of controlled corporation *(Note 1)*	2,180,000,000	5,320,000,000	7,500,000,000	102.39%
Ms. Tan Ting Ting	Interest of controlled corporation *(Note 1)*	2,180,000,000	5,320,000,000	7,500,000,000	102.39%

Notes:

(1) Growth Harvest Limited ("Growth Harvest") is deemed to be interested in 5,320,000,000 shares through its interest in the convertible bonds issued by the Company in an aggregate amount of HK$532,000,000. Adding the 2,180,000,000 shares that Growth Harvest is interested in its own capacity, Growth Harvest is deemed to be interested in 7,500,000,000 shares. Each of Success Portal Limited ("Success Portal") and Treasure Bonus Limited ("Treasure Bonus") owns 36% of the issued share capital of Growth Harvest. Success Portal and Treasure Bonus are wholly and beneficially owned by Mr. Lum Chor Wah and Ms Tan Ting Ting respectively. Success Portal, Treasure Bonus, Mr. Lum Chor Wah and Ms. Tan Ting Ting are deemed to be interested in these 7,500,000,000 shares.

Save as disclosed above, at 31 March 2010, the Company has not been notified by any persons (other than the directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which were to be recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Directors' Report

Retirement benefits scheme

Particulars of the retirement benefits scheme of the Group are set out in note 3(t)(i) to the financial statements.

Major customers and suppliers

The percentage of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

Sales	
– the largest customer	68.6%
– five largest customers combined	97.2%
Purchases	
– the largest supplier	84.7%
– five largest supplier combine	100%

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

Audit committee

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

Remuneration committee

A remuneration committee has been established with written terms of reference in accordance with the requirements of the Code of Corporate Governance Practices. The remuneration committee comprises two independent non-executive directors, namely Mr. Leung Wai Man and Mr. Kwok Chuen Hung, Dominic and one executive director, Mr. Au Ho Chuen, Bonny who is the chairman of the remuneration committee. The principal responsibilities of the remuneration committee include recommendation to the Board on the Group's policy and structure for all remuneration of directors and senior management, the determination of specific remuneration packages of all executive directors and senior managements, and review and approve performance-based remuneration.

Nomination Committee

A nomination committee has been established with written terms of reference in accordance with the requirements of the Code of Corporate Governance Practices. The remuneration committee comprises two independent non-executive directors, namely Mr. Leung Wai Man and Mr. Kwok Chuen Hung, Dominic and one executive director, Mr. Au Ho Chuen, Bonny. The roles and functions of the nomination committee include nomination of the potential candidates for directorship, reviewing the nomination of the Directors and making recommendations to the Board for ensuring that all nominations are fair and transparent.

Compliance with Rules 5.48 to 5.67 of the GEM Listing Rules

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less that exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors have complied with such code of conduct and the required standard of dealings regarding directors' securities throughout the year ended 31 March 2010.

Confirmation of independence

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

Change of Company Secretary

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

Mr. Lien Wai Hung	(appointed on 27 April 2010)
Mr. Leung Chiu Hung	(appointed on 20 November 2009 and resigned on 27 April 2010)
Mr. Ho Ka Wai	(appointed on 1 November 2009 and resigned on 20 November 2009)
Mr. Lee Chan Wah	(resigned on 1 November 2009)

Auditors

The consolidated financial statements for the year ended 31 March 2010 have been audited by CCIF CPA Limited who will retire and, being eligible, offer themselves for re-appointment in the forthcoming annual general meeting.

On behalf of the Board

Au Ho Chuen, Bonny
Chairman

Hong Kong, 29 June 2010

Independent Auditor's Report

CCIF
CCIF CPA LIMITED
34/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay Hong Kong

Independent Auditor's Report to the Shareholders of Xing Lin Medical Information Technology Company Limited (formerly known as: Brilliant Arts Multi-Media Holding Limited)

(Incorporated in the Cayman Islands and re-domiciled and continued on 20 April 2009 in Bermuda with limited liability)

We have audited the consolidated financial statements of Xing Lin Medical Information Technology Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 107, which comprise the consolidated and Company statements of financial position as at 31 March 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

Auditor's Responsibility *(Continued)*

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2010 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 29 June 2010

Kwok Cheuk Yuen
Practising Certificate Number P02412

Consolidated Income Statement

For the year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000 (Restated)
Continuing operations			
Turnover	7	**18,963**	1,585
Cost of sales		**(13,439)**	–
Gross profit		**5,524**	1,585
Other revenue	8	**1,632**	1,233
Other operating expenses		**(53,335)**	(11,190)
Fair value gain/(loss) on investment properties	20	**12,680**	(11,200)
Gain on early redemption of convertible loan note		**33,668**	–
Loss on early redemption of convertible bond		**–**	(430)
Change in fair value of embedded derivative in convertible loan note	26	**(35,275)**	–
Loss on early redemption of promissory note		**(6,324)**	–
Loss from operations	10	**(41,430)**	(20,002)
Finance costs	11	**(29,423)**	(133)
Loss before taxation		**(70,853)**	(20,135)
Income tax	14	**(657)**	1,014
Loss for the year from continuing operations		**(71,510)**	(19,121)
Discontinued operations			
Loss for the period/year from discontinued operations	15	**(2,692)**	(1,472)
Loss for the year		**(74,202)**	(20,593)
Loss per share	18		
From continuing and discontinued operations – Basic and diluted		**(HK$0.03)**	(HK$0.53)
From continuing operations – Basic and diluted		**(HK$0.03)**	(HK$0.49)

The notes on pages 35 to 107 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010

	2010 HK$'000	2009 HK$'000
Loss for the year	**(74,202)**	(20,593)
Other comprehensive income for the year, net of tax		
Exchange differences on translation of financial statements of overseas subsidiaries	**3,199**	(1,996)
Total comprehensive income for the year attributable to the owners of the Company	**(71,003)**	(22,589)

The notes on pages 35 to 107 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	*19*	**1,667**	1,047
Investment properties	*20*	**57,254**	40,408
Goodwill	*21*	**1,449**	1,449
Intangible assets	*23*	**1,158,057**	–
Deferred tax assets	*30(b)*	**818**	–
Deposit for investments	*24*	**145,000**	–
		1,364,245	42,904
Current assets			
Films in progress	*25*	**–**	13,218
Trade and other receivables	*27*	**24,068**	408
Bank balances and cash		**328,766**	142,409
		352,834	156,035
Current liabilities			
Trade and other payables	*28*	**14,627**	3,717
Bank loan	*29*	**469**	343
Tax payable	*30(a)*	**1,039**	–
		16,135	4,060
Net current assets		**336,699**	151,975
Total assets less current liabilities		**1,700,944**	194,879
Capital and reserves			
Share capital	*31*	**73,247**	12,569
Reserves	*32*	**1,134,572**	178,107
Total equity		**1,207,819**	190,676
Non-current liabilities			
Promissory note	*33*	**320,440**	–
Convertible bonds	*34*	**167,638**	–
Bank loan	*29*	**1,345**	1,476
Deferred tax liabilities	*30(b)*	**3,702**	2,727
		493,125	4,203
		1,700,944	194,879

Approved and authorised for issue by the board of directors on 29 June 2010

On behalf of the board

Au Ho Chuen, Bonny
Director

Lien Wai Hung
Director

The notes on pages 35 to 107 form part of these financial statements.

Statement of Financial Position

As at 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Interests in subsidiaries	22	**1,207,383**	13,127
Current assets			
Other receivables	27	**205,194**	61,469
Bank balances and cash		**315,915**	120,835
		521,109	182,304
Current liabilities			
Other payables	28	**1,840**	1,649
Net current assets		**519,269**	180,655
Total assets less current liabilities		**1,726,652**	193,782
Capital and reserves			
Share capital	31	**73,247**	12,569
Reserves	32	**1,165,327**	181,213
Total equity		**1,238,574**	193,782
Non-current liabilities			
Promissory note	33	**320,440**	–
Convertible bonds	34	**167,638**	–
		488,078	–
		1,726,652	193,782

Approved and authorised for issue by the board of directors 29 June 2010

On behalf of the board

Au Ho Chuen, Bonny
Director

Lien Wai Hung
Director

The notes on pages 35 to 107 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

	Share capital (Note 31) HK$'000	Share premium (Note 32(i), (iii)) HK$'000	Contributed surplus (Note 32(i), (ii)) HK$'000	Share-based compensation reserve (Note 32(iv)) HK$'000	Convertible bonds reserve (Note 32(v)) HK$'000	Statutory reserves (Note 32(vi)) HK$'000	Translation reserve (Note 32(vii)) HK$'000	Accumulated losses (Note 32(i)) HK$'000	Total HK$'000
At 1 April 2008	125,690	65,568	10	2,671	250	–	(292)	(29,928)	163,969
Comprehensive income for the year	–	–	–	–	–	–	–	(20,593)	(20,593)
Other comprehensive income for the year	–	–	–	–	–	–	(1,996)	–	(1,996)
Total comprehensive income for the year	–	–	–	–	–	–	(1,996)	(20,593)	(22,589)
Capital reduction	(124,433)	–	87,244	–	–	–	–	37,189	–
Issue of shares	11,312	33,936	–	–	–	–	–	–	45,248
Share issue expenses	–	(969)	–	–	–	–	–	–	(969)
Recognition of equity-settled share-based payments	–	–	–	5,017	–	–	–	–	5,017
Redemption of convertible bonds	–	–	–	–	(250)	–	–	250	–
Cancellation of share options	–	–	–	(2,091)	–	–	–	2,091	–
Share options lapsed	–	–	–	(1,397)	–	–	–	1,397	–
At 31 March 2009 and 1 April 2009	12,569	98,535	87,254	4,200	–	–	(2,288)	(9,594)	190,676
Comprehensive income for the year	–	–	–	–	–	–	–	(74,202)	(74,202)
Other comprehensive income for the year	–	–	–	–	–	–	3,199	–	3,199
Total comprehensive income for the year	–	–	–	–	–	–	3,199	(74,202)	(71,003)
Transfer to reserve	–	–	–	–	–	394	–	(394)	–
Capital reduction	(11,538)	(99,136)	110,674	–	–	–	–	–	–
Placing of new shares	50,000	450,000	–	–	–	–	–	–	500,000
Share issue expenses	–	(15,993)	–	–	–	–	–	–	(15,993)
Recognition of equity-settled share-based payments	–	–	–	2,703	–	–	–	–	2,703
Exercise of share options	416	9,801	–	(2,610)	–	–	–	–	7,607
Issue of convertible bonds	–	–	–	–	527,530	–	–	–	527,530
Conversion of shares from convertible bonds	21,800	197,834	–	–	(153,335)	–	–	–	66,299
At 31 March 2010	73,247	641,041	197,928	4,293	374,195	394	911	(84,190)	1,207,819

