漢傳媒集團有限公司
SEE CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 491)

2010
ASIAN FILM FESTIVAL
This award is presented to
Ann Hui
許鞍華
“Night and Fog”
for excellence in
BEST DIRECTOR
天水圍的夜與霧
NIGHT & FOG
張靜初 領銜主演
天水圍第二部曲
在一念之間

-CONTENTS-

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Dr. Ma Ho Man, Hoffman *(Chairman)* (appointed on 14 October 2010)
Mr. Wong Kui Shing, Danny *(Managing Director)*
Dr. Allan Yap
Mr. Wong Yat Cheung

Independent Non-executive Directors

Mr. Li Fui Lung, Danny
Mr. Ng Hoi Yue, Herman
Mr. Heung Pik Lun

COMPANY SECRETARY

Ms. Ng Yuk Yee, Feona

QUALIFIED ACCOUNTANT

Mr. Chow Chun Man, Jimmy

AUDIT COMMITTEE

Mr. Li Fui Lung, Danny
Mr. Ng Hoi Yue, Herman
Mr. Heung Pik Lun

REMUNERATION COMMITTEE

Dr. Allan Yap
Mr. Li Fui Lung, Danny
Mr. Ng Hoi Yue, Herman
Mr. Heung Pik Lun

COMPLIANCE ADVISER

Optima Capital Limited

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

LEGAL ADVISER

Richards Butler in association with Reed Smith LLP

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Office D & E, 20th Floor, EGL Tower
No. 83 Hung To Road, Kwun Tong
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Bank Bermuda Limited
6 Front Street, Hamilton HM 11
PO Box HM 1020
Hamilton HM DX
Bermuda

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

http://www.irasia.com/listco/hk/see

STOCK CODE

491

STATEMENT OF THE BOARD

On behalf of the board of Directors (the "Board"), I am pleased to announce the results of See Corporation Limited (hereafter referred to as the "Company") and its subsidiaries (the "Group") for the year ended 30 June 2010.

BUSINESS REVIEW AND PROSPECTS

Film and TV programme production and artiste & model management remained the core operations of the Group and accounted for the largest percentages of our turnover and gross profit during the year ended 30 June 2010. We expect this to remain the case for the foreseeable future.

The Group released five films and two TV programmes during the year, namely "On His Majesty's Secret Service – 大內密探靈靈狗", "The Future X-cops – 未來警察", "The Underdog Knight – 硬漢", "To Live And Die in Mongkok – 旺角監獄" and "Black Ransom – 撕票風雲", respectively for films, "Rough Justice – 十大奇冤" and "The Dragon Gate – 龍門驛站" for TV programmes.

Following to the success of "The Way We Are – 天水圍的日與夜" at "The 28th Hong Kong Film Award – 第二十八屆香港電影金像獎" held last year, "Night and Fog – 天水圍的夜與霧" (released in 2009) received many nominations of film awards locally and at overseas during the year and eventually won the "Best Director – 最佳導演" award at the 2010 Asian Film Festival held in Italy and the "Best Actor – 最佳男演員"award at the 4th Granada Film Festival CINES DEL SUR held in Spain.

The Group will continue to produce high quality films and TV programmes for the greater china region, especially for the Mainland China market. Given the continuous opening up and expansion of the film and TV production market as well as the continuous growth in the box office in Mainland China, management strongly believe that there is a great potential for the distribution of our film and TV production in Mainland China.

During the year under review, the artiste and model management operation was slowing due to the down turning of the economy as well as the keen competition in the market.

Although our music production business yields only a small percentage of the Group's total earnings, it plays a significant role in raising the profile of our artistes and the Group as a whole.

We have organised a number of events during the year mostly featured with our models and artistes, such as promotional activities, live music shows and fashion shows.

We are facing a challenging year ahead with the current economic uncertainties caused by the global financial turmoil. We are cautiously optimistic in respect to our core operations as we monitor and control our cost and risk carefully.

We strongly believe that good stories and quality production are always well received by audience. We must therefore take the greatest care in choosing attractive stories and scripts for our film and TV programme production projects. The Group will reduce our exposure to such risks by forming joint venture projects to produce some of our medium-sized films and TV programmes in the next 12 months.

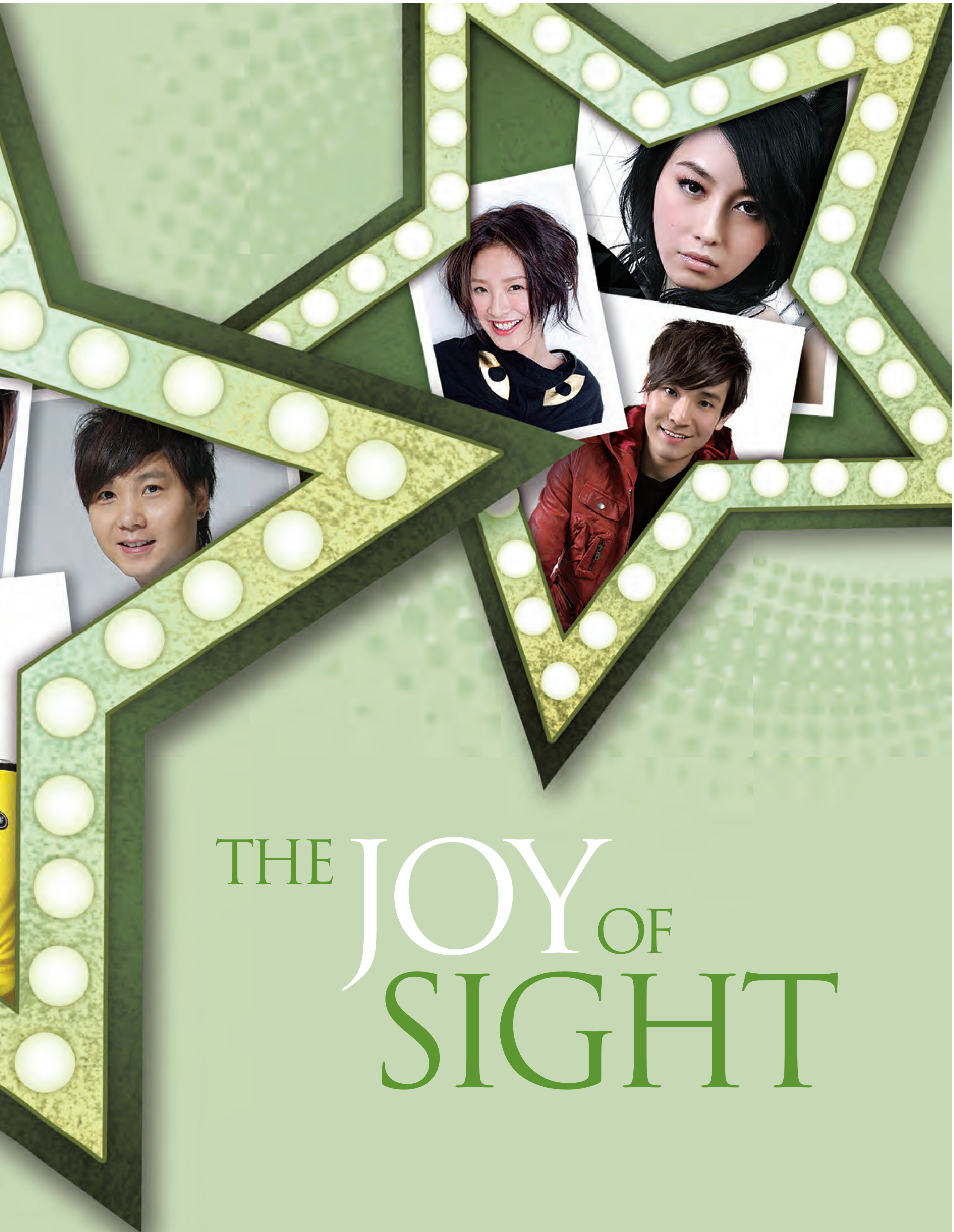
We will continue to enrol promising new talents in our artiste and model portfolio, while enhancing the professionalism of those we have already managed. In addition, we will make every effort to identify and secure more high-profile assignments for them.

APPRECIATION

Last but not least, I would like to take this opportunity to thank all the management and staff members for their dedicated efforts and continuing contributions during the year to the Group, as well as the unreserved support to myself. I look forward to growing the business together with the energetic team, and bringing the Group to a new next-level which continuously focus on financial and operating discipline, and strive for better results for our shareholders.

On behalf of the Board
Mr. Wong Yat Cheung
Executive Director

Hong Kong, 21 October 2010



THE JOY OF SIGHT

Results

The Group's total turnover during the year ended 30 June 2010 was approximately HK$72.7 million, representing an increase of approximately 31.0% from approximately HK$55.5 million for the year ended 30 June 2009. The Group's gross profit was approximately HK$26.7 million, representing an increase of approximately 142.7% from approximately HK$11.0 million in the previous year. The increase in turnover was mainly attributable to the net gains from the sale of investments at fair value through profit or loss for the year of approximately HK$9.9 million. The Group did not record such gains in pervious year.

Meanwhile, the Group recorded a loss from operations for the year of approximately HK$59.2 million, compared with approximately HK$264.0 million in the previous year. Such significant decrease in the loss from operations was mainly attributable to the decrease in loss on fair value of the Group's investments in listed equity securities from approximately HK$201.1 million in 2009 to approximately HK$1.1 million in 2010. As a result of the recognition of the one-off gain on partial disposal of associates of approximately HK$165.9 million in 2010, the profit for the year of the Group increased significantly to approximately HK$88.5 million from the loss of approximately HK$284.5 million in 2009.

Other operating expenses for the year increased to approximately HK$41.7 million from HK$28.6 million in the previous year. Such increase was mainly contributed by the increase in the impairment of loss in film rights during the year.

The profit attributable to owners for the year was approximately HK$95.6 million, compared with a loss of approximately HK$284.5 million in previous year. The earnings per share for the year ended 30 June 2010 was HK$0.24 compared with the adjusted loss per share of HK$2.07 for the year ended 30 June 2009.

REVIEW OF OPERATIONS

The Group was principally engaged in the entertainment and media business. Our activities can be categorized as (i) film and TV programme production; (ii) music production; (iii) event production; (iv) artiste and model management; (v) investment in a pay TV operation and (vi) investment in securities.

Film and TV programme production

The Group generated turnover of approximately HK$53.8 million from film and TV programme production activities for the year ended 30 June 2010, representing an increase of approximately 21.2% from approximately HK$44.4 million in the previous year. The gross profit derived from these activities was approximately HK$13.3 million, compared with approximately HK$7.7 million in fiscal year 2009. Turnover of this segment for the year was mainly contributed by five films and two TV programmes released during the year, namely "On His Majesty's Secret Service – 大內密探靈靈狗", "The Future X-cops – 未來警察", "The Underdog Knight – 硬漢", "To Live And Die in Mongkok – 旺角監獄" and "Black Ransom – 撕票風雲", respectively for films, "Rough Justice – 十大奇冤" and "The Dragon Gate – 龍門驛站" for TV programmes.

As of 30 June 2010, the total net book value of the Group's film rights stood at approximately HK$41.3 million. The impairment loss recognised in respect of film rights during the year amounted to approximately HK$30.4 million. The Group's total film and TV programme production in progress as of 30 June 2010 amounted to approximately HK$101.5 million.

Music production

The turnover of the Group's music album production business during the year was approximately HK$0.3 million, compared with approximately HK$1.1 million in fiscal year 2009.

Although music production only accounts for a small portion of the Group's total earnings, the Group will continue to produce music albums for our artistes to boost the popularity of our artistes as well as the Group's image.

Event production

The Group organised a number of events during the year. These mainly included promotional activities, live music shows and fashion shows featured with the Group's artistes and models. Turnover from the event production for the year was approximately HK$2.0 million compared with approximately HK$1.3 million in previous year.

Artiste and model management

The Group continued to manage a group of popular artistes and models including 謝婷婷, JJ 賈曉晨, 高皓正, Yedda Chao 趙彤, Yellow, EO2, 狄易達 and a Korean female group Y.E.S.

Turnover and gross profit of the artiste and model management operation for the year were approximately HK$6.7 million and HK$2.5 million respectively, compared with approximately HK$8.7 million and HK$3.1 million respectively in previous year.

Investment in a pay TV operation

On 30 June 2009, Enjoy Profits Limited, a wholly-owned subsidiary of the Company, entered into a conditional agreement to dispose of 31% entire issued ordinary share capital of TVB Pay Vision Holdings Limited (the "TVBP"), (the "Disposal") at a cash consideration of approximately HK$212,745,000. The Disposal was completed during the year and recorded a gain on the Disposal of approximately HK$165.9 million in the consolidated statement of comprehensive income. Details of the Disposal were set out in the Company's announcement and circular dated 6 July 2009 and 23 October 2009 respectively. Upon completion of the Disposal, the Group is entitled to 18% equity interest in TVBP and TVB Pay Vision Limited (the "TVBPV"). The directors of the Company consider that the Group has retained significant influence over TVBP and TVBPV by the representation of the Group on the board of directors of TVBP and TVBPV despite the interest held by the Group is below 20% and the Group has continuously accounted for TVBP and TVBPV as its associates for the year ended 30 June 2010.

Investment in securities

Turnover of the investment in securities operation for the year was approximately HK$9.9 million compared with nil in fiscal 2009. The carrying value of the total segment assets of the investment in securities operation as of 30 June 2010 and 30 June 2009 were approximately HK$6.0 million and HK$54.9 million, respectively. The decrease in the carrying value mainly represented the cost of investment in securities disposed and the loss in change in fair value of financial assets at fair value through profit or loss during the year amounted to approximately HK$47.8 million and HK$1.1 million, respectively.

GEOGRAPHICAL REVIEW

During the year under review, the Group continued to focus on the Hong Kong and Mainland China markets. The revenue derived from Hong Kong and Mainland China amounted to approximately HK$44.5 million and HK$23.2 million, respectively, representing approximately 61.3% and 31.9% of our total turnover.

FUTURE BUSINESS PROSPECTS AND PLANS

The Group has dedicated its efforts in strengthening and opening up distribution channels for their film and TV production in Mainland China. Given the continued opening and expansion of the film and TV production market as well as the continuous growth in the box office in Mainland China, we strongly believe that there is a great potential for the distribution of our film and TV production in Mainland China.

Neither the Group has any future plans for material investments or capital assets and their expected sources of funding in the coming year nor the Group has introduced or announced any new business including new products and services during the year.

We are facing a challenging year ahead with the current global economic uncertainties caused by the global financial turmoil. We are cautiously optimistic in respect to the prospects of the film and TV production industry in Hong Kong. The Group will be cautious in the selection of stories and scripts for the production of our films and TV programmes. Stringent measures will be adopted in the cost control and risk management for the Group's film and TV projects.

FINANCIAL REVIEW AND LIQUIDITY

As at 30 June 2010, the Group's net assets amounted to approximately HK$288.7 million, compared with approximately HK$3.4 million on the same date last year. The current ratio, representing current assets divided by current liabilities was 1.99.

During the year, the Company raised approximately HK$185.5 million before expenses by way of the Rights Issue, issuing 927,520,792 ordinary shares at the subscription price of HK$0.20 per Rights Share on the basis of eight Rights Shares for every one ordinary share held on the Record Date.

The net proceeds from the Rights Issue were approximately HK$180.7 million and HK$150.0 million of which was planned to be retained at the bank and be used for repayment of the convertible note when it became due in August 2010, while the remaining balance of approximately HK$30.7 million will be used for the general working capital of the Group.

At the end of the reporting period, the Group had (i) a short-term bank overdraft of approximately HK$10.0 million which bears interest at the lending bank's prime rate per annum or 1% per annum over Hong Kong Inter–bank Offer Rate ("HIBOR"), whichever is higher, and is repayable on demand and (ii) a zero-coupon convertible note issued in August 2005 which is due within one year with principal amount, carrying value and fair value of approximately HK$170.0 million, HK$185.4 million and HK$185 million, respectively. Unless previously converted by the note holder, the convertible note is redeemable on the date of maturity at 110% of the principal amount of the convertible note then outstanding. The convertible note was redeemed at the maturity date by the Company in August 2010. The cash and bank balances of the Group were amounted to approximately HK$300.1 million. The gearing ratio, as a ratio of total borrowings over total assets, was 0.38.

The Group had contingent liabilities of approximately HK$24.0 million at the end of the reporting period, mainly as a result of a corporate guarantee provided to a financial institution in respect of banking facilities granted to former subsidiaries. Approximately HK$5.5 million of the banking facilities were utilized by those former subsidiaries and this amount was subject to a claim by the financial institution concerned.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

During the year, the revenue and cost for film and TV programme production, music album production, event production, artiste and model management and investment in securities were mainly dominated in Renminbi and Hong Kong dollars. Borrowings in terms of loans and convertible note were denominated in Hong Kong dollars.

As the exchange rates of Hong Kong dollars against Renminbi were relatively stable during the year, the Group's exposure to fluctuations in exchange rates was minimal.

The Group will closely monitor the foreign currency exposure and to arrange for hedging facilities when necessary.

EMPLOYEE SCHEMES

As at 30 June 2010, the Group had 53 employees (All based in Hong Kong). The remuneration policy and package of the Group's employees are periodically reviewed and approved by the executive directors. Apart from provident fund scheme and in-house training programmes, medical insurance scheme, discretionary bonuses and share options may also be awarded to employees according to the assessment of individual performances.

PLEDGE OF ASSETS

As at 30 June 2010, certain assets of the Group with aggregate carrying value of approximately HK$20.8 million (2009: HK$21.0 million) were pledged to secure banking facilities granted to the Company.

MAJOR LITIGATION AND ARBITRATION PROCEEDINGS

1. The Company and its ex-subsidiary, P.N. Electronic Ltd. ("PNE") have been involved in arbitration proceedings with North American Foreign Trading Corporation ("NAFT") in respect of a gross receivable of HK$18 million and related damages from various parties for goods shipped by PNE and NAFT in 1996. The arbitration proceedings were initiated by NAFT against the Company and PNE claiming for alleged damages in New York, USA. The Company has upon legal advice, vigorously contested the alleged claims and has counterclaimed the said sum of HK$18 million as well as other damages. The Company has not received any documents in relation to the arbitration proceedings for a substantial period of time and insofar as the Company is aware, the proceedings remain dormant.

2. On 13 October 2003, a Writ of Summons and Statement of Claim was issued by BII Finance Company Limited ("BII Finance") against the Company under a guarantee allegedly given by the Company in favour of BII Finance in respect of certain liabilities of Welback Enterprises Limited, a former subsidiary of the Company. The claim is for a sum of approximately HK$3,583,000 and US$248,000 (approximately HK$1,936,000), together with interest.

