IMAGI INTERNATIONAL HOLDINGS LIMITED
意馬國際控股有限公司*

ANNUAL REPORT 2008/2009 年年報

* For identification only 僅供識別

Stock Code 股份代號：00585


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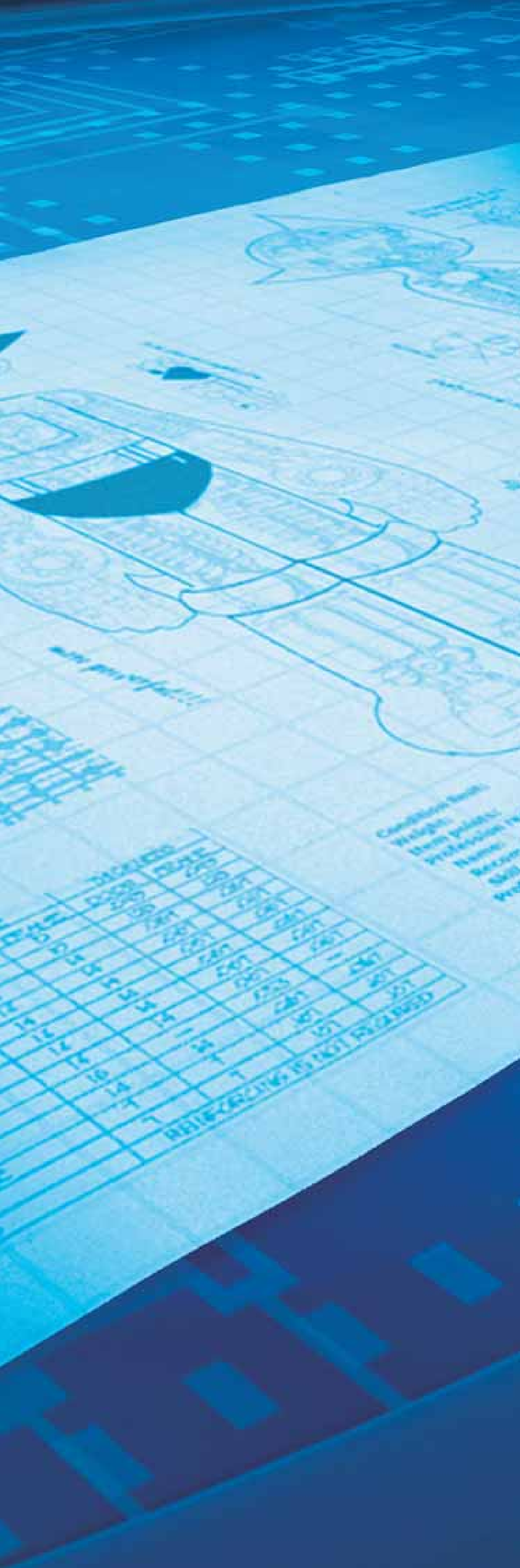


Contents

WHAT IS IMAGI?

- Imagi specializes in the development and production of animated feature films using ***computer – generated imagery (CGI) technology***.

- Our studios in Hong Kong and Los Angeles have succeeded in attracting ***world class talent in depth and breadth***: they are exciting places to work.

- This enables us to make films for global audiences to ***top international standards***- both in terms of creative and technical values.

- It also makes us unique - the only CG-animation specialist with ***genuine roots both in Hollywood and in Asia***.

- With the majority of digital production handled by our studio in Hong Kong, ***we have a very substantial cost advantage*** over our US-based peers.

- ***The potential of animated film in China*** is another exciting feature of Imagi and a major driver of our planning for the future.

CHAIRMAN'S OVERVIEW

The prime focus of the production team over the last twelve months has been on *Astro Boy*. Finishing touches are now being applied and the film will be released world-wide in October. We are all optimistic as to its success. Attention is moving to *Gatchaman* (scheduled for release in early 2011).

Our constant objective remains to deliver first-class production values in movies with universal appeal to mass market audiences around the world.

Your Board has undergone some fairly significant changes and expansion during the year. Unchanged, however, is its commitment to make Imagi the first truly global film studio in Asia. Almost unchanged too are our extremely capable teams of storytellers, creative executives and animators. We are all excited about facing the challenges that lie ahead in achieving our aims.

On behalf of the Board of directors and our management team, I would thank our loyal investors, strategic partners and consumers for their continued support and encouragement.

Richard Witts
Chairman

30th July 2009

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman:
Mr. Richard Arthur WITTS

Executive Directors:
Mr. William Montgomerie COURTAULD
(Acting Chief Executive Officer)
Mr. PHOON Chiong Kit (Deputy Chairman)

Non-executive Director:
Mr. Paul Steven SERFATY

Independent Non-executive Directors:
Mr. NG See Yuen
Mr. OH Kok Chi
Ms. TING Chuk Kwan

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

23rd Floor
Eight Commercial Tower
8 Sun Yip Street
Chai Wan
Hong Kong

BERMUDA RESIDENT REPRESENTATIVE

Butterfield Fund Services (Bermuda) Limited

LEGAL ADVISORS

As to Hong Kong law:
Morrison & Foerster

As to USA law:
Weissmann Wolff Bergman Coleman Grodin & Evall LLP
Kaye Scholer LLP

As to Bermuda law:
Conyers Dill & Pearman

AUDIT COMMITTEE

Ms. TING Chuk Kwan (Chairman)
Mr. NG See Yuen
Mr. OH Kok Chi

COMPANY SECRETARY

Mr. TAM Wing Kin, Vincent

REGISTERED OFFICE

Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (HK) Limited
Credit Suisse
City National Bank

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

INTERNET WEBSITE

www.imagi.com.hk

CHIEF EXECUTIVE OFFICER'S OVERVIEW

Introduction

I was asked to take on the role of Acting CEO of Imagi on 8th May 2009 – well after the end of the year to which this set of Report and Accounts relates. This message therefore deals with the main tasks we have set ourselves and the progress we are making, rather than with history.

Priority 1 – Stabilise Imagi’s finances

Raising the funds to complete *Astro Boy* and to meet ongoing operational costs has been a major preoccupation of the Board and, in particular, of our Deputy Chairman Mr Phoon Chiong Kit. Actions so far taken fall under the following headings.

- Bridging finance – a total of US$25 million (HK$195 million) in the form of bridging loans has been raised. These loans are convertible into equity subject to shareholder approval at the Special General Meeting (“SGM”) which took place on 30th July 2009.

- New equity finance – the fully underwritten rights issue announced on 27th May 2009 should raise a net total of HK$100.4 million. We expect to receive the funds by the end of August 2009. Meanwhile, following resumption of trading in the Company’s shares and an encouraging run up in the share price, we have also been able to raise a further amount of HK$98 million (net) by means of a placing of ordinary shares at HK$0.441.

- Balance sheet restructuring – the HK$132 million convertible note was technically in default and therefore repayable. This would have caused Imagi serious difficulty. Fortunately the holder Winnington Capital Limited (“Winnington”) agreed to negotiate a compromise whereby they would refinance this with a new unsecured convertible note. This is also subject to shareholders’ approval at the same SGM which took place on 30th July 2009.

These actions are not only providing Imagi with the funds with which to complete *Astro Boy* and to cover ongoing expenses, but also place the Company in a far stronger position to carry out the additional financing which we will need. Furthermore they justify a recovery in the confidence in which Imagi is held by its business partners.

The fact that Imagi has been able to carry out this substantial financing and restructuring in one of the most difficult capital markets in recent times is testament to the solid support we continue to receive from Winnington, one of our major shareholders, and of the sterling efforts of our investment bankers, Guotai Junan Securities (Hong Kong) Limited.

Priority 2 – Finish *Astro Boy*

We are confident that *Astro Boy*, Imagi's second CG animated feature film based on the seminal Japanese "manga" (comic strip), will be completed on time and within its production budget.

- Animation was completed in early June 2009 at our Hong Kong studio.
- In mid June 2009, the film was "locked" – i.e. editorial complete and approved (which is followed by completion of lighting and special effects in Hong Kong and post production in the USA).
- The music score is complete and was recorded in London in mid July 2009.
- Special effects will be complete by the end of July 2009.

All of the above is in line with the production schedule. Further important milestones in the completion of *Astro Boy* include:

- "Final mix" (combining and balancing of multiple layers of dialogue, ambience, sound effects and music) – end July 2009
- Completion of lighting and colour "timing" (i.e. enhancement) – mid August 2009
- "Answer print" (the print used by the film-makers for final quality control and approval) – late August 2009
- Delivery of the film and video elements to Summit Entertainment LLC (our distributors) – early September 2009
- World Première of *Astro Boy* in Tokyo – early October 2009

Priority 3 – Provide *Astro Boy* with an optimal launch

Imagi's marketing team has developed and is now implementing, in co-operation with our distributors, a comprehensive plan to ensure *Astro Boy* is set for box office success. Key elements include:

- Strategy – the prime target is kids aged 6 to 11 and their parents, the secondary target is teens and young adults; position the film as "the family event for the fall"; reach kids early to build awareness; extend reach to parents.

- Budget – a substantial sum, well matched to our marketing objectives, has been allocated for world wide expenditure (both by Imagi in the USA and our distributors in international markets) on prints and advertising.

- Media – expenditure in the USA will be concentrated on TV but will also include significant elements on print, online and out-of-home advertising (including the highly coveted billboard in Times Square, New York).

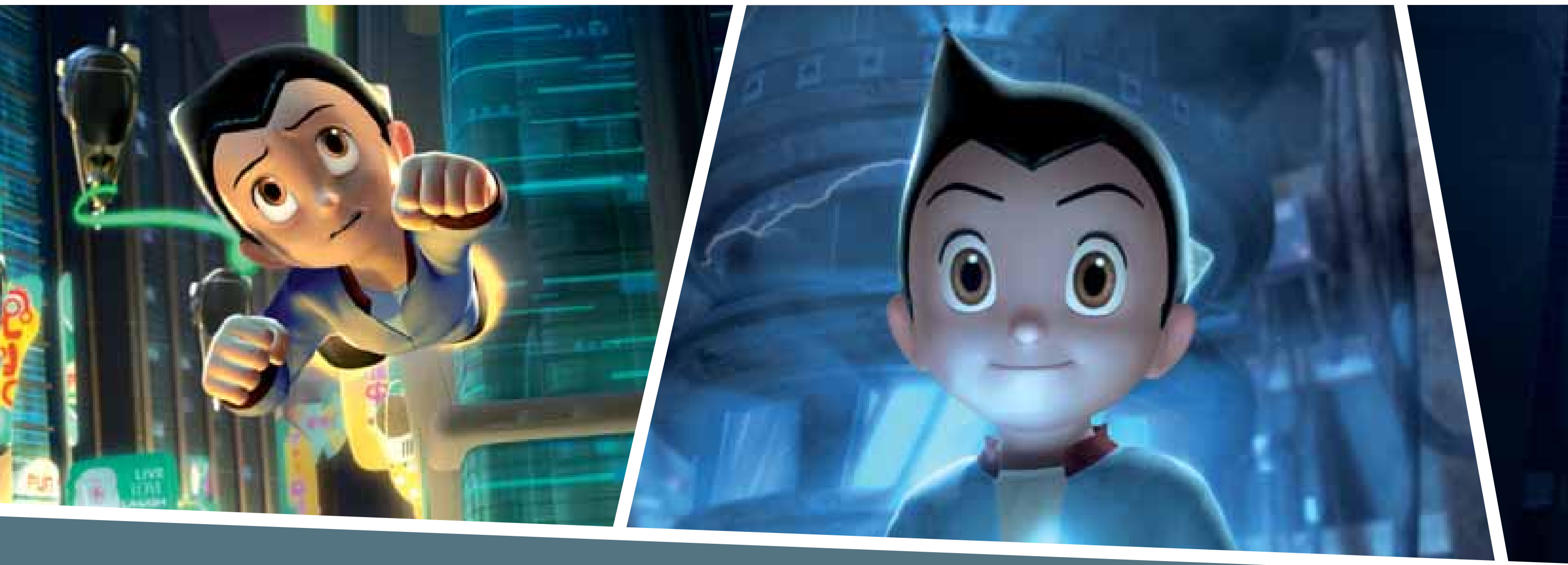
- Partnership with a major worldwide fast food restaurant chain – promotion of *Astro Boy* will generate major awareness among kids and parents; 20+ million *Astro Boy* toys; *Astro Boy* signage in 20,000+ stores in North and Latin America; substantial TV support.

- Promotional partners across the world – Kellogg's cereals (*Astro Boy* on 10 million packs in Asia); Langar Juices (2 million packs in North America); Hardees Restaurant (1 million *Astro Boy* toys in the Middle East); plus an additional 30 licensing partners with over 200 new product lines (including variants) worldwide.

- Trailers – *Astro Boy* trailers have been showing worldwide throughout 2009 with relevant films including "Monsters vs. Aliens", "G.I. Joe", "Up", "Toy Story 3D" etc.

- Opening – *Astro Boy* is projected to open on some 3,600 screens in the USA and a total of over 8,000 screens worldwide.

We have received encouraging indications of *Astro Boy*'s likely reception including high "definite recommends" scores from both parents and their children at research screenings. There has also been extensive and positive coverage in the media including the US national and specialist press, TV and online. No credible estimates of actual box office performance are possible until the film actually opens. We were, however, particularly gratified by *Astro Boy*'s reception at last weeks "Comic-Con" in San Diego (the leading popular arts convention in the USA). *Astro Boy* was highlighted at two panels where the new trailer was also unveiled to an enthusiastic response. Drawing an audience of over 2,000 each, the panels featuring director David Bowers, producer Maryann Garger and voice talent Freddie Highmore and Kristen Bell, obtained extensive coverage on television, radio, online and in the print media. Some 125,000 fans visited the Comic-Con exhibit floor, where the Imagi Studios booth was prominently positioned.



Priority 4 – Solidify our pipeline

By the time *Astro Boy* is released in October 2009 it will be $2\frac{1}{2}$ years since the launch of Imagi's previous feature film, *TMNT*.

Our goal is to release at least one new CG animated feature film per annum. We hope to reach this frequency within the next two to three years.

To that end we are taking action to reconfigure and upgrade "*Gatchaman*" – we expect to announce exciting developments in relation to that property later in the year and to release it in early 2011.

We have, however, decided that "Tusker", another of the properties which was in preliminary development, did not justify additional expenditures.

If the box office performance of *Astro Boy* matches our aspirations we will seriously consider a sequel for that. We also have several other possibilities under active consideration.

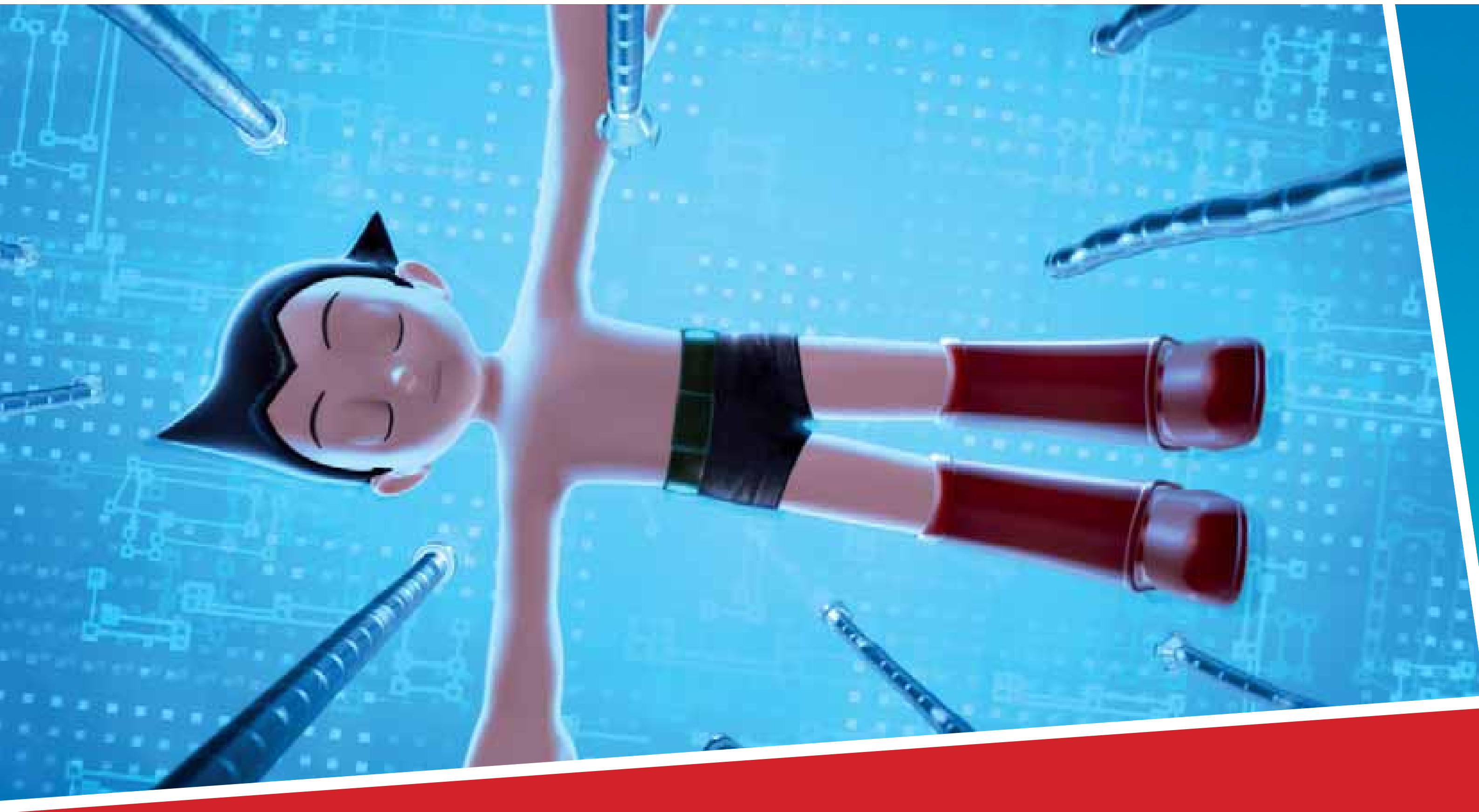
Priority 5 – Initiate a China strategy

The potential of China is a major latent asset on which Imagi has yet to capitalise.

We believe that China's leaders have decided to promote CG animation as a sector of the entertainment business ideally suited to China's circumstances.

Imagi, with its major animation studio in Hong Kong staffed predominantly by Chinese people, is in an ideal position both to assist and also to participate in this important trend.

We are currently working on plans how, specifically, to go about this and may be in a position to announce preliminary moves later in the year.



Priority 6 – Strengthen our organisation

We have taken and are taking several steps to strengthen our internal organisation. These include:

- Staff motivation – restructuring the share option plan to make it more effective as a motivational tool (the existing plan involves a strike price for most members of over three times the current share price) and removing inconsistencies in the plan.
- Culture – encouraging more intense exchange between the studios in Hong Kong and Los Angeles so as to foster improved mutual understanding and co-operation.
- Structure – clarifying and modifying as necessary the chain of communication and command so as to minimise misunderstandings.