The notes on pages 35 to 107 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(73,545)**	(21,607)
Adjustments for:		
Interest income	**(15)**	(1,498)
Effective interest income on convertible loan note	**(1,607)**	–
Effective interest expenses on convertible bonds	**11,467**	8
Effective interest expenses on promissory note	**17,860**	–
Change in fair value of embedded derivative in convertible loan note	**35,275**	–
Fair value (gain)/loss on investment properties	**(12,680)**	11,200
Depreciation	**324**	286
Amortisation of film right	**5,986**	–
Amortisation of intangible assets	**36,598**	–
Impairment loss on films in progress	**–**	1,432
Interest expenses	**96**	125
Gain on early redemption of convertible loan note	**(33,668)**	–
Loss on redemption of convertible bonds	**–**	430
Loss on early redemption of promissory note	**6,324**	–
Share-based payments	**2,703**	5,017
Operating cash flows before movements in working capital	**(4,882)**	(4,607)
Increase in films in progress	**(726)**	(2,335)
Increase in trade and other receivables	**(23,678)**	(71)
Increase in trade and other payables	**10,959**	2,601
NET CASH USED IN OPERATING ACTIVITIES	**(18,327)**	(4,412)
INVESTING ACTIVITIES		
Interest received	**15**	1,498
Acquisition of subsidiaries	**(134,015)**	–
Payment for deposit for investments	**(145,000)**	–
Disposal of a subsidiary	**7,665**	–
Purchase of property, plant and equipment	**(2,195)**	–
Payment for subscription of convertible loan note	**(100,000)**	–
Proceeds from early redemption of convertible loan note	**100,000**	–
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	**(273,530)**	1,498

Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	2010 HK$'000	2009 HK$'000
FINANCING ACTIVITIES		
Repayment of bank loan	(523)	(486)
Proceeds from issue of shares	500,000	45,248
Proceeds from issue of shares under share option scheme	7,607	–
Share issue expenses	(15,993)	(969)
Payment for redemption of convertible bonds	–	(1,100)
Payment for redemption for promissory note	(13,000)	–
NET CASH GENERATED FROM FINANCING ACTIVITIES	478,091	42,693
NET INCREASE IN CASH AND CASH EQUIVALENTS	186,234	39,779
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	142,409	101,760
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	123	870
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	328,766	142,409
CASH AND CASH EQUIVALENTS ANALYSIS		
Bank balances and cash	328,766	142,409

The notes on pages 35 to 107 form part of these financial statements.

1. General

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

The principal activities of the Group are the provision of film production services and film distribution, properties investment and provision of medical information digitalisation system ("MIDS"). During the year, the Group discontinued the business of provision of film production services and film distribution, details of which are set out in note 15.

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

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

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Company and its subsidiaries (collectively referred to as the "Group"). Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 8, Operating segments
- HKAS* 1 (revised), Presentation of financial statements
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27, Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate
- Amendments to HKFRS 2, Share-based payment – vesting conditions and cancellations
- Amendments to HKFRS 7, Financial instruments: Disclosures – improving disclosures about financial instruments
- HKAS 23 (revised 2007), Borrowing costs
- HKAS 32 & 1, Amendments to Puttable Financial Instruments and Obligations Arising on Liquidation
- HK(IFRIC**) – Int 9 & HKAS 39, Embedded Derivatives
- HK(IFRIC) – Int 13, Customer Loyalty Programmes
- HK(IFRIC) – Int 15, Agreements for the construction of real estate
- HK(IFRIC) – Int 16, Hedges of a net investment in a foreign operation
- HK(IFRIC) – Int 18, Transfers of Assets from Customers

* HKAS represents Hong Kong Accounting Standards.

** IFRIC represents the International Financial Reporting Interpretations Committee.

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

Except for HKFRS 8 and HKAS 1 (revised), the above amendments to HKFRSs and new Interpretations have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group and the Company. In addition, the amendments to HKFRS 7 do not contain any additional disclosure requirements specifically applicable to the financial statements. The impact of the remainder of these developments on the financial statements is as follows:

(a) HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance. The chief operating decision maker of the Group has been identified as the Chief Executive Officer.

(b) HKAS 1 (revised) affects certain disclosures of the financial statements. Under the revised standard, the Income Statement is renamed as the "Statement of Comprehensive Income", 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 (i.e. the non-owner movements of equity) are presented under the "Income Statement" and "Statement of Comprehensive Income", and the total carried to the "Statement of Changes in Equity", while the owner changes in equity are presented in the "Statement of Changes in Equity".

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in the income statement, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has chosen to present two statements.

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

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 24 (Revised)	Related party disclosures[3]
HKAS 27 (Revised 2008)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of rights issues[4]

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

HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[5]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions[5]
HKFRS 3 (Revised 2008)	Business combinations[1]
HKFRS 9	Financial instruments[6]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a minimum funding requirement[3]
HK(IFRIC)-Int 17	Distributions of non-cash assets to owners[1]
HK(IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments[7]

1 Effective for annual periods beginning on or after 1 July 2009
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 January 2010
6 Effective for annual periods beginning on or after 1 January 2013
7 Effective for annual periods beginning on or after 1 July 2010

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, other new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. Significant Accounting Policies

(a) Statement of compliance

These financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements are prepared under the historical cost convention except as otherwise set out in the accounting policies below.

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

3. Significant Accounting Policies *(Continued)*

(a) Statement of compliance *(Continued)*

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

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

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

(b) Basis of consolidation

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

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

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

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

(c) Business combination

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

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

3. Significant Accounting Policies *(Continued)*

(d) Goodwill

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

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated statement of financial position.

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

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

(e) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated in the statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 3 (p)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

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

Master services agreement	15 years

Both the period and method of amortisation are reviewed annually.

(f) Interests in subsidiaries

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

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

(g) Property, plant and equipment

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

3. Significant Accounting Policies *(Continued)*

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

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

Leasehold improvements	20%
Showroom equipment	33%
Office equipment	20%
Furniture and fixtures	20%-33%
Motor vehicles	20%

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

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

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

(h) Investment properties

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

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

3. Significant Accounting Policies *(Continued)*

(i) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Assets acquired under finance leases

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

(iii) Operating lease charges

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

(j) Trade and other receivables

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

3. Significant Accounting Policies *(Continued)*

(k) Interest-bearing borrowings

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

(l) Trade and other payables

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

(m) Cash and cash equivalents

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

(n) Film right

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

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

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

3. Significant Accounting Policies *(Continued)*

(o) Films in progress

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

(p) Impairment of assets

(i) Impairment of other receivables

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

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

– significant financial difficulty of the debtor;

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

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

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

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

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

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

3. Significant Accounting Policies *(Continued)*

(p) Impairment of assets *(Continued)*

(i) Impairment of other receivables (Continued)

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

(ii) Impairment of other assets

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

– property, plant and equipment;

– intangible assets;

– films in progress;

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

– goodwill.

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

Calculation of recoverable amount

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

3. Significant Accounting Policies *(Continued)*

(p) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

Recognition of impairment losses

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

Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

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

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

3. Significant Accounting Policies *(Continued)*

(q) Convertible loan note

Convertible loan note acquired by the Group that contains loan, conversion option and issuer redemption option components (which are not closely related to the host loan component) are classified separately into respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the issuer's equity instruments is a conversion option derivative. At the date of acquisition, the loan, conversion option and issuer redemption option components are recognised at fair value.

In subsequent periods, the loan component of the convertible bonds is carried at amortised cost using the effective interest method. The conversion option and issuer redemption option components are measured at fair value with changes in fair value recognised in income statement.

Transaction costs that relate to the acquisition of the convertible loan note are allocated to the loan, conversion option and redemption option components in proportion to their relative fair values. Transaction costs relating to the conversion option and issuer redemption option components are charged to profit or loss immediately. Transaction costs relating to the loan component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan note using the effective interest method.

(r) Convertible bonds

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

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

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

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

3. Significant Accounting Policies *(Continued)*

(r) Convertible bonds *(Continued)*

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

(s) Revenue recognition

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

(i) Film production income

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

(ii) Film distribution income

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

(iii) Rental income from operating leases

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

(iv) Provision of radio frequency identification application ("RFID") system and hospital information ("HIS") system

Revenue from provision of RFID system and HIS system is recognised on the transfer of risks and rewards of ownership which generally coincide when the time where the systems are delivered, installed and title has passed.

(v) Interest income

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

3. Significant Accounting Policies *(Continued)*

(t) Employee benefits

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

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

(ii) Share-based payments

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

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

(iii) Termination benefits

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

(u) Income tax

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

3. Significant Accounting Policies *(Continued)*

(u) Income tax *(Continued)*

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

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

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

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

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

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

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

3. Significant Accounting Policies *(Continued)*

(u) Income tax *(Continued)*

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

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

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

  – the same taxable entity; or

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

(v) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

3. Significant Accounting Policies *(Continued)*

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

(i) Financial guarantees issued (Continued)

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

(ii) Contingent liabilities acquired in business combinations

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

(iii) Other provisions and contingent liabilities

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

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

3. Significant Accounting Policies *(Continued)*

(w) Foreign currencies

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

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

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

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

(x) Borrowing costs

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

3. Significant Accounting Policies *(Continued)*

(x) Borrowing costs *(Continued)*

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

(y) Related parties

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

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

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

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

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

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

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

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

(z) Segment reporting

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

3. Significant Accounting Policies *(Continued)*

(z) Segment reporting *(Continued)*

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(aa) Discontinued operations

A discontinued operation is a clearly distinguishable component of the Group's business that has been disposed of or is classified as held for sale, which represents a separate major line of business or geographical area of operations of the Group.

4. Capital Management

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

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

4. Capital Management *(Continued)*

The debt-to-assets ratio at 31 March 2010 and 2009 was as follows:

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current liabilities				
Trade and other payables	**14,627**	3,717	**1,840**	1,649
Bank loan	**469**	343	**–**	–
	15,096	4,060	**1,840**	1,649
Non-current liabilities				
Promissory note	**320,440**	–	**320,440**	–
Convertible bonds	**167,638**	–	**167,638**	–
Bank loan	**1,345**	1,476	**–**	–
	489,423	1,476	**488,078**	–
Total debt	**504,519**	5,536	**489,918**	1,649
Non-current assets				
Property, plant and equipment	**1,667**	1,047	**–**	–
Investment properties	**57,254**	40,408	**–**	–
Interests in subsidiaries	**–**	–	**1,207,383**	13,127
Goodwill	**1,449**	1,449	**–**	–
Intangible assets	**1,158,057**	–	**–**	–
Deposit for investments	**145,000**	–	**–**	–
	1,363,427	42,904	**1,207,383**	13,127
Current assets				
Films in progress	**–**	13,218	**–**	–
Trade and other receivables	**24,068**	408	**205,194**	61,469
Bank balances and cash	**328,766**	142,409	**315,915**	120,835
	352,834	156,035	**521,109**	182,304
Total assets	**1,716,261**	198,939	**1,728,492**	195,431
Debt-to-assets ratio	**29.40%**	2.78%	**28.34%**	0.84%

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

5. Financial Instruments

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

(a) Fair values

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 31 March 2010 and 2009, the Group's financial instruments presented on the statement of financial position are not measured at fair value.