   The Company has issued Third Party proceedings against Mr. Lee Chun Kwok and Mr. Fong Wing Seng, former directors of the Company, seeking a contribution to the extent of 49% of BII Finance's claim in the event that the Company is found liable to BII Finance (which is denied).

   The Company will continue to defend BII Finance's claim, and will also continue to pursue the Third Party proceedings against Mr. Lee Chun Kwok and Mr. Fong Wing Seng. BII Finance has not taken any steps to progress with the action since June 2006.

Save as disclosed above, no member of the Group is engaged in any litigation or claims of material importance and no litigation or claims of material importance is known to the directors to be pending or threatened by or against any member of the Group.

THE JOY OF MUSIC


7屆香港馬拉松冠軍洪松蔭真人真事改編
www.18m.hk
石琪
陳木勝
潘惠森
Excellent Show!
翁子忠
陳敏兒
陳淑儀
高皓正
鮑起靜
唐寧
廖啟智
秒速18米
導演：李偉祥
文化中心大劇院
2010年1月1至3日
下午3時／下午7時30分
演出顧問：洪松蔭
重演
EO2

CORPORATE GOVERNANCE REPORT

The board (the "Board") of directors (the "Directors") of the Company is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 30 June 2010.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Board is committed to maintaining high standards of corporate governance so as to ensure "Accountability, Responsibility and Transparency" towards the shareholders, stakeholders, investors as well as the employees of the Company.

The Board has adopted all the code provisions (the "Code Provisions") as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as the code of the Company (the "Code"). During the year, save and except as hereinafter mentioned in connection with the vacancy of the position of the Chairman of the Board following the resignation of Mr. Yu Kam Kee, Lawrence, *B.B.S., M.B.E., J.P.*, the Company has complied with all the Code Provisions of the CG Code.

The Board reviews its Code from time to time to ensure its continuous compliance with the CG Code. The Board has adopted a code of conduct which consists of a set of legal and ethical guidelines for directors, managers, officers, consultants and full time and part time employees to follow effective on 28 June 2010. The key corporate governance principles and practices of the Company are summarized as follows:

BOARD COMPOSITION

The Board currently comprises seven members (four Executive Directors including the Chairman and the Managing Director and three Independent Non-executive Directors) of which Messrs. Li Fui Lung, Danny and Ng Hoi Yue, Herman have the appropriate accounting qualification or related financial management expertise as required by the Stock Exchange.

The composition of the Board represents a mixture of expertise specializing in management, media and entertainment industry, accounts and finance and corporate development. All of the Directors have comprehensive qualifications and experience in and exposure to diversified businesses which shall be beneficial to the business development of the Company. The Board members have no financial, business, family or other material/relevant relationship with each other.

BOARD COMPOSITION (Continued)

The Board is responsible for formulating and implementing the Company's strategic planning, promoting corporate development as well as policies and objectives setting. Each Executive Director is assigned with specific responsibilities to enhance the effectiveness of the Company:–

– Mr. Yu Kam Kee, Lawrence, *B.B.S., M.B.E., J.P.*, former Chairman, was responsible for formulating the Company's long term goal and strategy. He was the leader of the Board and took the role of overseeing the effectiveness of the Board in achieving the Company's long term goal and strategy. Dr. Ma Ho Man, Hoffman has been appointed as Chairman of the Board and has assumed the aforesaid role since 14 October 2010.

– Mr. Wong Kui Shing, Danny, Managing Director, is responsible for implementing the Company's strategy, managing and monitoring the performance of the management and overseeing the daily operation of the Company.

– Dr. Allan Yap, former Chief Executive Officer, is responsible for implementing the Company's strategy, managing and monitoring the performance of the management and overseeing the daily operation of the Company. Since his resignation as Chief Executive Officer on 21 December 2009, he is only responsible for the Group's treasury management and soliciting securities investment and other investment opportunities for the Company.

– Mr. Wong Yat Cheung is responsible for overseeing and developing the Company's media and entertainment businesses and general management.

Details of the composition of the Board, by category of Directors, including names of Chairman and Managing Director, Executive Directors, Independent Non-executive Directors and their respective experience and qualification are included in the "Profile of The Directors" section of this annual report.

BOARD MEETINGS

The Board met regularly throughout the year to discuss the business development, operational and financial performance of the Company.

BOARD MEETINGS (Continued)

The attendance rates of Board members at the Board Meetings (either in person or by phone) held during the year ended 30 June 2010 are set out in the following table:

Attendance of Board Members

Name of Directors	Total Number of Board Meetings Held	Number of Board Meetings Attended by Individual Director
	8	
Executive Directors		
Yu Kam Kee, Lawrence, *B.B.S., M.B.E., J.P.* *(former Chairman)*		N/A *(Note 1)*
Wong Kui Shing, Danny *(Managing Director)*		4 *(Note 2)*
Allan Yap		6
Wong Yat Cheung		7
Independent Non-executive Directors		
Li Fui Lung, Danny		8
Ng Hoi Yue, Herman		8
Heung Pik Lun		6

Notes:

1. Mr. Yu Kam Kee, Lawrence, *B.B.S., M.B.E., J.P.*, resigned as Chairman and Executive Director on 1 October 2009. Before his resignation, there was no Board Meeting held during the year ended 30 June 2010.

2. Mr. Wong Kui Shing, Danny was appointed as Executive Director and Managing Director on 21 December 2009. After his appointment, there were 4 Board Meetings held during the year ended 30 June 2010.

All minutes of the Board Meetings are prepared and kept by the Company Secretarial Department and open for inspection by Directors at any time.

CHAIRMAN AND MANAGING DIRECTOR

Pursuant to Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The roles of Chairman and Chief Executive Officer of the Company are clearly segregated and performed by two Executive Directors of the Company. Mr. Yu Kam Kee, Lawrence, *B.B.S., M.B.E., J.P.*, former Chairman, was responsible for the Company's long term strategic planning and business development as well as the management of the full Board while Dr. Allan Yap was, before he resigned as Chief Executive Officer of the Company on 21 December 2009, responsible for implementing the Company's strategy, managing and monitoring the performance of the management and overseeing the daily operation of the Company. Mr. Wong Kui Shing, Danny was appointed as Managing Director of the Company on 21 December 2009 and took up the role performed by a Chief Executive Officer.

Since the resignation of Mr. Yu Kam Kee, Lawrence, *B.B.S., M.B.E., J.P.*, as Chairman and Executive Director of the Company on 1 October 2009, the position of Chairman has been vacated. In the interim, in order to ensure smooth operation, Mr. Wong Kui Shing, Danny as the Managing Director of the Company responsible for implementing the Company's strategy, managing and monitoring the performance of the management and overseeing the daily operation of the Company. Dr. Ma Ho Man, Hoffman has been appointed as Chairman of the Board and has assumed the role of Chairman since 14 October 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has signed appointment letters with all of the Independent Non-executive Directors of the Company. Pursuant to such appointment letters, each of the Independent Non-executive Directors of the Company is appointed for a fixed term of directorship and is subject to retirement by rotation and re-election at the annual general meeting of the Company.

MANAGEMENT FUNCTIONS

In general, the daily management and administration functions of the Company have been delegated to the management except for certain matters specifically reserved to the Board for decision. Those matters include the setting of the overall strategic direction and long-term objectives of the Company, approval of annual business plan, material acquisitions and disposals of assets, investments, connected transactions and capital projects, key human resources issue, preliminary interim and final results announcements, determination of interim and final dividends, appointment of Directors and annual assessment of internal control system.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

A formal and transparent procedure has been in place in selecting the Directors of the Company. Appointment of new Directors is reserved for the Board's approval. The Board shall take into account of that person's skill, qualifications and expected contributions to the Company before the appointment.

During the year, Mr. Wong Kui Shing, Danny was appointed by the Board as Executive Director and Managing Director on 21 December 2009 as an addition to the Board.

During the year, there was 1 Board Meeting (either in person or by phone) held regarding the appointment of new Director. All Directors for the time being, namely Dr. Allan Yap, Mr. Wong Yat Cheung, Mr. Li Fui Lung, Danny, Mr. Ng Hoi Yue, Herman and Mr. Heung Pik Lun attended throughout that meeting.

According to the Bye-Laws of the Company, the newly appointed Director shall hold office until the next following general meeting of the Company (in case of filling a casual vacancy) or until the next following annual general meeting of the Company (in case of an addition to the Board) and shall then be eligible for re-election at that general meeting. In addition, at each annual general meeting one-third of the Directors (those appointed in that year shall not be counted in determining the number of Directors), including those appointed for specific terms, for the time being or if their number is not a multiple of three, the number nearest to but not greater than one-third, shall retire from office by rotation provided that notwithstanding anything herein, every Director shall be subject to retirement by rotation at least once every three years.

INDUCTION AND PROFESSIONAL DEVELOPMENT

Every newly appointed Director shall receive a comprehensive, formal and tailored induction on the first occasion of his appointment to make sure that he has a proper understanding of the operations and business of the Company and that he is fully aware of his responsibilities in the Company.

Continuing professional development is a vital part for Directors in this fast changing and competitive business environment. Seminar or training on any amendments of the Listing Rules will be held if necessary.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rules issued by the Stock Exchange as its Code and Guidelines for the Directors and certain employees (who are likely to be in possession of unpublished price-sensitive information) of the Company to follow and observe in dealing with the securities of the Company.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Company's Code and Guidelines and the Model Code throughout the year ended 30 June 2010.

No incident of non-compliance of the Code and Guidelines by the employees was noted by the Company.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

The Directors acknowledge their responsibility for preparing the financial statements for each financial period to give a true and fair view of the state of affairs of the Company. In preparing the financial statements for the year ended 30 June 2010, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The statement of the external auditors of the Company regarding their reporting responsibilities on the financial statement of the Company is set out on pages 48 and 49 of this annual report.

REMUNERATION OF DIRECTORS

A remuneration committee was established on 26 October 2005, currently comprising one Executive Director, Dr. Allan Yap and three Independent Non-executive Directors, being Messrs. Li Fui Lung, Danny, Ng Hoi Yue, Herman and Heung Pik Lun.

The main duties and responsibilities of the remuneration committee are to determine the remuneration packages of all Executive Directors and Independent Non-executive Directors and senior management of the Company, make recommendations to the Board to improve the transparency of the Company's overall remuneration policy and to review and approve the compensation arrangements relating to any loss or termination of office of Directors and senior management. A Remuneration Committee Charter, which clearly defined the role, authority and function of the remuneration committee, has been adopted by the Company on 26 October 2005.

REMUNERATION OF DIRECTORS (Continued)

One remuneration committee meeting was held during the year to review the remuneration package of each director and each member of senior management. The attendance rates of committee members at the remuneration committee meeting (either in person or by phone) held during the year ended 30 June 2010 are set out in the following table:

Attendance of Remuneration Committee Members

Name of Committee Members	Total Number of Remuneration Committee Meeting Held	Number of Remuneration Committee Meeting Attended by Individual Committee Member
	1	
Yu Kam Kee, Lawrence, *B.B.S., M.B.E., J.P.* *(former Chairman)*		N/A *(Note 1)*
Allan Yap *(Chairman)*		1 *(Note 2)*
Li Fui Lung, Danny		1
Ng Hoi Yue, Herman		1
Heung Pik Lun		1

Notes:

1. Mr. Yu Kam Kee, Lawrence, *B.B.S., M.B.E., J.P.*, resigned as chairman of the remuneration committee on 1 October 2009. Before his resignation, there was no remuneration committee meeting held during the year ended 30 June 2010.

2. Dr. Allan Yap was appointed as chairman of the remuneration committee on 1 October 2009. After his appointment, there was 1 remuneration committee meeting held during the year ended 30 June 2010.

All minutes of the remuneration committee meetings are prepared and kept by the Company Secretarial Department and open for inspection by Directors and remuneration committee members at any time.

REMUNERATION OF DIRECTORS (Continued)

The summary of the work performed by the remuneration committee during the year ended 30 June 2010 included:

- Endorsement of the remuneration policy 2009 adopted in December 2008 being not applicable in year 2010 and review and making recommendation to the Board on the Company's new remuneration policy for salary increment of all staff of the Company;

- Reviewing and making recommendation to the Board on a discretionary increment on the monthly salary of all staff of the Company with effect from 1 January 2010 based on their individual performance and taking into account the recommendation of their immediate supervisor; and

- Reviewing and making recommendation to the Board on the remuneration package of each Director and each member of senior management.

AUDIT COMMITTEE

An audit committee currently comprising three Independent Non-executive Directors, being Messrs. Li Fui Lung, Danny, Ng Hoi Yue, Herman and Heung Pik Lun, was duly established. Mr. Li Fui Lung, Danny is the chairman of the audit committee. Amongst the audit committee members, two members have the appropriate professional qualification and experience in financial matters as required by the Listing Rules.

The main duties and responsibilities of the audit committee are to review the Company's financial information such as the interim and annual results, financial reporting principles and practices; to recommend the appointment and reappointment or removal of the external auditors, to determine their independence and objectivity as well as to review the scope of audit and the reporting obligation of the external auditors; to oversee the financial reporting system and the internal control and risk management system of the Company.

An Audit Committee Charter, which clearly defined the role, authority and function of the audit committee, has been duly modified by the Company on 26 October 2005 and further revised by the Company on 23 March 2009 and 23 June 2009.

Four audit committee meetings were held during the year mainly to review the appointment of auditors, the financial performance of the Company for the year ended 30 June 2009 and for the six months ended 31 December 2009, the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting functions, their training program, budget and the internal control system and related issues.

AUDIT COMMITTEE (Continued)

The attendance rates of committee members at the audit committee meetings (either in person or by phone) held during the year ended 30 June 2010 are set out in the following table:

Attendance of Audit Committee Members

Name of Committee Members	Total Number of Audit Committee Meetings Held	Number of Audit Committee Meetings Attended by Individual Committee Member
	4	
Li Fui Lung, Danny *(Chairman)*		4
Ng Hoi Yue, Herman		4
Heung Pik Lun		4

All minutes of the audit committee meetings are prepared and kept by the Company Secretarial Department and open for inspection by Directors and audit committee members at any time.

PREVENTION OF BRIBERY COMMITTEE

A prevention of bribery committee ("POB Committee") was established on 28 June 2010, currently comprising four Executive Directors, being Dr. Ma Ho Man, Hoffman, Mr. Wong Kui Shing, Danny, Dr. Allan Yap and Mr. Wong Yat Cheung.

Pursuant to its written terms of reference, the main duties and responsibilities of the POB Committee is to establish the criteria for application and approval process in connection with prevention of bribery matters taking into account provisions under the Prevention of Bribery Ordinance (Cap. 201).

AUDITORS' REMUNERATION

The total auditors' remuneration in respect of statutory audit and non-audit services provided by HLB Hodgson Impey Cheng, the Company's external auditors, during the year ended 30 June 2010 are set out at the table below:

Services rendered	Fees paid/payable
Statutory audit fees	HK$600,000
Fees for non-audit services	
Review of interim results	HK$110,000
Ad hoc projects	HK$550,000
Taxation services	HK$150,000
Total auditors' remuneration for the year	HK$1,410,000

INTERNAL CONTROL AND RISK MANAGEMENT

Internal control is fundamental to the successful operation and day-to-day running of a business and it assists a company in achieving its business objectives. While it aims to support the achievement of business objectives, it should serve as an early warning system of possible impediments to achieving those objectives. Internal control shall be useful to Directors, senior management and other key personnel that are accountable for control in the Company as well as acting as a tool in providing Directors and senior management with information of sufficient quality to make good business decisions and meet their regulatory obligations.

In light of the above, an Internal Control Policy and Procedures has been formulated and implemented within the Company with the primary objective of providing general guidance and recommendations on a basic framework of internal control and risk management. The key objectives of the internal control include:

– Safeguarding assets

– Ensuring completeness, accuracy and validity of financial records and reports

– Promoting adherence to policies, procedures, regulations and laws

– Promoting effectiveness and efficiency of operations

INTERNAL CONTROL AND RISK MANAGEMENT (Continued)

The Internal Control Policy and Procedures covers, amongst others, the following material activities – finance, operational and compliance controls:

Finance

Effective financial control is a vital element of internal control. It helps in identifying and managing liabilities to ensure that the Company is not unnecessarily exposed to avoidable financial risks. It also contributes to the safeguarding of assets from inappropriate use or loss, including the prevention and detection of fraud and errors.

In order to achieve effective financial control, a set of measures have been formulated and implemented to tighten the control on cash flow. All payments should be properly checked and approved. Proper accounting and financial records shall be maintained in supporting financial budgets, monthly management accounts and reports. There should be a reliable interim and year-end reporting. The Company's assets should be properly recorded, maintained and used.

Operational

With regard to the Company's entertainment and media businesses, different sets of principles and procedures have been set up for different teams (film and TV programme production team, music production team, model management team and artiste management team) to follow. It is expected that through the implementation of the above principles and procedures, the production process and budget approval process should become more transparent and efficient.

These principles and procedures include the preparation of production plans and budgets, formulating a screening and approval process, setting up of an on-going monitoring system for production in progress and production cost spending and guidelines for music and movie products stocks keeping.

Compliance

The Company has fully complied with the Listing Rules requirements. Financial reports, announcements and circulars have been prepared and published in accordance with the requirements of the Listing Rules.

The Company has engaged Lak & Associates Consultancy Services Limited ("Lak & Associates") to undertake the role of reviewing and assessing the Company's internal control and risk management system and to evaluate its effectiveness and efficiency on the internal control. Lak & Associates has prepared a report to the Board and senior management on the findings of the internal control and risk management systems implemented by the Company and help to identify any significant areas of concern and made recommendations to the Board accordingly.

COMMUNICATION WITH SHAREHOLDERS

The Company continues to pursue a proactive policy of promoting investor relations and communications with shareholders.

The Company's senior management and the Company Secretarial Department have undertaken the role of establishing an effective communication system. They will respond to the enquiries from shareholders/investing public or the media from time to time. The Company also maintains a website (http://www.irasia.com/listco/hk/see) through which the Company's updated financial information, announcements and press releases can be accessed by the shareholders and investors. The Board believes that the Company's website provides an alternative means for the investing public to obtain information of the Company in a convenient and timely manner.