Priority 7 – Find a permanent CEO

We have formed a Search Committee consisting of four directors – our Deputy Chairman Mr Phoon Chiong Kit, Independent Non-executive Director Ms Ting Chuk Kwan (Chairman of the Audit Committee), Non-executive Director Mr Paul Steven Serfaty and myself.

We have specified the qualities we are looking for and have briefed relevant intermediaries including William Morris Endeavor, the major Hollywood talent and literary agency.

We believe that Imagi offers a mix of characteristics that should be very attractive to an ambitious film industry professional.

- It is transforming itself into a mainstream animation studio

- It is unique – the only CG animation specialist with genuinely deep roots in both Hollywood and Asia

- It is strong enough to be able to produce world class animation and attract A-list talent, yet small and nimble enough to respond rapidly to exciting opportunities.

We expect the ideal timing for negotiating an appointment will be after the release of *Astro Boy* in October 2009.

But we are already in the process of considering possible candidates.

Conclusion

Imagi, its staff and in particular its loyal shareholders, have been through a tough time in the last 12 months or so. Yet it has achieved the remarkable feat of creating an animation studio of world quality as *Astro Boy* will surely demonstrate. In the process it has attracted exceptionally talented people to work in the Company.

Imagi is now in a position to face the future with vastly enhanced confidence. I look forward to handing over to a film industry leader who can make the most of its tremendous opportunities. Meanwhile I would like to express my appreciation to the men and women of Imagi for their welcome and dedication.

William Courtauld
Acting Chief Executive Officer

30th July 2009

Management Discussion and Analysis

BUSINESS REVIEW

For the current year under review, the Group reported a turnover of HK$3.6 million, representing a decrease of approximately 79% as compared to HK$17.2 million last year. The decrease in turnover is due to the fact that new CG films are under production for the year under review and no new CG film was released to generate revenue during the year.

The distribution and selling expenses were HK$11.8 million compared with only HK$1.8 million last year, primarily because of promotional work to support *Astro Boy*. The administration expenses of HK$52.1 million were slightly less than last year's HK$54.3 million. This reduction underlines our determination to control costs despite an increase in activity in the last year.

Loss attributable to shareholders for the year ended 31st March 2009 was HK$177.4 million, an increase of 207% as compared to HK$57.8 million of last year. The loss for the year included an impairment loss recognized in respect of CG animation pictures of HK$87.1 million and the loss on re-measurement of liability component of convertible loan notes during the year of HK$34.5 million.

The loss on re-measurement of liability component of the convertible loan notes amounting to HK$34.5 million is an accounting adjustment necessitated by the fact that the convertible loan notes were in technical default as at 31st March 2009. HK$34.5 million is the difference between the amortised amount and the full principal amount of the convertible loan notes. This adjustment will partially reverse next year when the new convertible loan notes will be stated at the amortised amount.

Corporate

The key corporate activities that took place in the year to 31st March 2009 and subsequently are as follows:

Secondary Listing on the International OTCQX

The Company has appointed Merriman Curhan Ford & Co. (the "**US Financial Adviser**"), an investment bank registered with the Securities and Exchange Commission of the United States of America (the "**United States**"), as its financial advisor in connection with its proposed application of the Company's shares for listing on the International OTCQX tier in the United States and the Company has made an application for listing of the existing ordinary shares of a nominal value of HK$0.10 each in the share capital of the Company on the International OTCQX (the "Proposed Secondary Listing") and instructed the US Financial Adviser to make a filing with the applicable regulators for the Proposed Secondary Listing on 18th July 2008 (United States time). The International OTCQX provides a gateway to securities markets in the United States for international companies that are listed on a qualified international exchange and provide ongoing disclosure to investors in the United States.

Subscription of Shares by Smart Will

On 2nd September 2008, the Company and Smart Will Investments Limited ("**Smart Will**") entered into the subscription agreement pursuant to which the Company has agreed to issue, and Smart Will has agreed to subscribe for 90,600,000 Shares at the HK$0.86 each. The Company has been informed by Sunni International Limited ("**Sunni**"), a controlling shareholder of the Company, has executed the deed poll on 2nd September 2008, pursuant to which upon completion of the subscription, it would transfer the gift Shares (being 40,000,000 Shares) to Smart Will by way of gift at nil consideration. The Company has further been informed by Sunni that it has executed another deed poll on 5th September 2008 pursuant to which it would, on or before 22nd September 2008, transfer the further gift Shares (being 30,000,000 Shares) to Smart Will by way of gift at nil consideration. The net proceeds from the issue of the subscription Shares, after deduction of related expenses payable by the Company, was approximately HK$77.5 million. The Directors intended that the net proceeds would be used for the development of four full lengthfeature computer graphics imagery animation movies scheduled tentatively to be released from 2009 to 2011.

Bridge loan financing

As a result of the various abortive financings that took place during the year, the Company also engaged in intense efforts to negotiate temporary financing in January and February of 2009 and entered into the Bridge Loan Agreements, and obtained temporary bridge loan financing (the "Bridge Loans") initially in aggregate of up to US$16.6 million (HK$129.5 million) (of which US$5.6 million had been drawn down as at 24th February 2009). The Bridge Loans enabled the Company to discharge a substantial part of past due payables, including deferred payroll and vendor invoices, thereby avoiding a material disruption in the time critical production and marketing of the *Astro Boy* project. The Bridge Loans have since been increased to in aggregate of up to approximately US$12.0 million or HK$93.6 million as at 31st March 2009.

These Bridge Loans were secured against fixed and floating charges over the Group's rights to the *Astro Boy* feature film and all of the Group's intellectual property rights and other assets, and are convertible into shares in the Company.

More details are available in Note 25 to the consolidated financial statements.

Trading suspension

In view of the above developments, the Company requested the suspension of the trading of the shares on 29th January 2009 in order to allow the Company to conclude the financing arrangements. The shares resumed trading on 29th May 2009 after the Group announced its rights issue exercise.

Bridge Loan Conversion

In consideration of extending the maturity of the Bridge Loans, the Company entered into the Bridge Loan Conversion Agreement with the Bridge Lenders, on 15th May 2009, where under each of the Bridge Lenders agreed, conditional upon, inter alia, the approval by the Independent Shareholders and completion of the Rights Issue. The Bridge Loan Conversion was approved by the shareholders at the SGM on 30th July 2009. Completion of the conversion will take place at the end of August 2009 when the Rights Issue closes.

The new Winnington Convertible Note

On 15th May 2009, the Company announced it had reached agreement with Winnington Capital Limited ("Winnington") to restructure the terms of the HK$132 million convertible note dated 30th January 2008 issued by the Company pursuant to a subscription agreement dated 4th December 2007 between the Company and Winnington. The initial conversion price of the Winnington shares is HK$0.30 subject to certain adjustments. This new note is unsecured. This new Winnington Convertible Note was approved by the shareholders at the SGM on 30th July 2009 but will only come fully into effect at the end of August 2009, upon completion of the Rights Issue.

Share placement

The Company announced on 18th June 2009, a share placement of 234,000,000 shares at a price of HK$0.441 each fully underwritten by Guotai Junan Securities (Hong Kong) Limited ("Guotai"). The placement was completed on 29th July 2009 and raised net proceeds of approximately HK$98 million.

Rights Issue

On 27th May 2009, the Board announced that the Company proposes to raise approximately HK$108.05 million, before expenses, by issuing not less than 432,188,463 Rights Shares at the Subscription Price of HK$0.25 per Rights Share payable in full on acceptance, on the basis of one Rights Share for every four Shares in issue on the Record Date. The Rights Issue circular was issued on 14th July 2009 and is fully underwritten by Guotai and is expected to close on 19th August 2009 raising net proceeds of HK$100.0 million.

The main purpose of the Rights Issue was to ensure that the Company had sufficient funds with which to complete *Astro Boy* (see below). It was also a key pre-condition of certain aspects of the financing transactions described above including the Bridge Loan Conversion and issue of the new Winnington Convertible Note.

PROSPECTS

Over the last year, we have been focusing on completing the production of *Astro Boy*, our full length feature CG animated movie due for worldwide release in October 2009.

Astro Boy has been among the world's best-known and most loved superheroes for more than 50 years. Created in the early 1950s by the "god of manga" and "father of anime", Japan's Osamu Tezuka, the iconic character has found wide popularity as the hero of three acclaimed animated television series spanning over four decades, besides being one of the top licensed properties for merchandising.

Set in futuristic Metro City and featuring a young robot with incredible powers, Imagi's *Astro Boy* is an action-adventure with comedy and heart. David Bowers (*Flushed Away*) is directing the CG-animated motion picture from a screenplay written by Timothy Harris (*Kindergarten Cop, Trading Places*), with Maryann Garger producing. Makoto Tezuka, son of the legendary creator of *Astro Boy*, is serving as a consultant on the film.

Astro Boy will feature the voices of Academy Award®-winning actor Nicolas Cage, Nathan Lane, and of Donald Sutherland, Charlize Theron, Kristen Bell, Bill Nighy and Eugene Levy with Freddie Highmore (*The Spiderwick Chronicles, The Golden Compass*) in the title role.

Imagi Studios (USA) Inc. and Summit Entertainment LLC ("Summit") have entered into a global alliance whereby Summit will distribute *Astro Boy* worldwide except for Imagi's reserved territories of Japan, Hong Kong and China. In Japan, Imagi has appointed Kadokawa Entertainment Inc. as distributor, and Golden Harvest Entertainment Co., Ltd. ("Golden Harvest") as distributor in Hong Kong.

Based on the successful 1970s television series, Imagi's *Gatchaman* is the heroic story of five unlikely teenage superheroes who must work together to save the world from an alien invasion. Each exceptional member of G5 embodies distinctive qualities with dynamic fighting styles as they explode onto the big screen. We are currently preparing for the production of *Gatchaman* which is scheduled for release in early 2011.

Looking further afield, the Company has many projects at development stage and would evaluate candidates for feature film development of these projects based on market conditions.

Management changes

During the year, the Company continued to strengthen its finance, and marketing and production capabilities. Key management appointments over the last year include:

Management

C. K. Phoon was originally appointed as a Non-executive Director in February 2009 and was re-designated as Deputy Chairman and Executive Director in 21st April 2009. Mr. Phoon was formerly Managing Director of Golden Harvest and brings a wealth of film industry expertise to the Company.

William Courtauld was appointed as Acting Chief Executive Officer on 8th May 2009 replacing Douglas Glen who resigned on the same day. Mr. Courtauld is a very experienced senior executive with over 35 years' experience in leading businesses in Asia. He was appointed initially as a Non-executive Director in February 2009 but was re-designated as an Executive Director following his appointment as Acting Chief Executive Officer.

Finance

Fred Ng joined us as Interim Chief Financial Officer in March 2009. Based in Hong Kong, he brings with him over 25 years of experience in financial management, corporate finance and banking.

Production

David Chan joined us as Producer. David was formerly a director at Golden Harvest and has over 35 years experience in film making.

Marketing

Soon-En Wong joined us as VP of Marketing in Hong Kong and is responsible for co-coordinating the Asian marketing operations. He has over 13 years experience in film distribution and marketing.

Ivy Guo, joined us as VP of China Distribution & Marketing for China operations. Based in Shanghai, Ivy will lead our marketing efforts in China, where we see major potential for the future.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March 2009, the Group's cash deposits and bank balances amounted to approximately HK$3.8 million (31st March 2008: HK$175.5 million). As at the year end date, the Group's current ratio is 0.05 (31st March 2008: 8.7) and a gearing ratio, measured as total debts over total assets, is 32.6% (31st March 2008: 15.5%).

FOREIGN EXCHANGE EXPOSURE

Transactions of the Group are predominately denominated in Hong Kong dollars, US dollars, Euros and Japanese Yen. No hedging or other instruments to reduce the currency risks have been implemented during the year. However, review of the Group's exposure to foreign exchange risk is conducted periodically and if deemed prudent, we may decide to hedge certain exposures in future.

PLEDGE OF ASSETS

At 31st March 2009, the Group had entered into the various Bridge Loan financing agreements under which substantially all of the Group's assets have been pledged to secure these loans. However, pursuant to the Bridge Loan Conversion Agreement which was approved by shareholders on 30th July 2009, the security is due to be lifted upon completion of the Bridge Loan Conversion.

CONTINGENT LIABILITIES

At 31st March 2009, the Group had no significant contingent liabilities.

HUMAN RESOURCES

As at 31st March 2009, the Group employed approximately 500 full-time staff worldwide. Remuneration policies are reviewed regularly to ensure that compensation and benefit packages are in line with the market in respective countries where the Group has operations. Remuneration packages of Directors and senior management are reviewed and approved by the Remuneration Committee formed by two Independent Non-executive Directors and one Executive Director of the Company. In addition to the basic salary, incentives in the form of bonuses and share options may also be offered to eligible employees on the basis of individual performance and at the discretion of the Board.

The Group is committed to continually developing and deploying the potential of its staff to the fullest extent, by keeping them abreast with the latest technical, creative and business best practices. The Group's studio is well-equipped with in-house training facilities where structured training programs are regularly provided to staff in technical, creative and managerial disciplines. Besides internal training programs, the Group also provides customized training courses in collaboration with external training consultants and educational institutions.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31st March 2009.

AUDIT COMMITTEE

The current members of the Audit Committee are three Independent Non-executive Directors, Ms. Ting Chuk Kwan (Chairman of the Committee), Mr. Oh Kok Chi and Mr. Ng See Yuen. The Audit Committee meets regularly with the Group's senior management and the external auditors to consider and review the Group's financial statements, the nature and scope of audit reviews, the effectiveness of the system of internal controls and compliance, and to make recommendations to the Board.

CORPORATE GOVERNANCE

The Company is committed to maintain good corporate governance standards and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency. The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the financial year ended 31st March 2009, except the following deviations.

Under the Code Provision A.4.1, Non-executive Directors should be appointed for a specific term, subject to re-election. During the year, none of the Non-executive Director and the Independent Non-executive Directors of the Company was appointed for any specific fixed term. In accordance with the bye-laws, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Board considers that sufficient measures will be taken to ensure the corporate governance practices of the Company are not less exacting than those in the Code.

Following the resignation of Mr. Lai Chi Kin, Lawrence on 14th July 2008 as Independent Non-executive Director, a member of Audit Committee, the chairman and a member of Remuneration Committee, the Company then had two Independent Non-executive Directors and Audit Committee members which fell below the minimum number of three Independent Non-executive Directors and three members in the Audit Committee as required under Rule 3.10(1) and Rule 3.21 of the Listing Rules. Mr. Richard Arthur Witts was appointed as the Chairman, a member of Audit Committee and Remuneration Committee and Independent Non-executive Director of the Company on 16th February 2009. Since then, the Company complies with the Listing Rules. Ms. Ting Chuk Kwan was appointed as a Non-executive Director on 8th May 2009 and was re-designated as Independent Non-executive Director and appointed as chairman of the Audit Committee on 5th June 2009 while Mr. Richard Arthur Witts stepped down as member of Audit Committee. Currently, members of Audit Committee comprises of Ms. Ting Chuk Kwan, Mr. Oh Kok Chi and Mr. Ng See Yuen.

The Company then had two remuneration committee members following resignation of Mr. Lai Chi Kin, Lawrence, consisting of one Executive Director and one Independent Non-executive Director which fall below the requirement of (i) two Independent Non-executive Directors and one Executive Director as required by the Code of Corporate Governance of the Company and (ii) the majority of the members of the Remuneration Committee should be Independent Non-executive Directors as required by the Code. The Company complies with the Code of Corporate Governance of the Company and the Code following appointment of Mr. Richard Arthur Witts as member of Remuneration Committee. Currently members of Remuneration Committee comprises of Mr. Richard Arthur Witts, Mr. Phoon Chiong Kit and Mr. Oh Kok Chi.

However, with a view to further enhancing its corporate governance, the Board asked two of its Directors, William Courtauld and Paul Serfaty to make recommendations. They reported on 4th March 2009, all of their recommendations were accepted and are to be implemented during the current financial year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) of the Listing Rules as a code of conduct of the Company for directors’ securities transactions. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company’s code of conduct regarding directors’ securities transactions throughout the year ended 31st March 2009.

On behalf of the Board
Richard Witts
Chairman

30th July 2009

Directors' Profile

EXECUTIVE DIRECTORS

Mr. William Montgomerie COURTAULD, aged 66, is an Executive Director and acting Chief Executive Officer. Mr. Courtauld was educated in the United Kingdom at Eton College and then at Trinity College, Cambridge where he graduated with a 2:1 honours degree in History.

Mr. Courtauld trained in investment research and corporate finance in London and New York prior to moving to Asia where he has lived and worked since 1976. During this time, he started, managed and directed successful businesses in all the key economies of the Asia Pacific region – primarily with the Jardine Matheson Group. He has done business in and with the People's Republic of China since 1979 where he developed several major joint ventures. He has served on the boards of several listed companies and is currently a director of Witan Pacific Investment Trust PLC which invests exclusively in the Asia Pacific region. He is a former Chairman of the British Chamber of Commerce in Hong Kong.

Mr. PHOON Chiong Kit, aged 56, is the deputy chairman and an Executive Director. Mr. Phoon graduated from the University of Singapore and holds a Degree in Business Administration. He is presently Executive Director of, and the Head of Private Equity Investments, at Winnington Capital.

Mr. Phoon is a specialist investment banker and has a successful record in reorganizing and turning around companies in Hong Kong and South East Asia, including most recently, Golden Harvest Entertainment Holdings Ltd., the leading Chinese film entertainment group in Asia. He was Managing Director at Golden Harvest Entertainment Holdings Ltd. until December 2007.

Mr. Phoon was a banking director at Singapore International Merchant Bankers Ltd., now known as Schroders Singapore Ltd. Other notable transactions include the restructuring of Associated Hotels Ltd. in 1986; and the recovery of the Ka Wah Bank loan portfolio on behalf of the HK Monetary Affairs Board as member of the Special Asset Section in 1989.

NON-EXECUTIVE DIRECTOR

Mr. Paul Steven SERFATY, aged 56, is a Non-executive Director. Mr. Serfaty became a barrister in 1975. He was educated at the French Lycee in London and at Trinity College, Cambridge, where he took his MA and LLB (now LLM) degrees. Mr. Serfaty first worked in Hong Kong in 1975 and has lived here permanently since 1988. He has established, built and managed commercial and investment banking business units in London, Tokyo, Hong Kong, Sydney and Bombay. He has held executive and non-executive directorships in non-financial companies engaged in primarily service sector businesses.

From 1977 to 1981 he was at Chase Manhattan Bank, London, responsible for major UK corporate accounts. From 1981 to 1987 he was at Creditanstalt, London Branch, as Assistant General Manager developing its international corporate business, including Asia, from 1987 to 1988 he set up the office of Creditanstalt, Tokyo, and was its Chief Representative, and from 1988 to 1989 he established Creditanstalt, Hong Kong, before leaving in 1990 to establish a strategic consultancy specializing in financial markets strategy that was sold to Booz Allen & Hamilton. He subsequently became General Manager of Creditanstalt in 1997, after being invited back to manage its merger with Bank Austria. He held that position and its successor position within Bank Austria until the acquisition of Bank Austria by HVB in 2001.