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

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables arising from properties investment segment and film distribution segment are due within 90 days from the date of billing. For the MIDS segment, the Group allows the customer to settle the trade receivables by instalments with credit terms ranging from 5 to 360 days. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

5. Financial Instruments *(Continued)*

(b) Credit risk *(Continued)*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry and country in which customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the reporting date, the Group has certain concentration of credit risk as 99.00% (2009: 55.17%) and 100% (2009: 100%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

In respect of bank balances, the Group has diversified its exposure into different financial institutions. Substantially all of the Group's bank balances are held in major financial institutions located in Hong Kong and the PRC, which management believes are of high credit ratings and expose no high credit risk in this aspect.

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 27.

(c) Interest rate risk

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

5. Financial Instruments *(Continued)*

(c) Interest rate risk *(Continued)*

(i) Interest rate profile

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

	The Group				The Company			
	2010		2009		**2010**		2009	
	Effective interest rate %	**HK$'000**	Effective interest rate %	HK$'000	**Effective interest rate %**	**HK$'000**	Effective interest rate %	HK$'000
Fixed rate:								
Bank deposits	**–**	**–**	2.15	72,677	**–**	**–**	2.15	72,677
Convertible bonds	**12.92**	**167,638**	–	–	**12.92**	**167,638**	–	–
Promissory note	**12.14**	**320,440**	–	–	**12.14**	**320,440**	–	–
Total borrowings		**488,078**		–		**488,078**		–
Variable rate:								
Bank loan	**5.47**	**1,814**	5.78	1,819	**–**	**–**	–	–
Bank balances	**Nil-0.36**	**328,731**	Nil-1.45	69,732	**Nil-0.02**	**315,911**	Nil-1.60	48,158

(ii) Sensitivity analysis

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

At 31 March 2010, it is estimated that a general increase/decrease of 100 basis points in interest rates for variable-rate bank balances and bank loan, with all other variables held constant, would decrease/increase the Group's loss after taxation and accumulated losses by approximately HK$2,724,000 (2009: HK$571,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for 2009.

5. Financial Instruments *(Continued)*

(d) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group monitors and maintains a level of cash and cash equivalents considered adequate by the directors to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group held cash and cash equivalents amounting to approximately HK$328,766,000 at 31 March 2010 (2009: HK$142,409,000).

The following table details the Group's remaining contractual maturity at the reporting date of the Group's and the Company's financial liabilities based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date on which the Group and the Company required to pay. The analysis is performed on the same basis for 2009.

The Group

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total un-discounted cash flow	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2010							
Trade and other payables	–	13,582	–	–	–	13,582	13,582
Bank loan	5.47	532	532	886	–	1,950	1,814
Promissory note	12.14	–	–	–	602,000	602,000	320,440
Convertible bonds	12.92	–	–	–	532,000	532,000	167,638
		14,114	532	886	1,134,000	1,149,532	503,474
2009							
Other payables	–	3,441	–	–	–	3,441	3,441
Bank loan	5.78	438	438	1,205	–	2,081	1,819
		3,879	438	1,205	–	5,522	5,260

5. Financial Instruments *(Continued)*

(d) Liquidity risk *(Continued)*

The Company

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total un-discounted cash flow	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2010							
Other payables	–	1,840	–	–	–	1,840	1,840
Promissory note	12.14	–	–	–	602,000	602,000	320,440
Convertible bonds	12.92	–	–	–	532,000	532,000	167,638
		1,840	–	–	1,134,000	1,135,840	489,918
2009							
Other payables	–	1,649	–	–	–	1,649	1,649

(e) Currency risk

The Group's undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

The Group currently does not have a foreign currency hedging policy but the directors monitor its foreign exchange exposures and will consider hedging significant foreign currency exposures should the need arises.

(i) Exposure to currency risk

The following table details the Group's and the Company's exposure at the reporting date to currency risk arising from recognised assets or liabilities denominated in US dollars ("USD"). For presentation purposes, the amounts of the exposure are shown in HK$, translated using the spot rate at the end of the reporting period.

5. Financial Instruments *(Continued)*

(e) Currency risk *(Continued)*

(i) Exposure to currency risk (Continued)

	Exposure to foreign currencies (expressed in HK$)			
	The Group		The Company	
	2010	2009	**2010**	2009
	USD	USD	**USD**	USD
Bank balances	**9,653,000**	55,580,000	**–**	55,580,000

(ii) Sensitivity analysis

The following table details the Group's sensitivity to a reasonably possible change of 5% in the exchange rate of HK$ against USD while all other variables are held constant. 5% is the sensitivity rate used when reporting foreign currency risk internally adopted by key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusted at each reporting date for a 5% change in foreign currency rates.

A positive number below indicates an decrease in loss for the year where HK$ weakens by 5% against USD. For a 5% strengthening of HK$ against USD, there would be an equal and opposite impact on the loss. The analysis is performed on the same basis for 2009.

	2010	2009
	HK$'000	HK$'000
Loss for the year	**362**	2,320

The Group's equity would not be affected (2009: nil) by changes in foreign exchange rates.

6. Critical Accounting Estimates and Judgements

(a) Key sources of estimation uncertainty

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

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 3(d). The recoverable amounts of each identified cash-generating units have been determined based on value-in-use calculation. These calculations require the use of estimates (Note 21).

For the year ended 31 March 2010, the Group had not reported impairment losses (2009: HK$Nil) for impairment loss on goodwill based on such calculations.

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

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

(ii) Useful lives of property, plant and equipment

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

(iii) Useful lives of intangible assets

The Group determines the estimated useful lives and related amortisation charges for its intangible assets. Intangible assets with finite lives are amortised over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date.

(iv) Impairment of property, plant and equipment

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

(v) Impairment of intangible assets

The policy for impairment of intangible assets of the Group is based on an evaluation of their recoverable amount with reference to expected future cash flows based on management's estimation. A considerable amount of judgement is required in estimating the expected future cash flows from the Group's MIDS segment acquired. If the recoverable amounts are less than the carrying amounts of the intangible assets, impairment may be required.

(vi) Impairment of receivables

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

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

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

(vii) Impairment of films in progress

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

(viii) Valuation of investment properties

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

(ix) Income tax

Certain treatments adopted by the Company in its tax returns in the past years are yet to be finalised with the Hong Kong Inland Revenue Department and other jurisdiction. In assessing the Company's income tax and deferred taxation in the 2010 accounts, the Company has followed the tax treatments it has adopted in those tax returns, which may be different from the final outcome in due course.

(x) Recoverability of deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the recognised temporary differences (including tax losses) can be utilised. The assessment on the probability of whether the recognised deferred tax assets can be fully recovered involves the uses of judgement and estimates. As at 31 March 2010, the Group has recognised deferred tax assets of HK$818,000. The management considers that the Group is capable to generate sufficient taxable profit from its future business operations for utilising the recognised temporary differences.

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

Provisions and contingent liabilities

The Group recognised provisions for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as contingent liability. As at 31 March 2010, the Group considered that it had no disclosable contingent liabilities as there were neither pending litigations nor events with potential obligation which were probable to result in material outflow of economic benefits to the Group.

7. Turnover

Turnover represents the net amounts received and receivables for goods sold and rendering of services by the Group. An analysis of the Group's revenue, for the year for both continuing and discontinued operations, is as follows:

	2010 HK$'000	2009 HK$'000
Continuing operations		
Gross rentals from investment properties	1,594	1,585
Provision of RFID system	3,003	–
Provision of HIS system	14,366	–
	18,963	1,585
Discontinued operations		
Film distribution	6,354	–
Total	25,317	1,585

8. Other Revenue

	2010 HK$'000	2009 HK$'000
Continuing operations		
Effective interest income on convertible loan note	1,607	–
Bank interest income	15	1,233
Interest income on financial assets not at fair value through profit or loss	1,622	1,233
Others	10	–
	1,632	1,233
Discontinued operations		
Bank interest income	–	265
Interest income on financial assets not at fair value through profit or loss	–	265
Total	1,632	1,498

9. Segment Information

The Group manages its businesses by business line. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

Film distribution segment

– distribution of films through the distributors to various licensees. Currently, the Group's film distribution portfolio is located entirely in Hong Kong.

Properties investments segment

– leasing of properties to generate rental income. Currently, the Group's properties investments portfolio is located in Canada and Hong Kong.

MIDS segment

– provision of RFID system and HIS system, currently the Group's MIDS portfolio is entirely located in the PRC.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all current and non-current assets with the exception of deposit for investments and other corporate assets. Segment liabilities include all current and non-current liabilities with the exception of promissory note, convertible bonds and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation and amortisation of assets attributable to those segments.

The measure used for reporting segment result is "loss before taxation" generated by the respective operating segment. To arrive at "loss before taxation", the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as gain on early redemption of convertible loan note, loss on early redemption of convertible bond, loss on early redemption of promissory note, change in fair value of embedded derivative in convertible loan note, effective interest expenses on convertible bonds and promissory note and other corporate income and expenses.

9. Segment Information *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

(i) Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purpose of resource allocation and assessment of segment performance is set out below:

For the year ended 31 March 2010

	Continuing operations			Discontinued operations	
	Property investments business HK$'000	MIDS business HK$'000	Sub-total HK$'000	Film distribution business HK$'000	Total HK$'000
Reportable segment revenue from external customers	1,594	17,369	18,963	6,354	25,317
Reportable segment profit/(loss)	10,644	(35,577)	(24,933)	(2,692)	(27,625)
Interest expense	(96)	–	(96)	–	(96)
Depreciation of property, plant and equipment	(289)	(14)	(303)	(21)	(324)
Amortisation of intangible assets	–	(36,598)	(36,598)	–	(36,598)
Amortisation of film right	–	–	–	(5,986)	(5,986)
Fair value gain on investment properties	12,680	–	12,680	–	12,680
Reportable segment assets	60,044	1,193,996	1,254,040	–	1,254,040
Additions to property, plant and equipment	26	881	907	1,288	2,195
Reportable segment liabilities	6,144	13,143	19,287	–	19,287

9. Segment Information *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

(i) *(Continued)*

For the year ended 31 March 2009

	Continuing operations			Discontinued operations	
	Property investments business HK$'000	MIDS business HK$'000	Total HK$'000	Film distribution business HK$'000	Total HK$'000
Reportable segment revenue from external customers	1,585	–	1,585	–	1,585
Reportable segment loss	(11,539)	–	(11,539)	(1,472)	(13,011)
Interest income	–	–	–	(265)	(265)
Interest expense	(125)	–	(125)	–	(125)
Depreciation of property, plant and equipment	(286)	–	(286)	–	(286)
Impairment loss on films in progress	–	–	–	(1,432)	(1,432)
Fair value loss on investment properties	(11,200)	–	(11,200)	–	(11,200)
Reportable segment assets	43,580	–	43,580	34,329	77,909
Reportable segment liabilities	4,982	–	4,982	1,632	6,614

9. Segment Information *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

(ii) Reconciliations of reportable segment results, assets and liabilities

	2010 HK$'000	2009 HK$'000
Profit or loss		
Reportable segment loss	**(27,625)**	(13,011)
Gain on early redemption of convertible loan note	**33,668**	–
Loss on early redemption of convertible bond	**–**	(430)
Change in fair value of embedded derivative in convertible loan note	**(35,275)**	–
Loss on early redemption of promissory note	**(6,324)**	–
Effective interest expenses on convertible bonds	**(11,467)**	(8)
Effective interest expenses on promissory note	**(17,860)**	–
Other corporate income and expenses	**(8,662)**	(8,158)
Consolidated loss before taxation	**(73,545)**	(21,607)

	2010 HK$'000	2009 HK$'000
Assets		
Total segment assets	**1,254,040**	77,909
Deposit for investments	**145,000**	–
Unallocated corporate assets	**318,039**	121,030
Consolidated assets	**1,717,079**	198,939

	2010 HK$'000	2009 HK$'000
Liabilities		
Total segment liabilities	**19,287**	6,614
Convertible bonds	**167,638**	–
Promissory note	**320,440**	–
Unallocated corporate liabilities	**1,895**	1,649
Consolidated liabilities	**509,260**	8,263

9. Segment Information *(Continued)*

(b) Information about geographical areas

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, investment properties, goodwill, deferred tax asset and intangible assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of investment properties and property, plant and equipment, and the location of the operation to which they are allocated, in the case of goodwill, deferred tax asset and intangible assets.