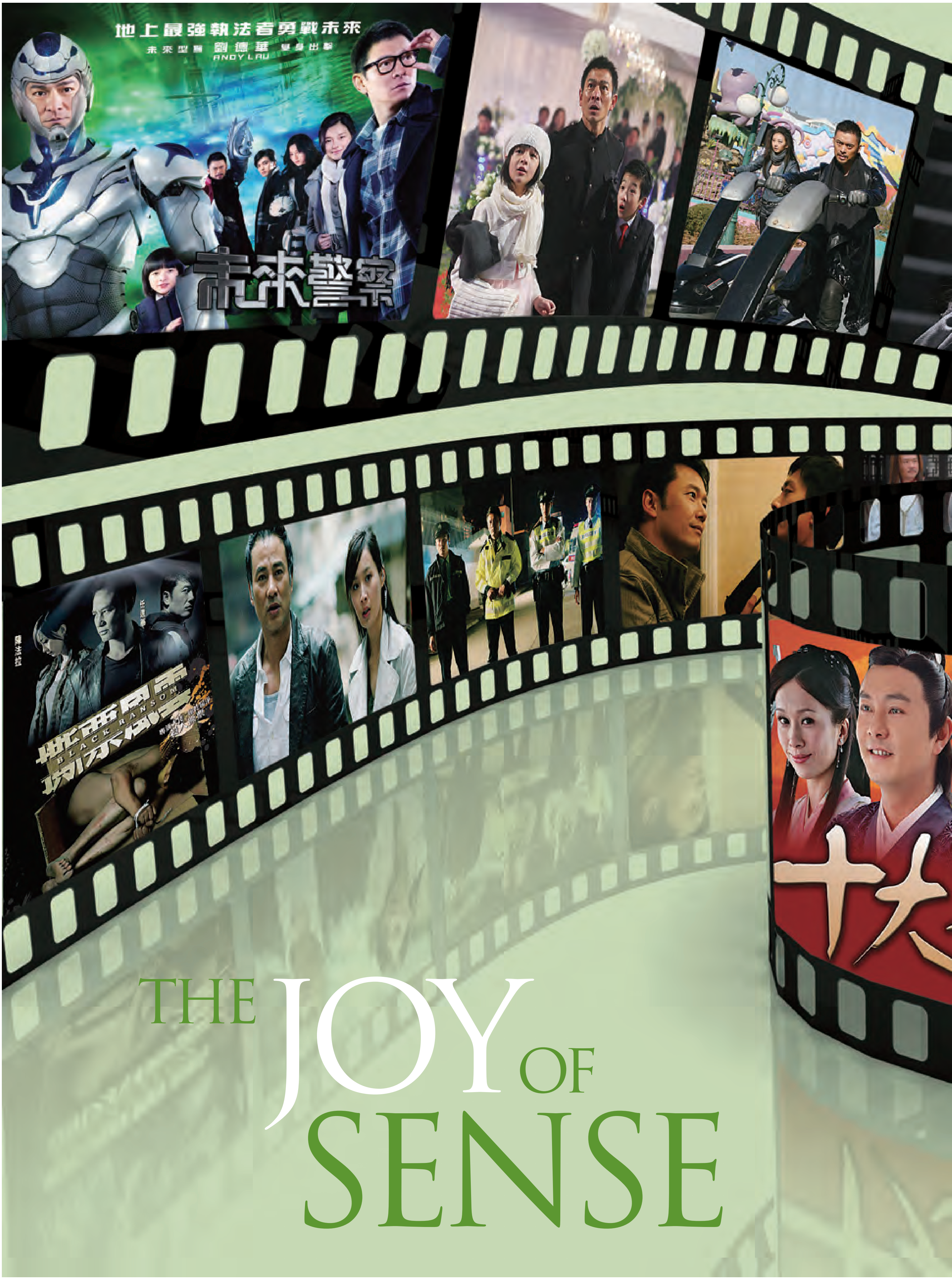
Pursuant to Code Provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. However, the position of Chairman has been vacated since 1 October 2009 when the resignation of Mr. Yu Kam Kee, Lawrence, *B.B.S., M.B.E., J.P.*, as Chairman and Executive Director took effect. Mr. Heung Pik Lun was elected chairman of the annual general meeting ("AGM") together with other Directors maintained an on-going dialogue with shareholders and answered all questions raised by the shareholders throughout the AGM.

WHISTLE BLOWING POLICY

To deter wrongdoing and to promote standards of good corporate practices, the Company has adopted a whistle blowing policy at a Board meeting held on 30 December 2008. The policy aims at encouraging and enabling employees of the Group at all levels and others to report violations or suspected violations and to raise serious concerns about possible improprieties in matters of financial reporting or other matters of the Group.

CODE OF CONDUCT

As a responsible corporation, the Company is committed to maintaining a high level of standard of integrity in its businesses. Therefore, the Company has on 28 June 2010 adopted a code of conduct to provide guidelines on the manner in which business should be conducted and outline expected responsibilities and behaviors of all directors, managers, officers, consultants and full time and part time employees. The major provisions include ethics, conflict of interest, prevention of bribery, intellectual property rights and confidential information, fraud, dealing in securities, record-keeping, financial controls and disclosures and whistle blowing.



THE JOY OF SENSE

旺角監獄
奇冤
Rough Justices
THE UNDERDOG KNIGHT

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting the report of the Directors of the Group for the year ended 30 June 2010.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group is principally engaged in (i) film and TV programme production, (ii) event production, (iii) artiste and model management, (iv) music production, (v) investment in a pay TV operation and (vi) investment in securities. Details of the principal activities and other particulars of the Company's significant subsidiaries are set out in note 22 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's performance for the year by business and geographical segments is set out in note 7 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2010 are set out in the consolidated statement of comprehensive income on page 50.

The states of affairs of the Group and the Company as at 30 June 2010 are set out in the consolidated statement of financial position and the statement of financial position on page 51 and page 53 respectively.

The consolidated statement of cashflows of the Group are set out on pages 55 and 56.

The Directors do not recommend a payment of dividend nor transfer of any amount to reserves for the year ended 30 June 2010.

FIVE YEAR 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 134.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company during the year are set out in notes 34 and 11 to the consolidated financial statements respectively.

RESERVES

Details of movements in the reserve of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 54 and in note 35 to the consolidated financial statements respectively.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors in office during the financial year and up to the date of this report are:

Executive Directors

Dr. Ma Ho Man, Hoffman *(Chairman)* *(appointed on 14 October 2010)*
Mr. Yu Kam Kee, Lawrence, *B.B.S., M.B.E., J.P.* *(former Chairman)* *(resigned on 1 October 2009)*
Mr. Wong Kui Shing, Danny *(Managing Director)* *(appointed on 21 December 2009)*
Dr. Allan Yap *(resigned as Chief Executive Officer on 21 December 2009 but continued to act as Executive Director)*
Mr. Wong Yat Cheung

Independent Non-executive Directors

Mr. Li Fui Lung, Danny
Mr. Ng Hoi Yue, Herman
Mr. Heung Pik Lun

Pursuant to Bye-law 86(2) of the Company's Bye-Laws, Dr. Ma Ho Man, Hoffman shall only hold office until the next following general meeting of the Company in case of filling a casual vacancy and Mr. Wong Kui Shing, Danny shall only hold office until the next following annual general meeting of the Company in case of an addition to the Board; and they, being eligible, will offer themselves for re-election at that meeting.

Pursuant to Bye-law 87(2) of the Company's Bye-Laws, Mr. Li Fui Lung, Danny and Mr. Ng Hoi Yue, Herman shall retire from office by rotation at the forthcoming annual general meeting and they, being eligible, will offer themselves for re-election at that meeting.

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

The Company has received from the Independent Non-executive Directors annual confirmation of independence in accordance with Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company has assessed their independence and concluded that all the Independent Non-executive Directors are independent within the definition of the Listing Rules.

PROFILE OF THE DIRECTORS

Profile of the Directors of the Company as at the date of this report are set out on pages 40 to 47.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Details of the related party transactions entered into during the year were disclosed in note 38 to the consolidated financial statements. These related party transactions did not constitute connected transactions under the Listing Rules. Save as the transactions aforementioned, no contracts of significance to which the Company or any of its subsidiaries or its holding company or any of its fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, which subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2010, to the best knowledge, information and belief of the Company after making reasonable enquiries, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

(A) Shares

As at 30 June 2010, the interests of the Directors and chief executive in the share capital of the Company and its associated corporations as defined in the SFO were as follows:

Name of Director	Name of Associated Corporation of the Company	Number of Shares Held in the Associated Corporation	Nature of Interest	Approximate Percentage of Issued Shares of Such Associated Corporation
Wong Yat Cheung	Mega-Vision Productions Limited	2,000,000	Beneficial Owner	20%

(B) Share options

The Company has a share option scheme under which Directors may, at their discretion, grant options to employees, including any directors, of the Company or its subsidiaries to subscribe for shares in the Company, subject to the terms and conditions stipulated. During the year ended 30 June 2010, there were no outstanding share options granted to the Directors of the Company.

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

(B) Share options (Continued)

Save as aforesaid, as at 30 June 2010, to the knowledge of the Company:

(i) none of the Directors, or chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and the chief executive are taken or deemed to have under the provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules;

(ii) none of the Directors or chief executive or their spouses or children under 18 had any right to subscribe for the shares, underlying shares or debentures of the Company, or had exercised any right during the year ended 30 June 2010.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries or its holding company or any of its fellow subsidiaries a party to any arrangements to enable the Directors or the chief executive of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors, the chief executive, their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right, save as the share options disclosed in the previous section headed "Directors' Interest in Shares, Underlying Shares and Debentures".

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, to the best knowledge, information and belief of the Company after making reasonable enquiries, shareholders (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of Shareholder	Long Position/ Short Position	Capacity	Number of Shares Held/ Involved	Number of Underlying Shares Held/ Involved	Approximate Percentage of Interest
Dr. Chan Kwok Keung, Charles ("Dr. Chan")	Long Position	Interest of Controlled Corporation	22,520,000 *(Note 1)*	–	2.15%
	Long Position	Interest of Controlled Corporation	–	30,035,335 *(Note 2)*	2.88%
Ms. Ng Yuen Lan, Macy ("Ms. Ng")	Long Position	Interest of Spouse	22,520,000 *(Note 1)*	–	2.15%
	Long Position	Interest of Spouse	–	30,035,335 *(Note 2)*	2.88%
ITC Corporation Limited ("ITC")	Long Position	Interest of Controlled Corporation	22,520,000 *(Note 1)*	–	2.15%
	Long Position	Interest of Controlled Corporation	–	30,035,335 *(Note 2)*	2.88%
ITC Management Group Limited ("ITC Management")	Long Position	Interest of Controlled Corporation	22,520,000 *(Note 1)*	–	2.15%
Great Intelligence Holdings Limited ("Great Intelligence")	Long Position	Beneficial Owner	22,520,000	–	2.15%
ITC Investment Holdings Limited ("ITC Investment")	Long Position	Interest of Controlled Corporation	–	30,035,335 *(Note 2)*	2.88%

SUBSTANTIAL SHAREHOLDERS (Continued)

Name of Shareholder	Long Position/ Short Position	Capacity	Number of Shares Held/ Involved	Number of Underlying Shares Held/ Involved	Approximate Percentage of Interest
Mankar Assets Limited ("Mankar")	Long Position	Interest of Controlled Corporation	–	30,035,335 *(Note 2)*	2.88%
Famex Investment Limited ("Famex")	Long Position	Interest of Controlled Corporation	–	30,035,335 *(Note 2)*	2.88%
Hanny Holdings Limited ("Hanny")	Long Position	Beneficial Owner	–	30,035,335	2.88%
Mr. Qin Hui ("Mr. Qin")	Long Position	Interest of Controlled Corporation	236,042,361 *(Note 3)*	–	22.62%
Hover Success Limited ("Hover")	Long Position	Beneficial Owner	236,042,361	–	22.62%
High Glory Consultants Limited	Long Position	Beneficial Owner	72,000,000	–	6.90%

Notes:

1. Great Intelligence is a direct wholly-owned subsidiary of ITC Management, which in turn is a direct wholly-owned subsidiary of ITC. Dr. Chan directly holds approximately 8.09% of the issued share capital of ITC and indirectly holds approximately 26.89% of the issued share capital of ITC through his indirect wholly-owned company, Galaxyway Investments Limited, respectively. Ms. Ng is the spouse of Dr. Chan. ITC Management, ITC, Dr. Chan and Ms. Ng are deemed to be interested in 22,520,000 shares directly held by Great Intelligence.

2. Famex holds approximately 42.77% shareholding interests in Hanny. Famex is a direct wholly-owned subsidiary of Mankar. Mankar is a direct wholly-owned subsidiary of ITC Investment, which in turn is a direct wholly-owned subsidiary of ITC. Dr. Chan directly holds approximately 0.4% of the issued share capital of Hanny; and directly holds approximately 8.09% of the issued share capital of ITC and indirectly holds approximately 26.89% of the issued share capital of ITC through his indirect wholly-owned company, Galaxyway Investments Limited, respectively. Ms. Ng is the spouse of Dr. Chan. Famex, Mankar, ITC Investment, ITC, Dr. Chan and Ms. Ng are deemed to be interested in 30,035,335 underlying shares directly held by Hanny.

3. Hover is wholly and beneficially owned by Mr. Qin. Mr. Qin is deemed to be interested in 236,042,361 shares held by Hover.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company and recorded in the register maintained under Section 336 of the SFO as at 30 June 2010.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 18 November 2009, the Company announced a "best effort" placing of 380,000,000 new ordinary shares (each a "Placing Share") in the Company at a price of HK$0.045 per Placing Share to not less than six independent institutional, professional and/or individual investors. The nominal value of the Placing Shares is HK$3,800,000. The gross proceeds from the placing was approximately HK$17.10 million. The net price for each Placing Share is approximately HK$0.043. The closing price of the share on 18 November 2009, being the date on which the placing agreement was entered into, was HK$0.050 per share.

One of the reasons for conducting the placing was to broaden the shareholders' portfolio and to strengthen the Group's financial position and enhance the Group's flexibility in future business developments or investments as and when opportunities arise. The net proceeds from the placing were intended to be used for general working capital (including but not limited to repayment of the zero coupon convertible note (the "Convertible Note") of the Company issued on 10 August 2005 in the aggregate principal amount of HK$170 million to Hanny and 1% convertible note on 5 December 2007 in the aggregate principal amount of HK$100 million issued by the Company to Hanny and other indebtedness of the Group).

Placing of all 380,000,000 Placing Shares was completed on 3 December 2009.

CONVERTIBLE BONDS, SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

On 10 August 2005, the Company issued Convertible Note in the aggregate principal amount of HK$170 million to Hanny at the initial conversion price of HK$0.12 per share of HK$0.01 each of the share capital of the Company, subject to adjustment and upon the terms contained therein. As a result of completion of the rights issue by the Company on 18 March 2010 of which 927,520,792 rights shares were issued at HK$0.20 per rights share on the basis of eight rights shares for every one share held by the qualifying shareholders on the record date, which was 23 February 2010, the conversion price of the outstanding Convertible Note has been adjusted to HK$5.66 per share with retrospective effect from 24 February 2010 immediately after completion of the rights issue and the number of shares falling to be issued upon full conversion of the existing outstanding Convertible Note has been increased to 30,035,335 shares.

Details of the Convertible Note are set out in note 33 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, the Company purchased 432,000 ordinary shares of HK$0.01 each in the capital of the Company at prices ranging from HK$0.176 to HK$0.180 per share on the Stock Exchange.

Month/Year	Number of Shares Repurchased	Highest Price Per Share	Lowest Price Per Share	Aggregate Price Paid (Excluding Expenses)
		HK$	HK$	HK$'000
June 2010	432,000	0.180	0.176	77

The repurchased shares were cancelled subsequent to the end of the reporting period and accordingly, the issued share capital of the Company was diminished by the nominal value thereof. The directors considered that such repurchase resulted in an enhancement of the net asset value of the Company and/or its earning per share, thus has benefited the Company and its shareholders.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

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.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, 16.3% of the Group's purchases were attributable to the Group's five largest suppliers with the largest supplier accounting for 7.3% of the Group's purchases. In addition, 50.2% of the Group's turnover was attributable to the Group's five largest customers with the largest customer accounting for 17.0% of the Group's turnover.

As at 30 June 2010, to the knowledge of the Directors of the Company, none of the Directors, their associates or any shareholders owning more than 5% of the Company's share capital had any beneficial interests in the Group's five largest suppliers and customers.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 30 June 2010, the following Director(s) were considered to have interests in the following businesses, being businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

Name of Director	Name of Entity the businesses of which are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the Entity which are considered to compete or likely to compete with the businesses of the Group	Nature of Interests of the Director in the Entity
Wong Yat Cheung	Affluence Pictures Limited	Film production and related business	As a director and a shareholder
	Bad Boy Film Culture Limited	Film production and related business	As a director
	Bob & Partners Co., Limited	Film production and related business	As a director
	Film Dynasty Limited	Film production and related business	As a director
	Jing's Production Limited	Film production and related business	As a director and a shareholder
	Most Valuable Productions Limited	Film production and related business	As a director and a shareholder
	Rich & Famous Film & TV Production Limited	Film production and related business	As a director and a shareholder
	Rich & Famous Talent Management Group Limited	Artiste management business	As a director and a shareholder
	Universal Media & Entertainment Group Limited	Function and artiste management business	As a director and a shareholder
	Storm Riders Management Co Limited	Film production and distribution	As a director and a shareholder
	Winning Partners Entertainment Company Limited	Import/Export	As a director and a shareholder

Save as disclosed above, during the year ended 30 June 2010, none of the Directors have any interest in business which competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at 21 October 2010, being latest practicable date prior to the issue of this report for the purposes of ascertaining certain information contained in this report, there is sufficient public float of the Company's issued shares as required under the Listing Rules throughout the year ended 30 June 2010.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the reporting period are set out in note 39 to the consolidated financial statements.

AUDITORS

Messrs. HLB Hodgson Impey Cheng shall retire at the forthcoming annual general meeting and being eligible to offer themselves for re-appointment.

On behalf of the Board
Mr. Wong Yat Cheung
Executive Director

Hong Kong, 21 October 2010

EXECUTIVE DIRECTOR

Dr. Ma Ho Man, Hoffman, aged 37, was appointed as an Executive Director and Chairman of the Board on 14 October 2010. Save as disclosed above, he does not hold any positions with the Company or any subsidiary of the Company.

Dr. Ma is currently an executive director and deputy chairman of Success Universe Group Limited (shares of which are listed on the Main Board of the Stock Exchange). In addition, he has been a managing director of Success Securities Limited ("SSL"), which is a licensed corporation under the SFO and a participant of the Stock Exchange and has been responsible for overseeing the marketing affairs of SSL. Dr. Ma has over 13 years of experience in the financial industry and extensive managerial experience. He was awarded Fellowship by Canadian Chartered Institute of Business Administration and Honorary Doctorate of Management by Lincoln University in 2009 and 2010 respectively. Save as disclosed in this report, Dr. Ma did not hold any other directorship in listed public companies in the last three years.

As at the date of this report, Dr. Ma does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company. As at the date of this report, he is interested in 236,042,361 shares of the Company, representing approximately 22.73% of the total issued share capital of the Company, within the meaning of Part XV of the SFO.