His investment banking was focused on Asian Capital Partners where he was a director from 1994 to 1997 and again from 2001 to 2005. During this period he served on the board of Australian stockbroker Burdett, Buckeridge and Young; from 1994 to 1995; as a director of The First Vladivostok Fund, LDC (an unlisted private equity fund) from 1995 to 1997; as a director of Vietnam Enterprise Investments Ltd. (a Dublin-listed investment fund) from 1995 to 2005; and from 2004 to 2005 as a director of Hong Kong-listed VXL Limited.

Since 2007, he has been Head of Legal & Compliance at Winnington Capital where he is currently an Executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Richard Arthur WITTS, aged 65, is the Chairman and an Independent Non-executive Director. Mr. Witts has not held any directorships in the three years immediately preceding the Latest Practicable Date in public companies, the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Witts is a fellow of the Institute of Chartered Accountants in England and Wales. Mr. Witts has lived and worked in Hong Kong since 1970. From 1973 to 1981, he was the secretary and general manager of the Hong Kong Stock Exchange Limited. Mr. Witts then entered stockbroking with Jardine Fleming from 1982 until 1987. He was subsequently managing director of Schroder Securities (Hong Kong) Limited from 1987 until 1991 and managing director of United Mok Ying Kie Limited from 1991 until 2000. Mr. Witts has been working from 2000, until recently, with a member firm of the Stock Exchange, CLSA Limited. At intermittent times, Mr. Witts served on the Council of the Hong Kong Stock Exchange Limited and, subsequently, the Stock Exchange from 1982 to 1995. He also served on the Listing Committee of the Stock Exchange for the three years ended November 1996.

Mr. NG See Yuen, aged 65, is an Independent Non-executive Director. Mr. Ng joined the Board in 2004 and is a renowned film-maker with over 36 years of experience in the film industry. Mr. Ng is the founder of Seasonal Film Corporation. Over the years, Mr. Ng has produced numerous films locally, in the United States and in the People's Republic of China. Mr. Ng is the Honorary Permanent President of Hong Kong Film Directors' Guild and the Chairman of Federation of Hong Kong Film Workers. Mr. Ng was awarded with a "Bronze Bauhinia Star" in 1998 and was appointed Justice of the Peace in 2001.

Mr. OH Kok Chi, aged 57, is an Independent Non-executive Director. Mr. Oh joined the Board in 1997 and is a Certified Public Accountant. Mr. Oh is also a Corporate Consultant and acts as a director in various companies. He holds an Honours Bachelor's Degree in Accountancy and is a member of the Hong Kong Institute of Certified Public Accountants, the Chartered Institute of Management Accountants, the Institute of Chartered Accountants in England and Wales and the Association of Chartered Certified Accountants. He was a member of the eighth session of the Guangdong Committee of the People's Political Consultative Conference of the People's Republic of China.

Ms. TING Chuk Kwan, aged 45, is an Independent Non-executive Director. Ms. Ting graduated from the University of Oxford and holds a Bachelors degree in Mathematics and a Master of Arts degree. She also obtained a post-graduate diploma in French Literature from the University of Sorbonne, Paris.

Ms. Ting is an independent investor and adviser, specialising in investment opportunities emerging from contemporary Chinese cultural rejuvenation. She was a Managing Director at Goldman Sachs, and worked in the firm's Hong Kong office from 1998 to 2005. Prior to that, she was a Vice President at JP Morgan in Hong Kong from 1993 to 1998. For nearly twenty years, she led equity research teams to cover Asian equity markets, with a focus on the real estate sector in Hong Kong and China as well as attention to manufacturing and retailing. She was consistently top ranked by Institutional Investors (II) and Institutional Investors' Alpha, among others. She also led research teams to participate in large-scale IPO transactions, including Hong Kong's two government privatizations: The Link REIT (US$ 3 billion global offering in 2004) and The Mass Transit Railway Corporation (US$ 1 billion global offering in 2000), among others. During her career as an investment analyst she focused on firstly, fundamental company analysis, paying particular attention to issuers' financial performance and discipline, and secondly, emerging economic and governmental issues that provided context for opportunities and risks, focusing on Hong Kong's structural changes and integration with the Mainland, and China's evolution from public sector to private sector, and consequences of its interaction with the global economy.

Senior Management's Profile

SENIOR MANAGEMENT

Mr. David CHAN, aged 58, is the Producer. Mr. Chan holds a Bachelor's Degree in Art from St. John's University of Minnesota, the U.S.A., and a Master's Degree from the University of Kansas Graduate School of Radio-Television-Film, the U.S.A. Chan joined the Golden Harvest Group in 1975. During his tenure of over 32 years with the Group, he worked on 22 international films and over 100 Chinese films. Among his many screen credits, Mr. Chan was a producer of one of Hollywood's most successful independent screen series, "*TEENAGE MUTANT NINJA TURTLES*" and its two sequels, which together grossed more than US$250 million in the early nineties in the North American box office. He is a member of the Producers' Branch of the Academy of Motion Picture Arts and Sciences in America.

Mr. Yan CHEN, aged 32, is the Visual Effects Supervisor based in Hong Kong. Mr. Chen came to Imagi with more than a decade of experience at Hollywood studios including Walt Disney and DreamWorks Animation, working on feature films such as Dinosaur, Treasure Planet, The Matrix Reloaded, Shark Tale and Everyone's Hero, among many others. Born in Shanghai, Mr. Chen is a graduate of the University of California, Berkeley.

Ms. Echo CHEUNG, aged 48, is the Senior Vice President of Finance & Administration based in Los Angeles. Prior to joining the Company, Ms. Cheung was Chief Financial Officer and Controller of Home Essentials (HK) Ltd., where she oversaw corporate finance for group companies in Hong Kong, China, Dubai, Singapore, Spain and the U.S. She had also served in senior management roles directing financial operations at Cheung Kong Metal Fty. Ltd./Chit Hong Engineering Ltd. in Hong Kong and in the U.S. at RackSaver Inc./Verari Systems Inc., DZ Trading, Ltd. and H&C Headwear Inc.

Mr. Tim CHEUNG, aged 36, is the Vice President of Animation. Mr. Cheung oversees the animation for all of the Company's CGI feature films and manages the studio's 400+ Hong Kong-based animators. Prior to joining the Company, Mr. Cheung had worked at DreamWorks for 12 years, where he had earned a reputation as one of the world's top CGI animators, and had received kudos for his contributions to the *Shrek* trilogy as directing animator, supervising animator and head of character animation, respectively. Mr. Cheung was also a senior animator on *Antz*.

Ms. Erin CORBETT, aged 39, is the Executive Vice President and Chief Marketing Officer. She is based in Los Angeles. With over 16 years of diverse experience in marketing, advertising and promotions, Ms. Corbett spent eight years at Warner Bros. Pictures, where she became Senior Vice President of National Promotions, Feature Film Marketing. In that position, she led a string of award-winning marketing partnership successes, and worked on nearly 30 Warner Bros. titles annually. Prior to joining the Company, Ms. Corbett was a Vice President of Brand Activation for Harrah's Entertainment in Las Vegas where she oversaw partnership marketing, promotions, live events, public relations and product development for Harrah's 40 properties. Ms. Corbett started her entertainment career in licensing and marketing at The Walt Disney Company.

Ms. Kathy DOSSETT, is the Senior Vice President of Human Resources Department based in Los Angeles. She joined IMAGI Studios in October 2008 with more than 15 years experience in corporate, and entertainment organizations. Starting her career in healthcare, she collaborated with business leaders managing union and non-union issues across complex business units. From healthcare, she moved to DreamWorks animation, heading the Employee Relations area during the release of such notable films as Prince of Egypt and Shrek. While at DreamWorks, she played an invaluable role developing training and performance evaluations programs for the artistic community, until her career took her to The Walt Disney Studios. At Disney, she joined the executive leadership team and managed a diverse level of HR and business issues, during the release of such box office blockbusters, as the Pirates of the Caribbean franchises, Herbie, and the Princess Diaries. Prior to joining IMAGI, she was founder and principal of KCD & Associates, her own HR consulting firm, where she specialized in reorganizations and culture building at large and mid-size organizations.

Mr. IP Wai Ching, Felix, aged 39, is the Worldwide Creative Director based in Hong Kong. Mr. Ip has been with the Company since it was set up in 2000, serving as the director and production designer on the studio's first production, the television series *Zentrix*. Mr. Ip is in charge of all design and creative issues relating to *Astro Boy* throughout the entire production, from character design to maintaining consistency in all movie art work and products. He is also in charge of the artistic development of Imagi's next feature film, "Gatchaman". Prior to joining the Company, he had worked for over 10 years in graphic design, multimedia development and video games production.

Mr. KAO Wai Ho, Francis, aged 32, is the Chief Creative Officer based in Hong Kong. Mr. Kao is the founder of the Group's CG animation business. He sets the creative vision of the Company. He is a graduate of California State University, Sacramento, holding a Bachelor of Science degree in Finance Management.

Mr. Shinichi KOBAYASHI, aged 61, is the Chief Executive Officer of Imagi International Japan Company Limited. Mr. Kobayashi is in charge of enhancing the Group's presence in Japan and positions it for business opportunities within the Japanese entertainment industry. He has been involved in multimedia, game software development and animation for more than 30 years, and previously served as executive producer at a leading Japanese animation company.

Mr. Andrew KOPPERUD, aged 45, is the Chief Operating Officer based in Los Angeles. Prior to this appointment in May 2009, he was the Senior Vice President of Business Affairs & Operations of the Group. Mr. Kopperud joined the Company with over 15 years of experience in film production, operations and finance. He started his career in television at Paramount where he served as production supervisor on long-running shows such as Entertainment Tonight, and subsequently became Director of Production of Black Entertainment Television. Mr. Kopperud later became the Head of Production Finance at Dreamworks Animation, with projects including *Shark Tale*, *Shrek 2*, *Madagascar* and *Over The Hedge*. Mr. Kopperud also worked as an executive in independent film and television production.

Mr. MAK Chee Hang, Johnny, aged 34, is the Head of Technical Operations based in Hong Kong. Mr. Mak joined IMAGI animation studio in 2003 and was responsible for establishing and designing production pipeline. Currently, he is responsible for the company's overall technology agenda. He leads the IT, R&D and Production Engineer team and manages the overall proprietary tools development and company's IT assets as well as its key operational processes. Mr. Mak has over 10 years of experience in computer games production and computer graphics technology. He holds a Bachelor's Degree in Computing Science from Macquarie University and a Master of Technology Management from the University of New South Wales, Australia.

Mr. NG Kar Yin, Frederick, aged 49, is the Interim Chief Financial Officer. Mr. Ng has over 25 years of experience in corporate advisory, banking and financial management, in a variety of industries. He is a Fellow of the Institute of Chartered Accountants in England and Wales, and a Fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Ng specialises in financial and operational turnarounds and is a founding member of the Institute for Turnaround, a leading UK professional turnaround body. He has been involved in high profile European restructurings and led a number of restructurings during the Asian financial crisis in the late 90s. Mr. Ng holds a Masters degree in Business Administration from Henley Business School and is a visiting lecturer on turnarounds at the Manchester Business School. Mr. Ng was formerly Chief Financial Officer of Hampton Trust PLC, a listed company which shares are listed on the London Stock Exchange. He has also held a variety of senior advisory and financial roles in Hong Kong, Singapore and London. Mr. Ng is responsible for overseeing the financial management matters of the Group. He is based in Hong Kong.

Mr. Kim OOI, aged 30, is the Animation Director based in Hong Kong. Mr. Ooi has been with the Company since its beginning in 2000, serving as an animation director for the company's first television series, *Zentrix*. He was a graduate of Vancouver Film School, and started his animation career in local television spots and subsequently worked on commercials at major advertising agencies in Shanghai and Hong Kong.

Mr. TAM Wing Kin, Vincent, aged 44, is the Company Secretary of the Group. He joined the Group as Company Secretary and Finance Director in August 2007. He is a member of the Chartered Institute of Management Accountants, the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is also a Certified Public Accountant. Prior to joining the Company, he worked at one of the leading international accountancy firms and several listed companies in Hong Kong. He has over 18 years of experience in the accounting field. He was an executive director of Tomorrow International Holdings Limited from February 2000 to August 2007. He is currently an independent non-executive director of Fittec International Group Limited and China Post E-Commerce (Holdings) Limited. He is based in Hong Kong.

Mr. Ken TSUMURA, aged 47, is the Executive Vice President of Production in Hong Kong. Mr. Tsumura is responsible for all production and studio operations at the Company's headquarters in Hong Kong. He was formerly Senior Vice President of Production & Technology at Canada's Mainframe Entertainment, and his production credits include *Curious George* (executive producer), *Father of the Pride* (producer) and *Adam Sandler's Eight Crazy Nights* (executive producer). During the past 24 years, Mr. Tsumura has worked on projects at such prominent companies as DreamWorks Animation, Walt Disney Animation, Universal Pictures and Columbia Pictures.

Mr. Paul WANG, aged 45, is Executive Vice President of Development based in Los Angeles. Mr. Wang has been involved in filmmaking and computer graphics for the last 20 years. After running Four-D, his own boutique animation house in New York, Mr. Wang entered the computer-generated visual effects industry where he created special visual effects for movies such as *Batman Forever* and *The Peacemaker*. Mr. Wang went on to join PDI/DreamWorks where he did pioneering work on animated motion pictures such as *Antz*, *Shrek* and *Madagascar*. He also worked on the theme-park ride *Shrek 4D* and DreamWorks Television's CG-animated TV series, *Father of the Pride*. Mr. Wang was a producer on *TMNT* which was produced and released by the Company in 2007.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain good corporate governance standards and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency. The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules during the year ended 31st March 2009, except the following deviations.

Under the Code Provision A.4.1, Non-executive Directors should be appointed for a specific term, subject to re-election. During the year, none of the Non-executive Director and the Independent Non-executive Directors of the Company was appointed for any specific fixed term. In accordance with the bye-laws, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Board considers that sufficient measures will be taken to ensure the corporate governance practices of the Company are not less exacting than those in the Code.

Following the resignation of Mr. Lai Chi Kin, Lawrence on 14th July 2008 as Independent Non-executive Director, a member of Audit Committee, the chairman and a member of Remuneration Committee, the Company then had two Independent Non-executive Directors and Audit Committee members which fell below the minimum number of three Independent Non-executive Directors and three members in the Audit Committee as required under Rule 3.10(1) and Rule 3.21 of the Listing Rules. Mr. Richard Arthur Witts was appointed as the Chairman, a member of Audit Committee and Remuneration Committee and Independent Non-executive Director of the Company on 16th February 2009. Since then, the Company complies with the Listing Rules. Ms. Ting Chuk Kwan was appointed as a Non-executive Director on 8th May 2009 and was re-designated as Independent Non-executive Director and appointed as chairman of the Audit Committee on 5th June 2009 while Mr. Richard Arthur Witts stepped down as member of Audit Committee. Currently, members of Audit Committee comprises of Ms. Ting Chuk Kwan, Mr. Oh Kok Chi and Mr. Ng See Yuen.

The Company then had two remuneration committee members following resignation of Mr. Lai Chi Kin, Lawrence, consisting of one Executive Director and one Independent Non-executive Director which fall below the requirement of (i) two Independent Non-executive Directors and one Executive Director as required by the Code of Corporate Governance of the Company and (ii) the majority of the members of the Remuneration Committee should be Independent Non-executive Directors as required by the Code. The Company complies with the Code of Corporate Governance of the Company and the Code following appointment of Mr. Richard Witts as member of Remuneration Committee. Currently members of Remuneration Committee comprises of Mr. Richard Arthur Witts, Mr. Phoon Chiong Kit and Mr. Oh Kok Chi.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules as a code of conduct of the Company for Directors' securities transactions. Employees who are deemed to be in possession of unpublished price sensitive information in relation to the Company or its shares are required to prohibit to deal in shares of the Company during the black-out period.

Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the year ended 31st March 2009.

BOARD OF DIRECTORS

Currently the Board comprises two Executive Directors, one Non-executive Director and four Independent Non-executive Directors.

The composition of the Board's members is as follows:

Chairman

Mr. Richard Arthur WITTS *(Chairman and Independent Non-executive Director)*	(appointed on 16th February 2009)
Mr. KAO Cheung Chong, Michael	(retired on 9th April 2008)

Executive Directors

Mr. William Montgomerie COURTAULD	(appointed as Non-executive Director on 16th February 2009 and re-designated as Acting Chief Executive Officer and Executive Director on 8th May 2009)
Mr. PHOON Chiong Kit	(appointed on 16th February 2009 as Non-executive Director and re-designated as Deputy Chairman and Executive Director on 21st April 2009)
Mr. KAO Wai Ho, Francis	(resigned as Chairman and Executive Director on 11th February 2009)
Mr. Douglas Esse GLEN	(resigned on 8th May 2009)
Mr. TSE Chi Man, Terry	(resigned on 2nd June 2008)

Non-executive Directors

Mr. Paul Steven SERFATY	(appointed on 16th February 2009)
Mr. LAM Pak Kin, Philip	(resigned on 1st May 2008)

Independent Non-executive Directors

Mr. NG See Yuen	
Mr. OH Kok Chi	
Ms. TING Chuk Kwan	(appointed as Non-executive Director on 8th May 2009 and re-designated as Independent Non-executive Director on 5th June 2009)
Mr. LAI Chi Kin, Lawrence	(resigned on 14th July 2008)

During the financial year ended 31st March 2009, the Directors have made active contributions to the affairs of the Group and seventeen Board meetings were held. Details of the attendance of individual directors at board meetings and committee meetings during the year are set out in the following table.

Name	Number of meeting held during the director's term of office	Number of meeting attended
Chairman		
Richard Arthur Witts	4	4
Kao Cheung Chong, Michael	2	2
Executive Directors		
Kao Wai Ho, Francis	14	14
Douglas Esse Glen	17	17
Tse Chi Man, Terry	2	2
Non-executive Directors		
William Montgomerie Courtauld (re-designated as Acting Chief Executive Office and Executive Director on 8th May 2009)	4	4
Phoon Chiong Kit (re-designated as Deputy Chairman and Executive Director on 21st April 2009)	4	4
Paul Steven Serfaty	4	4
Lam Pak Kin, Philip	N/A	N/A
Independent Non-executive Directors		
Ng See Yuen	14	11
Oh Kok Chi	14	13
Lai Chi Kin, Lawrence	1	1

The Board is responsible for formulating policies and objectives of the Company, setting targets of the management and monitoring the management's performance. It delegates day-to-day operations of the Company to the executive committee and senior management within the control and authority framework set out by the Board.

The Board includes a balanced composition of Executive and Non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgments. Non-executive Directors are of sufficient caliber and number for their views to carry weight.