	Revenues from external customers		Specified non-current assets	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**6,354**	–	**35,186**	24,147
PRC	**17,369**	–	**1,159,756**	–
Canada	**1,594**	1,585	**24,303**	18,757
	25,317	1,585	**1,219,245**	42,904

(c) Information about major customers

For the year ended 31 March 2010, revenue from two clients of the Group amounting to HK$17,369,000 and HK$6,354,000 reported in MIDS segment and film distribution segment respectively had individually accounted for over 10% of the Group's total revenue. For the year ended 31 March 2009, revenue from two clients of the Group amounting to HK$494,000 and HK$310,000 reported in property investments segment had individually accounted for over 10% of the Group's total revenue.

10. Loss from Operations

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

	2010 HK$'000	2009 HK$'000
Continuing operations		
Auditor's remuneration	540	260
Amortisation of intangible assets	36,598	–
Cost of sales	13,439	–
Depreciation of property, plant and equipment	303	286
Net foreign exchange loss	402	976
Rental income less direct outgoings of HK$1,050,000 (2009: HK$675,000)	(544)	(910)
Operating lease payment in respect of rental premises	102	–
Staff costs (include directors' remuneration *(Note 12)*)		
Salaries and allowances	4,212	1,789
Share-based payment expenses	2,703	5,017
Contribution to retirement benefits scheme	97	13
Total staff costs	7,012	6,819
Discontinued operations		
Amortisation of film right	5,986	–
Impairment loss on films in progress	–	1,432
Distribution cost	2,801	–
Depreciation of property, plant and equipment	21	–
Staff costs (include director's remuneration *(Note 12)*)		
Salaries and allowances	177	216
Contribution to retirement benefits scheme	7	–
Total staff costs	184	216

11. Finance Costs

	2010 HK$'000	2009 HK$'000
Continuing operations		
Interests on bank loans wholly repayable within five years	**96**	125
Effective interest expenses on convertible bonds wholly repayable over five years *(Note 34)*	**11,467**	8
Effective interest expenses on promissory note wholly repayable over five years *(Note 33)*	**17,860**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**29,423**	133

12. Directors' Remuneration

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

For the year ended 31 March 2010

	Directors' fee HK$'000	Salaries and other allowances HK$'000	Share-based payments HK$'000	Retirement scheme contribution HK$'000	Total HK$'000
Executive directors					
Mr. Lei Hong Wai *(Note (a))*	–	28	74	1	103
Mr. Cheung Kwok Wai, Elton *(Note (b))*	–	28	73	2	103
Mr. Ho Ka Wai *(Note (c))*	–	1,130	–	10	1,140
Mr. Au Ho Chuen, Bonny *(Note (d))*	–	404	268	6	678
Mr. Lee Chan Wah *(Note (e))*	–	131	–	2	133
Independent non-executive directors					
Mr. Leung Wai Man *(Note (f))*	120	–	–	–	120
Mr. Man Kong Yui *(Note (g))*	120	–	–	–	120
Mr. Kwok Chuen Hung, Dominic *(Note (h))*	120	–	–	–	120
	360	1,721	415	21	2,517

12. Directors' Remuneration *(Continued)*

For the year ended 31 March 2009

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

Notes:

(a) Mr. Lei Hong Wai was appointed on 9 October 2007 and resigned on 24 June 2009

(b) Mr. Cheung Kwok Wai, Elton was appointed on 27 August 2008 and resigned on 24 June 2009

(c) Mr. Ho Ka Wai was appointed on 24 June 2009 and resigned 27 April 2010

(d) Mr. Au Ho Chuen, Bonny was appointed on 1 November 2009

(e) Mr. Lee Chan Wah was appointed on 22 June 2009 and resigned on 1 November 2009

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

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

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

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

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

12. Directors' Remuneration *(Continued)*

The share-based payment represents the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 3 (t)(ii).

At 31 March 2010 and 2009, the directors held share options under the Company's share option scheme. Details of the share options are disclosed under the paragraph "Share option schemes" in the report of the directors and note 41.

During the years ended 31 March 2010 and 2009, no emoluments or incentive payments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

13. Individuals with Highest Emoluments

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

	2010	2009
Number of directors	**3**	1
Number of other individuals	**2**	4
	5	5

The emoluments of the directors of the Company are disclosed in note 12. Details of the emoluments of the remaining individuals are as follows:

	2010	2009
	HK$'000	HK$'000
Salaries and other allowances	**269**	1,025
Retirement scheme contribution	**8**	24
Share-based payment expense	**877**	1,456
	1,154	2,505

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

	Number of individuals	
	2010	2009
Emoluments band		
Nil – HK$1,000,000	**3**	4

14. Income Tax in the Consolidated Income Statement

	2010 HK$'000	2009 HK$'000
Continuing operations		
Current tax charge for the year		
Hong Kong, profits tax	**49**	–
PRC, corporate income tax	**981**	–
	1,030	–
Continuing operations		
Deferred taxation *(Note 30(b))*		
Origination of temporary differences	**(307)**	(1,823)
Attributable to a change in other jurisdiction tax rate	**(66)**	809
	(373)	(1,014)
	657	(1,014)

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the year (2009: No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group has no assessable profits in Hong Kong for the year). Ti-Hua Digital Technology (Tianjin) Company Limited ("Ti-Hua Digital") is subject to PRC Enterprise Income Tax at 25% Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

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

	2010 HK$'000	2009 HK$'000
Loss before taxation		
– Continuing operations	**(70,853)**	(20,135)
– Discontinued operations	**(2,692)**	(1,472)
	(73,545)	(21,607)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**(11,705)**	(3,390)
Tax effect of unrecognised tax losses	**1,551**	1,380
Tax effect of non-taxable incomes	**(7,733)**	(246)
Tax effect of non-deductible expenses	**12,361**	685
Tax effect of unrecognised temporary difference	**6,249**	(252)
(Decrease)/increase in opening deferred tax liabilities resulting from a change in tax rate	**(66)**	809
Actual tax expenses/(credit)	**657**	(1,014)

15. Discontinued operations

On 8 October 2009, the Group disposed of its entire interests in Creative Formula Limited ("CFL") for a total consideration of approximately HK$8.2 million. CFL carried out all the Group's business in film production and film distribution. The transaction was completed on 8 October 2009. The comparative figures for the year ended 31 March 2009 have been restated to present the business as discontinued operations in accordance with HKFRS 5.

The results of the businesses of film production and film distribution for the period from 1 April 2008 to the date of disposal, which have been included in the consolidated income statement, were as follows:

	2010	2009
	HK$'000	HK$'000
Turnover	**6,354**	–
Cost of sales	**(8,787)**	–
Gross loss	**(2,433)**	–
Other revenue	**–**	265
Other operating expense	**(259)**	(1,737)
Loss before taxation	**(2,692)**	(1,472)
Income tax	**–**	–
Loss for the period/year	**(2,692)**	(1,472)

The cash flows of the discontinued operations contributed to the Group were as follows:

	2010	2009
	HK$'000	HK$'000
Net cash generated from/(used in) operating activities	**2,545**	(742)
Net cash generated from investing activities	**6,377**	–
	8,922	(742)

The carrying amounts of the assets and liabilities of the CFL at the date of disposal are disclosed in note 36.

16. Loss Attributable to the Owners of the Company

The consolidated loss attributable to the owners of the Company includes a loss of approximately HK$43,354,000 (2009: HK$12,582,000) which has been dealt with in the financial statements of the Company.

17. Dividend

No dividend for the year ended 31 March 2010 has been proposed by the directors (2009: HK$Nil).

18. Loss per Share

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2010 HK$'000	2009 HK$'000 (Restated)
Loss from continuing operations attributable to the owners of the Company	**(71,510)**	(19,121)
Loss from discontinued operations attributable to the owners of the Company	**(2,692)**	(1,472)
	(74,202)	(20,593)

	Number of ordinary shares	
	2010 '000	2009 '000
Weighted average number of ordinary shares (basic)		
Issued ordinary shares at 1 April	**1,256,897**	1,256,897
Effect of share options exercised	**30,608**	–
Effect of conversion into shares from convertible bonds	**632,877**	–
Effect of placing of new shares	**1,712,329**	–
Effect of consolidation of shares	**(1,152,964)**	(1,482,982)
Effect of open offer of shares	**–**	265,171
Weighted average number of ordinary shares for basic loss per share at 31 March	**2,479,747**	39,086
Basic loss per share:		
– from continuing operations	**(HK$0.03)**	(HK$0.49)
– from discontinued operations	**–**	(HK$0.04)
	(HK$0.03)	(HK$0.53)
Diluted loss per share:		
– from continuing operations	**(HK$0.03)**	(HK$0.49)
– from discontinued operations	**–**	(HK$0.04)
	(HK$0.03)	(HK$0.53)

The weighted average number of ordinary shares of basic and diluted loss per share for the year ended of 31 March 2009 has been accounted for the share consolidation during the year.

18. Loss per Share *(Continued)*

Diluted loss per share equals to basic loss per share for the year ended 31 March 2009 and 2010 as (i) the exercise price of the Company's outstanding share options was higher than the average market price of shares for the year ended 31 March 2009 and 2010 and therefore it is anticipated that no share option to subscribe for the Company's shares will be exercised; and (ii) the convertible bonds outstanding had no dilutive effect on the basic loss per share for the year ended 31 March 2010.