Dr. Ma has not entered into any service contract with the Company. He has not been appointed for a specific term of service and is subject to retirement by rotation and re-election pursuant to the Bye-Laws of the Company ("Bye-Laws") . Dr. Ma has not received any director's remuneration nor bonus payment nor other benefits by the Company for the year ended 30 June 2010. His emolument will be determined by the Board with reference to his position, his level of responsibilities, the remuneration policy of the Company and prevailing market conditions.

Save as disclosed above, there are no other matters which are required to be brought to the attention of the shareholders of the Company, or to be disclosed pursuant to any of the requirements under Rule 13.51(2)(h) to (w) of the Listing Rules.

EXECUTIVE DIRECTOR (Continued)

Mr. Yu Kam Kee, Lawrence, *B.B.S., M.B.E., J.P.*, aged 65, was appointed as an Executive Director and Chairman of the Company on 24 August 2004 and the chairman of the remuneration committee of the Company on 26 October 2005. He is also a director of TVB Pay Vision Holdings Limited and TVB Pay Vision Limited, all of which are associates of the Company. Mr. Yu resigned as the Chairman and Executive Director of the Company and the chairman of the remuneration committee of the Company on 1 October 2009.

Mr. Yu has undergone training at Bayer AG and Cassella AG in Germany and has accumulated many years of extensive experience in the chemical industry. He is the Honorary Life President of the Hong Kong Dyestuffs Merchants Association Limited. He also serves on many charitable and social organisations. He is now the Co-Chairman of the Campaign Committee of The Community Chest of Hong Kong, Governor of the Hong Kong Automobile Association, Director of the Hong Kong Football Association Limited and Chairman of the Campaign Committee of the Road Safety Council. He is also the independent non-executive director of Evergrande Real Estate Group Limited, Great China Holdings Limited and CMMB Vision Holdings Limited (formerly known as Global Flex Holdings Limited) (shares of which are listed on the Main Board of the Stock Exchange).

Mr. Yu was the chairman and executive director of China Renji Medical Group Limited and Rosedale Hotel Holdings Limited (formerly known as Wing On Travel (Holdings) Limited) (shares of which are listed on the Main Board of the Stock Exchange) until 18 April 2007 and 1 December 2007 respectively when his resignation as the chairman and executive director of both companies took effect. Mr. Yu was also the chairman and non-executive director of Trasy Gold Ex Limited (shares of which are listed on the Growth Enterprise Market of the Stock Exchange) until 1 October 2009 when his resignation as the chairman and non-executive director of the company took effect. Mr. Yu was appointed as the independent non-executive director of The Hong Kong Building and Loan Agency Limited (shares of which are listed on the Main Board of the Stock Exchange) on 2 October 2009 until 2 December 2009 when his resignation as the independent non-executive director of the company took effect. Save as disclosed in this report, Mr. Yu did not hold any other directorship in listed public companies in the last three years.

As at the date of this report, Mr. Yu does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company. As at the date of this report, he is interested in 2,063,841 shares of the Company, representing approximately 0.19% of the total issued share capital of the Company, within the meaning of Part XV of the SFO.

Mr. Yu has not entered into any service contract with the Company. He has not been appointed for a specific term of service and is subject to retirement by rotation and re-election pursuant to the Bye-Laws. The amount of director's fee received by Mr. Yu for the period from 1 July 2009 to 30 September 2009 was HK$300,000 which was determined with reference to his duties and responsibilities in the Company and market benchmark.

Save as disclosed above, there are no other matters which are required to be brought to the attention of the shareholders of the Company, or to be disclosed pursuant to any of the requirements under Rule 13.51(2)(h) to (w) of the Listing Rules.

EXECUTIVE DIRECTOR (Continued)

Mr. Wong Kui Shing, Danny, aged 51, was appointed as an Executive Director and Managing Director of the Company on 21 December 2009. Save as disclosed above, he does not hold any positions with the Company or any subsidiary of the Company.

Mr. Wong holds a Bachelor of Arts degree from the University of Hong Kong. He was appointed as an executive director and chief executive officer of SMI Corporation Limited ("SMI") (shares of which are listed on the Main Board of the Stock Exchange) on 5 August 2009 and re-designated as the chairman of SMI and ceased to be the chief executive officer of SMI on 25 November 2009. Due to redesignation of duties, Mr. Wong has ceased to be the executive director of SMI on 31 December 2009 and has been appointed as a non-executive director of SMI on 1 January 2010. He has remained as the chairman and non-executive director of SMI until 26 March 2010 when his resignation as the chairman and non-executive director of SMI took effect. Mr. Wong was a former executive director of China Oil and Gas Group Limited ("China Oil and Gas Group") (shares of which are listed on the Main Board of the Stock Exchange). He has extensive exposure in the financial and investment fields for over 19 years and is well experienced in the international investment market. Save as disclosed in this report, Mr. Wong did not hold any other directorship in listed public companies in the last three years.

Pursuant to the listing enforcement notice/announcement of the Stock Exchange dated 16 October 2008, Mr. Wong, together with another former director of China Oil and Gas Group, has admitted breaching the directors' declaration, undertaking and acknowledgement with regard to directors given by each of them to the Stock Exchange in the form set out in Appendix 5B to the Listing Rules in failing to use their best endeavours to procure China Oil and Gas Group's compliance with the Listing Rules in relation to the failure of China Oil and Gas Group to publish its annual results and annual report for the year ended 31 July 2005 by 30 November 2005 and interim results and interim report for the six months ended 31 January 2006 by 30 April 2006. Accordingly, the Listing Committee publicly criticised Mr. Wong and another former director of China Oil and Gas Group for their respective breaches mentioned above.

As at the date of this report, Mr. Wong does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company. As at the date of this report, he does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Wong has not entered into any service contract with the Company. He has not been appointed for a specific term of service and is subject to retirement by rotation and re-election pursuant to the Bye-Laws. Mr. Wong has not received any director's remuneration nor bonus payment nor other benefits by the Company for the year ended 30 June 2010. His emolument will be determined by the Board with reference to his position, his level of responsibilities, the remuneration policy of the Company and prevailing market conditions.

Save as disclosed above, there are no other matters which are required to be brought to the attention of the shareholders of the Company, or to be disclosed pursuant to any of the requirements under Rule 13.51(2)(h) to (w) of the Listing Rules.

EXECUTIVE DIRECTOR (Continued)

Dr. Allan Yap, aged 55, was appointed as an Executive Director and Chief Executive Officer of the Company on 8 June 2009 and the chairman of the remuneration committee of the Company on 1 October 2009. He has resigned as the Chief Executive Officer of the Company on 21 December 2009, but continued to act as the Executive Director of the Company and the chairman of the remuneration committee of the Company. Dr. Yap is currently a director of Mega-Vision Productions Limited, Mega-Vision Pictures Limited and See Movie Limited, all of which are subsidiaries of the Company. He is also a director of TVB Pay Vision Holdings Limited and TVB Pay Vision Limited, all of which are associates of the Company.

Dr. Yap obtained the Honorary degree of Doctor of Laws and has over 28 years' experience in finance, investment and banking. Dr. Yap is the chairman of Hanny Holdings Limited (shares of which are listed on the Main Board of the Stock Exchange) and an executive director of Rosedale Hotel Holdings Limited (formerly known as Wing On Travel (Holdings) Limited) (shares of which are listed on the Main Board of the Stock Exchange). He was an executive director of Neo Telemedia Limited (shares of which are listed on the Growth Enterprise Market of the Stock Exchange) until 20 July 2009 when his resignation as a director of the company took effect. He is the chairman and chief executive officer of China Enterprises Limited, a company whose shares are traded on the OTC Securities Markets in the United States of America, as well as Burcon NutraScience Corporation, a company whose shares are listed on the Toronto Stock Exchange in Canada and the Frankfurt Stock Exchange in Germany. Dr. Yap is an executive chairman of PSC Corporation Ltd., Intraco Limited and Tat Seng Packaging Group Ltd., all of which are companies whose shares are listed on the Singapore Exchange Limited. He is also the chairman of MRI Holdings Limited ("MRI"), a company whose shares are listed on the Australian Securities Exchange. In December 2009, the directors of MRI recommended the return of capital to its shareholders by way of members' voluntary liquidation which was approved by its shareholders in April 2010. Save as disclosed in this report, Dr. Yap did not hold any other directorship in listed public companies in the last three years.

As at the date of this report, Dr. Yap does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company. As at the date of this report, he does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

Dr. Yap has not entered into any service contract with the Company. He has not been appointed for a specific term of service and is subject to retirement by rotation and re-election pursuant to the Bye-Laws. The amount of director's fee received by Dr. Yap for the period from 8 June 2009 to 30 June 2010 was approximately HK$1,021,333 which was determined with reference to his position, his level of responsibilities, remuneration policy of the Company and prevailing market conditions.

Save as disclosed above, there are no other matters which are required to be brought to the attention of the shareholders of the Company, or to be disclosed pursuant to any of the requirements under Rule 13.51(2)(h) to (w) of the Listing Rules.

EXECUTIVE DIRECTOR (Continued)

Mr. Wong Yat Cheung, aged 55, was appointed as an Executive Director and Managing Director of the Company on 13 February 2007. Mr. Wong has resigned as the Managing Director of the Company on 8 June 2009 but continued to act as the Executive Director of the Company. He is also a director of Mega-Vision Productions Limited, Mega-Vision Pictures Limited, Seethru Limited, Grand Class Investment Limited and See Base Limited, all of which are subsidiaries of the Company.

Mr. Wong is a prominent director, producer and scriptwriter in Hong Kong, both in terms of box-office success and breaking new grounds for film production. He graduated from the Chinese University of Hong Kong in 1978 and holds a bachelor's degree in Chinese Language and Literature. Having over 30 years experience in the Hong Kong film and television industry, he has produced over 100 films and TV drama-series. Some of his reputable film sequels are "The Romancing Star", "God of Gamblers" and "Young and Dangerous", all of which set new movie box-office records as well as new trends for the Hong Kong movie scene. He was recently awarded by UA Cinemas as the Movie Director with the Highest Box-Office Record between 1985 and 2005. Mr. Wong did not hold any directorship in listed public companies in the last three years.

As at the date of this report, Mr. Wong does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company. Save that Mr. Wong holds 2,000,000 ordinary shares in Mega-Vision Productions Limited, an indirect non wholly-owned subsidiary of the Company, he does not have any interests in the shares of the Company within the meaning of Part XV of the SFO as at the date of this report.

Mr. Wong has not entered into any service contract with the Company. He has not been appointed for a specific term of service and is subject to retirement by rotation and re-election pursuant to the Bye-Laws. The amount of director's emolument received by Mr. Wong for the financial year ended 30 June 2010 was HK$1,812,000 which was determined with reference to his position, his level of responsibilities, remuneration policy of the Company and prevailing market conditions. He is also entitled to a housing allowance of HK$35,000 per month.

Save as disclosed above, there are no other matters which are required to be brought to the attention of the shareholders of the Company, or to be disclosed pursuant to any of the requirements under Rule 13.51(2)(h) to (w) of the Listing Rules.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Li Fui Lung, Danny, aged 57, was appointed as an Independent Non-executive Director and the chairman of the audit committee of the Company on 23 October 2001 and a member of the remuneration committee of the Company on 26 October 2005. Save as disclosed above, he does not hold any positions with the Company or any subsidiary of the Company.

Mr. Li graduated with a Bachelor of Science Degree from the University of Hong Kong and subsequently obtained postgraduate certificate in accountancy from the University of Stirling in Scotland. He has over 29 years experience in the accounting profession and after qualifying as Chartered Accountant in 1980 with Ernst & Whinney in Scotland, has worked as finance manager, controller and internal auditor in major multinational companies. Mr. Li is the sole proprietor of Messrs. Danny Li & Company, a certified public accountants firm in Hong Kong, and has been practising as a certified public accountant in Hong Kong for more than 9 years. He is a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in Scotland and the Institute of Chartered Accountants in Australia. He is also an independent non-executive director of Centraland Limited whose shares are listed on the Singapore Stock Exchange. Save as disclosed in this report, Mr. Li did not hold any other directorship in listed public companies in the last three years.

As at the date of this report, Mr. Li does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company. As at the date of this report, he does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Li has entered into an appointment letter with the Company for a period of 1 year from 1 October 2009 to 30 September 2010. He is subject to retirement by rotation and re-election pursuant to the Bye-Laws. The amount of director's fee received by Mr. Li for the financial year ended 30 June 2010 was HK$180,000 which was determined with reference to his duties and responsibilities in the Company and market benchmark.

Save as disclosed above, there are no other matters which are required to be brought to the attention of the shareholders of the Company, or to be disclosed pursuant to any of the requirements under Rule 13.51(2)(h) to (w) of the Listing Rules.

INDEPENDENT NON-EXECUTIVE DIRECTOR (Continued)

Mr. Ng Hoi Yue, Herman, aged 46, was appointed as an Independent Non-executive Director and a member of the audit committee of the Company on 16 May 2002 and a member of the remuneration committee of the Company on 26 October 2005. Save as disclosed above, he does not hold any positions with the Company or any subsidiary of the Company.

Mr. Ng is an associate member of The Institute of Chartered Accountants in England and Wales and a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has been practising as a certified public accountant in Hong Kong since 1989. He was an independent non-executive director of Henry Group Holdings Limited (shares of which are listed on the Main Board of the Stock Exchange) until 19 February 2010 when his resignation as a director of the company took effect. Save as disclosed in this report, Mr. Ng did not hold any other directorship in listed public companies in the last three years.

As at the date of this report, Mr. Ng does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company. As at the date of this report, he does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Ng has entered into an appointment letter with the Company for a period of 1 year from 1 October 2009 to 30 September 2010. He is subject to retirement by rotation and re-election pursuant to the Bye-Laws. The amount of director’s fee received by Mr. Ng for the financial year ended 30 June 2010 was HK$160,000 which was determined with reference to his duties and responsibilities in the Company and market benchmark.

Save as disclosed above, there are no other matters which are required to be brought to the attention of the shareholders of the Company, or to be disclosed pursuant to any of the requirements under Rule 13.51(2)(h) to (w) of the Listing Rules.

INDEPENDENT NON-EXECUTIVE DIRECTOR (Continued)

Mr. Heung Pik Lun, aged 48, was appointed as an Independent Non-executive Director and a member of the audit committee and the remuneration committee of the Company on 20 March 2009. Save as disclosed above, he does not hold any positions with the Company or any subsidiary of the Company.

Mr. Heung graduated from the University of Windsor with a Bachelor Degree of Arts in 1985. He has substantial experience in general management and administration affairs. Mr. Heung did not hold any directorship in listed public companies in the last three years.

As at the date of this report, Mr. Heung does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company. As at the date of this report, he does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Heung has entered into an appointment letter with the Company for a period of 3 years from 20 March 2009 to 19 March 2012. He is subject to retirement by rotation and re-election pursuant to the Bye-Laws. The amount of director's fee received by Mr. Heung for the financial year ended 30 June 2010 was HK$100,000 which was determined with reference to his duties and responsibilities in the Company and market benchmark.

Save as disclosed above, there are no other matters which are required to be brought to the attention of the shareholders of the Company, or to be disclosed pursuant to any of the requirements under Rule 13.51(2)(h) to (w) of the Listing Rules.

HLB 國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SEE CORPORATION LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of See Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 50 to 133, which comprise the consolidated and company statement of financial position as at 30 June 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE 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 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.

AUDITORS' 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 1981, 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 auditors' 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 auditors consider 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 Company and of the Group as at 30 June 2010 and of the Group's profit 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.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 21 October 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2010

	Notes	2010 HK$'000	2009 HK$'000
Turnover	6	**72,669**	55,455
Cost of sales		**(45,975)**	(44,486)
Gross profit		**26,694**	10,969
Other revenue	8	**422**	1,306
Distribution costs		**(11,962)**	(9,240)
Administrative expenses		**(31,542)**	(37,333)
Other operating expenses	9	**(41,714)**	(28,608)
Change in fair value of financial assets at fair value through profit or loss		**(1,136)**	(201,088)
Loss from operations	9	**(59,238)**	(263,994)
Finance costs	10	**(18,155)**	(20,479)
Gain on partial disposal of associates	20(a)	**165,864**	–
Profit/(loss) before taxation		**88,471**	(284,473)
Taxation	12	**–**	–
Profit/(loss) for the year		**88,471**	(284,473)
Other comprehensive income		**–**	–
Total comprehensive income/(expense) for the year	13	**88,471**	(284,473)
Profit/(loss) for the year attributable to:			
Owners of the Company		**95,585**	(284,473)
Non-controlling interests		**(7,114)**	–
		88,471	(284,473)
Total comprehensive income/(expense) attributable to:			
Owners of the Company		**95,585**	(284,473)
Non-controlling interests		**(7,114)**	–
		88,471	(284,473)
Earnings/(loss) per share attributable to the owners of the Company	14		*(Restated)*
– Basic		**HK$0.24**	HK$(2.07)
– Diluted		**HK$0.24**	HK$(2.07)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Intangible assets	*17*	**17**	33
Leasehold land	*18*	**14,229**	14,246
Property, plant and equipment	*19*	**8,446**	9,505
Interests in associates	*20*	**26,583**	26,583
Loan receivable	*23*	**10,000**	–
		59,275	50,367
Current assets			
Film rights	*24*	**41,282**	31,986
Film production in progress	*25*	**101,534**	119,465
Music production in progress		**556**	370
Inventories	*26*	**4**	224
Trade and other receivables, deposits and prepayments	*27*	**11,486**	13,691
Financial assets at fair value through profit or loss	*28*	**5,964**	54,929
Cash and bank balances	*29*	**300,134**	31,547
		460,960	252,212
Assets held for sale	*30*	**–**	45,782
		460,960	297,994
Less: Current liabilities			
Trade and other payables	*31*	**36,131**	64,881
Bank overdraft – secured	*32*	**9,978**	9,995
Convertible note	*33*	**185,386**	99,325
		231,495	174,201
Net current assets		**229,465**	123,793
Total assets less current liabilities		**288,740**	174,160
Less: Non-current liabilities			
Convertible note	*33*	**–**	170,784
Net assets		**288,740**	3,376

Consolidated Statement of Financial Position (Continued)

At 30 June 2010

	Notes	2010 HK$'000	2009 HK$'000
Equity			
Capital and reserves attributable to the owners of the Company			
Share capital	*34*	**10,435**	19,388
Reserves		**285,419**	(16,012)
		295,854	3,376
Non-controlling interests		**(7,114)**	–
		288,740	3,376

Approved and authorised for issue by the board of directors on 21 October 2010 and signed on its behalf by:

Mr. Wong Yat Cheung
Executive Director

Dr. Allan Yap
Executive Director

The accompanying notes form an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Intangible assets	*17*	**17**	33
Property, plant and equipment	*19*	**744**	1,137
Investment in subsidiaries	*22*	**185,543**	340,029
		186,304	341,199
Current assets			
Trade and other receivables, deposits and prepayments	*27*	**280**	380
Cash and bank balances	*29*	**230,047**	26,485
		230,327	26,865
Less: Current liabilities			
Trade and other payables	*31*	**3,085**	32,024
Convertible note	*33*	**185,386**	99,325
		188,471	131,349
Net current assets/(liabilities)		**41,856**	(104,484)
Total assets less current liabilities		**228,160**	236,715
Less: Non-current liabilities			
Convertible note	*33*	**–**	170,784
Net assets		**228,160**	65,931
Equity			
Capital and reserves attributable to the owners of the Company			
Share capital	*34*	**10,435**	19,388
Reserves	*35*	**217,725**	46,543
		228,160	65,931

Approved and authorised for issue by the board of directors on 21 October 2010 and signed on its behalf by:

Mr. Wong Yat Cheung
Executive Director

Dr. Allan Yap
Executive Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

At 30 June 2010

	Attributable to the owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Convertible note reserves (note 35(b)) HK$'000	Accumulated deficits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2008	19,388	500,040	–	55,978	(287,557)	287,849	–	287,849
Total comprehensive expense for the year	–	–	–	–	(284,473)	(284,473)	–	(284,473)
At 30 June 2009 and 1 July 2009	19,388	500,040	–	55,978	(572,030)	3,376	–	3,376
Total comprehensive income for the year	–	–	–	–	95,585	95,585	(7,114)	88,471
Placing of shares	3,800	–	–	–	–	3,800	–	3,800
Premium arising from placing of shares	–	13,300	–	–	–	13,300	–	13,300
Shares issue expenses on placing of shares	–	(804)	–	–	–	(804)	–	(804)
Redeemed convertible note – equity component	–	–	–	(10,058)	10,058	–	–	–
Capital Reduction	(22,028)	–	22,028	–	–	–	–	–
Amount transferred to write off accumulated deficit	–	–	(22,028)	–	22,028	–	–	–
Issue of shares pursuant to right issue	9,275	–	–	–	–	9,275	–	9,275
Premium arising from right issue	–	176,229	–	–	–	176,229	–	176,229
Shares issue expenses on right issue	–	(4,830)	–	–	–	(4,830)	–	(4,830)
Repurchase of shares	–	–	–	–	(77)	(77)	–	(77)
At 30 June 2010	**10,435**	**683,935**	**–**	**45,920**	**(444,436)**	**295,854**	**(7,114)**	**288,740**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2010

	2010 HK$'000	2009 HK$'000
Cash flows from operating activities		
Profit/(loss) before taxation	**88,471**	(284,473)
Adjustments for:		
Gain on partial disposal of associates	**(165,864)**	–
Impairment loss recognised in respect of:		
– trade and other receivables, deposits and prepayments	**7,005**	8,209
– film rights	**30,364**	19,868
– film production in progress	**4,126**	–
Write down on inventories	**219**	531
Interest income	**(202)**	(2)
Interest expenses	**18,155**	20,433
Change in fair value of financial assets at fair value through profit or loss	**1,136**	201,088
Depreciation of property, plant and equipment	**1,135**	1,127
Amortisation of leasehold land	**17**	17
Amortisation of trademark	**16**	16
Amortisation of film rights	**38,340**	36,540
Loss on disposal of property, plant and equipment	**–**	1,137
Operating cash flows before working capital changes	**22,918**	4,491
Increase in film rights	**(78,000)**	(74,500)
Decrease/(increase) in film production in progress	**13,805**	(13,316)
(Increase)/decrease in music production in progress	**(186)**	306
Decrease/(increase) in inventories	**1**	(355)
(Increase)/decrease in trade and other receivables, deposits and prepayments	**(4,693)**	28,813
Decrease in financial assets at fair value through profit or loss	**47,829**	–
(Decrease)/increase in trade and other payables	**(28,881)**	47,215
Cash used in operations	**(27,207)**	(7,346)
Tax paid	**–**	–
Net cash used in operating activities	**(27,207)**	(7,346)

Consolidated Statement of Cash Flows (Continued)

For the year ended 30 June 2010

	2010	2009
	HK$'000	HK$'000
Cash flows from investing activities		
Interest income received	**96**	2
Purchase of property, plant and equipment	**(76)**	(1,523)
Proceeds from partial disposal of associates	**212,745**	-
Cost of partial disposal of associates	**(1,099)**	-
Net cash generated from/(used in) investing activities	**211,666**	(1,521)
Cash flows from financing activities		
Proceeds from rights issue	**185,504**	–
Share issue expenses on rights issue	**(4,830)**	–
Proceeds from placing of shares	**17,100**	–
Share issue expenses on placing of shares	**(804)**	–
Redemption of convertible note	**(100,000)**	–
Convertible note interest expense paid	**(2,000)**	–
Increase in loan receivable	**(10,000)**	–
Decrease in short-term loan	**–**	(5,742)
Interest expense paid	**(825)**	(832)
Net cash generated from/(used in) financing activities	**84,145**	(6,574)
Net increase/(decrease) in cash and cash equivalents	**268,604**	(15,441)
Cash and cash equivalents at the beginning of the year	**21,552**	36,993
Cash and cash equivalents at the end of the year	**290,156**	21,552
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**300,134**	31,547
Bank overdraft	**(9,978)**	(9,995)
	290,156	21,552

The accompanying notes form an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 27 March 1992 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The address of the registered office of the Company is Clarendon House, Church Street, Hamilton HM11, Bermuda and the address of the principal place of business of the Company is Office D & E, 20th Floor, EGL Tower, No. 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 22 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

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

In the current year, the Group has applied, for the first time, the following new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 July 2009.

HKFRSs (Amendments)	Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendment)	Eligible Hedged Items
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) – Int 18	Transfer of Assets from Customers

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

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 Operating Segments

HKFRS 8 requires the presentation of operating segments in a manner consistent with the internal reports that are regularly reviewed by the Group's chief operating decision maker (see note 7 for details). HKFRS 8 replaces HKAS 14 Segment Reporting which required an entity to identify two sets of segments (business and geographical). The adoption of HKFRS 8 has not resulted in a redesignation of the Group's operating segments.

HKFRS 7 Financial Instruments: Disclosures (Amendments)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. A three-level fair value hierarchy has been introduced to categorise the fair value measurements according to the degree to which they are based on observable market date. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

HKFRS 3 Business Combinations (Revised) and HKAS 27 Consolidated and Separate Financial Statements (Revised)

The adoption of HKFRS 3 (Revised) may affect any business combination acquired on or after 1 July 2009 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised 2008). These include the following changes in accounting policies:

– Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

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

HKFRS 3 Business Combinations (Revised) and HKAS 27 Consolidated and Separate Financial Statements (Revised) (Continued)

– If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

– Contingent consideration will be measured at fair value at the acquisition date. Any subsequent changes in the measurement of that contingent consideration will be recognised in profit or loss, unless they arise from obtaining additional information about facts and circumstances that existed at the acquisition date within 12 months from the date of acquisition (in which case they will be recognised as an adjustment to the cost of the business combination). Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably. All subsequent changes in the measurement of contingent consideration and from its settlement were previously recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

– If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

– In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure then non-controlling interests at fair value.

HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions as from 1 July 2009 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (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 2009[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[1]
HKFRS 1 (Amendment)	Limitation Exemption from Comparative HKFRS Disclosure for First-time Adoptors[4]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[6]
HKFRS 9	Financial Instruments[6]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[4]

1 Amendments that are effective for annual periods beginning on or after 1 January 2010.

2 Effective for annual periods beginning on or after 1 February 2010.

3. Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

4 Effective for annual periods beginning on or after 1 July 2010.

5 Effective for annual periods beginning on or after 1 January 2011.

6 Effective for annual periods beginning on or after 1 January 2013.

The Group is in the process of assessing the potential impact of these new HKFRSs but is not yet in position to determine whether these new HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and Interpretations ("Ints") issued by the HKICPA and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under historical cost convention except for certain financial assets which are carried at fair values. The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June each year.

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

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein. Non-controlling 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 non-controlling interests 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Investment in subsidiaries

A subsidiary is an enterprise controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In the Company's statement of financial position, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of associates, less any identified impairment losses. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of future losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

When a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Interest in Jointly controlled entity

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The Group recognises its interest in jointly controlled entity using proportionate consolidation. The Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entity are combined with the Group's similar line items, line by line, in the consolidated financial statements.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

(f) Goodwill

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

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

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

Goodwill arising from acquisition of an associate is included in the carrying amount of the investment and is assessed for impairment as part of the investment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses at the end of the reporting period. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the statement of comprehensive income in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

Depreciation is charged so as to write off the cost or fair value of property, plant and equipment over their estimated useful lives, using the straight-line basis, at the following annual rates:

Buildings	:	Over 40 years
Leasehold improvement	:	20%
Furniture, fixture and equipment	:	20%
Motor vehicles	:	20%

The gain or loss arising from disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income.

(h) Leasehold land

Leasehold land represents prepaid lease payments made for leasehold land. Leasehold land is stated at cost less subsequent accumulated amortisation and any accumulated impairment losses. The cost of leasehold land is amortised on a straight-line basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Film rights

Film rights represent films and television drama series produced or acquired by the Group for reproduction, distribution and sub-licensing, are stated at cost less accumulated amortisation and any identified impairment losses. Amortisation is charged to the consolidated statement of comprehensive income based on the proportion of actual income earned during the year to the total estimated income from the distribution of film rights. The amortisation of film rights will not exceed twenty years. In the case where there is any impairment in value, the unamortised balance is written down to its estimated recoverable amount.

(j) Film and music production in progress

Film and music production in progress represent films, televisions drama series and music records under production, are stated at cost incurred to date, less any identified impairment losses. Cost is transferred to films and music production rights upon completion.

(k) Intangible assets

Intangible assets, which comprise artiste contract rights and trademarks, are stated at cost less accumulated amortisation and any identified impairment losses. The categories of the intangible assets are summarised as follows:

(i) Artiste contract rights

Artiste contract rights are stated at cost less accumulated amortisation and any identified impairment losses. Amortisation is charged to the consolidated statement of comprehensive income over the contract terms.

(ii) Trademarks

Trademarks are stated at cost less accumulated amortisation and any identified impairment losses. Amortisation is charged to the consolidated statement of comprehensive income over the estimated useful life.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined on the first-in, first-out basis and comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present locations and conditions. Net realisable value represents the estimated selling price in the ordinary course of business less all costs to completion and costs to make the sale.

(m) Revenue recognition

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

(i) Sales of goods are recognised when goods are delivered and title has passed.

(ii) Revenue from licensing of the distribution rights over films and television programmes is recognised when the master materials of films are delivered to customers and the title has passed.

(iii) Revenue from provision of model and artiste services is recognised when services are rendered.

(iv) Revenue from event productions is recognised when the events are completed or the services are provided.

(v) Realised profits or losses from financial assets at fair value through profit or loss are recognised on a trade date basis.

(vi) Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

(vii) Rental income, including rentals invoices and advance from properties under operating leases, recognised on a straight-line basis over the term of the relevant leases.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) 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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in equity.

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 end of the reporting period, 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.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the translation reserve.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Leases

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are capitalised at their fair value at the date of acquisition or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as an obligation under finance leases. Finance charges, which represent the difference between the total leasing commitments and the recorded value of the assets acquired, are charged to the statement of comprehensive income over the term of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rental payable under operating leases are charged to the consolidated statement of comprehensive income on a straight-line basis over the term of the relevant lease. Benefits received and receivables as an incentive to enter into an operating lease are recognised as a deduction of rental expense over the lease term on straight-line basis.

(p) Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments. 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 (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

i. Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales of financial assets that requires delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

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 to the net carrying amount upon initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at fair value through profit or loss, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial asset is classified as held for trading if:

(i) it has been acquired principally for the purpose of selling in the near future; or

(ii) it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

(iii) it is a derivative that is not designated and effective as a hedging instrument.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

i. Financial assets (Continued)

Financial assets at fair value through profit or loss (Continued)

Financial assets at fair value through profit or loss are not those financial assets acquired principally for the purpose of selling in the short term but designated by management on inception. A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

(i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(ii) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

(iii) it forms part of a contract containing one or more embedded derivatives and HKAS 39 permits the entire combined contract (asset or liability) to be designated as fair value through profit or loss.

At the end of reporting period subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

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 the end of the reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, deposits and prepayments and cash and bank balances) 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).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

i. Financial assets (Continued)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. 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.

The objective evidence of impairment could include:

(i) significant financial difficulty of the issuer or counterparty; or

(ii) default or delinquency in interest or principal payments; or

(iii) 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, 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

i. Financial assets (Continued)

Impairment of financial assets (Continued)

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 uncollectable, 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 loss 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.

ii. Financial liabilities and equity

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. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial 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 to the net carrying amount upon initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liabilities designated as at fair value through profit or loss, of which the interest expense is included in net gains or losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

ii. Financial liabilities and equity (Continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss has two subcategories, including financial liabilities held for trading and those designated at fair value through profit or loss on initial recognition.

A financial liability is classified as held-for-trading if:

(i) it has been incurred principally for the purpose of repurchasing in the near future; or

(ii) it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

(iii) it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

(i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(ii) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

(iii) it forms part of a contract containing one of more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract to be designated as fair value through profit or loss.

At the end of the reporting period subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the consolidated statement of comprehensive income in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

ii. Financial liabilities and equity (Continued)

Other financial liabilities

Other financial liabilities including trade and other payables and bank overdraft are subsequently measured at amortised cost, using the effective interest rate method.

Convertible notes

Convertible notes issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the embedded call option for the holder to convert the notes into equity, is included in equity (convertible notes – equity reserve). Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds.

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

If the conversion option of convertible notes exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible notes is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible notes based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the consolidated statement of comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

ii. Financial liabilities and equity (Continued)

Convertible notes (Continued)

Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible notes using the effective interest method.

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 the consolidated statement of comprehensive income.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in the consolidated statement of comprehensive income.

(q) Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the Statement of Financial Position 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 a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries, interests in associates and interests in jointly control entity except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

(r) Impairment of assets

Internal and external sources of information are reviewed at the end of the reporting period to determine whether there is any indication of impairment of assets (excluding inventories and financial assets other than interest in subsidiaries, associates and joint ventures), or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the statement of comprehensive income in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

i. Calculation of recoverable amount

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

ii. Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss has been caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated statement of comprehensive income in the year in which the reversals are recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Cash and cash equivalents

Cash and cash equivalents comprises cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(t) Provisions

A provision is recognised when the Group has a present legal or constructive obligation, as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is the present value at the end of the reporting period of the expenditures expected to be required to settle the obligation.

(u) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowing using the effective interest method.

(v) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Employee benefits

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

(ii) Contributions to Mandatory Provident Funds are required under the Hong Kong Mandatory Provident Funds Schemes Ordinance are recognised as an expense in the consolidated statement of comprehensive income as incurred.

(iii) The fair value of the employee services received in exchange for the grant of the share options and restricted share awards is recognised as an expense in the consolidated statement of comprehensive income. The total amount to be expensed over the vesting period is determined with reference to the fair value of the share options and restricted share awards granted. At the end of the reporting period, the Company revises its estimates of the number of share options that are expected to become exercisable and the number of restricted share awards that become vested. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of comprehensive income, and a corresponding adjustment to equity in the consolidated statement of financial position will be made over the remaining vesting period.

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

(x) Related parties

A party is considered to be related to the Group if:

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

(ii) the party is an associate;

(iii) the party is a jointly-controlled entity;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Related parties (Continued)

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

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

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

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

(y) Disposal group classified as held for sale

A disposal group is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the disposal group is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of all individual assets and liabilities in a disposal group in brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held-for-sale and until disposal, the disposal group is recognised at the lower of its carrying amount and fair value less cost to sell.

Impairment loss in initial classification as held-for-sale, and on subsequent remeasurement under held-for-sale, is recognised in the consolidated statement of comprehensive income. As long as a disposal group is classified as held-for-sale, the non-current asset is not depreciated and amortised.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 to the consolidated financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(i) *Estimated impairment of trade and other receivables*

The provision of impairment loss on trade and other receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's estimate. In determining whether impairment is required, the Group takes into consideration the aging status and likelihood of collection. When recoverability of trade and other receivables are called into doubts, specific provision of impairment loss on trade and other receivables is made on the difference between the estimated future cash flow expected to receive being discounted using the original effective interest rate and the carrying value.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying accounting policies (Continued)

(ii) Estimated Impairment of film and music production in progress

The management of the Group reviews an aging analysis at the end of each reporting period, and identify the slow-moving film and music production in progress that are no longer suitable for use in production. The management estimates the net realisable value for such film and music production in progress based primarily on the latest invoice prices and current market conditions of the finished products. In addition, the Group carries out review on each film and music record at the end of the reporting period and makes allowance for any film and music production in progress that production no longer proceed.

(iii) Estimated impairment of films rights

At the end of the reporting period, the directors of the Company carry review of the carrying amount of each film by reference to its estimation of total projected revenues from each film, which base on the historical performance, incorporating factors such as the past box office record of the lead actors and actress, the genre of the film, pre-release market research, the expected number of theatres that the film will be released to and the anticipated performance in the home entertainment, television and other ancillary markets, and agreement for future sales. The estimates for residual values of the film rights are continually evaluated based on the changes in consumer demand.

(iv) Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

(v) Provision for obsolete inventories

Management reviews the condition of inventories of the Group at the end of the reporting period and makes provision for obsolete and slow-moving inventory items identified that are no longer suitable for sale. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. Management reassesses the estimation at the end of the reporting period.

5. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include equity investments, bank overdraft, trade and other receivables, trade and other payables, cash and bank balances and convertible note and were classified into the categories as follows:

	2010	2009
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and bank balances)	**321,620**	45,238
Financial assets designated as at fair value through profit or loss	**5,964**	54,929
Financial liabilities		
Amortised cost	**231,495**	344,985

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Foreign currency risk management

The Group operates mainly in Hong Kong and majority of transactions are dominated in Hong Kong dollars and Renminbi ("RMB"). The Group is exposed to limited foreign exchange risk as most assets and liabilities are denominated in Hong Kong dollars and RMB. Therefore, the Group is exposed to foreign exchange risk arising from these currency exposures. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group is exposed to foreign exchange risk in respect of exchange fluctuation of Hong Kong dollars against RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign current assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

5. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

(ii) Price risk

The Group's equity investments classified as financial assets at fair value through profit or loss which are measured at fair value at the end of each reporting period and expose the Group to equity price risk. The Group's equity price risk is mainly concentrated on equity securities operating in produce and sales of videos and films and trading in metals and securities, which are quoted in the Stock Exchange. The management manages this exposure by maintaining a portfolio of investments with different risk profiles. In addition, the Group will monitor the price risk and will consider hedging the risk exposure should the need rise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date.