The biographical details of the Directors are provided on page 21 and page 22 of this report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICERS

The roles of Chairman and Chief Executive Officer are separate and are not performed by the same individual to further reinforce their independence and accountability. The Chairman provides leadership for the Board and the Chief Executive Officer has overall chief executive responsibility for the Group's business development and day-to-day management generally. The division of responsibilities between the Chairman and the Chief Executive Officer is clearly established and set out in writing.

NON-EXECUTIVE DIRECTORS

The Non-executive Directors of the Company were not appointed for any specific fixed term. In accordance with the Bye-laws, every director shall be subject to retirement by rotation at least once every three years.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 1st August 2005 with specific written terms of reference which deals clearly with its authority and duties. The principal duties of the Remuneration Committee include:

(i) making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management of the Group;

(ii) reviewing and approve performance-based remunerations;

(iii) determining the specific remuneration packages of all Executive Directors and senior management and making recommendations to the Board for the remunerations of Non-executive Director and Independent Non-executive Directors;

(iv) reviewing and approve the compensations payable to Executive Directors and senior management and the compensation arrangements relating to dismissal or removal of Directors for misconducts; and

(v) ensuring that no Directors or any of their associates are involved in deciding their own remuneration.

Currently, the Chairman of the Remuneration Committee is Mr. Richard Arthur Witts, the Chairman and an Independent Non-executive Director of the Company. The other members comprise an Independent Non-executive Director of the Company, Mr. Oh Kok Chi, and an Executive Director Mr. Phoon Chiong Kit who was appointed on 8th May 2009. Mr. Phoon replaced the vacancy upon resignation of Mr. Douglas Esse Glen on the same day who in turn replaced the vacancy upon resignation of Mr. Kao Wai Ho, Francis as Chairman and Executive Director in 11th February 2009. The Independent Non-executive Directors of the Company constitute the majority of the committee.

During the year, the Remuneration Committee held two meetings were held. The attendance of individual members was set out in the following table.

Name	Number of meetings attended
Kao Wai Ho, Francis	2
Oh Kok Chi	2

NOMINATION OF DIRECTORS

Appointment of new directors is a matter for consideration by the Board. The Board will review the profiles of the candidates before considering the appointment and re-nomination of directors.

According to the Bye-laws, any directors so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next following general meeting of the Company or, in the case of an addition to their number, until the next following annual general meeting of the Company, who shall then be eligible for re-election at such annual general meeting.

AUDITORS' REMUNERATION

During the year, the remunerations paid to the Company's auditors, Messrs. Deloitte Touche Tohmatsu, are set out as follows:

Services rendered	Fee paid/payable HK$'000
Audit services	1,600
Non-audit services:	
Review on interim financial report	330
Taxation services	239
Diagnostic Risk Assessment	144

AUDIT COMMITTEE

The Company has an Audit Committee principal duties include, amongst other things,

(i) overseeing the relationship with the Company's auditors;

(ii) reviewing the interim and annual financial statements; and

(iii) reviewing the Company's financial reporting system and internal control procedures.

Currently, Ms. Ting Chuk Kwan, an independent Non-executive Director of the Company, is the Chairman of the Audit Committee who was appointed on 5th June 2009. The other members comprise two independent Non-executive Directors, namely Mr. Oh Kok Chi and Mr. Ng See Yuen. None of the members of the Audit Committee were former partners of the auditors of the Company.

During the year, the Audit Committee held two meetings and the attendance of individual members was set out in the following table.

Name	Number of meetings attended
Ng See Yuen	2
Oh Kok Chi	2

The Audit Committee has an explicit authority to investigate any activity within its terms of reference and an authority to obtain outside legal or other independent professional advice if it considers necessary. It is given access to and assistance from the employees and reasonable resources to discharge its duties properly.

During the financial year ended 31st March 2009, the Board had no disagreement with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors.

INTERNAL CONTROLS

The Board acknowledges its responsibility in maintaining sound and effective internal control system for the Group to safeguard investments of the shareholders and assets of the Group at all times.

The system of internal controls aims at achieving the Group's business objectives, safeguarding assets and maintaining proper accounting records for provision of reliable financial information. However, the design of the system is to provide reasonable, but not absolute, assurance against material misstatements in the financial statements or loss of assets and to manage rather than to eliminate risks of failure when business objectives are being sought.

The management has conducted regular reviews during the year on the effectiveness of the internal control system covering all material controls in areas of financial, operational and compliance controls, various functions for risks management as well as physical and information systems security.

The Interim Chief Financial Officer ("CFO") has reported to the Audit Committee in conjunction with key findings identified by the external auditors, findings and actions or measures taken in addressing those existing and potential internal control. The Audit Committee in turn reports any material issues to the Board.

During the year, based on the continuous evaluations made by the management and external auditors, the Audit Committee was satisfied that nothing has come to its attention to cause the Audit Committee to believe that the system of internal control is inadequate. Moreover, the Group will continue to identify and closely monitor the potential significant risks faced by the Group.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing financial statements of the Group which give a true and fair view of the state of affairs of the Group on a going concern basis and presenting the interim and annual financial statements, announcements and other financial disclosures required under the Listing Rules, the Directors aim to present a balanced, clear and understandable assessment of the Group's positions and prospects.

The statement of the auditors of the Company, Messrs. Deloitte Touche Tohmatsu, about their reporting responsibilities on the financial statements of the Group is set out in the Report of the Auditors on pages 36 to 37 of this annual report.

COMMUNICATION WITH SHAREHOLDERS

To foster effective communications with the shareholders, the Company provides extensive information in its annual and interim reports and press announcements. Composition of the Board, including names of Independent Non-Executive Directors of the Company, is disclosed in all corporate communications to shareholders. All shareholders' communications are also available on the Company's website at www.imagi.com.hk. The AGM of the Company provides a useful forum for shareholders to exchange views with the Board. All Directors will make an effort to attend. External auditor is also available at the AGM to address shareholders' queries. In case of any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval, members of the independent board committee will also make an effort to attend to address shareholders' queries.

Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual Directors. Details of the poll voting procedures and rights of shareholders to demand a poll are included in the Company's circulars convening a general meeting. The Chairman of a general meeting also explains the procedures for demanding and conducting a poll before putting a resolution to a vote. The results of a poll, if any, will be published in the newspapers and on the Company's website.

Directors' Report

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in notes 37 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st March 2009 are set out in the consolidated income statement on page 43.

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

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 96.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK$12,853,000 on additions to property, plant and equipment mainly for the expansion and enhancement of its production capability.

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

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 28 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserve available for distribution to shareholders as at 31st March 2009 amounted to HK$393,928,000 (2008: HK$474,048,000).

DIRECTORS

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

Chairman:

Mr. Richard Arthur WITTS (Chairman and Independent Non-executive Director)	(appointed on 16th February 2009)
Mr. KAO Cheung Chong, Michael	(retired on 9th April 2008)

Executive Directors:

Mr. William Montgomerie COURTAULD	(appointed as Non-executive Director on 16th February 2009 and re-designated as Acting Chief Executive Officer and Executive Director on 8th May 2009)
Mr. PHOON Chiong Kit	(appointed on 16th February 2009 as Non-executive Director and re-designated as Deputy Chairman and Executive Director on 21st April 2009)
Mr. KAO Wai Ho, Francis (Note)	(resigned as Chairman and Executive Director on 11th February 2009)
Mr. Douglas Esse GLEN	(resigned on 8th May 2009)
Mr. TSE Chi Man, Terry	(resigned on 2nd June 2008)

Non-executive Directors:

Mr. Paul Steven SERFATY	(appointed on 16th February 2009)
Mr. LAM Pak Kin, Philip	(resigned on 1st May 2008)

Independent Non-executive Directors:

Mr. NG See Yuen	
Mr. OH Kok Chi	
Ms. TING Chuk Kwan	(appointed as Non-executive Director on 8th May 2009 and re-designated as Independent Non-executive Director on 5th June 2009)
Mr. LAI Chi Kin, Lawrence	(resigned on 14th July 2008)

Note: On 9th April 2008, Mr. Kao Wai Ho, Francis was re-designated as the Chairman and the Chief Creative Officer. During the year, he has resigned as the Chairman and the Executive Director on 11th February 2009.

In accordance with Article 87 of the Company's Bye-laws, Mr. Oh Kok Chi shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Article 86(2) of the Company's Bye-laws, Mr. William Montgomerie Courtauld, Mr. Phoon Chiong Kit, Mr. Richard Arthur Witts and Ms. Ting Chuk Kwan, who were appointed as Directors by the Board, will hold office until the forthcoming annual general meeting. They, being eligible, offer themselves for re-election.

The term of office for each Non-executive Director and Independent Non-executive Director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' SERVICE CONTRACTS

An Executive Director of the Company has entered into a service contract with the Company for an initial term commencing 20th September 2006 and ending 19th September 2008, subject to termination either by a seven days' notice from the Company to that Executive Director or one month's notice from that Executive Director to the Company. The contract was renewed on 2nd January 2008 for a term of two years commencing 2nd January 2008 and ending 1st January 2010, subject to termination by one month's notice from the respective party to the other party.

Other than the Executive Director whose contract is described above, no Director being proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not terminable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND CONVERTIBLE NOTES

At 31st March 2009, the interests of the Directors and the Chief Executives and their associates in the shares, underlying shares and convertible notes of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long position

(A) *Ordinary shares of HK$0.10 each of the Company*

	Number of issued ordinary shares held				Percentage
Name of Directors	**Personal interest**	**Corporate interest**	**Other interest**	**Total interest**	**of issued share capital**
Mr. Douglas Esse Glen (Note)	424,000	–	–	424,000	0.02%
Mr. Richard Arthur Witts	1,000,000	–	–	1,000,000	0.06%

Note: Subsequent to the balance sheet date, Mr. Douglas Esse Glen resigned as a Director on 8th May 2009.

(B) *Share options of the Company*

Name of Directors	**Capacity**	**Number of options held**	**Number of underlying shares**
Mr. Douglas Esse Glen (Note)	Beneficial owner	15,000,000	15,000,000
Mr. Ng See Yuen	Beneficial owner	500,000	500,000
Mr. Oh Kok Chi	Beneficial owner	500,000	500,000

Note: Subsequent to the balance sheet date, Mr. Douglas Esse Glen resigned as a Director on 8th May 2009. Pursuant to the Share Option Scheme, Mr. Glen will be entitled to exercise any option shares properly vested to him during the course of his employment within a five year term commencing from the vesting date of such option.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 29 to the consolidated financial statements.

The following table discloses movements in the Company's share options during the year:

	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$	At 1st April 2008	Granted during the year	Granted with modification during the year	Cancelled with modification during the year	Exercised during the year	Cancelled during the year	Forfeited during the year	At 31st March 2009
Category 1: Directors												
Mr. Douglas Esse Glen	9th October 2006	Nil to 5 years	5 years	2.570	12,000,000	–	–	(7,000,000)	–	–	–	5,000,000
	7th April 2008	2.74 to 4.74 years	5 years	2.178	–	3,000,000	–	–	–	–	–	3,000,000
	29th December 2008	Nil to 1 year	5 years	0.402	–	–	7,000,000	–	–	–	–	7,000,000
Mr. Tse Chi Man, Terry	25th September 2007	0.33 to 2.33 years	5 years	2.178	5,000,000	–	–	–	–	(3,500,000)	(1,500,000)	–
Mr. Ng See Yuen	22nd July 2008	1 to 4 years	5 years	0.860	–	500,000	–	–	–	–	–	500,000
Mr. Oh Kok Chi	22nd July 2008	1 to 4 years	5 years	0.860	–	500,000	–	–	–	–	–	500,000
					17,000,000	4,000,000	7,000,000	(7,000,000)	–	(3,500,000)	(1,500,000)	16,000,000
Category 2: Employees												
	24th May 2005	Nil	5 years	0.196	3,700,000	–	–	–	(200,000)	–	–	3,500,000
	7th June 2005	Nil	5 years	0.195	5,000,000	–	–	–	–	–	–	5,000,000
	13th February 2006	Nil	3 to 5 years	0.535	2,300,000	–	–	–	–	–	–	2,300,000
	8th November 2006	Nil	5 years	3.070	1,256,000	–	–	–	–	–	(396,000)	860,000
	15th May 2007	0.67 to 3 years	5 years	2.178	46,485,000	–	–	–	–	(4,712,000)	(2,248,000)	39,525,000
	18th May 2007	0.67 to 2.67 years	5 years	2.146	100,000	–	–	–	–	(70,000)	(30,000)	–
	25th September 2007	0.33 to 3 years	5 years	2.178	7,050,000	–	–	–	–	(210,000)	(90,000)	6,750,000
	17th January 2008	1 to 3 years	5 years	2.178	1,000,000	–	–	–	–	–	–	1,000,000
	7th April 2008	1 to 3 years	5 years	2.178	–	1,690,000	–	–	–	–	–	1,690,000
	22nd December 2008	Nil	5 years	0.420	–	10,000,000	–	–	–	–	–	10,000,000
					66,891,000	11,690,000	–	–	(200,000)	(4,992,000)	(2,764,000)	70,625,000
Category 3: Supplier of services												
	12th January 2009	0.05 to 1.97 years	5 years	0.412	–	5,000,000	–	–	–	–	–	5,000,000
Total					83,891,000	20,690,000	7,000,000	(7,000,000)	(200,000)	(8,492,000)	(4,264,000)	91,625,000

SHARE OPTIONS *(Continued)*

The closing prices of the Company's shares immediately before 7th April 2008, 22nd July 2008, 22nd December 2008, 29th December 2008 and 12th January 2009, the dates of grant of the options, were HK$1.49, HK$0.58, HK$0.39, HK$0.39 and HK$0.38 respectively. The weighted average closing market price per share immediately before the dates on which the share options were exercised was HK$0.753.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings and convertible notes as disclosed above, at no time during the year was the Company, its holding company or any of its subsidiaries, a party to any arrangement to enable the Directors or Chief Executives 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' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 35 to the consolidated financial statements, no contracts of significance to which the Company, its holding company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st March 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, shows that other than the interests disclosed above in the section "Directors' and Chief Executives' Interests in Shares, Underlying Shares and Convertible Notes", had notified the Company of relevant interests in the issued share capital of the Company.

(A) Ordinary shares of HK$0.10 each of the Company

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of issued share capital
Sunni International Limited (note i)	Beneficial owner	585,618,505	33.88%
Mr. Kao Cheung Chong, Michael (note i)	Beneficial owner	12,306,765	0.71%
	Interest of controlled corporation	9,373,020	0.54%
	Beneficiary of a trust	597,816,490	34.58%
Mr. Kao Wai Ho, Francis (note i)	Beneficial owner	4,915,764	0.28%
	Beneficiary of a trust	585,618,505	33.88%
Mr. Hung Kam Biu, Kenneth ("Mr. Hung") (note ii)	Beneficial owner Interest of controlled corporation	79,132,000 334,276,824	4.58% 19.34%
Winnington Capital Limited ("Winnington") (note ii)	Investment Manager	334,276,824	19.34%
Ms. Chu Jocelyn ("Ms. Chu")	Interest of spouse (note iii) Interest of controlled corporation (note ii)	79,132,000 334,276,824	4.58% 19.34%
Citigroup Inc.	Person having a security interest in shares Interest of controlled corporation	263,667,990 53,167,421	15.25% 3.08%
Bosrich Holdings (PTC) Inc. (note iv)	Trustee	209,950,000	12.14%
Mr. Lo Hong Su (note iv)	Founder of discretionary trust	209,950,000	12.14%
Shui On Company Limited (note iv)	Interest of controlled corporation	209,950,000	12.14%
Ms. Chu Loletta (note iv)	Interest of spouse	209,950,000	12.14%
Shui On Holdings Limited (note iv)	Interest of controlled corporation	179,950,000	10.41%
Shui On Investment Company Limited (note iv)	Interest of controlled corporation	179,950,000	10.41%
Smart Will Investments Limited (note iv)	Beneficial owner	179,950,000	10.41%

SUBSTANTIAL SHAREHOLDERS *(Continued)*

(A) Ordinary shares of HK$0.10 each of the Company *(Continued)*

Notes:

(i) Sunni International Limited is 54.67% beneficially owned by Happy Nation Limited, the entire issued share capital of which is turn beneficially owned by China Link Holding Limited, the entire issued share capital of which is in turn beneficially owned by HSBC International Trustee Limited, acting as trustee for the Cheerco Trust, of which Mr. Kao Cheung Chong, Michael and his family members including, Mr. Kao Wai Ho, Francis are discretionary objects.

(ii) To the best knowledge of the Directors, having made all reasonable enquiries, 290,234,471 shares out of Winnington shareholdings are held by Trophy Fund whose capital is managed by Trophy Asset, which in turn is wholly owned by Mr. Hung. Trophy Fund is advised by Winnington (delegated management by Trophy Asset) which is 50% owned by each of Mr. Hung and his wife, Ms. Chu.

(iii) Ms Chu, being the spouse of Mr. Hung, is deemed to be interested in the shares of the Company.

(iv) Smart Will Investments Limited is ultimately controlled by Mr. Lo Hong Sui through Bosrich Holdings (PTC) Inc., Shui On Company Limited, Shui On Holdings Limited and Shui On Investment Company Limited. Ms. Chu Loletta is the wife of Mr. Lo Hong Sui and the sister of Ms. Chu Jocelyn.

(B) Convertible notes of the Company

Name of shareholders	**Capacity**	**Number of underlying shares** (note i)
Goodyear Group Limited ("Goodyear")	Beneficial owner (note ii)	53,167,421
Trophy Fund	Interest of controlled corporation (note ii)	53,167,421
Trophy Asset	Interest of controlled corporation (note ii)	74,660,633
Winnington	Investment manager (note ii)	74,660,633
Mr. Hung	Interest of controlled corporation (note ii)	74,660,633
Ms. Chu	Interest of controlled corporation (note ii)	74,660,633

Notes:

(i) The underlying shares represented the new shares to be issued upon full conversion of HK$132,000,000 convertible notes due 2008 (the "Subscription Convertible Notes") held by respective holders of the convertible notes at a conversion price of HK$1.768 per share issued by the Company on 30th January 2007.

(ii) Goodyear beneficially owns HK$94,000,000 Subscription Convertible Notes. Goodyear is wholly-owned by Trophy Fund which in turn is wholly-owned by Trophy Asset. Trophy Asset owns an additional HK$38,000,000 Subscription Convertible Notes and is wholly-owned by Mr. Hung. Trophy Fund is managed by Winnington, an investment manager which is 50% owned by each of Mr. Hung and Ms. Chu. Accordingly, Trophy Fund, Trophy Asset and Winnington are deemed to be interested in HK$132,000,000 Subscription Convertible Notes.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-Executive Directors are independent.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st March 2009, sales attributable to the largest and the five largest customers accounted for 47.66% (2008: 56.72%) and 99.39% (2007: 96.56%) of the total turnover respectively. Due to the nature of the Group's business, no supply of raw materials or finished products is required for carrying out the Group's business and no supplier is therefore required to be disclosed.