19. Property, Plant and Equipment

The Group

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Showroom equipment HK$'000	Office equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
Cost						
At 1 April 2008 and 31 March 2009	1,037	273	–	118	–	1,428
At 1 April 2009	1,037	273	–	118	–	1,428
Acquisition of subsidiaries	–	12	–	–	–	12
Additions	–	153	728	26	1,288	2,195
Disposal of a subsidiary	–	–	–	–	(1,288)	(1,288)
Exchange adjustments	–	1	3	–	–	4
At 31 March 2010	1,037	439	731	144	–	2,351
Accumulated depreciation						
At 1 April 2008	68	18	–	9	–	95
Charge for the year	207	55	–	24	–	286
At 31 March 2009	275	73	–	33	–	381
At 1 April 2009	275	73	–	33	–	381
Charge for the year	207	69	–	27	21	324
Written back on disposal of a subsidiary	–	–	–	–	(21)	(21)
At 31 March 2010	482	142	–	60	–	684
Carrying amount						
At 31 March 2010	555	297	731	84	–	1,667
At 31 March 2009	762	200	–	85	–	1,047

20. Investment Properties

The Group

	2010 HK$'000	2009 HK$'000
Fair Value		
At 1 April	**40,408**	55,506
Net increase/(decrease) in fair value recognised in the consolidated income statement	**12,680**	(11,200)
Exchange adjustments	**4,166**	(3,898)
At 31 March	**57,254**	40,408

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

	2010 HK$'000	2009 HK$'000
In Hong Kong		
Long-term lease	**34,400**	23,100
Outside Hong Kong		
Freehold	**22,854**	17,308
	57,254	40,408

(b) All investment properties of the Group carried at fair value were revalued as at 31 March 2010 on an open market value basis calculated by reference to recent market transactions in comparable properties. The valuations were carried out by an independent firm of surveyors, Grant Sherman Appraisal Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

(c) At 31 March 2010, investment property of the Group with a fair value of approximately HK$22,854,000 (2009: HK$17,308,000) was pledged to secure banking facilities granted to the Group.

21. Goodwill

The Group

	2010	2009
	HK$'000	HK$'000
Cost		
At 1 April and 31 March	**1,449**	1,449
Impairment		
At 1 April and 31 March	**–**	–
Carrying amount		
At 31 March	**1,449**	1,449

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

	The Group	
	2010	2009
	HK$'000	HK$'000
Properties investments	**1,449**	1,449

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

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

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

21. Goodwill *(Continued)*

At 31 March 2010, the Group has prepared cash flow forecast derived from Grandeur Group approved budget for 5 years. The rate used to discount the forecasted cash flows is 6% (2009: 6%) per annum.

As Grandeur Group's principal operation is rental of properties which is regulated in nature, the Group considers that cash flow projection for 5 years and 3.48% (2009: 2.13%) growth rates are appropriate for the impairment test review.

The results of the review undertaken as at 31 March 2010 and 31 March 2009 indicated that no impairment charge was necessary for the year.

22. Interests in Subsidiaries

	The Company	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**1,207,383**	13,127
Amount due from subsidiaries *(Note 22(a))*	**203,071**	92,852
Less: Impairment loss *(Note 22(b))*	**–**	(31,577)
Amount due from subsidiaries, net of impairment loss *(Note 27)*	**203,071**	61,275
	1,410,454	74,402

Notes:

(a) At 31 March 2010 and 2009, the amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

(b) The directors of the Company performed impairment tests on the carrying amounts of its investments and advances to subsidiaries in accordance with the accounting policy as stated in note 3(p). As at 31 March 2010 and 2009, aggregate impairment losses on amounts due from subsidiaries of approximately HK$Nil and HK$31,577,000 were recognised in the Company's financial statements respectively. The impairment losses associated with the unallocated corporate unit, properties investment unit and film distribution unit were approximately HK$Nil (2009: HK$27,312,000), HK$Nil (2009: HK$2,833,000) and HK$Nil (2009: HK$1,432,000) respectively. For the year end 31 March 2009, the Company's directors consider that the impairment losses arose in light of the recurring operating losses of certain subsidiaries due to less optimistic estimated future expected operating results.

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

22. Interests in Subsidiaries *(Continued)*

Notes: (Continued)

(iii) Details of the subsidiaries of the Company at 31 March 2010 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Interest held	Principal activities
Direct subsidiaries:				
CFL*	Hong Kong/Hong Kong	HK$1	100%	Provision of film production and film distribution
Classic Grace Enterprises Limited	British Virgin Islands/ Hong Kong	US$1	100%	Investment holding
Grandeur Concord Limited	British Virgin Islands/ Hong Kong	US$1	100%	Investment holding
Sunny Chance Limited**	British Virgin Islands/ Hong Kong	US$100	100%	Investment holding
Innovate International Group Limited ("IIGL")***	Hong Kong/Hong Kong	US$1	100%	Investment holding
Indirect subsidiaries:				
Grand Billion Investments Limited	Hong Kong/Hong Kong	HK$1	100%	Properties investment
Vincent Investment Limited	Canada/Canada	CAD360	100%	Properties investment
Gold Asia Technology Limited**	Hong Kong/Hong Kong	HK$6,000,000	100%	Investment holding
Ti-Hua Digital**	PRC wholly foreign owned enterprise/PRC	US$1,988,000	100%	Provision of RFID System and HIS System

* The subsidiary was disposed of on 8 October 2009

** The subsidiaries were acquired on 6 October 2009

*** The subsidiary was newly set up during the year

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the years ended 31 March 2010 and 2009.

23. Intangible Assets

	Master Services Agreement HK$'000
Cost	
At April 2008, 31 March 2009 and 1 April 2009	–
Acquired through acquisition of subsidiaries *(Note 35)*	1,194,655
At 31 March 2010	1,194,655
Amortisation	
At 1 April 2008, 31 March 2009 and 1 April 2009	–
Charge for the year	36,598
At 31 March 2010	36,598
Carrying amount	
At 31 March 2010	1,158,057
At 31 March 2009	–

The master services agreement was purchased through subsidiaries during the year. Details of the acquisition are disclosed in note 35.

The above intangible assets have definite useful lives. Such intangible assets are amortised on a straight-line basis over 15 years.

The recoverable amount of the master services agreement was assessed by the directors of the Company with reference to the valuation carried out by an independent firm of surveyors, Grant Sherman Appraisal Limited as at the reporting date. The valuation was appraised on the value-in-use basis. The key assumptions for the value-in-use calculation are those regarding the discount rate and budgeted gross margin and turnover during the period. The Group estimates discount rate using the rate that reflects current market assessments of the time value of money and the risks specific to the MIDS segment. Budgeted gross margin and turnover are based on past practices and expectations in the MIDS industry.

At 31 March 2010, the Group has prepared 15-years profit forecast derived from the most recent financial budget of the MIDS business approved by the directors using a discount rate of 26.14% per annum. The Group considers that 15-years profit forecast and the budgeted gross margin and turnover are appropriate for the impairment test review.

At 31 March 2010, the result of the review undertaken indicated that no impairment charge was necessary for the master services agreement associated with the Group's MIDS business.

24. Deposit for Investments

On 21 January 2010, IIGL, a wholly owned subsidiary of the Company, entered into an agreement with Ng Leung Wai (the "Vendor"), an independent third party, pursuant to which the Group shall purchase and the Vendor shall sell 20% of the registered capital of Redart Digital Technology Co., Ltd. ("Redart") at a total consideration of HK$145,000,000.

On 31 March 2010, HK$145,000,000 have been paid to the Vendor as deposit and payment of the consideration. Up to the date of this report, the Vendor and IIGL are still pending for the approval of change in equity interest in Redart from the PRC authorities.

25. Film Right and Films in Progress

The Group

	Film right	Films in progress	Total
	HK$'000	HK$'000	HK$'000
Cost			
At 1 April 2008	–	12,315	12,315
Additions	–	2,335	2,335
At 31 March 2009 and at 1 April 2009	–	14,650	14,650
Additions	–	726	726
Transfer	15,376	(15,376)	–
Disposal of a subsidiary	(15,376)	–	(15,376)
At 31 March 2010	–	–	–
Accumulated amortisation and impairment			
At 1 April 2008	–	–	–
Impairment loss recognised	–	1,432	1,432
At 31 March 2009 and at 1 April 2009	–	1,432	1,432
Transfer	1,432	(1,432)	–
Amortisation	5,986	–	5,986
Written back on disposal of a subsidiary	(7,418)	–	(7,418)
At 31 March 2010	–	–	–
Carrying amount			
At 31 March 2010	–	–	–
At 31 March 2009	–	13,218	13,218

25. Film Right and Films in Progress *(Continued)*

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

At 31 March 2009, the Group has prepared 5-years profit forecast derived from the most recent financial budget of CFL approved by the directors using a discount rate of 6% per annum. The Group considers that 5-years profit forecast and the budgeted gross margin and turnover are appropriate for the impairment test review.

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

26. Convertible Loan Note

	Loan portion HK$'000	Embedded derivative portion HK$'000
At 1 April 2008, 31 March 2009 and 1 April 2009	–	–
Acquired on 28 April 2009	39,108	60,892
Effective interest income	1,607	–
Changes in fair value	–	(35,275)
Redemption	(40,715)	(25,617)
At 31 March 2010	–	–

On 28 April 2009, the Group acquired a convertible loan note (the "GC Convertible Loan Note") with a face value of HK$100,000,000 from Golife Concepts Holdings Limited ("Golife"), a company listed on the Stock Exchange and an independent party of the Group. The GC Convertible Loan Note was issued with zero coupon rate, payable on maturity, are unsecured and mature on 28 April 2019

The initial conversion price of the GC Convertible Loan Note was HK$0.05 per share for the time being subject to adjustments in accordance with the terms of the note during its conversion period. On 2 October 2009, the GC Convertible Loan Note was fully redeemed by Golife at face value of HK$100,000,000, result in a gain on early redemption of convertible loan note of HK$33,668,000.

26. Convertible Loan Note *(Continued)*

The fair value of the embedded derivatives related to the GC Convertible Loan Note was based on an independent valuation carried out by an independent firm of surveyors, Grant Shermen Appraisal Limited.

The binomial model is used in the valuation of the embedded derivatives. Inputs into the model at the respective valuation dates are as follows:

	28 April 2009	**2 October 2009**
Exercise price	HK$0.50	HK$0.229
Risk-free rate of interest	2.08%	2.22%
Dividend yield	0%	0%
Time to expiration	10 years	9.6 years
Volatility	119.37%	122.43%

The fair value of the loan portion of the GC Convertible Loan Note was determined at HK$39,108,000 as at the acquisition date on 28 April 2009. The effective interest rate of the GC Convertible Loan Note is determined to be 10.31% per annum.

27. Trade and Other Receivables

	The Group		**The Company**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade debtors *(Note 27(a))*	**18,137**	170	**–**	–
Other debtors	**1,740**	–	**1,000**	–
Loan to key officer *(Note 27(b))*	**3,020**	–	**–**	–
Amounts due from subsidiaries, net of impairment loss *(Note 22)*	**–**	–	**203,071**	61,275
Loans and receivables	**22,897**	170	**204,071**	61,275
Deposits and prepayment	**1,171**	238	**1,123**	194
	24,068	408	**205,194**	61,469

27. Trade and Other Receivables *(Continued)*

(a) Ageing analysis

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

	The Group	
	2010	2009
	HK$'000	HK$'000
Within 30 days	**18,137**	121
31 – 90 days	**–**	49
	18,137	170

Details on the Group's credit policy are set out in note 5 (b).