If equity prices had been 5% higher/lower, the Group's:

- profit before taxation for the year ended 30 June 2010 would increase/decrease by approximately HK$298,000 (loss before taxation for the year ended 30 June 2009: decrease/increase by HK$2,746,000) as a result of the changes in fair value of financial assets at fair value through profit or loss.

(iii) Cash flow and fair value interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its short-term loans. Short-term loans at variable rates expose the Group to fair value interest rate risk (see note 32 for details of the loan). The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

As at 30 June 2010 and 2009, a reasonably possible change of 50 basis-points interest rates on borrowings would have no material impact on the Group's results for the year and equity as at the year end.

5. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk

As at 30 June 2010, 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 respective recognised financial assets as stated in the consolidated statement of financial position.

Since the Group trades only with creditworthy third parties, there is no requirement of collateral. Concentrations of credit risk are monitored by customer/counterparty. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sector and industries.

In order to minimise the credit risk, the management of the Group has credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's credit risk is primarily attributable to trade or other receivables. The Group has no significant concentrations of credit risk. The exposures to these credit risks are monitored on an ongoing basis.

Liquidity risk

The Group manages liquidity risk by maintaining adequate bank deposits and cash, monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The liquidity risk is under continuous monitoring by management. Reports with maturity dates of bank borrowings and thus the liquidity requirement are provided to management for review periodically. Management will raise or refinance bank borrowings whenever necessary.

5. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

The table below analyses the Group's financial liabilities with the details of the remaining contractual maturities at the end of the reporting period, which are based on contractual undiscounted cash flows (included interest payment computed using contractual rates, if floating, based on weighted average effective rates) and the earliest date of the Group required to pay:

	At 30 June 2010					
	Weighted average effective interest rate	**Within 1 year HK$'000**	**Within 2 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total undiscounted cash flows HK$'000**	**Total carrying amount HK$'000**
Non-derivative financial liabilities						
Trade and other payables	**–**	**36,131**	**–**	**–**	**36,131**	**36,131**
Bank overdraft – secured	**5%**	**10,477**	**–**	**–**	**10,477**	**9,978**
Convertible note	**8%**	**187,000**	**–**	**–**	**187,000**	**185,386**
Total		**233,608**	**–**	**–**	**233,608**	**231,495**

	At 30 June 2009					
	Weighted average effective interest rate	Within 1 year HK$'000	Within 2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
Non-derivative financial liabilities						
Trade and other payables	–	64,881	–	–	64,881	64,881
Bank overdraft – secured	5%	10,495	–	–	10,495	9,995
Convertible notes	8%	102,000	187,000	–	289,000	270,109
Total		177,376	187,000	–	364,376	344,985

5. FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities (including derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- the fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transaction as input. For an option-based derivative, the fair value is estimated using option pricing model.

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate their fair values:

	2010		2009	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	HK$'000	**HK$'000**	HK$'000	HK$'000
Financial liabilities				
Convertible notes	**185,386**	**185,000**	270,109	249,920

Fair value measurements stated in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices;) and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

5. FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial instruments (Continued)

Fair value measurements stated in the statement of financial position (Continued)

The following table shows an analysis of financial instruments recorded at fair value by the fair value hierarchy:

	At 30 June 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets at fair value through profit or loss	**5,964**	**–**	**–**	**5,964**

There were no transfers amongst Level 1, Level 2 and Level 3 in the fair value hierarchy.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

Capital 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 bank overdraft and convertible note), cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital.

5. FINANCIAL RISK MANAGEMENT (Continued)

Capital management (Continued)

The gearing ratios as at 30 June 2010 and 2009 are as follows:

	2010	2009
	HK$'000	HK$'000
Total debt *(note i)*	**195,364**	280,104
Less: Cash and bank balances	**(300,134)**	(31,547)
Net debt	**(104,770)**	248,557
Equity *(note ii)*	**288,740**	3,376
Net debt to equity ratio	**N/A**	7,362%
Total debt to equity ratio	**68%**	8,297%

Notes:

(i) Debt comprises the secured bank overdraft and unsecured convertible note as detailed in note 32 and note 33 to the consolidated financial statements respectively.

(ii) Equity includes all capital and reserves of the Group.

Based on recommendations of the directors, the Group will balance its overall capital structure through issue of new shares, new borrowings raised and repayment of borrowings.

6. TURNOVER

Turnover of the Group represents revenue from (i) film and TV programme production, (ii) event production, (iii) artiste and model management, (iv) music production and (v) investment in securities. The amounts of each significant category of turnover recognised during the year are as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Turnover		
Film and TV programme production	**53,798**	44,440
Event production	**1,958**	1,264
Artiste and model management	**6,697**	8,690
Music production	**296**	1,061
Net gains from the sale of investments at fair value through profit or loss *(note i)*	**9,920**	–
	72,669	55,455

Note:

(i) Net gains from the sale of investments at fair value through profit or loss for the year ended 30 June 2010 represents the gross proceeds from the disposal of investment in securities of approximately HK$58,078,000 less the carrying value of the securities sold and related cost of disposal amounted to approximately HK$47,829,000 and HK$329,000 respectively.

7. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 July 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM"), which is a group of executive directors of the Company, for the purpose of allocating resources to segments and to assessing their performance. In contrast, the predecessor standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segment.

In a manner consistent with the way in which information is reported internally to CODM for the purpose of resources allocation and performance assessment, the Group is currently organised into the following operating segments.

– Film and TV programme production
– Event production
– Artiste and model management
– Music production
– Investment in securities

Accordingly, the application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

7. SEGMENT INFORMATION (Continued)

Information regarding the Group's reportable segments is presented below. Amounts reported for the prior year have been restated to conform to the current year presentation.

(a) Segment revenue and results

	Film and TV programme production HK$'000	Event production HK$'000	Artiste and model management HK$'000	Music production HK$'000	Investment in securities HK$'000	Consolidated HK$'000
2010						
Segment revenue	53,798	1,958	6,697	296	9,920	72,669
Segment results	13,338	663	2,482	291	9,920	26,694
Interest income						202
Unallocated gains						220
Unallocated corporate expenses						(19,212)
Distribution costs	(11,700)	–	(192)	(60)	–	(11,952)
Administrative expenses	(6,706)	(829)	(4,637)	(168)	–	(12,340)
Other operating expenses	(40,215)	–	(570)	(219)	(710)	(41,714)
Change in fair value of financial assets at fair value through profit or loss	–	–	–	–	(1,136)	(1,136)
Loss from operations						(59,238)
Finance costs						(18,155)
Gain on partial disposal of associates						165,864
Profit before taxation						88,471
Taxation						–
Profit for the year						88,471

7. SEGMENT INFORMATION (Continued)

(a) Segment revenue and results (Continued)

	Film and TV programme production HK$'000	Event production HK$'000	Artiste and model management HK$'000	Music production HK$'000	Investment in securities HK$'000	Consolidated HK$'000
2009						
Segment revenue	44,440	1,264	8,690	1,061	–	55,455
Segment results	7,701	18	3,138	112	–	10,969
Interest income						2
Unallocated gains						1,304
Unallocated corporate expenses						(25,154)
Distribution costs	(6,188)	(537)	(315)	(2,152)	–	(9,192)
Administrative expenses	(9,730)	(1,438)	(5,768)	(310)	–	(17,246)
Other operating expenses	(20,791)	–	(2,102)	(696)	–	(23,589)
Change in fair value of financial assets at fair value through profit or loss	–	–	–	–	(201,088)	(201,088)
Loss from operations						(263,994)
Finance costs						(20,479)
Loss before taxation						(284,473)
Taxation						–
Loss for the year						(284,473)

Revenue reported above represented revenue generated from external customers. There were no inter-segment sales in the year (2009: Nil).

Segment result represented the profit earned by each segment without allocation of central administration costs including directors' salaries, corporate legal professional fee and financial costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

7. SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

	Film and TV programme production HK$'000	Event production HK$'000	Artiste and model management HK$'000	Music production HK$'000	Investment in securities HK$'000	Consolidated HK$'000
2010						
Segment assets	**163,415**	**120**	**5,030**	**172**	**5,964**	**174,701**
Unallocated assets						**345,534**
						520,235
Segment liabilities	**24,852**	**10,063**	**8,146**	**562**	**–**	**43,623**
Unallocated liabilities						**187,872**
						231,495
2009						
Segment assets	166,388	241	4,260	356	54,929	226,174
Unallocated assets						122,187
						348,361
Segment liabilities	23,738	10,199	7,683	1,011	–	42,631
Unallocated liabilities						302,354
						344,985

For the purpose of monitoring segment performance and allocating resources between segments:

– all assets are allocated to reportable segments other than certain bank and cash balances and other financial assets that are not attributable to segments; and

– all liabilities are allocated to reportable segments other than current tax liabilities and other financial liabilities that are not attributable to segments.

7. SEGMENT INFORMATION (Continued)

(c) Other segment information

	Film and TV programme production HK$'000	Event production HK$'000	Artiste and model management HK$'000	Music production HK$'000	Investment in securities HK$'000	Unallocated HK$'000	Consolidated HK$'000
2010							
Other segment information:							
Capital expenditures	**76**	**–**	**–**	**–**	**–**	**–**	**76**
Depreciation	**239**	**130**	**118**	**–**	**–**	**648**	**1,135**
Amortisation of trademark	**–**	**–**	**16**	**–**	**–**	**–**	**16**
Amortisation of leasehold land	**–**	**–**	**–**	**–**	**–**	**17**	**17**
Impairment loss recognised in respect of:							
– trade and other receivables, deposits and prepayments	**5,725**	**–**	**570**	**–**	**–**	**710**	**7,005**
– film rights	**30,364**	**–**	**–**	**–**	**–**	**–**	**30,364**
– film production in progress	**4,126**	**–**	**–**	**–**	**–**	**–**	**4,126**
Write down on inventories	**–**	**–**	**–**	**219**	**–**	**–**	**219**
2009							
Other segment information:							
Capital expenditures	115	–	85	–	–	1,323	1,523
Depreciation	212	130	170	–	–	615	1,127
Amortisation of trademark	–	–	16	–	–	–	16
Amortisation of leasehold land	–	–	–	–	–	17	17
Impairment loss recognised in respect of:							
– trade and other receivables, deposits and prepayments	923	–	2,102	165	–	5,019	8,209
– film rights	19,868	–	–	–	–	–	19,868
Write down on inventories	–	–	–	531	–	–	531

7. SEGMENT INFORMATION (Continued)

(d) Geographical information

The Group's revenue from external customers by geographical location are detailed as below:

	2010	2009
	HK$'000	HK$'000
Hong Kong	**44,527**	23,057
The People's Republic of China	**23,204**	30,034
Others	**4,938**	2,364
	72,669	55,455

As at the end of reporting period, over 90% of the identifiable assets of the Group were located in Hong Kong, Accordingly, no geographical information analysis over non-current assets is presented.

(e) Information about major customers

Included in revenue arising from film and TV programme production of approximately HK$53,798,000 (2009: HK$44,440,000) are revenue of approximately HK$12,336,000 (2009: HK$18,398,000) which contributed from the largest customers of the Group.

8. OTHER REVENUE

	2010	2009
	HK$'000	HK$'000
Bank interest income	**63**	2
Rental income	**–**	427
Management fee income	**–**	192
Other interest income	**139**	–
Others	**220**	685
	422	1,306

9. LOSS FROM OPERATIONS

	2010 HK$'000	2009 HK$'000
Loss from operations is stated after charging:		
Cost of inventories (included in cost of sales)	**5**	949
Amortisation of film rights (included in cost of sales)	**38,340**	36,540
Auditors' remuneration	**600**	600
Amortisation of trademark	**16**	16
Amortisation of leasehold land	**17**	17
Depreciation of property, plant and equipment	**1,135**	1,127
Operating leases in respect of:		
– land and buildings	**3,029**	3,299
– subleased land and building	**–**	1,375
Impairment loss recognised in respect of:		
– trade and other receivables, deposits and other prepayments*	**7,005**	8,209
– film rights*	**30,364**	19,868
– film production in progress*	**4,126**	–
Write down on inventories*	**219**	531
Loss on disposal of property, plant and equipment	**–**	1,137

* *The aggregation of these items represented "Other operating expenses" in the consolidated statement of comprehensive income.*

10. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**573**	548
Short-term borrowings	**–**	284
Imputed interest on convertible notes	**17,277**	19,496
Others	**305**	151
	18,155	20,479

11. EMPLOYEE BENEFIT EXPENSES

	2010	2009
	HK$'000	HK$'000
Employee benefit expenses are analysed as follows:		
Salaries and other benefits	**11,504**	12,598
Mandatory provident fund contributions	**549**	514
	12,053	13,112

Retirement Benefit Scheme

Prior to 1 December 2000, the Group operated a defined contribution retirement benefits scheme ("Defined Contribution Scheme") for its qualifying employees in Hong Kong. The assets of the scheme were held separately from those of the Group in funds under the control of an independent trustee. Where there are employees who leave the Defined Contribution Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions would be used to reduce the contributions payable by the Group. The Defined Contribution Scheme was terminated on 1 December 2000.

Effective from 1 December 2000, the Group joined the Mandatory Provident Fund Scheme (the "MPF Scheme") for all of its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Authority under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the Group and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. No forfeited contribution is available to reduce the contribution payable in the future years.

The employees of the Company's subsidiary in the PRC are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the basic salary of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pension or post-retirement benefits beyond the annual contributions. The state-sponsored retirement benefit scheme represent the entire pension obligations payable to retired employees.

The Group does not have any other pension schemes for its employees in respect of its subsidiaries outside Hong Kong and the PRC.

11. EMPLOYEE BENEFIT EXPENSES (Continued)

Equity Compensation Benefits

Share Options

The Company has adopted a share option scheme ("Share Option Scheme") on 23 November 2001 under which the directors may grant options to employees, including any directors of the Company, its subsidiaries or any entity in which any member of the Group holds an equity interest to subscribe for shares in the Company as incentive or rewards for their contribution to the Group. The subscription price will be determined by the directors (subject to adjustment), and will not be less than (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for trades in one or more board lots of shares on the date of offer of the options; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the options; or (iii) the nominal value of the shares of the Company, whichever is the highest. The maximum number of shares in respect of which options may be granted under this scheme may not exceed 30% of the issued share capital of the Company from time to time.

The amount paid on acceptance of an option was HK$1. An option may be exercised at any time before the expiration of ten years from the date of grant of the option. The maximum entitlement of each participant under the Share Option Scheme in any 12-month period is 1% of the shares of the Company in issue from time to time. As at the date of this report, a total of 11,594,009 shares of the Company (representing 10% of the existing issued share capital of the Company as at 7 January 2010) are available for issue under the Share Option Scheme. The Share Option Scheme will expire on 23 November 2011. During the year, no share option was granted.

12. TAXATION

No provision for Hong Kong profits tax has been made as the Company and its subsidiaries incurred taxation loss for the year (2009: Nil).

As at 30 June 2010, the Group had unused tax losses of approximately HK$189.6 million (2009: HK$163.3 million) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

No provision for deferred tax liabilities has been made as the Group and the Company had no material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

12. TAXATION (Continued)

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

	2010		2009	
	HK$'000	%	HK$'000	%
Profit/(loss) before taxation	88,471		(284,473)	
Tax at the Hong Kong profits tax rate of 16.5% (2009:16.5%)	14,598	16.5	(46,938)	(16.5)
Tax effect of expenses that are not deductible for tax purpose	10,257	11.6	41,550	14.6
Tax effect of income that are not taxable for tax purpose	(29,194)	(33.0)	(113)	–
Tax effect of tax losses not recognised	4,339	4.9	5,501	1.9
Taxation charge for the year	–	–	–	–

13. TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR

Of the Group's total comprehensive income for the year of approximately HK$88,471,000 (2009: Total comprehensive expenses of approximately HK$284,473,000), approximately loss of HK$34,664,000 (2009: loss of HK$210,041,000) has been dealt with in the financial statements of the Company.

14. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2010	2009
	HK$'000	HK$'000
Earnings/(loss) attributable to owners of the Company for the purpose of basic and diluted earnings/(loss) per ordinary share	**95,585**	(284,473)

	Number of shares '000	Number of shares '000 (Restated)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	**406,069**	137,757

For the year ended 30 June 2010, the diluted earnings per share was the same as the basic earnings per share as the conversion of the Company's outstanding convertible notes during the year would be anti-dilutive.

For the year ended 30 June 2009, the dilutive loss per share was the same as the basis loss per share as the outstanding convertible notes had anti-dilutive effect on the basis loss per share.

The weighted average number of ordinary shares for the calculation of basic and diluted earnings per share for both years have been adjusted for the effect of share consolidation and bonus elements of the rights issue of the Company completed in January 2010 and March 2010 respectively.

15. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend in respect of the year ended 30 June 2010 (2009: Nil).

16. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The emoluments paid or payable to each of the four (2009: three) executive directors and three (2009: five) independent non-executive directors are as follows:

The Group

	Fees HK$'000	Salaries HK$'000	Housing HK$'000	Provident fund contributions HK$'000	Total HK$'000
Name of Director					
2010:					
Executive directors					
Mr. Yu Kam Kee, Lawrence (1)	**300**	**–**	**–**	**–**	**300**
Mr. Wong Kui Shing, Danny (2)	**–**	**–**	**–**	**–**	**–**
Dr. Allan Yap (3)	**–**	**1,010**	**–**	**11**	**1,021**
Mr. Wong Yat Cheung (4)	**–**	**1,800**	**420**	**12**	**2,232**
Independent non-executive directors					
Mr. Li Fui Lung, Danny	**180**	**–**	**–**	**–**	**180**
Mr. Ng Hoi Yue, Herman	**160**	**–**	**–**	**–**	**160**
Mr. Heung Pik Lun (5)	**100**	**–**	**–**	**–**	**100**
	740	**2,810**	**420**	**23**	**3,993**
Name of Director					
2009:					
Executive directors					
Mr. Yu Kam Kee, Lawrence (1)	1,200	–	–	–	1,200
Dr. Allan Yap (3)	–	–	–	–	–
Mr. Wong Yat Cheung (4)	–	1,800	420	12	2,232
Independent non-executive directors					
Mr. Li Fui Lung, Danny	120	–	–	–	120
Mr. Ng Hoi Yue, Herman	100	–	–	–	100
Mr. Heung Pik Lun (5)	28	–	–	–	28
Mr. Shek Lai Him, Abraham (6)	50	–	–	–	50
Mr. Fong Shing Kwong, Michael (7)	72	–	–	–	72
	1,570	1,800	420	12	3,802

(1) Mr. Yu Kam Kee, Lawrence resigned as Chairman and Executive Director on 1 October 2009.