None of the Directors, their associates (as defined in the Listing Rules), or any shareholders of the Company (who or which, to the knowledge of the Directors, owns more than 5 per cent of the issued share capital of the Company) has any interest in any of the Group's five largest customers.

EMOLUMENT POLICY

Remuneration policy is reviewed regularly by the Board to ensure that compensations and benefit packages are in line with the market in respective countries where the Group has operations. In addition to basic salaries, incentives in the form of bonuses and share options may also be offered to eligible employees on the basis of individual performance and at the discretion of the Board.

The emoluments of the Directors of the Company are recommended by the Remuneration Committee and decided by the Board, as authorised by shareholders at the annual general meeting, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees. Details of the scheme are set out in note 29 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

The Company is committed to maintain good corporate governance standards and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency. The corporate governance principles and practices adopted by the Company are set out in the Corporate Governance Report on pages 26 to 32 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Company's directors.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$314,000.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Richard Arthur Witts
Chairman
Hong Kong, 30th July 2009

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF IMAGI INTERNATIONAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Imagi International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 95, which comprise the consolidated balance sheet as at 31st March 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated 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 consolidated financial statements based on our audit and to report our opinion 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st March 2009 and of its 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.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong 30th July 2009

Consolidated Income Statement

For the year ended 31st March 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	8	**3,613**	17,189
Cost of sales		**(3,789)**	(25,931)
Gross loss		**(176)**	(8,742)
Other income	10	**1,260**	10,048
Distribution and selling expenses		**(11,780)**	(1,835)
Administrative expenses		**(52,118)**	(54,267)
Loss on re-measurement of liability component of convertible loan notes	26	**(34,490)**	–
Impairment loss recognised in respect of computer graphics ("CG") animation pictures	19	**(87,090)**	–
Finance costs	11	**(99)**	(2,168)
Loss before taxation	12	**(184,493)**	(56,964)
Income tax credit (expense)	13	**7,066**	(865)
Loss for the year		**(177,427)**	(57,829)
Basic loss per share	17	**(HK$0.105)**	(HK$0.037)

Consolidated Balance Sheet

At 31st March 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	18	71,392	86,364
CG animation pictures	19	738,647	463,757
Goodwill	20	3,228	3,228
Long term rental deposits	22	11,017	9,644
Club debentures	21	2,510	3,201
		826,794	566,194
Current assets			
Trade and other receivables, deposits and prepayments	22	10,935	12,142
Tax recoverable		10	666
Bank balances and cash	23	3,808	175,530
		14,753	188,338
Current liabilities			
Other payables and accruals		39,286	20,257
Unearned revenue		5,090	67
Tax payable		338	593
Bridge loans	25	93,600	–
Convertible loan notes	26	132,000	–
Obligations under finance lease			
– due within one year	24	693	670
		271,007	21,587
Net current (liabilities) assets		(256,254)	166,751
Total assets less current liabilities		570,540	732,945

	Notes	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Obligations under finance lease			
– due after one year	24	1,341	2,034
Convertible loan notes	26	–	83,095
Deferred tax	27	2,396	9,973
		3,737	95,102
Net assets		566,803	637,843
Capital and reserves			
Share capital	28	172,875	163,795
Reserves		393,928	474,048
Total equity attributable to equity holders of the Company		566,803	637,843

The consolidated financial statements on pages 43 to 95 were approved and authorised for issue by the Board on 30th July 2009 and were signed on its behalf by:

William Montgomerie Courtauld
DIRECTOR

Phoon Chiong Kit
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st March 2009

	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000 (note 1)	Translation reserve HK$'000	Convertible loan notes equity reserve HK$'000	Share option reserve HK$'000	Other reserve HK$'000 (note 2)	Accumulated losses HK$'000	Total HK$'000
At 1st April 2007	144,113	517,675	909	38	10,278	31,970	–	(190,442)	514,541
Exchange differences arising on translation of foreign operations and recognised directly in equity	–	–	–	996	–	–	–	–	996
Loss for the year	–	–	–	–	–	–	–	(57,829)	(57,829)
Total recognised income and expenses for the year	–	–	–	996	–	–	–	(57,829)	(56,833)
Recognition of equity-settled share-based payments (note 29)	–	–	–	–	–	73,980	–	–	73,980
Exercise of share options (note 28(a))	2,035	10,439	–	–	–	(4,762)	–	–	7,712
Share options forfeited for the year (note 29)	–	–	–	–	–	(5,753)	–	5,753	–
Recognition of equity component of convertible notes (note 26)	–	–	–	–	52,087	–	–	–	52,087
Deferred tax liability on recognition of equity component of convertible notes (note 27)	–	–	–	–	(9,115)	–	–	–	(9,115)
Conversion of equity component of convertible notes (note 28(b))	17,647	48,102	–	–	(10,278)	–	–	–	55,471
At 31st March 2008	163,795	576,216	909	1,034	42,972	95,435	–	(242,518)	637,843
Exchange differences arising on translation of foreign operations and recognised directly in equity	–	–	–	(38)	–	–	–	–	(38)
Loss for the year	–	–	–	–	–	–	–	(177,427)	(177,427)
Total recognised expenses for the year	–	–	–	(38)	–	–	–	(177,427)	(177,465)
Share issue	9,060	46,622	–	–	–	–	22,650	–	78,332
Share issued expenses	–	(416)	–	–	–	–	–	–	(416)
Decrease in opening deferred tax liability due to a decrease in applicable rate (note 27)	–	–	–	–	521	–	–	–	521
Recognition of equity-settled share-based payments (note 29)	–	–	–	–	–	27,949	–	–	27,949
Exercise of share options (note 28(c))	20	47	–	–	–	(28)	–	–	39
Share options forfeited for the year (note 29)	–	–	–	–	–	(8,484)	–	8,484	–
At 31st March 2009	**172,875**	**622,469**	**909**	**996**	**43,493**	**114,872**	**22,650**	**(411,461)**	**566,803**

note:

1. Merger reserve represents the difference between the nominal value of the shares of subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition at the time of a previous corporate reorganisation.

2. Other reserve represents the difference between the subscription price of a share subscription by a new shareholder and the diluted subscription price after taking into account of the transfer of gift shares from an existing shareholder to the new shareholder. (Details please refer to Note 28(d)).

Consolidated Cash Flow Statement

For the year ended 31st March 2009

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(184,493)**	(56,964)
Adjustments for:		
Amortisation of CG animation pictures	**3,639**	25,212
Bank interest income	**(800)**	(6,822)
Depreciation of property, plant and equipment	**1,406**	1,820
Impairment loss recognised in respect of CG animation pictures	**87,090**	–
Fair value change in derivative financial instrument	**–**	504
Finance costs	**99**	2,168
Loss on disposal of club debenture	**411**	–
Loss on disposal of property, plant and equipment	**109**	669
Loss on re-measurement of liability component of convertible loan notes	**34,490**	–
Share-based payment expenses	**2,606**	16,645
Operating cash flow before movements in working capital	**(55,443)**	(16,768)
Decrease in inventories	**–**	185
Decrease in trade and other receivables, deposits and prepayments and long term rental deposits	**174**	5,820
Increase (decrease) in other payables and accruals	**13,811**	(17,925)
Increase (decrease) in unearned revenue	**5,023**	(43)
Net cash used in operations	**(36,435)**	(28,731)
Overseas tax refunded (paid)	**331**	(467)
Hong Kong Profits Tax refunded	**–**	7
NET CASH USED IN OPERATING ACTIVITIES	**(36,104)**	(29,191)
INVESTING ACTIVITIES		
Cost incurred in CG animation pictures	**(297,363)**	(266,125)
Purchase of property, plant and equipment	**(12,853)**	(42,579)
Purchase of club debenture	**(60)**	–
Proceeds from disposal of property, plant and equipment	**1,961**	850
Interest received	**800**	7,093
NET CASH USED IN INVESTING ACTIVITIES	**(307,515)**	(300,761)

	2009 HK$'000	2008 HK$'000
FINANCING ACTIVITIES		
Bridge loans raised	93,600	–
Proceeds from issue of shares	78,332	7,712
Other borrowing raised	1,120	–
Proceeds from exercise of share options	39	–
Repayment of obligations under finance leases	(670)	(388)
Shares issued expenses	(416)	–
Interest paid	(149)	(1,596)
Proceeds from issue of convertible notes	–	132,000
NET CASH FROM FINANCING ACTIVITIES	171,856	137,728
NET DECREASE IN CASH AND CASH EQUIVALENTS	(171,763)	(192,224)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	175,530	367,584
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	41	170
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	3,808	175,530

Notes to the Consolidated Financial Statements

For the year ended 31st March 2009

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent and ultimate holding company is Sunni International Limited (incorporated in the British Virgin Islands). The addresses of the Company's registered office and principal place of business are disclosed in the "Corporate Information" to the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HKD"), which is also the functional currency of the Company.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in Note 37.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group incurred a net loss of HK$177,427,000 for the year ended 31st March 2009 and, as of that date, the Group's current liabilities exceeded its current assets by HK$256,254,000. This condition indicates the existence of a fundamental uncertainty which may cast doubt on the Group's ability to continue as a going concern. To address this fundamental uncertainty, the directors have been actively pursuing various financing activities to improve the Group's financial position and to meet in full the Group's financial obligations as they fall due, including the followings:

(a) Between 21st January 2009 to 31st March 2009, the Company has secured bridge loan facilities from a related company and certain independent third parties (the "Bridge Loan Lenders") in an aggregate amount of US$26.5 million (equivalent to approximately HK$206.7 million), of which US$12 million (equivalent to approximately HK$93.6 million) were drawn down as at 31st March 2009. Subsequent to 31st March 2009, the aggregate sum of the facilities has been increased to US$36.5 million (equivalent to approximately HK$284.7 million).

    On 15th May 2009, an agreement was entered into between the Company and the Bridge Loan Lenders whereby each of the Bridge Loan Lenders has agreed, subject to, inter-alia, completion of the Rights Issue (as defined below), to convert, contemporaneously with the redemption of CN Jan 2008 (as defined in Note 26), all its respective outstanding bridge loan principal and accrued interest into shares in the Company at a conversion price of HK$0.175 per share (the "Bridge Loan Conversion").

(b) Before 31st March 2009, the Group has secured minimum guaranteed income on distribution of its feature film, *Astro Boy*, from distributors in an aggregate amount of approximately HK$51.2 million, of which HK$3.0 million were collected by the Group as at 31st March 2009. Subsequent to 31st March 2009, the aggregate amount of the minimum guaranteed income has been increased to approximately HK$70.7 million.

(c) During the year, the Group breached certain covenants in relation to a convertible note with a principal sum of HK$132 million (the "CN Jan 2008", as defined in Note 26) and as a result of which the holders of CN Jan 2008 was entitled to exercise its early redemption right. The Company has in May 2009 secured an agreement with the holder of CN Jan 2008 not to demand immediate repayment of the convertible notes as a result of such breaches prior to 31st August 2009.

    In addition, on 15th May 2009, the Company and the holders of CN Jan 2008 entered into another agreement whereby, subject to, inter-alia, completion of the Rights Issue and the contemporaneous completion of the Bridge Loan Conversion, CN Jan 2008 will be redeemed by the issue of a new convertible note with the same principal amount (the "New CN"). If issued, the New CN will be for a period of 2 years from the date of its issue and will be convertible into shares of the Company at HK$0.30 per share. The issuance of the New CN is not yet completed at the report date.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(d) On 27th May 2009, the Company announced that it proposed to raise approximately HK$108.05 million, before expenses, by issuing not less than 432,188,463 rights shares (the "Rights Issue") at a subscription price of HK$0.25 per rights share, on the basis of one rights share for every four shares in issue. The estimated net proceeds of the Rights Issue will be approximately HK$100.4 million. The rights shares were increased to 432,738,463 due to the exercise of share options subsequent to 27th May 2009 with the estimated net proceeds of the Rights Issue revised to approximately HK$100.0 million. The Rights Issue has been fully underwritten by Guotai Junan Securities (Hong Kong) Limited. The Company intends to use the net proceeds principally to strengthen its financial position, to complete the production and marketing of *Astro Boy* and to finance the ongoing operations of the Group. On 30th July 2009, shareholders of the Company approved the Rights Issue in a special general meeting. Completion of the Rights Issue is expected to take place prior to 19th August 2009, subject to the underwriting agreement not being terminated in accordance with its provisions. Details of the Rights Issues are set out in a circular issued by the Company dated 14th July 2009.

(e) On 15th June 2009, the Company entered into a conditional placing agreement with a placing agent to subscribe or procure subscription for 130,000,000 shares and on a best efforts basis an additional 100,000,000 shares at a price of HK$0.441 per placing share (the "Placing"). On 29th July, 2009, the transaction was completed and the gross proceeds from the Placing of approximately HK$101.4 million was received and will be used for the general working capital of the Group and to fund forthcoming film projects. Details of the Placing are set out in the Company's announcement dated 18th June 2009.

The directors are of the opinion that, taking into account the undrawn facilities of the bridge loans and the minimum guaranteed income from film distributions, and provided that the Rights Issue and the Placing will be completed as planned, the Group will have sufficient resources to meet its financial obligations as they fall due in the next twelve months from the balance sheet date. Accordingly the consolidated financial statements have been prepared on a going concern basis and the Group's non-current assets are stated in the consolidated balance sheet in accordance with the Group's normal accounting policies.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

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

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") *(Continued)*

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible Hedged Items[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[5]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[6]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[7]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[4]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[8]

1 Effective for annual periods beginning on or after 1st January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July 2009

2 Effective for annual periods beginning on or after 1st January 2009, 1st July 2009 and 1st January 2010, as appropriate

3 Effective for annual periods beginning on or after 1st January 2009

4 Effective for annual periods beginning on or after 1st July 2009

5 Effective for annual periods ending on or after 30th June 2009

6 Effective for annual periods beginning on or after 1st July 2008

7 Effective for annual periods beginning on or after 1st October 2008

8 Effective for transfers on or after 1st July 2009

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Goodwill

Goodwill arising on an acquisition of net assets and operations of another entity for which the agreement date is before 1st January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition.

For previously capitalised goodwill arising on acquisitions of net assets and operations of another entity after 1st April 2001, the Group has discontinued amortisation from 1st April 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash-generating unit (the "CGU") to which the goodwill relates may be impaired.

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

For the purpose of impairment testing, goodwill, arising from an acquisition is allocated to each of the relevant CGUs, or groups of CGUs, that are expected to benefit from the synergies of the acquisition. A CGU 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 CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU 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 CGU, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair values of considerations received or receivable.

Production service income is recognised when the services are provided. Payments received prior to the provision of services are recorded as unearned revenue and are classified as current liabilities in the consolidated balance sheet.

Income from the licensing of the distribution and broadcasting rights over CG animation pictures is recognised when the Group's entitlement to such payments has been established, which, subject to the terms of the relevant agreements, is upon delivery of the relevant tapes to the distributors.

Income from the licensing of rights to exploit CG animation pictures is recognised when the Group's entitlement to such payments has been established which is upon the delivery of products manufactured by licensee to ultimate customers.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant leases.

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 relevant 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.

CG animation pictures

CG animation pictures, which represent CG animation pictures in which the Group retains ownership, consist of film rights of completed CG animation pictures and CG animation pictures of which the productions are still in progress.

CG animation pictures in progress are stated at costs incurred to date, including all the costs directly attributable to the CG animation pictures in progress and borrowing costs capitalised, less accumulated impairment losses. Upon completion and release of the CG animation pictures, the costs are amortised based on the proportion of actual income earned during the year to the estimated total income expected to be generated from the relevant CG animation pictures.

Completed CG animation pictures are stated at cost incurred to date, representing all the costs directly attributable to the completed CG animation pictures and borrowing costs capitalised, less accumulated amortisation and accumulated impairment losses.

CG animation pictures are 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 relevant CG animation pictures, which is calculated as the difference between the sale proceeds and the carrying value of the item is recognised in the consolidated income statement.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below).

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant leases.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items 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 profit or loss in the period in which they arise.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended uses or sale.

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefit cost

Payments to the Mandatory Provident Fund Scheme/defined contribution retirement benefit plans are charged as expenses when employees have rendered service entitling them to the contributions.

Intangible assets

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including long term rental deposits, trade and other receivables, deposits, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Convertible loan notes contain liability and equity components

Convertible loan notes issued by the Group that contain both liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that 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 is classified as an equity instrument.

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

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible loan notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible loan notes equity reserve will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

If the Group revises its estimates of payments, the Group adjusts the carrying amount of the liability component to reflect actual and revised estimated cash flows. The liability component with a demand feature is re-measured to the amount payable on demand. The re-measurement for such revision of estimation is recognised as income or expense in profit or loss.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross 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 portion and amortised over the period of the convertible loan notes using the effective interest method.

Other financial liabilities

Other financial liabilities including other payables and bridge loans are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

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

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period/recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium.

At the time when the Group modifies the terms and conditions of the share options previously granted, the Group continues to recognise the share-based payment expense for the existing share options and measures the effect of such modifications that increase the total fair value of the share-based payment arrangements at the date of modifying the terms and conditions of the share options and recognises fair value increment in accordance with the revised vesting period, if applicable.

The Group cancels and forfeits the share options as a result of resignation of employees. For cancellation of share options where the vesting period of the share options has not completed, the relevant recognised shared-based payment previously charged to profit or loss is reversed to profit or loss. For forfeiture of share options where the vesting period of the share options has completed, the relevant recognised shared-based payment previously charged to profit or loss is not reversed but credited to accumulated losses, with a corresponding adjustment to share options reserve.

Impairment losses other than goodwill (see the accounting policy in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment loss on CG animation pictures

Management regularly reviews the recoverability of the Group's CG animation pictures with reference to their intended uses and current market environment. Appropriate impairment for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the CG animation pictures are impaired.

In determining whether there is any objective evidence that the CG animation pictures are impaired, the Group takes into consideration the current market condition with reference to the existing operating plan and budget. Recoverable amount is determined based on the higher of estimated future cash flow and fair value less cost to sell. Where the recoverable amount of the CG animation pictures is less than the carrying amount at the balance sheet date as a result of an adverse change in market condition or an escalation of cost, impairment loss may result. During the year ended 31st March 2009, an impairment loss of approximately HK$87 million (2008: Nil) in respect of the CG animation pictures was recognised by the Group and as at 31st March 2009, the carrying amount of CG animation pictures was approximately HK$738,647,000 (2008: HK$463,757,000). Details of the recoverable amount of CG animation pictures are disclosed in Note 19.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st March 2009, the carrying amount of goodwill is HK$3,228,000 (2008: HK$3,228,000). Details of the recoverable amount calculation are disclosed in Note 20.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which include bridge loans and convertible loan notes disclosed in Notes 25 and 26, respectively, and equity attributable to equity holders of the Company, comprising issued share capital and various reserves.