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

There were no trade debtors that are past due or impaired for the two years ended 31 March 2010 and 2009.

(b) Loan to key officer

Particulars of loan to officer, being key personnel of the Group, disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

The Group

Name of officer	Balance at 31/3/2010	Balance at 31/3/2009 and 1/4/2009	Balance at 1/4/2008	Maximum balance outstanding during 2010	Maximum balance outstanding during 2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr. Cheung Hon Wa, Dicto	3,020	–	–	3,020	–

The loan to officer are unsecured, non-interest bearing and repayable on demand.

There was no amount due but unpaid, nor any provision made against the principal amount of or interest on the loan at 31 March 2010 and 2009.

28. Trade and Other Payables

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables *(Note 28(a))*	**11,418**	–	**–**	–
Other creditors and accruals	**1,984**	2,914	**1,660**	1,122
Amounts due to directors *(Note 28(b))*	**180**	527	**180**	527
Financial liabilities measured at amortised cost	**13,582**	3,441	**1,840**	1,649
Tenant deposits	**46**	37	**–**	–
Other non-income tax payable	**999**	239	**–**	–
	14,627	3,717	**1,840**	1,649

(a) Ageing analysis

The following is an ageing analysis of trade payables at the reporting date:

	The Group	
	2010	2009
	HK$'000	HK$'000
Within 30 days	**11,418**	–

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

29. Bank Loan

At 31 March 2010, the bank loan was secured and repayable as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
On demand or within one year	**469**	343
After one year but within two years	**489**	364
After two years but within five years	**856**	1,112
	1,814	1,819
Less: Current portion	**(469)**	(343)
Non-current portion	**1,345**	1,476

At 31 March 2010 and 2009, the bank loan was charged at fixed interest of 5.47% per annum (2009: 5.78%). The bank loan was secured by investment property of the Group with a fair value of approximately HK$22,854,000 (2009: HK$17,308,000) as disclosed in note 20.

30. Income Tax in the Consolidated Financial Position

(a) Current taxation in the consolidated statement of financial position represents:

	The Group	
	2010	2009
	HK$'000	HK$'000
As at 1 April	**–**	–
Provision for income tax for the year	**1,030**	–
Exchange adjustments	**9**	–
As at 31 March	**1,039**	–

(b) Deferred tax (assets)/liabilities recognised

The Group

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

	Accelerated tax depreciation	Revaluation of investment properties	Fair value adjustments arising from acquisition of subsidiaries	Temporary differences	Tax losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2008	788	2,915	566	–	(3)	4,266
Effect of change in tax rate	267	384	158	–	–	809
Exchange adjustments	(172)	(204)	(143)	–	(6)	(525)
Charge to consolidated income statement	59	(1,453)	(438)	–	9	(1,823)
At 31 March 2009 and 1 April 2009	942	1,642	143	–	–	2,727
Acquisition of subsidiaries	–	–	–	(133)	–	(133)
Effect of change in tax rate	(23)	(40)	(3)	–	–	(66)
Exchange adjustments	223	410	33	(3)	–	663
Charge to consolidated income statement	63	312	–	(682)	–	(307)
At 31 March 2010	1,205	2,324	173	(818)	–	2,884

30. Income Tax in the Consolidated Financial Position *(Continued)*

(b) Deferred tax (assets)/liabilities recognised *(Continued)*

At 31 March 2010, the Group did not recognise deferred tax assets in respect of the tax losses of approximately HK$2,957,000 (2009: tax losses of approximately HK$3,024,000 and other deductible temporary difference of approximately HK$14,000). As it is not probable that taxable profits will be available against which the unused tax losses and other deductible temporary difference of the Group can be utilised, deferred tax assets have not been recognised in respect of the unused tax losses and other deductible temporary difference. Tax losses are available indefinitely for offsetting future taxable profit of the companies in which the losses arose.

The following is the analysis of the deferred tax balances for financial reporting purposes:

	The Group	
	2010	2009
	HK$'000	HK$'000
Deferred tax assets	**(818)**	–
Deferred tax liabilities	**3,702**	2,727
	2,884	2,727

(c) Deferred tax liabilities not recognised

Under the Corporate Income Tax Law of the PRC with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. Pursuant to the double tax arrangement between the PRC and Hong Kong effective on 8 December 2006, the withholding income tax rate will be reduced to 5% if the investment by the Hong Kong investor in the invested entities in the PRC is not less than 25% equity interest. On 22 February 2008, the Ministry of Finance and State Administration of Tax approved Caishui (2008) No. 1, pursuant to which dividend distributions out of retained earnings of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax.

As at 31 March 2010, temporary differences relating to the undistributed profits of the subsidiary amounted to HK$3,924,000 (2009: HK$Nil). Deferred tax liabilities of HK$197,000 (2009: HK$Nil) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Group is able to control the timing of the reversal of the temporary differences and it is possible that the temporary differences will not reverse in the foreseeable future.

31. Share Capital

	2010 Number of shares	2010 Amount HK$'000	2009 Number of shares	2009 Amount HK$'000
Authorised:				
At 1 April, ordinary shares of HK$0.01 each (2009: HK$0.1 each)	**3,000,000,000**	**30,000**	3,000,000,000	300,000
Capital reduction *(Note (i)(a))*	**–**	**–**	–	(297,000)
Ordinary shares of HK$0.01 each (2009: HK$0.001 each)	**3,000,000,000**	**30,000**	3,000,000,000	3,000
Consolidation of shares *(Note (i)(b))*	**–**	**–**	(2,700,000,000)	–
Ordinary shares of HK$0.01 each	**3,000,000,000**	**30,000**	300,000,000	3,000
Increase in authorised share capital *(Note (i)(c) & (ii))*	**17,000,000,000**	**170,000**	2,700,000,000	27,000
At 31 March Ordinary shares at HK$0.01 each	**20,000,000,000**	**200,000**	3,000,000,000	30,000
Issued and fully paid:				
At 1 April, ordinary shares of HK$0.01 each (2009: HK$0.1 each)	**1,256,897,090**	**12,569**	1,256,897,096	125,690
Capital reduction *(Note (i)(a), (i)(d), (iii)(c) & (iii)(d))*	**–**	**(11,538)**	–	(124,433)
Consolidation of shares *(Note (i)(b) & (iii)(b))*	**(1,153,831,527)**	**–**	(1,131,207,387)	–
Open offer of new shares *(Note (iv))*	**–**	**–**	1,131,207,381	11,312
Placing of new shares *(Note (v))*	**5,000,000,000**	**50,000**	–	–
Exercise of share options *(Note (vi))*	**41,602,892**	**416**	–	–
Conversion of shares from convertible bonds *(Note (vii))*	**2,180,000,000**	**21,800**	–	–
At 31 March, ordinary shares of HK$0.01 each (2009: HK$0.01 each)	**7,324,668,455**	**73,247**	1,256,897,090	12,569

31. Share Capital *(Continued)*

Notes:

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

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

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

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

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

(ii) On 5 October 2009, an ordinary resolution was passed by the shareholders of the Company approving the increase in authorised share capital from HK$30,000,000 divided into 3,000,000,000 shares of HK$0.01 each to HK$200,000,000 divided into 20,000,000,000 shares of HK$0.01 each by the creation of 17,000,000 shares of HK$0.01 each.

31. Share Capital *(Continued)*

Notes: (Continued)

(iii) A special resolution was passed at an extraordinary general meeting on 30 March 2009 and an approval was obtained from the shareholders for approving the capital reorganisation of the Company. The effects of the capital reorganisation were as follow:

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

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

(c) the capital reduction pursuant to which the par value of each of the issued consolidated shares is hereby reduced from HK$0.1 to HK$0.01 each by cancelling the paid-up capital to the extent of HK$0.09 each. The capital reduction is completed on 11 May 2009, and complied in accordance with all the provisions of sections 46 of the Companies Act; and

(d) A credit of approximately HK$11.5 million arose and immediately transferred to cancel the share premium and distributable capital reduction reserve in the contributed surplus account of the Company amounting to approximately HK$99.1 million and HK$87.2 million respectively, whilst the credit balance amounting to approximately HK$197.9 million was transferred to the contributed surplus account. Such designated contributed surplus account of the Company shall be the contributed surplus account of the Company within the meaning of the Companies Act effective upon the Change of Domicile.

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

(v) On 20 October 2009, the Company entered into a placing agreement with CLSA Limited, an independent third party for placing up to a maximum of 5,000,000,000 ordinary shares at HK$0.10 per placing share. On 27 November 2009, the Company issued and allotted 5,000,000,000 shares with the gross proceeds of approximately HK$500,000,000 before expense. The arrangement of shares placing was passed by a special resolution at a special general meeting on 25 November 2009.

(vi) During the year ended 31 March 2010, certain option holders exercised their option rights to subscribe for an aggregate of 3,508,055 shares at an exercise price of HK$0.25, an aggregate of 11,700,000 shares at an exercise price of HK$0.50, an aggregate of 1,256,897 shares at an exercise price of HK$0.20 and an aggregate of 25,137,940 shares at an exercise price of HK$0.025 respectively.

(vii) During the year ended 31 March 2010, convertible bonds with nominal value HK$218,000,000 were converted into 2,180,000,000 shares of the Company of HK$0.01 each at a conversion price of HK$0.1 per share.

32. Reserves

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Attributable to equity holders of the Company					
	Share premium *(Note (i), (iii))* HK$'000	Contributed surplus *(Note (i), (ii))* HK$'000	Share-based compensation reserve *(Note (iv))* HK$'000	Convertible bonds reserve *(Note (v))* HK$'000	Accumulated losses *(Note (i))* HK$'000	Total HK$'000
At 1 April 2008	65,568	78	2,671	250	(37,189)	31,378
Comprehensive income for the year	–	–	–	–	(12,582)	(12,582)
Capital reduction *(Note 31(i)(d))*	–	87,244	–	–	37,189	124,433
Issue of shares *(Note 31(iv))*	33,936	–	–	–	–	33,936
Share issue expenses	(969)	–	–	–	–	(969)
Recognition of equity-settled share-based payments *(Note 41)*	–	–	5,017	–	–	5,017
Redemption of convertible bonds *(Note 34)*	–	–	–	(250)	250	–
Cancellation of share options *(Note 41)*	–	–	(2,091)	–	2,091	–
Share options lapsed *(Note 41)*	–	–	(1,397)	–	1,397	–
At 31 March 2009 and 1 April 2009	98,535	87,322	4,200	–	(8,844)	181,213
Comprehensive income for the year	–	–	–	–	(43,354)	(43,354)
Capital reduction *(Note 31(iii)(d))*	(99,136)	110,674	–	–	–	11,538
Placing of new shares *(Note 31(v))*	450,000	–	–	–	–	450,000
Share issue expenses	(15,993)	–	–	–	–	(15,993)
Recognition of equity-settled share-based payments *(Note 41)*	–	–	2,703	–	–	2,703
Exercise of share options *(Note 41)*	9,801	–	(2,610)	–	–	7,191
Issue of convertible bonds *(Note 34)*	–	–	–	527,530	–	527,530
Conversion of shares from convertible bonds *(Note 34)*	197,834	–	–	(153,335)	–	44,499
At 31 March 2010	641,041	197,996	4,293	374,195	(52,198)	1,165,327

32. Reserves *(Continued)*

(i) *Distributable reserve*

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

After the Change in Domicile, the contributed surplus account of the Company is available for distribution in accordance with the Companies Act. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The Company's reserves available for distribution to shareholders as at 31 March 2010 amounting to approximately HK$145,798,000.