(2) Mr. Wong Kui Shing, Danny appointed as Managing Director on 21 December 2009.

(3) Dr. Allan Yap appointed as Chief Executive Officer on 8 June 2009 and resigned as Chief Executive Officer while remaining as Executive Director on 21 December 2009.

(4) Mr. Wong Yat Cheung resigned as Managing Director while remaining as Executive Director on 8 June 2009.

(5) Mr. Heung Pik Lun appointed as Independent Non-Executive Director on 20 March 2009.

(6) Mr. Shek Lai Him, Abraham retired as Independent Non-Executive Director on 1 October 2008.

(7) Mr. Fong Shing Kwong, Michael resigned as Independent Non-Executive Director on 10 November 2008.

16. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2009: two) directors of the Company, details of whose emoluments are set out above. The aggregate emoluments of the remaining three (2009: three) individuals are as follows:

	2010	2009
	HK$'000	HK$'000
Salaries and other allowance	**1,809**	1,764
Retirement benefit scheme contributions	**35**	36
	1,844	1,800

The emoluments of those individuals are within the following bands:

	Number of individuals	
	2010	2009
Nil to HK$1,000,000	**3**	3

For the year ended 30 June 2010 and 2009, no emoluments were paid by the Group to the five highest paid individuals, including the director, as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emolument during the year.

17. INTANGIBLE ASSETS

The Group

	Trademarks HK$'000	Artiste contract rights HK$'000	Total HK$'000
Cost:			
At 1 July 2008, 30 June 2009, 1 July 2009 and 30 June 2010	81	120	201
Accumulated amortisation and impairment:			
At 1 July 2008	32	120	152
Charge for the year	16	–	16
At 30 June 2009 and 1 July 2009	48	120	168
Charge for the year	16	–	16
At 30 June 2010	64	120	184
Net book value:			
At 30 June 2010	17	–	17
At 30 June 2009	33	–	33

Notes:

(i) The amortisation expense has been included in the line item administrative expenses in the consolidated statement of comprehensive income.

(ii) The above intangible assets have definite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Trademarks	5 years
Artiste contract rights	40 years

17. INTANGIBLE ASSETS (Continued)

The Company

	Trademarks	
	2010	2009
	HK$'000	HK$'000
Cost:		
Beginning and end of year	**81**	81
Accumulated amortisation and impairment:		
Beginning of year	**48**	32
Charge for the year	**16**	16
End of year	**64**	48
Net book value:		
End of year	**17**	33

Note:

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

18. LEASEHOLD LAND

	The Group	
	2010	2009
	HK$'000	HK$'000
Cost:		
Beginning and end of year	**14,321**	14,321
Accumulated amortisation:		
Beginning of year	**75**	58
Charge for the year	**17**	17
End of year	**92**	75
Net book value:		
End of year	**14,229**	14,246

The Group's leasehold land was located in Hong Kong which represents operating lease payments under long-term lease and the lease payments are amortised on a straight-line method over the remaining term of lease.

At 30 June 2010, the Group's leasehold land with a net book value of approximately HK$14,229,000 (2009: HK$14,246,000) was pledged to secure the banking facilities granted to the Company.

19. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings HK$'000	Leasehold improvement HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:					
At 1 July 2008	7,558	2,982	2,478	650	13,668
Additions	–	593	930	–	1,523
Disposals	–	(2,212)	(542)	–	(2,754)
At 30 June 2009 and 1 July 2009	7,558	1,363	2,866	650	12,437
Additions	–	15	61	–	76
Disposals	–	–	(20)	–	(20)
At 30 June 2010	**7,558**	**1,378**	**2,907**	**650**	**12,493**
Accumulated depreciation and impairment:					
At 1 July 2008	646	1,346	1,137	293	3,422
Charge for the year	189	265	543	130	1,127
Written back on disposals	–	(1,330)	(287)	–	(1,617)
At 30 June 2009 and 1 July 2009	835	281	1,393	423	2,932
Charge for the year	189	274	542	130	1,135
Written back on disposals	–	–	(20)	–	(20)
At 30 June 2010	**1,024**	**555**	**1,915**	**553**	**4,047**
Net book value:					
At 30 June 2010	**6,534**	**823**	**992**	**97**	**8,446**
At 30 June 2009	6,723	1,082	1,473	227	9,505

At 30 June 2010, the Group's buildings with carrying amounts of approximately HK$6,534,000 (2009: HK$6,723,000) were pledged to secure the banking facilities granted to the Company.

19. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company

	Leasehold improvement HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
Cost:			
At 1 July 2008	2,057	1,406	3,463
Additions	500	570	1,070
Disposals	(2,044)	(331)	(2,375)
At 30 June 2009 and 1 July 2009	513	1,645	2,158
Disposals	–	(20)	(20)
At 30 June 2010	**513**	**1,625**	**2,138**
Accumulated depreciation and impairment:			
At 1 July 2008	1,278	804	2,082
Charge for the year	106	310	416
Written back on disposals	(1,283)	(194)	(1,477)
At 30 June 2009 and 1 July 2009	101	920	1,021
Charge for the year	102	291	393
Written back on disposals	–	(20)	(20)
At 30 June 2010	**203**	**1,191**	**1,394**
Net book value:			
At 30 June 2010	**310**	**434**	**744**
At 30 June 2009	412	725	1,137

20. INTERESTS IN ASSOCIATES

	2010	2009
	HK$'000	HK$'000
Share of net assets of associates *(note a)*	**–**	–
Goodwill arising on acquisition of associates *(note b & note c)*	**26,583**	26,583
	26,583	26,583

Notes:

(a) Particulars of the Group's interest in associates as at 30 June 2010 are as follows:

Name	**Place of incorporation**	**Registered capital**	**Attributable to equity interest of the Group**	**Profit sharing**	**Principal activities**
		HK$	%	%	
TVB Pay Vision Holdings Limited ("TVBP")	Hong Kong	1,085,867,759	18	18	Investment holding in Hong Kong
TVB Pay Vision Limited ("TVBPV")	Hong Kong	2*	18	18	Domestic pay television programme service in Hong Kong

* *an associate held indirectly by the Group*

On 30 June 2009, Enjoy Profits Limited, a wholly-owned subsidiary of the Company, entered into a conditional agreement to dispose of 31% entire issued ordinary share capital of TVBP (the "Disposal") at a cash consideration of approximately HK$212,745,000. The Disposal was completed during the year and recorded a gain on the Disposal of approximately HK$165,864,000 in the consolidated statement of comprehensive income. Details of the Disposal were set out in the Company's announcement and circular dated 6 July 2009 and 23 October 2009 respectively. Upon completion of the Disposal, the Group is entitled to 18% equity interest in TVBP and TVBPV. The directors of the Company consider that the Group has retained significant influence over TVBP and TVBPV by the representation of the Group on the board of directors of TVBP and TVBPV despite the interest held by the Group is below 20% and the Group has continuously accounted for TVBP and TVBPV as its associates for the year ended 30 June 2010.

20. INTERESTS IN ASSOCIATES (Continued)

(b) Movement of goodwill arising on acquisition of associates is as follow:

	2010	2009
	HK$'000	HK$'000
Beginning of year	**26,583**	72,365
Transfer to asset held for sale *(Note 30)*	**–**	(45,782)
End of year	**26,583**	26,583

(c) At 30 June 2010, the directors of the Company assessed the recoverable amount of goodwill arising on the acquisition of associates by reference to the valuation as at 30 June 2010 performed by Norton Appraisals Limited ("Norton Appraisals"), an independent firm of professional valuers, and considered that no impairment loss should be made (2009: Nil) to the consolidated statement of comprehensive income. The valuation of the goodwill was determined based on the present value of the expected future cash flow arising from the business of the associates.

The recoverable amount of the Cash Generated Unit ("CGU") is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period of five years. Cash flows beyond the 5-year period are represented by its continuing value using zero growth rate (2009: 0%).

Key assumptions used for value-in-use calculations:

	2010	2009
Discount rate	**14.63%**	13.67%

The management determined the budgeted growth rate based on past performance and its expectation for market development. The discount rate used is after-tax and reflects specific risks relating to the CGU.

20. INTERESTS IN ASSOCIATES (Continued)

(d) The Group has discontinued recognition of its share of losses of associates. The amounts of unrecognised share of loss of the associate, extracted from the unaudited management account of the associates are as follows:

	2010 **HK$'000**	2009 HK$'000
Unrecognised share of loss of the associates for the year	**84,972**	104,629
Accumulated unrecognised share of loss of associates	**377,594**	292,622

(e) The summarised financial information in respect of the Group's interests in associates for the year ended 30 June 2010 and 2009 are set out below:

	2010 **HK$'000**	2009 HK$'000
Turnover	**274,989**	275,249
Loss for the year	**(173,412)**	(213,529)
Loss attributable to the Group for the year	**–**	–
Total assets	**276,473**	275,671
Total liabilities	**(419,104)**	(872,427)
Net liabilities	**(142,631)**	(596,756)
Net assets attributable to the Group	**–**	–

21. INTEREST IN A JOINTLY CONTROLLED ENTITY

Name of Jointly controlled entity	Form of business structure	Place of incorporation/ operations	Class of shares held	Proportion of issued share capital held by the Group	Principal activities
SSA Amusement Limited	Incorporated	Hong Kong	Ordinary	50%	Provision of entertainment and promotion services

The summarised financial information in respect of the Group's jointly controlled entity which is accounted for using proportionate consolidation with the line-by-line reporting format is as follows:

Statement of financial position

	2010	2009
	HK$'000	HK$'000
Assets		
Current assets	**1,006**	1,594
Non-current assets	**210**	274
	1,216	1,868
Liabilities		
Current liabilities	**(2,634)**	(2,132)
Net liabilites	**(1,418)**	(264)

21. INTEREST IN A JOINTLY CONTROLLED ENTITY (Continued)

Statement of comprehensive income

	2010 HK$'000	2009 HK$'000
Revenue	**3,303**	5,099
Cost of sales	**(1,985)**	(3,826)
Gross profit	**1,318**	1,273
Distribution costs	**(149)**	(1,365)
Administrative expenses	**(1,302)**	(1,171)
Loss from operations	**(133)**	(1,263)
Finance costs	**(1)**	–
Loss before taxation	**(134)**	(1,263)
Taxation	**–**	–
Loss for the year	**(134)**	(1,263)

22. INVESTMENT IN SUBSIDIARIES

The Company

	2010 HK$'000	2009 HK$'000
Unlisted shares, at cost	**1**	1
Impairment loss recognised	**(1)**	(1)
	–	–
Amounts due from subsidiaries	**684,154**	838,640
Provision for impairment	**(498,611)**	(498,611)
	185,543	340,029

22. INVESTMENT IN SUBSIDIARIES (Continued)

The Company (Continued)

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors of the Company, the amounts due from subsidiaries are not expected to be repaid within the next twelve months from the end of the reporting period. The carrying amount of these amounts due from subsidiaries approximates to its fair value.

Impairment loss for investments in subsidiaries and amounts due from subsidiaries were recognised based on the recoverable amounts which were determined based on the present value of the estimated discounted future cash flows from these subsidiaries using the prevailing market rate.

Details of the Company's principal subsidiaries as at 30 June 2010 are set out as follows:

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued shares/ registered capital	Proportion of nominal value of issued shares/ registered capital held by the Company		Principal activities
			Direct	Indirect	
Anyone Holdings Limited	British Virgin Islands ("BVI")	US$1	100%	–	Property holding
Cross Challenge Limited	BVI	US$1	100%	–	Investment holding
Day Achieve Limited	BVI	US$1	100%	–	Investment holding
Ease Strong Limited	Hong Kong	HK$1	100%	–	Provision of secretarial services
Enjoy Profits Limited	BVI	US$1	100%	–	Investment holding
Future Alliance Limited	BVI	US$1	100%	–	Investment holding
Grand Class Investment Limited	BVI	US$1	100%	–	Investment holding
Icon International Model Management Limited	Hong Kong	HK$500,000	–	100%	Provision of modelling agency services
Media Platform Limited	BVI	US$1	100%	–	Investment holding

22. INVESTMENT IN SUBSIDIARIES (Continued)

The Company (Continued)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued shares/ registered capital	Proportion of nominal value of issued shares/ registered capital held by the Company Direct	Indirect	Principal activities
Mega-Vision Pictures Limited	Hong Kong	HK$1	–	80%	Investment in, production and distribution of film and TV programme production
Mega-Vision Productions Limited	Hong Kong	HK$10,000,000	–	80%	Investment in, production and distribution of film and TV programme production
See Entertainment Limited	Hong Kong	HK$1	–	100%	Provision of event management services
See Movie Limited	Hong Kong	HK$1	–	100%	Investment in, production and distribution of film and TV programme production
See Music Limited	Hong Kong	HK$1	–	100%	Production of music record and provision of promotion services
See People Limited	Hong Kong	HK$1	–	100%	Provision of artiste management services
Shineidea Limited	BVI	US$1	100%	–	Investment in securities
Snazz Artistes Limited	Hong Kong	HK$100	–	100%	Provision of artiste management services
Snazz Entertainment Group Limited	BVI	HK$7,800	–	100%	Investment holding
Snazz Music Limited	Hong Kong	HK$100	–	100%	Production of music records and provision of artiste promotion services
Talent Bang Limited	Hong Kong	HK$100	–	100%	Provision of modelling agency services
See Base Limited (Formerly known as The Metropolis Wedding Group Limited) *(note iv)*	Hong Kong	HK$1	–	100%	Hong Kong properties subletting
Wise Novel Investments Limited	BVI	US$1	100%	–	Investment holding

22. INVESTMENT IN SUBSIDIARIES (Continued)

The Company (Continued)

Notes:

(i) All are ordinary share capital unless otherwise stated.

(ii) None of the subsidiaries had any loan capital subsisting at the end of the year or at any time during the year.

(iii) The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

(iv) Change of subsidiary's name effective from 2 October 2009.

23. LOAN RECEIVABLE

	The Group	
	2010	2009
	HK$'000	HK$'000
Loan to TVBP	**10,000**	–

As disclosed in note 20 to the consolidated financial statements, under a term of the Disposal Agreement, the Group advanced a shareholder loan to TVBP in the sum of HK$10,000,000 during the year. The loan was unsecured and carried at interest rate of HIBOR plus 0.25% per annum. The loan shall be repayable on the fifth anniversary year and therefore the loan receivables were classified as non-current assets.

24. FILM RIGHTS

	The Group	
	2010	2009
	HK$'000	HK$'000
Cost:		
Beginning of year	**182,182**	107,682
Additions	**78,000**	74,500
End of year	**260,182**	182,182
Accumulated amortisation and impairment:		
Beginning of year	**150,196**	93,788
Amortisation provided for the year	**38,340**	36,540
Impairment loss recognised *(note 9)*	**30,364**	19,868
End of year	**218,900**	150,196
Carrying amount:		
End of year	**41,282**	31,986

At 30 June 2010, the directors of the Company reassessed the recoverable amount of film rights by reference to the valuation performed by Norton Appraisals and determined an impairment loss of approximately HK$30,364,000 (2009: HK$19,868,000) was recognised in the consolidated statement of comprehensive income for the year ended 30 June 2010.

The valuation was determined based on the present value of the expected future cash flow arising from the sub-licensing and distribution of film rights and subsequent to the completion of film production, which was derived from discounting the projected cash flows.

25. FILM PRODUCTION IN PROGRESS

	The Group	
	2010	2009
	HK$'000	HK$'000
Beginning of the year	**119,465**	106,149
Additions	**64,195**	87,816
Transfer to film rights	**(78,000)**	(74,500)
Impairment loss recognised *(note 9)*	**(4,126)**	–
End of the year	**101,534**	119,465

26. INVENTORIES

	The Group	
	2010	2009
	HK$'000	HK$'000
Finished goods	**4**	224

The amount of inventories written down for the year ended 30 June 2010 was approximately HK$219,000 (2009: HK$531,000) *(note 9)*.

27. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables, net	**7,104**	9,367	**–**	–
Other receivables, deposits and prepayments	**4,382**	4,324	**280**	380
	11,486	13,691	**280**	380

27. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

The Group allows an average credit period of 90 to 180 days (2009: 90-180 days) to its customers. The aged analysis of the trade receivables is as follows:

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
0 to 90 days	**6,737**	6,192	**–**	–
91 to 180 days	**125**	446	**–**	–
Over 181 days	**9,972**	10,159	**25**	25
	16,834	16,797	**25**	25
Less: Impairment loss recognised in respect of trade receivables	**(9,730)**	(7,430)	**(25)**	(25)
Total	**7,104**	9,367	**–**	–

Trade receivables of approximately HK$242,000 (2009: HK$2,729,000) that were past due which over 180 days but not impaired for. These balances related to a number of customers that have good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Trade receivables of approximately HK$9,730,000 (2009: HK$7,430,000) that were past due which over 180 days and impaired for. In determining the recoverability of trade receivables, the directors of the Company considered any change in the credit quality of the trade receivables from the date credit were initially granted up to the reporting date. Accordingly, the directors of the Company considered provision for impairment in values be made in respect of trade receivables to their recoverable values and believe that there is no further credit provision required in excess of the allowance for doubtful debts.

27. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Movement in the allowance for doubtful debts:

	The Group 2010 HK$'000	The Group 2009 HK$'000
Beginning of year	**7,430**	9,283
Written off for the year	**(2,189)**	(4,899)
Impairment loss recognised in respect of trade receivables	**4,489**	3,046
End of year	**9,730**	7,430

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group 2010 HK$'000	The Group 2009 HK$'000
Listed securities:		
– Equity securities listed in Hong Kong at fair value	**5,964**	54,929

At the end of the reporting period, all financial assets at fair value through profit or loss are stated at fair value. Fair values of the listed investments have been determined by reference to the quoted market bid prices available on the relevant stock exchanges.

At 30 June 2010, none of the Group's financial assets at fair value through profit or loss of which the carrying amount exceeds 10% of total assets of the Group.

At 30 June 2009, the details of the Group's financial assets at fair value through profit or loss of which the carrying amount exceeds 10% of total assets of the Group are as follows:

Name	Place of incorporation	Principal activities	Particulars and percentage of issued shares held
Big Media Group Limited (SEHK stock code 8167)	Cayman Islands	Production and sales of videos and films, the licensing of video copyrights/film rights and artiste management	Ordinary shares, 2.7%

29. CASH AND BANK BALANCES

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**300,134**	31,547	**230,047**	26,485

Notes:

(a) At the end of the reporting period, the cash and bank balances of the Group and the Company are denominated in Hong Kong dollars.

(b) Cash at bank earn interests at floating rates based on daily bank deposit rates. Short-term deposits were made during the year ended 30 June 2010 for varying period between one day and three months, depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates.