7. FINANCIAL INSTRUMENTS

7a. Categories of financial instruments

	2009 HK$'000	2008 HK$'000
Financial assets		
Loans and receivables		
(including cash and cash equivalents)	23,756	195,446
Financial liabilities		
Amortised cost	228,291	83,590

7b. Financial risk management objectives and policies

The Group's major financial instruments include long term rental deposits, trade and other receivables, deposits, bank balances and cash, other payables, bridge loans and convertible loan notes. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group's sale are denominated in HKD and United States dollars ("USD") and it pays its costs and expenses substantially in HKD and USD, the functional currency of the respective group entities.

The carrying amounts of the Group's net monetary (liabilities) assets, mainly represent USD bridge loans and bank balances (2008: USD bank balances), denominated in currencies other than the functional currency of the relevant group entities at the balance sheet date are as follows:

	(Liabilities) assets	
	2009 HK$'000	2008 HK$'000
USD	(95,260)	18,120

As HKD is pegged to USD, the currency risk exposure is considered insignificant.

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and polices *(Continued)*

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, and exposed to fair value interest rate risk in relation to a fixed-rate other payable representing a short term borrowing from an independent third party bearing an interest rate of 5% per annum, bridge loans (see Note 25) and liability component of convertible loan notes (see Note 26). The Group's policy on financial liabilities is to keep at fixed rate of interests so as to minimise the cash flow interest rate risk having regard the magnitude of the borrowings.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The management considers the variable-rate bank balances are within short maturity period, and the fluctuation in interest rate and the cash flow interest rate risk arising from the bank balances is insignificant.

Credit risk

As at 31st March 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the recognised financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has a number of counterparties and customers, however, the Group's credit risks are concentrated on certain major customers, which are renowned distributors with high credit rating in the film industry. At 31st March 2009, the Group's total trade receivable balances were represented by one (2008: three) customer. However, taking into account for the strong financial background and good creditability of the customer, the management considers that there is no significant credit risk.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

As stated in Note 2, the directors are of the opinion that the Group will be able to operate on a going concern basis in the next twelve months from the balance sheet date. The Rights issue is approved on 30th July 2009, together with the Placing, the bridge loans and the redemption of the CN Jan 2008 and reissue of the New CN, the directors believe the Group has the ability to complete the CG animation pictures in progress and meet its other financial obligations. As such, the liquidity risk of the Group is substantially reduced.

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and polices *(Continued)*

Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial assets and financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial assets and financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.03.2009 HK$'000
2009							
Non-derivative financial assets							
Long term rental deposits	–	–	–	–	11,017	11,017	11,017
Trade and other receivables and deposits	–	4	5,791	3,136	–	8,931	8,931
Bank balances and cash	0.001	3,808	–	–	–	3,808	3,808
		3,812	5,791	3,136	11,017	23,756	23,756
Non-derivative financial liabilities							
Other payables	5.0	1,644	–	1,071	–	2,715	2,691
Bridge loans	22.25	–	–	100,083	–	100,083	93,600
Convertible loan notes	16.6	132,000	–	–	–	132,000	132,000
		133,644	–	101,154	–	234,798	228,291

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and polices *(Continued)*

Liquidity risk (Continued)

	Weighted average effective interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.03.2008 HK$'000
2008							
Long term deposits	–	–	–	–	9,644	9,644	9,644
Trade and other receivables and deposits	–	405	2,866	7,001	–	10,272	10,272
Bank balances and cash	2.33	175,871	–	–	–	175,871	175,530
		176,276	2,866	7,001	9,644	195,787	195,446
Non-derivative financial liabilities							
Other payables	–	495	–	–	–	495	495
Convertible loan notes	16.6	–	–	–	132,000	132,000	83,095
		495	–	–	132,000	132,495	83,590

7c. Fair value

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

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

8. REVENUE

Revenue represents the amounts received and receivable for goods sold or services rendered by the Group during the year and is summarised as follows:

	2009 HK$'000	2008 HK$'000
Income from licensing of CG animation pictures	**388**	11,436
Production service income from CG animation pictures	**803**	278
Income from licensing of ancillary rights of CG animation pictures	**2,422**	5,475
	3,613	17,189

9. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

In both years, the Group is operating in a single business, which is the production and licensing of CG animation pictures and their ancillary rights. Accordingly, no business segment analysis is presented.

Geographical segments

The Group's operations are mainly located in North America and Hong Kong. These locations are the basis on which the Group reports its primary segment information and is identified according to the location of the Group's assets.

Segment information, with inter-segment sales charged at prevailing market rates, for the two years ended 31st March 2009 is presented below:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2009

	North America HK$'000	Hong Kong HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE					
External sales	2,422	803	388	–	3,613
Inter-segment sales	199,109	166,419	1,797	(367,325)	–
Total	201,531	167,222	2,185	(367,325)	3,613
RESULTS					
Segment results	(29,168)	(109,484)	(822)		(139,474)
Other income					1,260
Unallocated corporate expenses					(11,690)
Loss on re-measurement of liability component of convertible loan notes					(34,490)
Finance costs					(99)
Loss before taxation					(184,493)
Income tax credit					7,066
Loss for the year					(177,427)

9. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical segments *(Continued)*

CONSOLIDATED ASSETS AND LIABILITIES

At 31st March 2009

	North America HK$'000	Hong Kong HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	34,858	799,973	388		835,219
Unallocated corporate assets					6,328
Consolidated total assets					841,547
LIABILITIES					
Segment liabilities	15,108	31,223	79		46,410
Unallocated corporate liabilities					228,334
Consolidated total liabilities					274,744

OTHER INFORMATION

For the year ended 31st March 2009

	North America HK$'000	Hong Kong HK$'000	Others HK$'000	Consolidated HK$'000
Capital additions	3,902	374,570	–	378,472
Depreciation and amortisation	6,434	22,788	173	29,395
Impairment loss recognised in respect of CG animation pictures	4,599	82,491	–	87,090
Loss on disposal of property, plant and equipment	44	65	–	109

As the location of its customers is different from the location of its assets, below is an analysis of revenue from sales to external customers by location of customers:

	North America HK$'000	Hong Kong HK$'000	Others HK$'000	Consolidated HK$'000
REVENUE				
External sales	3,204	–	409	3,613

9. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical segments *(Continued)*

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2008

	North America HK$'000	Hong Kong HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE					
External sales	15,025	395	1,769	–	17,189
Inter-segment sales	176,011	187,564	1,356	(364,931)	–
Total	191,036	187,959	3,125	(364,931)	17,189
RESULTS					
Segment results	(9,656)	(29,857)	(4,067)		(43,580)
Other income					10,048
Unallocated corporate expenses					(21,264)
Finance costs					(2,168)
Loss before taxation					(56,964)
Income tax expense					(865)
Loss for the year					(57,829)

CONSOLIDATED ASSETS AND LIABILITIES

At 31st March 2008

	North America HK$'000	Hong Kong HK$'000	Others HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	40,612	532,205	2,318	575,135
Unallocated corporate assets				179,397
Consolidated total assets				754,532
LIABILITIES				
Segment liabilities	6,616	16,030	382	23,028
Unallocated corporate liabilities				93,661
Consolidated total liabilities				116,689

9. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical segments *(Continued)*

OTHER INFORMATION

For the year ended 31st March 2008

	North America HK$'000	Hong Kong HK$'000	Others HK$'000	Consolidated HK$'000
Capital additions	22,617	369,714	–	392,331
Depreciation and amortisation	24,284	19,134	3,810	47,228
Loss on disposal of property, plant and equipment	–	669	–	669

As the location of its customers is the same as the location of its assets, there was no separate disclosure of revenue from sales to external customers by location of customers.

10. OTHER INCOME

	2009 HK$'000	2008 HK$'000
Interest income	800	6,822
VAT refund relating to a previously disposed business	–	3,186
Others	460	40
	1,260	10,048

11. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest wholly repayable within five years on:		
– obligations under finance leases	149	176
– bridge loans	2,049	–
Effective interest expense on convertible loan notes (Note 26)	14,415	5,270
	16,613	5,446
Less: amounts capitalised in CG animation pictures	(16,514)	(3,278)
	99	2,168

The interest expense on the bridge loans and the effective interest expense on convertible loan notes issued on 30th January 2008 were fully capitalised as they are specific borrowings used for the production of CG animation pictures.

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.80% (2008: 9.74%) per annum to expenditure on qualifying assets.

12. LOSS BEFORE TAXATION

	2009 HK$'000	2008 HK$'000
Loss before taxation has been arrived at after charging:		
Directors' emoluments (Note 14)	9,595	27,810
Contribution to retirement benefit scheme	3,411	2,899
Other staff costs	249,338	180,613
Equity-settled share-based payments expenses other than directors	26,788	62,541
Total staff costs	289,132	273,863
Less: amounts capitalised in CG animation pictures	(264,849)	(241,009)
	24,283	32,854
Depreciation of property, plant and equipment	25,756	22,016
Less: amounts capitalised in CG animation pictures	(24,350)	(20,196)
	1,406	1,820
Rentals in respect of premises under operating leases	22,609	13,489
Less: amounts capitalised in CG animation pictures	(20,716)	(12,483)
	1,893	1,006
Auditor's remuneration	1,600	1,300
Amortisation of CG animation pictures (included in cost of sales)	3,639	25,212
Loss on disposal of a club debenture	411	–
Loss on disposal of property, plant and equipment	109	669
Cost of inventories recognised as expenses	128	535
Fair value change in derivative financial instrument (included in administrative expenses)	–	504
Net foreign exchange losses	82	556

13. INCOME TAX (CREDIT) EXPENSE

	2009 HK$'000	2008 HK$'000
The charge comprises:		
Underprovision of Hong Kong Profits Tax in prior years	–	24
Other jurisdictions		
– current tax	103	13
– (over)underprovision in the prior year	(113)	333
	(10)	346
Deferred tax (Note 27)		
– current year	(12,013)	495
– reversal of deferred tax asset previously recognised (note)	4,957	–
	(7,056)	495
Total	(7,066)	865

note: The reversal of deferred tax asset is due to decrease of tax losses available for offset of deferred tax liabilities subsequent to finalisation of tax losses by Inland Revenue Department in current year.

On 26th June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profit tax rate from 17.5% to 16.5% effective from the year of assessment of 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) on the estimated assessable profits for the current year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax (credit) charge for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2009 HK$'000	2008 HK$'000
Loss before taxation	(184,493)	(56,964)
Tax at the Hong Kong Profits Tax rate of 16.5% (2008: 17.5%)	(30,441)	(9,969)
Tax effect of expenses not deductible for tax purpose	310	2,173
Tax effect of income not taxable for tax purpose	(72)	(1,734)
Tax effect of tax losses not recognised	20,142	10,117
Utilisation of tax losses previously not recognised	(160)	–
Reversal of deferred tax asset previously recognised	4,957	357
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,802)	(79)
Tax (credit) charge for the year	(7,066)	865

Details of deferred tax at the balance sheet date and during the year are set out in Note 27.

14. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 12 (2008: 9) directors were as follows:

For the year ended 31st March 2009

	Mr. Kao Cheung Chong, Michael HK$'000 (note (a))	Mr. Kao Wai Ho, Francis HK$'000 (note (e))	Mr. Douglas Esse Glen HK$'000	Mr. Tse Chi Man, Terry HK$'000 (note (c))	Mr. Paul Steven Serfaty HK$'000 (note (f))	Mr. Lam Pak Kin, Philip HK$'000 (note (b))	Mr. Phoon Chiong Kit HK$'000 (note (f))	Mr. William Montgo-merie Courtauld HK$'000 (note (f))	Mr. Oh Kok Chi HK$'000	Mr. Ng See Yuen HK$'000	Mr. Lai Chi Kin, Lawrence HK$'000 (note (d))	Mr. Richard Arthur Witts HK$'000 (note (g))	Total 2009 HK$'000
Fees	-	-	-	-	79	20	31	79	356	356	70	114	1,105
Other emoluments:													
Salaries and other benefits	-	2,701	3,785	819	-	-	-	-	-	-	-	-	7,305
Equity-settled share-based payment expense	-	-	5,614	(4,549)	-	-	-	-	48	48	-	-	1,161
Contributions to retirement benefit scheme	-	10	12	2	-	-	-	-	-	-	-	-	24
Total emoluments	-	2,711	9,411	(3,728)	79	20	31	79	404	404	70	114	9,595

notes:

(a) Mr. Kao Cheung Chong, Michael retired as executive director of the Company on 9th April 2008.
(b) Mr. Lam Pak Kin, Philip resigned as non-executive director of the Company on 1st May 2008.
(c) Mr. Tse Chi Man, Terry resigned as executive director of the Company on 2nd June 2008.
(d) Mr. Lai Chi Kin, Lawrence resigned as independent non-executive director of the Company on 14th July 2008.
(e) Mr. Kao Wai Ho, Francis resigned as executive director of the Company on 11th February 2009.
(f) Mr. Paul Steven Serfaty, Mr. Phoon Chiong Kit and Mr. William Montgomerie Courtauld were appointed as non-executive directors of the Company on 16th February 2009.
(g) Mr. Richard Arthur Witts was appointed as independent non-executive director of the Company on 16th February 2009.

For the year ended 31st March 2008

	Mr. Kao Cheung Chong, Michael HK$'000	Mr. Kao Wai Ho, Francis HK$'000	Mr. Douglas Esse Glen HK$'000	Mr. Tse Chi Man, Terry HK$'000	Mr. Thomas Knox Gray HK$'000 (note (a))	Mr. Lam Pak Kin, Philip HK$'000	Mr. Oh Kok Chi HK$'000	Mr. Ng See Yuen HK$'000	Mr. Lai Chi Kin, Lawrence HK$'000	Total 2009 HK$'000
Fees	240	–	–	–	–	240	240	240	240	1,200
Other emoluments:										
Salaries and other benefits	–	3,540	3,515	2,954	5,014	–	40	40	40	15,143
Equity-settled share-based payment expense	–	–	5,156	6,283	–	–	–	–	–	11,439
Contributions to retirement benefit scheme	–	12	4	12	–	–	–	–	–	28
Total emoluments	240	3,552	8,675	9,249	5,014	240	280	280	280	27,810

note:

(a) Mr. Thomas Knox Gray resigned as executive director of the Company on 14th November 2007.

Except for Mr. Paul Steven Serfaty, no other directors waived any emoluments for the year ended 31st March 2009. No directors waived any emoluments for the year ended 31st March 2008.

15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2008: three) were directors of the Company whose emoluments are included in the disclosures in note 14. The emoluments of the three employee (2008: two) and one resigned director (2008: none) whose salary and relevant employment benefits subsequent to his resignation as a director are as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other benefits	10,188	7,693
Equity-settled share-based payments expenses	2,605	2,497
Contributions to retirement benefit scheme	759	–
	13,552	10,190

The emoluments of the above individuals in their role as an employee were within the following bands:

	2009 Number of employee	2008 Number of employee
HK$nil to HK$1,000,000	1	–
HK$1,000,001 to HK$2,000,000	–	–
HK$2,000,001 to HK$3,000,000	–	–
HK$3,000,001 to HK$4,000,000	1	1
HK$4,000,001 to HK$7,000,000	2	1

16. DIVIDENDS

The directors do not recommend the payment of a dividend for any of the two years ended 31st March 2008 and 2009.

17. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to equity holders of the Company for the year of approximately HK$177,427,000 (2008: HK$57,829,000) and on the weighted average number of 1,685,510,292 (2008: 1,545,771,845) shares in issue during the year.

No diluted loss per share for any of the two years ended 31st March 2009 are presented as the exercise of share options and the conversion of convertible loan notes would result in a decrease in loss per share.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST				
At 1st April 2007	17,792	87,572	4,356	109,720
Exchange realignment	4	70	–	74
Additions	4,925	35,852	4,660	45,437
Disposals	(12)	(3,474)	(659)	(4,145)
At 31st March 2008	22,709	120,020	8,357	151,086
Exchange realignment	1	10	–	11
Additions	1,100	11,753	–	12,853
Disposals	–	(4,280)	(2,830)	(7,110)
At 31st March 2009	**23,810**	**127,503**	**5,527**	**156,840**
DEPRECIATION				
At 1st April 2007	6,180	37,981	1,138	45,299
Exchange realignment	1	32	–	33
Provided for the year	3,583	17,184	1,249	22,016
Eliminated on disposals	(1)	(2,388)	(237)	(2,626)
At 31st March 2008	9,763	52,809	2,150	64,722
Exchange realignment	1	9	–	10
Provided for the year	4,021	20,672	1,063	25,756
Eliminated on disposals	–	(4,034)	(1,006)	(5,040)
At 31st March 2009	**13,785**	**69,456**	**2,207**	**85,448**
CARRYING VALUE				
At 31st March 2009	**10,025**	**58,047**	**3,320**	**71,392**
At 31st March 2008	12,946	67,211	6,207	86,364

The above items of property, plant and equipment are depreciated, after taking into account their estimated residual values, on a straight-line basis over their estimated useful lives as follows:

Leasehold improvements	Over a period of 5 years or the term of relevant lease, whichever is shorter
Furniture, fixtures and equipment	Over a period of 5 years
Motor vehicles	Over a period of 5 years

At 31st March 2009, the carrying value of property, plant and equipment of the Group included an amount of approximately HK$3,245,000 (2008: HK$4,063,000) in respect of motor vehicles held under a finance leases.

19. CG ANIMATION PICTURES

	Completed CG animation pictures HK$'000	CG animation pictures in progress HK$'000	Total HK$'000
COST			
At 1st April 2007	396,134	159,192	555,326
Additions	2,920	343,974	346,894
At 31st March 2008	399,054	503,166	902,220
Additions	260	365,359	365,619
At 31st March 2009	**399,314**	**868,525**	**1,267,839**
AMORTISATION AND IMPAIRMENT			
At 1st April 2007	370,463	42,788	413,251
Provided for the year	25,212	–	25,212
At 31st March 2008	395,675	42,788	438,463
Provided for the year	3,639	–	3,639
Impairment loss recognised	–	87,090	87,090
At 31st March 2009	**399,314**	**129,878**	**529,192**
CARRYING VALUE			
At 31st March 2009	**–**	**738,647**	**738,647**
At 31st March 2008	3,379	460,378	463,757

Completed CG animation pictures and CG animation pictures in progress are internally generated.

Completed CG animation pictures are amortised based on the proportion of actual income earned during the year to the estimated total income expected to be generated from the relevant CG animation pictures.

CG animation pictures in progress are stated at production costs incurred to date, including borrowing costs capitalised, less accumulated impairment losses, if any.

In both years, the directors conducted a review of the Group's CG animation pictures in light of the current market condition with reference to the existing operating plan and budget. During the year ended 31st March 2009, the directors determined to focus on the production of certain categories of CG animation pictures and accordingly assessed the costs and benefits in further investing in the Group's existing CG animation pictures not falling into those categories, resulting in an impairment loss of approximately HK$87 million (2008: Nil) identified and recognised in the consolidated income statement for the current year.