(ii) *Contributed surplus*

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

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

During the year ended 31 March 2009, approximately HK$87.2 million of the contributed surplus reserve arose from the capital reorganisation scheme of the Company on 20 June 2008. Pursuant to the scheme, the issued share capital was reduced from HK$125,689,710 of 1,256,897,096 shares of HK$0.1 each to HK$1,256,897 of 1,256,897,096 shares of HK$0.001 each by cancelling the amount of approximately HK$124.4 million or HK$0.099 from each share, and a credit of approximately HK$87.2 million arising from the capital reduction was transferred to contributed surplus account after eliminated accumulated losses of approximately HK$37.2 million.

During the year, approximately HK$110.6 million arose from the capital reorganisation scheme of the Company on 11 May 2009. Pursuant to the scheme, the issued share capital was reduced from HK$12,820,350 of 1,282,035,030 of HK$0.01 each to HK$1,282,035 of 1,282,035,030 shares of HK$0.001 each by cancelling the amount of approximately HK$11.5 million or HK$0.009 from each share, and a credit of approximately HK$110.6 million arising from the capital reduction was transferred to cancel the share premium and distributable capital reduction reserve in the contributed surplus account of the Company amounting to approximately HK$99.1 million and HK$87.2 million respectively, whilst the credit balance amounting to approximately HK$197.9 million was transferred to the contributed surplus account. Such designated contributed surplus account of the Company shall be the contributed surplus account of the Company within the meaning of the Companies Act effective upon the Change of Domicile.

32. Reserves *(Continued)*

(iii) *Share premium*

After the Change of Domicile, the application of share premium account is governed by the relevant provisions set out in the Company's Bye-laws and the Companies Act.

(iv) *Share-based compensation reserve*

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

(v) *Convertible bonds reserve*

The convertible bonds reserve represents the value of the unexercised equity component of convertible bonds issued by the Company. During the year ended 31 March 2009, the convertible bonds reserve was released directly to accumulated losses due to early redemption of the outstanding convertible bonds with principal amount of HK$1,000,000. The reserve is dealt with in accordance with accounting policies set out in note 3(r).

(vi) *Statutory reserve*

Ti-Hua Digital, a wholly-foreign-owned enterprise in The People's Republic of China, is required to appropriate at least 10% of after-tax profit (after offsetting prior year losses) to a statutory reserve until the balance of the reserve reaches 50% of its share capital and thereafter any further appropriation is optional.

(vii) *Translation reserve*

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

33. Promissory Note

The movement of the promissory note is set out below:

The Group and the Company

	HK$'000
At 1 April 2008, 31 March 2009 and 1 April 2009	–
Issued on 6 October 2009	309,256
Effective interest capitalised *(Note 11)*	17,860
Repayment during the year	(6,676)
At 31 March 2010	320,440

The promissory notes were issued with zero coupon rate in connection with the acquisition of entire issued share capital of Sunny Chance Limited on 6 October 2009 (Note 35).

The promissory note bearing aggregate nominal value of HK$602,000,000 is unsecured, registered in the name of an independent third party, and repayable on 6 October 2010. The Company has the right to extend the maturity date of the promissory note by giving not less than 30 days prior written notice to the payee. It is intended that the promissory note will be extended for five years upon expiry of a fixed term of twelve months from the date of issue.

The fair value of the promissory notes was determined at HK$309,256,000 as at the issue date on 6 October 2009, based on an independent valuation carried out by an independent firm of surveyors, Grant Sherman Appraisal Limited. The effective interest rate of the promissory note is determined to be 12.14% per annum.

34. Convertible Bonds

Convertible bonds with principal amount of HK$25 million

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

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

The fair values of the liability component and the equity conversion component were determined at issuance of the bonds. The fair value of the liability component, included in long-term borrowings, was calculated at effective interest rate of 9.00% per annum. The residual amount, representing the value of the equity conversion component, is included in equity.

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

34. Convertible Bonds *(Continued)*

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

Convertible bonds with principal amount of HK$750 million

On 6 October 2009, the Company issued bonds with total nominal value of HK$750,000,000 at price of HK$750,000,000 to an independent third party as a consideration for the acquisition of the entire issued share capital of Sunny Chance Limited (Note 35). The bonds are non-interest bearing and will be redeemed within 10 years from the date of issue at the bonds' nominal value.

The bonds can be converted into ordinary shares of the Company of HK$0.01 each at any time during the conversion period at fixed conversion price being HK$0.1. The Company may redeem any bond during the conversion period at the principal amount of the bonds' nominal value.

The fair values of the liability component and the equity conversion component were determined at issuance of the bonds. The fair value of the liability component, included in long-term borrowings, was calculated at effective interest rate of 12.92% per annum. The residual amount, representing the value of the equity conversion component, is included in equity.

During the year, the bonds with the nominal value of HK$218,000,000 were converted into 2,180,000,000 shares of the Company of HK$0.01 each at a conversion price of HK$0.1 per share.

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

	The Group and the Company		
	Convertible bonds with principal amount of HK$750 million	Convertible bonds with principal amount of HK$25 million	Total
	HK$'000	HK$'000	HK$'000
Liability component at 1 April 2008	–	662	662
Effective interest capitalised *(Note 11)*	–	8	8
Redemption during the year	–	(670)	(670)
Liability component at 31 March 2009 and 1 April 2009	–	–	–
Issue during the year	222,470	–	222,470
Effective interest capitalised *(Note 11)*	11,467	–	11,467
Conversion into shares	(66,299)	–	(66,299)
Liability component at 31 March 2010	167,638	–	167,638

35. Acquisition of Subsidiaries

Acquisition of assets and liabilities through acquisition of subsidiaries

In October 2009, the Group acquired a master services agreement and its related assets and liabilities for a total consideration of approximately HK$1,194,256,000, which was satisfied by cash of approximately HK$135,000,000, convertible bond of approximately HK$750,000,000 and promissory note of approximately HK$309,256,000. The purchase was by way of acquisition of the entire issued share capital of Sunny Chance Limited. This transaction has been reflected as a purchase of assets and liabilities.

Details of the net assets acquired in respect of the acquisition of master services agreement are summarised below:

	HK$'000
Net assets/(liabilities) acquired	
Property, plant and equipment	12
Intangible assets – master services agreement *(Note 23)*	1,194,655
Deferred tax assets	133
Other receivable	7
Bank balances and cash	985
Other payables	(1,536)
	1,194,256
Total consideration satisfied by:	
Cash	135,000
Promissory note *(Note 33)*	309,256
Convertible bonds *(Note 34)*	750,000
	1,194,256
Net cash outflow arising on acquisition:	
Bank balances and cash acquired	985
Cash consideration paid	(135,000)
	(134,015)

36. Disposal of a Subsidiary

As detailed in note 15, the Group disposed its entire interests in CFL for a total consideration of HK$8.2 million on 8 October 2009. The transaction was completed on 8 October 2009.

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

	HK$'000
Net assets/(liabilities) disposed:	
Property, plant and equipment	1,267
Film right	7,958
Trade and other receivables	25
Bank balances and cash	535
Other creditors and accruals	(1,585)
	8,200
Gain on disposal	–
Total consideration	8,200
Total consideration satisfied by:	
Cash	8,200
Net cash inflows arising on disposal:	
Cash consideration	8,200
Cash and cash equivalents disposed of	(535)
	7,665

CFL contributed loss of approximately HK$259,000 to the Group's loss for the period since 1 April 2009 to the date of disposal.

37. Major Non-cash Transactions

The consideration for the acquisition of subsidiaries that occurred during the year of 2010 comprised issue of promissory note and convertible bond. Further details of the acquisitions are set out in Note 35.

38. Pledged of Assets

At 31 March 2010, investment property of the Group with fair value of approximately HK$22,854,000 (2009: HK$17,308,000) was pledged to secure banking facilities granted to the Group.

39. Commitments

(a) Operating lease commitments

The Group as lessor

The Group leases out investment property under operating leases. At the reporting date, the Group had contracted with tenants for the future minimum lease payments under non-cancellable operating leases receivable as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Within 1 year	**1,623**	1,273
After 1 year but within 5 years	**3,940**	1,136
After 5 years	**338**	18
	5,901	2,427

The Group as lessee

At the reporting date, the Group was committed to make the following future minimum lease payments in respect of office properties under non-cancellable operating leases which are payable as follows:

	2010	2009
	HK$'000	HK$'000
Within one year	**123**	–
In the second to fifth year inclusive	**34**	–
	157	–

39. Commitments *(Continued)*

(b) Other commitments

	The Group	
	2010	2009
	HK$'000	HK$'000
Contracted but not provided for in the financial statements in respect of:		
– film production costs	**–**	439
– subscription of GC Convertible Loan Note *(Note)*	**–**	100,000
	–	100,439

Note: As detailed in Note 26, the Company entered into a subscription agreement with Golife on 26 November 2008, pursuant to which the Company shall subscribe convertible bonds in the principal amount of HK$100 million issued by Golife in five tranches of HK$20 million each. The subscription of the convertible bonds was completed on 28 April 2009.

40. Related Party Transactions

(a) Compensation for key management personnels, including amounts paid to the Company's directors and certain of the highest paid employee, as disclosed in notes 12 and 13 is as follows:

	2010	2009
	HK$'000	HK$'000
Salaries and other short-term benefits	**2,081**	646
Retirement scheme contribution	**21**	–
Share-based payment	**683**	1,329
	2,785	1,975

41. Share Option Scheme

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

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

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

(b) The participants include:

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

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

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

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

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

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

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

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

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

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

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

41. Share Option Scheme *(Continued)*

(d) Maximum number of shares:

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

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

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

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

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

	2010		2009	
	Weighted average exercise price HK$'000	**Number of shares issuable under options granted**	Weighted average exercise price HK$'000	Number of shares issuable under options granted
At 1 April	**0.461**	**23,087,577**	0.125	78,085,883
Granted during the year	**0.108**	**73,038,500**	0.093	136,150,971
Cancellation of share options	**–**	**–**	1.066	(4,790,351)
Exercise of share options	**0.183**	**(41,602,892)**	–	–
Consolidation of shares *(Note 31(i)(b) & 31(iii)(b))*	**0.198**	**(52,351,330)**	0.123	(181,501,097)
Open offer of shares *(Note 31(iv))*	**–**	**–**	1.035	602,221
Share options lapsed	**–**	**–**	1.278	(5,460,050)
Outstanding at 31 March	**5.046**	**2,171,855**	0.461	23,087,577
Exercisable at 31 March	**5.046**	**2,171,855**	0.461	23,087,577

The options outstanding at 31 March 2010 had an exercise price of HK$10.91, HK$9.74 or HK$0.5 (2009: HK$1.091, HK$0.974 or HK$0.02) and a weighted average remaining contractual life of 0.76 years (2009: 2.39 years).