30. ASSETS HELD FOR SALE

As disclosed in note 20(a) to the consolidated financial statements, on 30 June 2009, the Group entered into the Disposal Agreement in relation to the Disposal at a cash consideration of approximately HK$212,745,000.

TVBP is an investment holding company and its wholly owned subsidiary, TVBPV, is principally engaged in domestic pay television programme service in Hong Kong. Details of the Disposal were set out in the Company's announcement dated 6 July 2009.

30. ASSETS HELD FOR SALE (Continued)

The major class of assets classified as held for sale was as follows:

	2010 HK$'000	2009 HK$'000
Beginning of year	**45,782**	–
Transfer from interests in associates *(Note 20)*	**–**	45,782
Disposed during the year	**(45,782)**	–
End of year	**–**	45,782

The Disposal was completed in November 2009 with a disposal gain of approximately HK$165.9 million recognised in the consolidated statement of comprehensive income.

31. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2010 **HK$'000**	2009 HK$'000	**2010** **HK$'000**	2009 HK$'000
Trade payables	**4,672**	13,270	**–**	–
Other payables	**31,459**	51,611	**3,085**	32,024
	36,131	64,881	**3,085**	32,024

31. TRADE AND OTHER PAYABLES (Continued)

The following is an aged analysis of trade payables at the end of the reporting period:

	2010	2009
	HK$'000	HK$'000
0 to 90 days	**3,217**	6,564
91 days or above	**1,455**	6,706
	4,672	13,270

32. BANK OVERDRAFT – SECURED

During the year ended 30 June 2010, the Company had been granted an overdraft facility from a bank. The bank overdraft is secured by the Group's building and leasehold land in Hong Kong with carrying amounts at 30 June 2010 of approximately HK$6,534,000 (2009: HK$6,723,000) and HK$14,229,000 (2009: HK$14,246,000) respectively, chargeable with interest at the lending bank's prime rate per annum or 1% per annum over Hong Kong Inter-bank Offer Rate, whichever is higher and repayable on demand.

The carrying amount of the bank overdraft is denominated in Hong Kong dollars.

33. CONVERTIBLE NOTE

	The Group and the Company	
	2010	2009
	HK$'000	HK$'000
Liability component		
2005 Convertible Note *(note i)*	**185,386**	170,784
2007 Convertible Note *(note ii)*	**–**	99,325
	185,386	270,109
Less: Amount due within one year and classified as current liabilities	**(185,386)**	(99,325)
Amount due after one year	**–**	170,784
Equity component		
2005 Convertible Note *(note i)*	**45,920**	45,920
2007 Convertible Note *(note ii)*	**–**	10,058
	45,920	55,978

Notes:

(i) HK$170,000,000 convertible note issued in 2005 and due in 2010 (the "2005 Convertible Note")

On 21 April 2005, the Company entered into a subscription agreement (the "2005 Subscription Agreement") in relation of issuance of HK$170,000,000 zero-coupon convertible note due on 9 August 2010 to Hanny Holdings Limited ("Hanny").

Pursuant to the 2005 Subscription Agreement, Hanny may at any business date after the date of issue of the 2005 Convertible Note up to and including the date prior to the fifth anniversary of the date of issue of the 2005 Convertible Note convert the whole or any part in an amount or integral multiple of HK$500,000 of the principal amount of the 2005 Convertible Note into shares of HK$0.01 each in the share capital of the Company, at the conversion price of HK$0.12 per share at inception date. The effective interest rate of the liability component is 8.55% per annum to the Company. Unless previously converted by Hanny, the 2005 Convertible Note is redeemable on the date of maturity at 110% of the principal amount of the 2005 Convertible Note then outstanding.

33. CONVERTIBLE NOTE (Continued)

(i) HK$170,000,000 convertible note issued in 2005 and due in 2010 (the "2005 Convertible Note") (Continued)

The conversion price of the 2005 Convertible Note of HK$170,000,000 had been adjusted from HK$0.12 per share to HK$0.0406 per share as a result of the right issue taken place on 30 June 2006.

The conversion price of the 2005 Convertible Note had been further adjusted from HK$0.0406 per share to HK$4.06 per share as a result of the share consolidation taken place on 31 October 2006.

The conversion price of the 2005 Convertible Note had been further adjusted from HK$4.06 per share to HK$1.69 per share as a result of the rights issue taken place on 16 May 2007.

The conversion price of the 2005 Convertible Note had been further adjusted from HK1.69 per share to HK$1.09 per share as a result of the rights issue taken place on 15 November 2007.

The conversion price of the 2005 Convertible Note had been further adjusted from HK$1.09 per share to HK$1.08 per share as a result of the issue of the 2007 Convertible Note taken place on 5 December 2007.

The conversion price of the 2005 Convertible Note had been further adjusted from HK$1.08 per share to HK$21.60 per share as a result of capital reorganization taken place on 6 January 2010.

The conversion price of the 2005 Convertible Note had been further adjusted from HK$21.60 per share to HK$5.66 per share as a result of the rights issue taken place on 18 March 2010.

The 2005 Convertible Note are denominated in Hong Kong dollar, contain two components, liability and equity elements. The Company determined the fair value of the liability component using an equivalent market interest rate for a similar note without a conversion option. The residual amount is assigned as the equity component and included in shareholder's equity named as convertible note reserves.

The 2005 Convertible Note has been redeemed on 9 August 2010, the maturity date of the 2005 Convertible Note.

The movement of the liability component of the 2005 Convertible Note for the year ended 30 June 2010 is as follow:

	2010	2009
	HK$'000	HK$'000
Beginning of year	**170,784**	157,336
Imputed interest expenses	**14,602**	13,448
End of year	**185,386**	170,784

33. CONVERTIBLE NOTE (Continued)

(ii) HK$100,000,000 convertible note issued in 2007 and due in 2009 (the "2007 Convertible Note")

On 20 June 2007, the Company entered into another subscription agreement (the "2007 Subscription Agreement") in relation of issuance of HK$100,000,000 1% convertible note due in 2009 to Hanny. The 2007 Convertible Note were issued on 5 December 2007.

Pursuant to the 2007 Subscription Agreement, Hanny may at any business date after the date of issue of the 2007 Convertible Note up to and including the date prior to the second anniversary of the date of issue of the 2007 Convertible Note convert the whole or any part in an amount or integral multiple of HK$1,000,000 of the principal amount of the 2007 Convertible Note into shares of HK$0.01 each in the share capital of the Company, at the conversion price of HK$0.40 per share. The effective interest rate of the liability component is 7.07% per annum to the Company. Unless previously converted by Hanny, the 2007 Convertible Note is redeemable on the date of maturity at the principal amount of the 2007 Convertible Note then outstanding plus interest.

The 2007 Convertible Note are denominated in Hong Kong dollar, contains two components, liability and equity elements. The Company determined the fair value of the liability component based on the valuations performed by Norton Appraisals using an equivalent market interest rate for a similar note without a conversion option. The residual amount is assigned as the equity component and included in shareholder's equity named as convertible note reserves.

The 2007 Convertible Note has been redeemed on the maturity date by the Company during the year.

The movement of the liability component of the 2007 Convertible Note for the year ended 30 June 2010 is as follow:

	2010	2009
	HK$'000	HK$'000
Beginning of year	**99,325**	93,277
Imputed interest expenses	**2,675**	6,048
Redeemed during the year	**(102,000)**	–
End of year	**–**	99,325

34. SHARE CAPITAL

	Number of shares	Nominal value HK$'000
Authorised:		
Ordinary shares of HK$0.01 each at 1 July 2008, 30 June 2009, 1 July 2009 and 30 June 2010	50,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 July 2008, 30 June 2009 and 1 July 2009	1,938,801,990	19,388
Placing of shares *(note i)*	380,000,000	3,800
Share consolidation *(note ii)*	(2,202,861,891)	–
Capital reduction *(note iii)*	–	(22,028)
Rights issue *(note iv)*	927,520,792	9,275
At 30 June 2010	**1,043,460,891**	**10,435**

Notes:

(i) Pursuant to an ordinary resolution passed by the shareholders of the Company at the annual general meeting on 11 November 2009, the Company issued 380 million shares at the placing price of HK$0.045 per ordinary share. The placing of shares was completed on 3 December 2009.

(ii) Pursuant to an ordinary resolution passed by the shareholders of the Company at a special general meeting on 6 January 2010, every 20 issued shares of HK$0.01 each were consolidated into one consolidated share of HK$0.20 each. The share consolidation took effect on 7 January 2010.

(iii) Pursuant to an ordinary resolution passed by the shareholders of the Company at a special general meeting on 6 January 2010, the nominal value of each consolidated share was reduced from HK$0.20 to HK$0.01 by cancelling the Company's paid up capital to the extent of HK$0.19 on each consolidated share resulted from the share consolidation in note (ii) above. The capital reduction took effect on 7 January 2010.

34. SHARE CAPITAL (Continued)

(iv) Pursuant to an ordinary resolution passed by the shareholders of the Company at a special general meeting on 23 February 2010, rights issue of 927,520,792 rights shares at price of HK$0.20 each on the basis that eight rights shares for every existing share has been approved by the shareholders. The rights issue has been completed on 18 March 2010.

Share options

The Company operates a share option scheme (the "Share Option Scheme"), further details of which are set out under the heading "Equity Compensation Benefits" in note 11 to the consolidated financial statements.

35. RESERVES

The Company

	Share premium HK$'000	Contributed surplus HK$'000	Convertible note reserves (Note (b)) HK$'000	Accumulated deficits HK$'000	Total HK$'000
At 1 July 2008	500,040	–	55,978	(299,434)	256,584
Loss for the year	–	–	–	(210,041)	(210,041)
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive expense for the year	–	–	–	(210,041)	(210,041)
At 30 June 2009 and 1 July 2009	500,040	–	55,978	(509,475)	46,543
Loss for the year	–	–	–	(34,664)	(34,664)
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive expense for the year	–	–	–	(34,664)	(34,664)
Premium arising from placing of shares *(note a)*	13,300	–	–	–	13,300
Shares issue expenses on placing of shares	(804)	–	–	–	(804)
Redeemed convertible note – equity component *(note b)*	–	–	(10,058)	10,058	–
Capital Reduction *(note c)*	–	22,028	–	–	22,028
Amount transferred to write off accumulated deficit *(note c)*	–	(22,028)	–	22,028	–
Premium arising from right issue *(note d)*	176,229	–	–	–	176,229
Shares issue expenses on right issue	(4,830)	–	–	–	(4,830)
Repurchase of shares *(note e)*	–	–	–	(77)	(77)
At 30 June 2010	**683,935**	**–**	**45,920**	**(512,130)**	**217,725**

35. RESERVES (Continued)

Notes:

(a) Pursuant to an ordinary resolution passed by the shareholders of the Company at the annual general meeting on 11 November 2009, the Company issued 380 million shares at the placing price of HK$0.045 per ordinary share. The placing of shares was completed on 3 December 2009.

(b) The convertible note reserve represents the equity component (conversion rights) of the HK$170,000,000 zero-coupon convertible note issued on 21 April 2005 and HK$100,000,000 1% convertible note issued on 5 December 2007.

In accordance with HKAS 32, convertible notes issued are split into their liability and equity components at initial recognition by recognising the liability component at its fair value which is determined using market interest rate for equivalent non-convertible notes and attributing to the equity component the difference between the proceeds from issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost. The equity component is recognised in the convertible notes reserve until the notes are either converted (in which case it is transferred to share premium) or the notes are redeemed (in which case it is released directly to accumulated deficits). The 2007 Convertible Note was fully redeemed during the year and respective reserve was released accordingly.

(c) Pursuant to a resolution passed by the shareholders of the Company at a special general meeting held on 6 January 2010, a capital reduction which involves (i) the nominal value of each consolidated share was reduced from HK$0.20 to HK$0.01 by cancelling the Company's paid up capital to the extent of HK$0.19 on each consolidated share, and (ii) transferring the amount to write off the accumulated deficits. The capital reduction and the write off became effective on 7 January 2010.

(d) On 11 January 2010, the Company proposed to raise approximately HK$185.5 million before expenses by way of the right issue of 927,520,792 rights shares at a price of HK$0.20 each on the basis that eight rights shares for every existing share held on the record date. The rights issue was approved by the shareholders at the special general meeting held on 23 February 2010 and completed on 18 March 2010.

(e) On 29 June 2010 and 30 June 2010, the Company repurchased in total of 432,000 ordinary shares of the Company through The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of approximately HK$77,000, which had been deducted from accumulated deficit within shareholder's equity.

36. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases, in respect of land and building, which fall due as follows:

	2010	2009
	HK$'000	HK$'000
Within one year	**1,669**	2,621
In the second to fifth year inclusive	**1,566**	735
	3,235	3,356

37. CONTINGENT LIABILITIES

(i) As at 30 June 2004, the Company provided corporate guarantees amounting to approximately HK$24 million to a financial institution in respect of banking facilities granted to Welback International Investments Limited and its subsidiaries (the "WIIL Group"), approximately HK$5.5 million of which was utilised by members of the WIIL Group and such amount was claimed by the financial institution as disclosed in point (iii) below.

(ii) The Company and its ex-subsidiary, P.N. Electronic Ltd. ("PNE") have been involved in arbitration proceeding with North American Foreign Trading Corporation ("NAFT") in respect of a gross receivable of HK$18 million and related damages from various parties for goods shipped by PNE and NAFT in 1996. The arbitration proceedings were initiated by NAFT against the Company and PNE claiming for alleged damages in New York, USA. The Company has upon legal advice, vigorously contested the alleged claims and has counterclaimed the said sum of HK$18 million as well as other damages. The Company has not received any documents in relation to the arbitration proceedings for a substantial period of time and insofar as the Company is aware, the proceedings remain dormant.

37. CONTINGENT LIABILITIES (Continued)

(iii) On 13 October 2003, a Writ of Summons and Statement of Claim was issued by BII Finance Company Limited ("BII Finance") against the Company under a guarantee allegedly given by the Company in favour of BII Finance in respect of certain liabilities of Welback Enterprises Limited, a former subsidiary of the Company. The claim is for a sum of approximately HK$3,583,000 and US$248,000 (approximately HK$1,936,000), together with interest.

The Company has issued Third Party proceedings against Mr. Lee Chun Kwok and Mr. Fong Wing Seng, former directors of the Company, seeking a contribution to the extent of 49% of BII Finance's claim in the event that the Company is found liable to BII Finance (which is denied).

The Company will continue to defend BII Finance's claim, and will also continue to pursue the Third Party proceedings against Mr. Lee Chun Kwok and Mr. Fong Wing Seng. BII Finance has not taken any steps to progress with the action since June 2006.

Save as disclosed above, no member of the Group is engaged in any litigation or claims of material importance and no litigation or claims of material importance is known to the directors of the Company to be pending or threatened by or against any member of the Group.

38. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclose elsewhere in these consolidated financial statements, the Group had the following material related party transactions:

(a) Entities with common directors:

	2010	2009
	HK$'000	HK$'000
Travelling service expenses *(note i)*	**697**	45
Film/TV Programme production cost *(note i)*	**1,494**	4,110

Note:

(i) The transactions were carried at price agreed between the parties.

38. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Shareholders:

	2010 HK$'000	2009 HK$'000
Management fee paid to a shareholder	**600**	600
Convertible notes issued to a shareholder *(note i)*	**185,386**	270,109
Imputed interest expenses in respect of convertible notes issued to a shareholder *(note i)*	**17,277**	19,496
Redemption of the 2007 Convertible Note *(note ii)*	**102,000**	–
Repayment of short-term loan to a shareholder	**–**	5,742

Note:

(i) The convertible notes comprised of the 2005 Convertible Note and the 2007 Convertible Note with carrying amount of approximately HK$185,386,000 and HK$nil respectively (2009: HK$170,784,000 and HK$99,325,000 respectively). The details of the convertible notes are set out in note 33 to the consolidated financial statements.

(ii) The 2007 Convertible Note has been redeemed on 4 December 2009.

(iii) The 2005 Convertible Note has been redeemed on 9 August 2010.

(c) Compensation of key management personnel:

	2010 HK$'000	2009 HK$'000
Salaries and other benefits	**3,970**	3,790
Mandatory provident fund contributions	**23**	12
	3,993	3,802

39. EVENTS AFTER THE REPORTING PERIOD

i) In July 2010, the Company repurchased its own shares through the Stock Exchange. Details are as follows:

Month of Repurchase	No. of ordinary shares at HK$0.01 each	Price per Share Highest HK$	Price per Share Lowest HK$	Aggregate consideration Paid HK$'000
July 2010	4,568,000*	0.180	0.174	821

* *All repurchased shares were cancelled in July 2010.*

ii) In August 2010, the 2005 Convertible Note has been redeemed at the maturity date by the Company.

iii) On 14 October 2010, Hover Success Limited ("Hover") has disposed of (the "Share Disposal") 236,042,361 shares of HK$0.01 each of the Company (each, a "Share") to Dr. Ma Ho Man, Hoffman ("Dr. Ma") at a total consideration of HK$98,700,000, representing approximately HK$0.418 per Share. Completion of the Share Disposal has taken place on 14 October 2010. Immediately before completion of the Share Disposal, Dr. Ma did not own any Shares. Upon completion of the Share Disposal, Dr. Ma is interested in 236,042,361 Shares, representing approximately 22.73% of the issued share capital of the Company as at the date hereof and Hover ceased to hold any Shares.

iv) The Company appointed Dr. Ma as an Executive Director and the Chairman of the Board with effect from 14 October 2010.

40. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 21 October 2010.

FIVE YEAR FINANCIAL SUMMARY

The following is a summary of the published results and the assets and liabilities of the Group for the five years ended 30 June 2010:

RESULTS

	Year ended 30 June				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010 HK$'000**
Turnover	37,334	43,792	40,455	55,455	**72,669**
(Loss)/profit for the year from continuing operations	(260,690)	(121,094)	(7,204)	(284,473)	**88,471**
Loss for the year from discontinued operations	(4,145)	–	–	–	**–**
(Loss)/profit for the year	(264,835)	(121,094)	(7,204)	(284,473)	**88,471**
(Loss)/profit attributable to:					
Owners of the Company	(261,914)	(120,033)	(7,204)	(284,473)	**95,585**
Non-controlling interests	(2,921)	(1,061)	–	–	**(7,114)**
	(264,835)	(121,094)	(7,204)	(284,473)	**88,471**

ASSETS AND LIABILITIES

	At 30 June				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010 HK$'000**
Total assets	437,594	352,988	571,703	348,361	**520,235**
Total liabilities	(281,512)	(218,252)	(283,854)	(344,985)	**(231,495)**
Net assets	156,082	134,736	287,849	3,376	**288,740**
Capital and reserves attributable to the owners of the Company	155,021	134,736	287,849	3,376	**295,854**
Non-controlling interests	1,061	–	–	–	**(7,114)**
	156,082	134,736	287,849	3,376	**288,740**