20. GOODWILL

	HK$'000
COST	
At 1st April 2007, 31st March 2008 and 2009	3,228

For the purpose of impairment testing, goodwill has been allocated to a CGU operating under a principal subsidiary of the Group, Imagi Production Limited, which is engaged in the production and licensing of CG animation pictures.

During the year ended 31st March 2009, management of the Group determined that the CGU containing goodwill had not suffered any impairment.

The basis of the recoverable amount of the above CGU and the major underlying assumptions are summarised below:

The recoverable amount of the CGU has been determined based on a value in use calculation. For impairment purpose, that calculation uses cash flow projections based on financial budgets approved by management covering a three-year period and discount rate of 26% (2008: 26%). Management estimates discount rate using risk-free rate, equity risk premium and the risks specific to the CGUs. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

21. CLUB DEBENTURES

	2009 **HK$'000**	2008 HK$'000
Club debentures	**2,510**	3,201

The directors are of the opinion that there were no impairment on the club debentures since the second hand market price are higher than their carrying values.

22. LONG TERM RENTAL DEPOSITS, TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2009 HK$'000	2008 HK$'000
Long term rental deposits	**11,017**	9,644
Trade receivables	**201**	2,051
Other receivables, deposits and prepayments	**10,734**	10,091
	21,952	21,786
Shown as		
– non-current	**11,017**	9,644
– current	**10,935**	12,142
	21,952	21,786

Long term rental deposits represented the rental deposits for the office premises and were stated at amortised cost as at balance sheet date.

The Group allows its trade customers a credit period in accordance with the terms specified in the contracts, normally ranging from 0 to 90 days.

The following is an aged analysis of trade receivables at the reporting date:

	2009 HK$'000	2008 HK$'000
0 to 60 days	**–**	415
Over 60 days	**201**	1,636
	201	2,051

Before accepting any new customer, the Group will assess the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with a satisfactory trustworthy credit history. Credit limits attributed to customers are reviewed regularly. At the balance sheet date, there is no trade receivables (2008: 81%) that are neither past due nor impaired without default payment history.

Included in the Group's trade receivable balance is a debtor with carrying amount of approximately HK$201,000 (2008: HK$390,000) which was past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over this balance. The age of this receivable is about one year (2008: one year).

Trade and other receivables included HK$201,000 (2008: HK$1,661,000) that are denominated in USD, other than the functional currency of the respective group entities, at the balance sheet date.

23. BANK BALANCES AND CASH

Bank balances

Bank balances carried interest at market rates which range from 0.001% to 2% per annum (2008: 0.01% to 5.80% per annum). Bank balances included approximately HK$181,000 (2008: HK$16,459,000) that are denominated in USD, which is not the functional currency of the group entities.

24. OBLIGATIONS UNDER FINANCE LEASE

The Group lease certain of its motor vehicles under finance lease. The average lease term is four years (2008: three years) and the average effective interest rate is 7.8% (2008: 6.5%). Interest rates underlying all obligations under finance lease were fixed at the contract date ranging from 4% to 9% for both years. All lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Amounts payable under finance lease:				
Within one year	**799**	819	**693**	670
In the second to fifth year inclusive	**1,433**	2,231	**1,341**	2,034
	2,232	3,050	**2,034**	2,704
Less: future finance charges	**(198)**	(346)	**–**	–
Present value of lease obligations	**2,034**	2,704	**2,034**	2,704
Less: Amount due within one year and shown under current liabilities			**(693)**	(670)
Amount due after one year			**1,341**	2,034

The Group's obligations under finance lease is secured by the lessor's charge over the leased assets.

25. BRIDGE LOANS

During the year, the Company was granted US$ loan facilities by the Bridge Loan Lenders for an aggregate sum of US$26.5 million (equivalent to approximately HK$206.7 million), of which US$12 million (equivalent to approximately HK$93.6 million) was drawn and outstanding at 31st March 2009.

	At 31st March 2009			
Lenders	Maximum loan facilities HK$'000	Loan balances HK$'000	Fixed interest rate	Maturity date
Evertop Capital Limited ("Evertop")	**117,000 (US$15,000)**	**67,080 (US$8,600)**	2% per month	31st July 2009
Asia CGI Investments Limited	**50,700 (US$6,500)**	**19,695 (US$2,525)**	2% per month	30th June 2009
Mehta-Imagi LLC	**39,000 (US$5,000)**	**6,825 (US$875)**	9% per annum	31st March 2009
	206,700	**93,600**		

The bridge loan facilities are secured by the Group's CG animation picture, *Astro Boy*, and all its related intellectual property rights.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's secured bridge loans are from 9% to 24% per annum.

The bridge loans were to be repayable on maturity date. However, on 15th May 2009, an agreement was entered into between the Company and the Bridge Loan Lenders whereby each of the Bridge Loan Lenders has agreed, subject to, inter-alia, completion of the Rights Issue, to convert, contemporaneously with the redemption of CN Jan 2008, all its respective outstanding bridge loan principal and accrued interest into shares in the Company at a conversion price of HK$0.175 per share. The conversion is not yet completed at the report date.

26. CONVERTIBLE LOAN NOTES

The Company issued convertible loan notes with principal amounts of HK$50,000,000, HK$20,000,000 and HK$132,000,000 on 30th November 2005 ("CN Nov 2005"), 5th January 2006 ("CN Jan 2006") and 30th January 2008 ("CN Jan 2008") respectively.

All convertible loan notes are denominated in Hong Kong dollars. CN Nov 2005 and CN Jan 2006 carried coupon interest rates of 3% per annum and were to be paid semi-annually up until the settlement dates. CN Jan 2008 is a zero coupon note.

The major terms of these convertible loan notes are as follows:

	Principal amount of convertible loan notes HK$'000	Maturity date	Effective interest rate	Conversion price
CN Nov 2005	50,000	29th November 2008	9.58%	HK$0.34 per ordinary share
CN Jan 2006	20,000	4th January 2009	9.28%	HK$0.34 per ordinary share
CN Jan 2008	132,000	29th January 2011	16.63%	HK$1.768 per ordinary share

CN Nov 2005 and CN Jan 2006 entitled the holders thereof to convert, in whole or in part, the principal amount into ordinary shares of the Company at any time prior to one month before the maturity dates. CN Jan 2008 is convertible by the holders thereof during the period from the 90th day after its issue to the 15th day prior to its maturity date.

Unless previously converted or early redeemed (as described below), CN Jan 2008 will be redeemed at its principal sum of HK$132,000,000 upon maturity.

CN Jan 2008 entitles the holders thereof to require the Company to redeem, in whole or in part, the outstanding principal during the period commencing from the 30th month from the date of issue and ending on the date which is not later than 60 days prior to the maturity date at their principal amount plus a premium equal to the accrued interest thereon at a rate of 10% per annum, compounded on an annual basis. However, upon occurrence of certain events including (i) a delisting of the Company's shares on the Stock Exchange, (ii) a change in control in the Company (as defined in the CN Jan 2008 agreement) or (iii) a pledge of the Group's assets on other liabilities, the holders of CN Jan 2008 can early exercise their redemption right by issuing early redemption notices.

The early redemption feature of CN Jan 2008 is included in the liability portion as it is closely related to the host liability contract. The comparative figures as at 31st March 2008 have been reclassified accordingly as the Group previously classified the early redemption feature of CN Jan 2008 separately as a derivative financial instrument. The financial impact on the Group's results during the year ended 31st March 2008 due to such reclassification is insignificant. As such, no prior year adjustment is provided.

During the year ended 31st March 2008, the then outstanding principal of CN Nov 2005 and CN Jan 2006 were converted into a total of 147,058,824 and 29,411,764 ordinary shares of HK$0.10 each in the Company respectively at the conversion price of HK$0.34 as set out in Note 28(b).

26. CONVERTIBLE LOAN NOTES *(Continued)*

No part of CN Jan 2008 has been converted or redeemed since its issuance.

During the year, the Group pledged assets of the Group in favour of the Bridge Loan Lenders and hence breached certain covenants contained in CN Jan 2008 and as a result of which the holders of CN Jan 2008 was entitled to exercise its early redemption right. The carrying amount of CN Jan 2008 was re-measured at its redemption amount, resulting a loss on re-measurement of approximately HK$34,490,000 (2008: Nil). Accordingly, the convertible loan notes are classified as current in the consolidated balance sheet as at 31st March 2009.

In May 2009, the Company has secured an agreement with the holders of CN Jan 2008 not to demand repayment of the convertible note prior to 31st August 2009 as a result of such breach.

Subsequent to the breach, the Group's CG animation picture, *Astro Boy*, and all its related intellectual property rights were pledged to secure the CN Jan 2008.

The movement of the liability components of the convertible notes for the year is set out below:

	CN Nov 2005 HK$'000	CN Jan 2006 HK$'000	**CN Jan 2008 HK$'000**	Total HK$'000
At 1st April 2007	45,258	9,041	**–**	54,299
Issued during the year	–	–	**80,417**	80,417
Conversion during the year	(46,300)	(9,171)	**–**	(55,471)
Interest charge (Note 11)	2,163	429	**2,678**	5,270
Interest paid	(1,121)	(299)	**–**	(1,420)
At 31st March 2008	–	–	**83,095**	83,095
Interest charge (Note 11)	–	–	**14,415**	14,415
Loss on re-measurement of liability component	–	–	**34,490**	34,490
At 31st March 2009	–	–	**132,000**	132,000

On 15th May 2009, the Company and the holders of CN Jan 2008 entered into another agreement whereby, subject to, inter-alia, completion of the Rights Issue and the contemporaneous completion of the Bridge Loan Conversion, CN Jan 2008 will be redeemed by the issue of a new convertible note with the same principal amount (the "New CN"). If issued, the New CN will be a zero coupon note for a period of 2 years from the date of its issue and will be convertible into shares of the Company at HK$0.30 per share. The holder of the New CN has no right to redeem the outstanding principal prior to maturity date except for the occurrence of an event of default.

27. DEFERRED TAX

The followings are the major deferred tax (liabilities) assets recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Recognised tax losses HK$'000	Convertible loan notes HK$'000	Total HK$'000
At 1st April 2007	(8,312)	7,949	–	(363)
(Charge) credit to consolidated income statement	(1,248)	753	–	(495)
Charge to equity	–	–	(9,115)	(9,115)
At 31st March 2008	(9,560)	8,702	(9,115)	(9,973)
Effect of change in tax rate	497	(497)	521	521
Credit (charge) to consolidated income statement	1,371	(2,909)	8,594	7,056
At 31st March 2009	**(7,692)**	**5,296**	**–**	**(2,396)**

At the balance sheet date, the Group had unused tax losses of approximately HK$288,078,000 (2008: HK$184,608,000) available to offset against future assessable profits. A deferred tax asset has been recognised in respect of approximately HK$32,097,000 (2008: HK$49,727,000) of such losses. No deferred tax has been recognised in respect of the remaining tax losses of HK$255,981,000 (2008: HK$134,881,000) due to the unpredictability of future profit streams. Unused tax losses can be carried forward indefinitely.

Withholding income tax is imposed on dividends to foreign investors for certain overseas subsidiaries. Deferred tax has not been provided for in the consolidated financial statements in respect of the temporary differences as either the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future or these overseas subsidiaries suffer from tax losses.

28. SHARE CAPITAL OF THE COMPANY

	Number of shares	Values HK$'000
Authorised:		
Ordinary shares of HK$0.10 each at 31st March 2008 and 2009	2,500,000,000	250,000
Issued and fully paid:		
At 1st April 2008	1,441,133,265	144,113
Exercise of share options after share subdivision (note a)	20,350,000	2,035
Conversion of convertible loan notes (note b)	176,470,588	17,647
At 31st March 2008	1,637,953,853	163,795
Exercise of share options (note c)	200,000	20
Placement of shares (note d)	90,600,000	9,060
At 31st March 2009	**1,728,753,853**	**172,875**

28. SHARE CAPITAL OF THE COMPANY *(Continued)*

The movements in the ordinary share capital for the year ended 31st March 2008 were as follows,

(a) The Company issued 5,000,000, 4,350,000 and 11,000,000 ordinary shares of HK$0.10 each in the Company for cash at HK$0.195, HK$0.196 and HK$0.535 per share respectively, as a result of the exercise of share options.

(b) Convertible notes of principal amount of HK$50,000,000 and HK$10,000,000 were converted into 147,058,824 and 29,411,764 ordinary shares of HK$0.10 each in the Company respectively at the conversion price of HK$0.34.

The movements in the ordinary share capital for the year ended 31st March 2009 were as follows:

(c) The Company issued 200,000 ordinary shares of HK$0.10 each in the Company for cash at HK$0.196 per share, as a result of the exercise of share options.

(d) Pursuant to the subscription agreement entered on 2nd September 2008, the Company agreed to issue, and the subscriber, Smart Will Investment Limited ("Smart Will"), a wholly owned subsidiary of Shui On Holdings Limited, agreed to subscribe for 90,600,000 new ordinary shares at a subscription price of HK$0.86 per share (the "Share Subscription"). The subscription price represents a premium of approximately 40.98% to the closing market price of the Company's share on 2nd September 2008, being the last trading day immediately preceding the date of the placing agreement. Smart Will held 3.01% of the Company before the Share Subscription. The subscription shares represent approximately 5.53% and 5.24% of the issued share capital of the Company before and after the Share Subscription.

Sunni International Limited ("Sunni"), a controlling shareholder of the Company interested in approximately 35.75% of the issued share capital of the Company before the completion of the Share Subscription, executed two deed polls, pursuant to which upon completion of the Share Subscription, Sunni would transfer 70,000,000 shares ("the Gift Shares") by way of gift at nil consideration to Smart Will.

The Gift Shares represent approximately 4.27% of the issued share capital of the Company before the Share Subscription and approximately 4.05% of the issued share capital as enlarged by the Share Subscription.

After taking into account of the Share Subscription and the transfer of Gift Shares as a whole, Smart Will's subscription price is diluted to HK$0.485 per share (the "Diluted Subscription Price"), representing a discount of approximately 20.47% to the closing market price of the Company's share on 2nd September 2008, being the last trading day immediately preceding the date of the placing agreement. The difference arising from the par value and the Diluted Subscription Price of the shares of approximately HK$46,622,000 is credited to share premium and approximately HK$22,650,000 is credited to other reserve as deemed contribution from Sunni.

The Share Subscription and the transfer of Gift Shares were completed on 22nd September 2008.

The net proceeds from the Shares Subscription of approximately HK$77,916,000 were used for the development of Group's CG animation pictures.

All the shares issued during the year ranked pari passu with the then existing shares in all respects.

29. SHARE-BASED PAYMENT TRANSACTIONS

(a) General terms and conditions of the share option scheme

On 16th August 2002, the Company adopted a share option scheme (the "2002 Scheme") for the primary purpose of providing incentives to employees, executives or officers, directors of the Company or any of its subsidiaries and any business consultants, agents, legal or financial advisers or any supplier or provider of goods and services of the Company or any of its subsidiaries (the "Participants") for their contribution to the Group. The 2002 Scheme will be ending on 15th August 2012. Under the 2002 Scheme, the directors may grant options to the Participants to subscribe for shares in the Company for a consideration of HK$10 for each lot of share options granted. Options granted must be taken up within 28 days of date of grant. The exercise price is determined by the directors and shall not be less than the highest of:

(i) the official closing price of the shares as stated in the daily quotation sheet of the Stock Exchange on the date of the grant which must be a business day;

(ii) the average of the official closing prices of the shares as stated in the daily quotation sheet of the Stock Exchange for the 5 business days immediately preceding the offer date; and

(iii) the nominal value of a share.

Pursuant to the 2002 Scheme, the maximum number of shares in the Company in respect of which options may be granted when aggregated with any other share option scheme of the Company is not permitted to exceed 10% of the issued share capital of the Company as at 16th August 2002. Subject to the approval of the shareholders of the Company in general meeting and such other requirements prescribed under the Listing Rules from time to time, the directors may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meetings. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time.

At 31st March 2009, the number of shares in respect of which options had been granted and remained outstanding under the 2002 Scheme was 91,625,000 (2008: 83,891,000), representing 5.30% (2008: 5.12%) of the total number of shares of the Company in issue at that date.

No option may be granted to any person if the total number of shares of the Company already issued and issuable to him under all the options granted to him in any 12-month period up to and including the date of grant exceeding 1% of total number of shares in issue at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the approval of the shareholders in general meetings, such Participant and his associates (as defined in the Listing Rules) abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

There is no specific requirement that an option must be held for any minimum period before it can be exercised but the directors are empowered to impose at their discretion any such minimum period at the time of grant of any particular options. The period during which an option may be exercised will be determined by the directors at their absolute discretion, save that no option may be exercised more than 10 years from the date of grant.

29. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) Movements of share options

The following table discloses details of the Company's share options held by directors, employees and consultant, who is an individual providing similar service of an employee including planning and directing certain activities of the Group, and movements in such holding during the current and prior years:

For the year ended 31st March 2009

	Number of share options			
	Directors	**Employees**	**Consultant**	**Total**
Outstanding at 1st April 2008	17,000,000	66,891,000	–	83,891,000
Granted during the year (note i)	4,000,000	11,690,000	5,000,000	20,690,000
Granted with modification during the year (note i and ii)	7,000,000	–	–	7,000,000
Cancelled with modification during the year (note ii)	(7,000,000)	–	–	(7,000,000)
Exercised during the year (note iii)	–	(200,000)	–	(200,000)
Cancelled during the vesting period (note iv)	(3,500,000)	(4,992,000)	–	(8,492,000)
Forfeited during the year (note v)	(1,500,000)	(2,764,000)	–	(4,264,000)
Outstanding at 31st March 2009	**16,000,000**	**70,625,000**	**5,000,000**	**91,625,000**

	Weighted average exercise price		
	Directors	**Employees**	**Consultant**
Outstanding at 1st April 2008	2.455	1.880	–
Granted during the year	1.849	0.674	0.412
Granted with modification during the year	0.402	–	–
Cancelled with modification during the year	2.570	–	–
Exercised during the year	–	0.196	–
Cancelled during the vesting period	2.178	2.178	–
Forfeited during the year	2.178	2.305	–
Outstanding at 31st March 2009	1.441	1.648	0.412

29. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) Movements of share options *(Continued)*

notes:

(i) On 7th April 2008, 22nd July 2008, 22nd December 2008, 29th December 2008 and 12th January 2009, 4,690,000, 1,000,000, 10,000,000, 7,000,000 and 5,000,000 share options were granted respectively. The closing prices of the Company's shares immediately before the respective date of grant were HK$1.49, HK$0.58, HK$0.39, HK$0.39 and HK$0.38 respectively.

(ii) During the year, 7,000,000 share options previously granted on 9th October 2006 with an exercise price of HK$2.570 per share were cancelled and the same number of share options were granted to the option holders with modified terms as follows:

Date of grant	Number of share options	Option exercise price	Exercisable period	Vesting period
29/12/2008	5,000,000	0.402	29/12/2008 to 28/12/2013	Nil
	2,000,000	0.402	29/12/2009 to 28/12/2014	29/12/2008 to 28/12/2009
Total:	7,000,000			

The replacements were accounted as a modification of the original grant. The incremental fair value arising from the modification of terms is approximately HK$802,000.