41. Share Option Scheme *(Continued)*

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

				Number of options												
Date of grant	Category of eligible persons	Exercise period	Exercise price	Exercisable at 1 April 2008	Granted during the year	Cancelled *(Note (v))*	Consolidation of shares *(Note (iii))*	Transfer *(Note (ii))*	Open offer of shares *(Note (iv))*	Lapsed *(Note (v))*	Exercisable at 31 March 2009 *(Note (i))*	Granted during the year	Consolidation of shares *(Note (iii))*	Exercised during the year *(Note (i))*	Exercisable at 31 March 2010 *(Note (i))*	Vesting period
30 October 2007	Directors	30 October 2007 to 29 October 2017	HK$1.4880 *(Note (iii))*	2,493,272	–	(249,327)	(2,243,945)	–	–	–	–	–	–	–	–	N/A
	Consultants	30 October 2007 to 29 October 2008	HK$1.4880 *(Note (iii))*	12,466,360	–	–	(11,219,725)	–	–	(1,246,635)	–	–	–	–	–	N/A
	Employees	30 October 2007 to 29 October 2008	HK$1.4880 *(Note (iii))*	4,984,544	–	–	(4,486,090)	–	–	(498,454)	–	–	–	–	–	N/A
29 November 2007	Directors	29 November 2007 to 28 November 2017	HK$1.1800 *(Note (iii))*	1,745,267	–	(174,527)	(1,570,740)	–	–	–	–	–	–	–	–	N/A
	Consultants	29 November 2007 to 28 November 2008	HK$1.1800 *(Note (iii))*	33,659,055	–	–	(30,293,148)	–	–	(3,365,907)	–	–	–	–	–	N/A
	Employees	29 November 2007 to 28 November 2008	HK$1.1800 *(Note (iii))*	3,490,534	–	–	(3,141,480)	–	–	(349,054)	–	–	–	–	–	N/A
25 February 2008	Consultants	25 February 2008 to 24 February 2011	HK$10.9100 *(Note (iii),(iv))*	12,946,851	–	(694,447)	(11,652,166)	–	57,970	–	658,208	–	(592,388)	–	65,820	N/A
	Employees	25 February 2008 to 24 February 2011	HK$10.9100 *(Note (iii),(iv))*	6,300,000	–	–	(5,670,000)	–	28,208	–	658,208	–	(592,388)	–	65,820	N/A
28 April 2008	Directors	28 April 2008 to 27 April 2011	HK$9.7400 *(Note (iii),(iv))*	–	20,899,401	(833,043)	(18,809,461)	1,256,897	112,556	–	2,626,350	–	(2,363,716)	–	262,634	N/A
	Consultants	28 April 2008 to 27 April 2011	HK$9.7400 *(Note (iii),(iv))*	–	79,752,768	(2,839,007)	(71,777,493)	–	357,096	–	5,493,364	–	(4,944,030)	–	549,334	N/A
	Employees	28 April 2008 to 27 April 2011	HK$0.9740 *(Note (iii),(iv))*	–	22,929,832	–	(20,636,849)	(1,256,897)	46,391	–	1,082,477	–	(974,230)	–	108,247	N/A

41. Share Option Scheme *(Continued)*

Date of grant	Category of eligible persons	Exercise period	Exercise price	Number of options: Exercisable at 1 April 2008	Granted during the year	Cancelled *(Note (v))*	Consolidation of shares *(Note (iii))*	Transfer *(Note (ii))*	Open offer of shares *(Note (iv))*	Lapsed *(Note (v))*	Exercisable at 31 March 2009 *(Note (i))*	Granted during the year	Consolidation of shares *(Note (iii))*	Exercised during the year *(Note (i))*	Exercisable at 31 March 2010 *(Note (i))*	Vesting period
27 March 2009	Consultants	27 March 2009 to 26 March 2010	HK$0.2000 *(Note (iii))*	–	6,268,970	–	–	–	–	–	6,268,970	–	(5,642,073)	(626,897)	–	N/A
	Employees	27 March 2009 to 26 March 2010	HK$0.2000 *(Note (iii))*	–	6,300,000	–	–	–	–	–	6,300,000	–	(5,670,000)	(630,000)	–	N/A
9 April 2009	Directors	9 Apr 2009 to 8 Apr 2010	HK$0.2500 *(Note (iii))*	–	–	–	–	–	–	–	–	22,511,590	(20,260,432)	(2,251,158)	–	N/A
	Consultants	9 Apr 2009 to 8 Apr 2010	HK$0.2500 *(Note (iii))*	–	–	–	–	–	–	–	–	37,706,910	(11,312,073)	(26,394,837)	–	N/A
9 November 2009	Directors	9 November 2009 to 8 November 2010	HK$0.5000	–	–	–	–	–	–	–	–	1,780,000	–	(1,780,000)	–	N/A
	Consultants	9 November 2009 to 8 November 2010	HK$0.5000	–	–	–	–	–	–	–	–	4,800,000	–	(4,260,000)	540,000	N/A
	Employees	9 November 2009 to 8 November 2010	HK$0.5000	–	–	–	–	–	–	–	–	6,240,000	–	(5,660,000)	580,000	N/A
				78,085,883	136,150,971	(4,790,351)	(181,501,097)	–	602,221	(5,460,050)	23,087,577	73,038,500	(52,351,330)	(41,602,892)	2,171,855	

Notes:

(i) The 41,602,892 (2009: Nil) share options exercised during the year ended 31 March 2010 resulted in the issue of 41,602,892 ordinary shares of the Company and new share capital of approximately HK$416,000 and share premium of approximately HK$9,801,000. At 31 March 2010, the Company has an aggregate 2,171,855 (2009: 23,087,577) outstanding shares options, represent approximately 0.03% (2009: approximately 1.8%) of the total issued share capital of the Company.

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

(iii) The exercise price and number of share options were adjusted for share consolidation pursuant to the capital reorganisations as approved by the shareholders at the extraordinary general meetings of the Company held on 19 March 2008 and 30 March 2009.

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

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

41. Share Option Schemes *(Continued)*

(g) Fair value of share options and assumptions

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

	2010				2009			2008
Date of grant	**9 April 2009**	**9 April 2009**	**9 November 2009**	**9 November 2009**	28 April 2008	27 March 2009	27 March 2009	25 February 2008
Fair value at measurement date	**HK$0.0065**	**HK$0.0089**	**HK$0.1506**	**HK$0.1506**	HK$0.0397	HK$0.0100	HK$0.0073	HK$0.0471
Share price	**HK$0.025**	**HK$0.025**	**HK$0.500**	**HK$0.500**	HK$0.112	HK$0.970	HK$0.970	HK$0.110
Number of shares issuable under options granted	**22,511,590***	**37,706,910***	**8,020,000**	**4,800,000**	12,358,198*	6,268,970	6,300,000	2,554,685*
Risk free rate (based on Exchange Fund Notes)	**0.20%**	**0.41%**	**0.08%**	**0.130%**	1.586%	0.43%	0.21%	1.58%
Exercise price	**HK$0.025**	**HK$0.025**	**HK$0.50**	**HK$0.50**	HK$0.1018	HK$0.02	HK$0.02	HK$0.114
Expected volatility	**143.04%**	**143.04%**	**114.15%**	**114.15%**	92.17%	149.83%	149.83%	94.06%
Expected dividend yield	**Nil**	**Nil**	**Nil**	**Nil**	Nil	Nil	Nil	Nil
Option life	**1 year**	**1 year**	**1 year**	**1 year**	1.5 years	1 year	0.5 year	1.5 years

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

41. Share Option Scheme *(Continued)*

Notes:

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

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

The Group recognised total expenses related to equity-settled share-based payment transactions during the year of approximately HK$2,703,000 (2009: HK$5,017,000).

42. Events after the Reporting Period

(a) On 1 April 2010, the Company entered into a conditional agreement with Mr. Xu Jian ("Mr. Xu"), a PRC citizen and an independent third party, pursuant to which the Company shall purchase and Mr. Xu shall sell the entire issued share capital comprising of 100 ordinary shares of USD1.00 each of Fortune Mark International Limited ("Target"), and all the obligations, liabilities and indebtedness owed by the Target to Mr. Xu as at completion of the agreement, at a total consideration of, subject to adjustment, HK$135,000,000, in which the details are set out in the Company's announcement dated 1 April 2010. Completion has taken place on 18 May 2010.

(b) On 9 April 2010, a wholly-owned subsidiary of the Company, entered into the provisional sale and purchase agreement with the purchaser pursuant to which the subsidiary has agreed to dispose of and the purchaser has agreed to purchase the Group's investment property at a consideration of HK$36,000,000, in which the details are set out in the Company's announcement dated 9 April 2010.

(c) On 29 April 2010, the Company entered into the underwriting agreement with, Kingston, pursuant to which, the Company proposed to raise not less than approximately HK$183.2 million, before expenses, by way of open offer of not less than 1,831,167,113 offer shares and not more than 1,831,710,077 offer shares at the subscription price of HK$0.1 per offer share on the basis of one offer share for every four existing shares held on the record date and payable in full on application. The details of the open offer are set out in the Company's prospectus dated 20 May 2010.

43. Comparative Figures

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

(a) As a result of the application of HKAS 1 (revised 2007), *Presentation of financial statements*, and HKFRS 8, *Operating segments*, certain comparative figures have been adjusted to conform to current year's presentation and to provide presentation amounts in respect of items disclosed for the first time in 2010. Further details of these developments are disclosed in note 3.

(b) As detailed in Note 15, the Group's disposal of its business in film production and film distribution during the year. Certain comparative figures have been restated and reclassified to comply with the relevant requirements. The restatement and reclassification had no impact on the Group's result for the year ended 31 March 2009.

Group Financial Summary

Results

	Years ended 31 March				
	2006	2007	2008	2009	**2010**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Continuing operations					
Turnover	–	–	377	1,585	**18,963**
Loss before taxation	(19,529)	(25,492)	(25,456)	(20,135)	**(70,853)**
Income tax (expense)/credit	–	–	(1,322)	1,014	**(657)**
Profit/(loss) for the year from continuing operations	(19,529)	(25,492)	24,134	(19,121)	**(71,510)**
Discontinued operations					
Gain/(loss) for the year from discontinued operations	1,344	9,338	(4,845)	(1,472)	**(2,692)**
Profit/(loss) for the year and attributable to the owners of the Company	(18,185)	(16,154)	19,289	(20,593)	**(74,202)**

Assets and Liabilities

	As at 31 March				
	2006	2007	2008	2009	**2010**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Non-current assets	11,975	9,952	58,288	42,904	**1,364,245**
Current assets	32,800	80,834	114,447	159,035	**352,834**
Current liabilities	54,557	94,845	1,609	4,060	**16,135**
Non-current liabilities	171	14,085	7,157	4,203	**493,125**