(iii) The weighted average closing market price of the Company's shares immediately before the dates on which the share options were exercised was HK$0.753.

(iv) 8,492,000 share options were cancelled due to resignation of a director and the employees during the vesting period which have been reflected in the estimate of the number of options to be vested in the calculation of share-based payment expenses.

(v) 4,264,000 share options were forfeited due to resignation of a director and employees after the vesting period.

(vi) Total consideration received for the grant of options during the year was approximately HK$100 (2008: HK$3,080).

29. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) Movements of share options *(Continued)*

notes: *(Continued)*

(vii) Directors, employees and consultant are entitled to a gradual increase in the number of share options being vested upon increase in the years of services to the Group. Details of date of grant, vesting period, exercisable period and exercise price of the share options outstanding at 31st March 2009 for directors, employees and consultant are as follows:

Date of grant	Vesting period	Exercisable period	Exercise price	Outstanding at 31st March 2009
Directors				
9th October 2006	Nil to 5 years	5 years	2.570	5,000,000
7th April 2008	2.74 to 4.74 years	5 years	2.178	3,000,000
22nd July 2008	1 to 4 years	5 years	0.860	1,000,000
29th December 2008	Nil to 1 year	5 years	0.402	7,000,000
				16,000,000
Employees				
24th May 2005	Nil	5 years	0.196	3,500,000
7th June 2005	Nil	5 years	0.195	5,000,000
13th February 2006	Nil	3 to 5 years	0.535	2,300,000
8th November 2006	Nil	5 years	3.070	860,000
15th May 2007	0.67 to 3 years	5 years	2.178	39,525,000
25th September 2007	0.33 to 3 years	5 years	2.178	6,750,000
17th January 2008	1 to 3 years	5 years	2.178	1,000,000
7th April 2008	1 to 3 years	5 years	2.178	1,690,000
22nd December 2008	Nil	5 years	0.420	10,000,000
				70,625,000
Consultant				
12th January 2009	0.05 to 1.97 years	5 years	0.412	5,000,000
			Total:	91,625,000

29. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) Movements of share options *(Continued)*

For the year ended 31st March 2008

	Number of share options			
	Directors	Employees	Supplier of services	Total
Outstanding at 1st April 2007	31,000,000	72,126,000	5,000,000	108,126,000
Granted during the year (note i)	–	13,035,000	–	13,035,000
Granted with modification during the year (note i and ii)	5,000,000	47,200,000	–	52,200,000
Cancelled with modification during the year (note ii)	(5,000,000)	(47,200,000)	–	(52,200,000)
Exercised during the year (note iii)	(14,000,000)	(6,350,000)	–	(20,350,000)
Cancelled during the vesting period (note iv)	–	(10,920,000)	–	(10,920,000)
Forfeited during the year (note v)	–	(1,000,000)	(5,000,000)	(6,000,000)
Outstanding at 31st March 2008	17,000,000	66,891,000	–	83,891,000

	Weighted average exercise price		
	Directors	Employees	Supplier of services
Outstanding at 1st April 2007	1.883	3.334	1.762
Granted during the year	–	2.178	–
Granted with modification during the year	2.178	2.178	–
Cancelled with modification during the year	4.350	4.350	–
Exercised during the year	0.414	0.303	–
Cancelled during the vesting period	–	3.236	–
Forfeited during the year	–	3.270	1.762
Outstanding at 31st March 2008	2.455	1.880	–

29. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) Movements of share options *(Continued)*

notes:

(i) On 15th May 2007, 18th May 2007, 25th September 2007 and 17th January 2008, 51,925,000, 260,000, 12,050,000 and 1,000,000 share options were granted respectively. The closing prices of the Company's shares immediately before the respective dates of the grant were HK$2.17, HK$2.09, HK$1.52 and HK$1.80 respectively.

(ii) During the year ended 31st March 2008, 52,200,000 share options previously granted on 19th January 2007 with an exercise price of HK$4.350 per share were cancelled and the same number of share options were granted to the option holders with modified terms as follows:

Date of grant	Number of share options	Option exercise price	Exercisable period	Vesting period
15/05/2007	13,962,000	2.178	15/01/2008 to 14/01/2013	15/05/2007 to 14/01/2008
	13,962,000	2.178	15/01/2009 to 14/01/2014	15/05/2007 to 14/01/2009
	18,616,000	2.178	15/01/2010 to 14/01/2015	15/05/2007 to 14/01/2010
	46,540,000			
18/05/2007	78,000	2.146	18/01/2008 to 17/01/2013	18/05/2007 to 17/01/2008
	78,000	2.146	18/01/2009 to 17/01/2014	18/05/2007 to 17/01/2009
	104,000	2.146	18/01/2010 to 17/01/2015	18/05/2007 to 17/01/2010
	260,000			
25/09/2007	1,620,000	2.178	25/01/2008 to 24/01/2013	25/09/2007 to 24/01/2008
	1,620,000	2.178	25/01/2009 to 24/01/2014	25/09/2007 to 24/01/2009
	2,160,000	2.178	25/01/2010 to 24/01/2015	25/09/2007 to 24/01/2010
	5,400,000			
Total:	52,200,000			

The replacements were accounted as a modification of the original grant. The total incremental fair value arising from the modification of terms is approximately HK$6,347,000.

(iii) The closing prices of the Company' share immediately before the various exercise dates during the year ended 31st March 2008 ranged from HK$1.49 and HK$3.85 and the weighted average closing market price per share immediately before the dates on which the share options were exercised was HK$2.88.

(iv) 10,920,000 share options were cancelled due to resignation of employees during the vesting period.

(v) 1,000,000 share options previously granted to employees and 5,000,000 share options previously to a supplier of services, an individual providing similar services as employees, were forfeited due to resignation of employees and termination of services after the vesting period respectively.

(vi) Total consideration received for the grant of options during the year ended 31st March 2008 was approximately HK$3,080 (2007: HK$3,270).

29. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) Movements of share options *(Continued)*

notes: *(Continued)*

(vii) Directors and employees are entitled to a gradual increase in the number of share options being vested upon increase in the years of services to the Group. Details of date of grant, vesting period, exercisable period and exercise price of the share options outstanding at 31st March 2008 for Directors and employees are as follows:

Date of grant	Vesting period	Exercisable period	Exercise price	Outstanding at 31st March 2008
9th October 2006	Nil to 5 years	5 years	2.570	12,000,000
25th September 2007	0.33 to 2.33 years	5 years	2.178	5,000,000
				17,000,000
Employees				
24th May 2005	Nil	5 years	0.196	3,700,000
7th June 2005	Nil	5 years	0.195	5,000,000
13th February 2006	Nil	3 to 5 years	0.535	2,300,000
8th November 2006	Nil	5 years	3.070	1,256,000
15th May 2007	0.67 to 3 years	5 years	2.178	46,485,000
18th May 2007	0.67 to 2.67 years	5 years	2.146	100,000
25th September 2007	0.33 to 3 years	5 years	2.178	7,050,000
17th January 2008	1 to 3 years	5 years	2.178	1,000,000
				66,891,000
			Total:	83,891,000

29. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(c) Recognition of share-based payments expenses

The total fair value of the share options granted during the year, at the respective dates of grant, is approximately HK$7,923,000 (2008: HK$9,618,000), calculated using the Binomial option pricing model with the following inputs:

Date of grant	Share price on date of grant HK$	Fair value per option HK$	Vesting period	Exercisable period	Expected volatility %	Expected dividend yield %	Risk free rate %	Expected life
For the year ended 31st March 2009								
7th April 2008	1.460	0.468 to 0.770	1 to 4.74 years	5 years	79.87 to 115.67	0	2.24 to 2.58	6 to 9.75 years
22nd July 2008	0.570	0.249 to 0.279	1 to 4 years	5 years	80.39 to 94.08	0	3.40 to 3.60	6 to 9 years
22nd December 2008	0.420	0.204	Nil	5 years	71.04	0	1.21	5 years
29th December 2008 (note 1)	0.400	0.194	Nil to 1 year	5 years	66.51 to 70.98	0	1.19 to 1.21	5 to 6 years
12th January 2009	0.385	0.181 to 0.226	0.05 to 1.97 years	5 years	66.88 to 95.20	0	1.14 to 1.25	5.05 to 6.97 years
For the year ended 31st March 2008								
15th May 2007 (note 2)	2.150	1.252 to 1.443	0.67 to 3 years	5 years	61.04	0	4.04 to 4.10	5.67 to 8 years
18th May 2007 (note 2)	2.100	1.215 to 1.379	0.67 to 2.67 years	5 years	60.75	0	4.04 to 4.10	5.67 to 7.67 years
25th September 2007 (note 2)	1.630	0.866 to 1.060	0.33 to 3 years	5 years	65.19	0	4.04 to 4.10	5.34 to 8 years
17th January 2008	1.700	0.550 to 0.570	1 to 3 years	5 years	64.23 to 64.53	0	2.40 to 2.58	4.14 to 6.60 years

note 1: the incremental fair value due to modification of terms is detailed in Note 29 (b)(ii) for 2009.

note 2: the incremental fair value due to modification of terms is detailed in Note 29 (b)(ii) for 2008.

29. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(c) Recognition of share-based payments expenses *(Continued)*

Expected volatility was determined using the historical volatility of the Company's share price over five 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 behavioral considerations.

The fair value of the share options granted during the year, together with the unamortised fair value of the share options granted in previous years, were amortised to various financial periods with reference to the vesting periods attached to the respective share options on a straight-line basis. On such basis, share-based payment expenses attributable to the year ended 31st March 2009 amounted to approximately HK$27,949,000 (2008: HK$73,980,000) and were analysed between:

	2009 HK$'000	2008 HK$'000
Directors' emoluments	**1,161**	11,439
Other staff cost	**26,479**	62,541
Consultant	**309**	–
	27,949	73,980

The above staff costs were partly capitalised as CG animation picture work in progress and partly accounted for as operating expenses as follows:

	2009 HK$'000	2008 HK$'000
Capitalised in CG animation pictures	**25,343**	57,335
Charged to consolidated income statement	**2,606**	16,645
	27,949	73,980

30. PLEDGE OF ASSETS

At 31st March 2009, a CG animation picture of the Group, *Astro Boy*, and all its related intellectual property rights, with an aggregate carrying value of approximately HK$340,946,000 were pledged as collateral for the bridge loans as per Note 25 and CN Jan 2008 as per note 26.

31. CAPITAL COMMITMENTS

	2009 HK$'000	2008 HK$'000
Capital expenditure in respect of CG animation pictures authorised but not contracted for in the consolidated financial statements	**35,690**	301,771
Capital expenditure in respect of CG animation pictures and property, plant and equipment contracted for but not provided in the consolidated financial statements	**5,645**	8,500

32. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2009 HK$'000	2008 HK$'000
Within one year	**20,513**	13,099
In the second to fifth years inclusive	**40,438**	36,507
Over five years	**8,703**	17,928
	69,654	67,534

Operating lease payments represent rentals payable by the Group for office premises and staff quarters. Leases were negotiated for an average term of three years (2008: three years) and rentals were fixed for an average term of two years (2008: two years).

33. RETIREMENT BENEFITS SCHEME

The Group participates in a MPF Scheme established under the Mandatory Provident Fund Scheme Ordinance for all its employees in Hong Kong. The scheme is a defined contribution scheme effective from December 2000 and is funded by contributions from employer and employees according to the rules of the MPF Scheme. The assets of the scheme are held separately from those of the Group, in funds under the control of an independent trustee. During the year, the total amount contributed by the Group to the scheme was approximately HK$3,411,000 (2008: HK$2,899,000), of which HK$3,032,000 (2008: HK$2,572,000) was capitalised in CG animation pictures and HK$379,000 (2008: HK$327,000) charged to consolidated income statement and no contributions were forfeited. The Group contributes at the lower of HK$1,000 or 5% of the relevant payroll costs to the MPF Scheme.

34. MAJOR NON-CASH TRANSACTIONS

During the year ended 31st March 2009, the Company recognised share-based payment expenses of approximately HK$27,949,000 of which approximately HK$25,343,000 was capitalised in CG animation pictures and approximately HK$2,606,000 was charged to the consolidated income statement.

During the year ended 31st March 2008, the major non-cash transactions were as follows:

(a) The Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of approximately HK$2,858,000.

(b) The Company recognised share-based payment expenses of approximately HK$73,980,000 of which approximately HK$57,335,000 was capitalised in CG animation pictures and approximately HK$16,645,000 was charged to the consolidated income statement.

(c) Two convertible notes of principal amounts of HK$50,000,000 and HK$10,000,000 were converted into 147,058,824 and 29,411,764 ordinary shares of the Company respectively of HK$0.10 each at the conversion price of HK$0.34.

35. RELATED PARTY DISCLOSURES

In February 2009, the Company obtained a bridge loan facility to the extent of HK$117 million from Evertop, a company related to Winnington Capital Limited, a substantial shareholder of the Company. Detailed terms of the facility and the amount utilised by the Group at 31st March 2009 are set out in Note 25.

On 30th January 2008, the Company issued CN Jan 2008 to Winnington Capital Limited.

Compensation of key management personnel

The remunerations of key management personnel during the year were as follows:

	2009 **HK$'000**	2008 HK$'000
Short-term benefits	**36,201**	30,718
Post-employment benefits	**1,881**	82
Equity-settled share-based payments expenses	**5,729**	14,313
	43,811	45,113

36. POST BALANCE SHEET EVENTS

Significant post balance sheet events are set out in Note 2.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company				Principal activities
			Directly		Indirectly		
			2009 %	2008 %	2009 %	2008 %	
Diamond Century International Limited	British Virgin Islands/ Hong Kong	US$4	–	–	100	100	Investment holding
Great Trend International Limited	British Virgin Islands/ Hong Kong	US$4	100	100	–	–	Investment holding
Highland Fling, Inc.	United States of America	US$5,000	–	–	100	100	Production management of CG animation pictures
iDream Production Limited	Hong Kong	HK$2	–	–	100	100	Provision of CG and special effects production services in respect of pictures
Imagi Animation Studios Limited	Hong Kong	HK$2	–	–	100	100	Investment holding and holding and licensing of intellectual property rights in respect of CG animation pictures
Imagi Character Licensing B.V.	Netherlands	EUR18,100	–	–	100	100	Sub-licensing of intellectual property rights in respect of CG animation pictures
Imagi Character Limited	Labuan	US$100	–	–	100	100	Holding and licensing of intellectual property rights in respect of CG animation pictures
Imagi Crystal Limited	Hong Kong	HK$1	–	–	100	100	Holding and licensing of intellectual property rights in respect of CG animation pictures
Imagi Diamond Limited	Hong Kong	HK$1	–	–	100	100	Holding and licensing of intellectual property rights in respect of CG animation pictures

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly 2009 %	Directly 2008 %	Indirectly 2009 %	Indirectly 2008 %	Principal activities
Imagi Emerald limited	Hong Kong	HK$1	–	–	100	100	Holding and licensing of intellectual property rights in respect of CG animation pictures
Imagi Global Distribution Inc.	United States of America	US$100	–	–	100	100	Distribution and licensing of intellectual property rights in respect of CG animation pictures
Imagi Platinum Limited	Hong Kong	HK$1	–	–	100	100	Inactive
Imagi Production Limited	Hong Kong	HK$28,572	–	–	100	100	Production of CG animation pictures and holding and licensing of intellectual property rights in respect of CG animation pictures
Imagi (Zentrix) Licensing B.V.	Netherlands	EUR18,000	–	–	100	100	Sub-licensing of intellectual property rights in respect of CG animation pictures
Imagi International Japan Company Limited	Japan	JPY30,000,000	–	–	100	100	Provision of marketing services on project licensing and acting as a full-service project management house in respect of CG animation pictures
Imagi Intellectual Properties Limited	Labuan	US$1,000	–	–	100	100	Holding and licensing of intellectual property rights in respect of CG animation pictures
Imagi Services Limited	Hong Kong	HK$2	–	–	100	100	Provision of administrative services

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly 2009 %	Directly 2008 %	Indirectly 2009 %	Indirectly 2008 %	Principal activities
Imagi Services (USA) Limited	United States of America	US$100	–	–	100	100	Marketing of CG animation pictures
Imagi Studios (USA) Inc.	United States of America	US$5,000	–	–	100	100	Production management of CG animation pictures
Kings Quest, Inc.	United States of America	US$5,000	–	–	100	100	Production management of CG animation pictures
Magic Marble Investments Limited	British Virgin Islands/ Hong Kong	US$4	100	100	–	–	Investment holding
Neo-Mad House Intellectual Properties Licensing B.V.	Netherlands	EUR18,000	–	–	100	100	Sub-licensing of intellectual property rights in respect of CG animation pictures
Neo-Mad House (X.S.I.) Limited	Labuan	US$1	–	–	100	100	Holding and licensing of intellectual property rights in respect of CG animation pictures
Rover's Trek, Inc.	United States of America	US$5,000	–	–	100	100	Production management of CG animation pictures
Top Bond Technology Limited	Hong Kong	HK$2	–	–	100	100	Development of intellectual property rights in respect of CG games
Topway Asset Limited	British Virgin Islands/ Hong Kong	US$4	100	100	–	–	Investment holding
Turbo Money Investments Limited	British Virgin Islands/ Hong Kong	US$4	–	–	100	100	Financing of CG animation pictures
Victory Gem International Limited	British Virgin Islands/ Hong Kong	US$4	100	100	–	–	Investment holding

None of the subsidiaries had issued any debt securities at the end of the year.

Financial Summary

RESULTS

	Year ended 31st March				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Continuing operation					
Revenue	90,638	479	243,485	17,189	**3,613**
Loss before taxation	(60,142)	(71,508)	(138,345)	(56,964)	**(184,493)**
Income tax expense	(70,524)	(717)	(617)	(865)	**7,066**
Loss for the year from continuing operation	(130,666)	(72,225)	(138,962)	(57,829)	**(177,427)**
Discontinued operation					
Profit (loss) for the year from discontinued operation	349	(27)	–	–	**–**
Loss for the year	(130,317)	(72,252)	(138,962)	(57,829)	**(177,427)**
Attributable to:					
Equity holders of the Company	(130,270)	(72,214)	(138,923)	(57,829)	**(177,427)**
Minority interests	(47)	(38)	(39)	–	**–**
	(130,317)	(72,252)	(138,962)	(57,829)	**(177,427)**

ASSETS AND LIABILITIES

	At 31st March				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	302,275	393,222	608,403	754,532	**841,547**
Total liabilities	(101,807)	(221,529)	(93,862)	(116,689)	**(274,744)**
	200,468	171,693	514,541	637,843	**566,803**
Equity attributable to equity holders of the Company	200,372	171,635	514,541	637,843	**566,803**
Minority interests	96	58	–	–	**–**
	200,468	171,693	514,541	637,843	**566,803**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