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

Annual Report **2010/11** 年報

Stock Code 股份代號：585

Contents

CORPORATE INFORMATION

Board of Directors

Chairman and Non-executive Director

Mr. Leung Pak To

Executive Directors

Mr. Soh Szu Wei
Ms. Ma Wai Man, Catherine

Non-executive Directors

Mr. Chong Meng Tak, Christopher
Mr. Yang Fei

Independent Non-executive Directors

Mr. Chan Yuk Sang
Mr. Cheng Yuk Wo
Dr. Lam Lee G.

Audit Committee

Mr. Cheng Yuk Wo (Chairman)
Mr. Chan Yuk Sang
Dr. Lam Lee G.

Remuneration Committee

Mr. Soh Szu Wei (Chairman)
Mr. Chan Yuk Sang
Mr. Cheng Yuk Wo
Dr. Lam Lee G.
Ms. Ma Wai Man, Catherine

Company Secretary

Ms. Lau Siu Mui

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8 Sun Yip Street
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Hong Kong

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants

Principal Banker

The Bank of East Asia, Limited

Principal Share Registrar

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
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Pembroke
Bermuda

Branch Share Registrar in Hong Kong

Tricor Secretaries Limited
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Stock Code

HKEx 585

Website

www.imagi.com.hk

Chairman's Statement

To be a branded leader in the Greater China region and beyond

Dear Shareholders,

I am pleased to announce that the Company has successfully restructured its operations and made significant progress to achieve the growth path as stated in my first Chairman's Statement dated 21 July 2010 and in the 2010/11 Interim Report.

Moving ahead, the Company's vision is **"to be a branded leader in the Greater China region and beyond through the development of its merchandising, lifestyle, media and entertainment products and services".** The most significant milestone towards the realisation of this vision was the acquisition (the "Acquisition") of the Toon Express Group ("TE Group"), which was completed on 13 April 2011. The Acquisition has totally transformed the Company and set it on a whole new growth and playing field in both the Greater China region and international markets.

Chairman's Statement

The Acquisition allows the Company to gain access to a strong management team, a well rounded consumer interaction strategy with a proven business track record, a diversified customer base and extensive business networks and partnerships. Working closely with Creative Power Entertaining Limited Liability Company ("CPE") and other valued content partners, family and wholesome storylines for *Pleasant Goat* and *Big Big Wolf* continue to be experienced by the fans, both young and old, through television, movies, publications, live stage shows, mobile carnivals and interactive media of the Greater China region and beyond.

The strong content allows TE Group and its valued global master licensee, Disney Enterprises, Inc., ("Disney") and other Disney affiliates to commercialise the merchandising and other licensing opportunities based on China's No. 1 and most famous animation brand "*Pleasant Goat and Big Big Wolf*".

The continuously strong consumer reception of the *Pleasant Goat* and *Big Big Wolf* content has allowed TE Group to develop a well rounded merchandising strategy. Working with Disney, consumer products carrying the *Pleasant Goat* and *Big Big Wolf* copyright (images) and trademarks are now extensively distributed by the licensees in the Greater China region. This allows the Group to transform itself into a significant player in the Fast Moving Consumer Goods ("FMCG") sector. TE Group is now working with all its business partners to further exploit the brand as it continues to gain growth momentum in the Greater China region.

Whilst the Company is now actively embarking on its growth strategy, it is also working aggressively to ensure that it has a strong financial foundation and to put its past legacy issues behind. With the strong support of shareholders, investors and other partners, the Company is now on a sound financial footing as can be seen from the Group's strong and healthy balance sheet.

Going forward, we will continue to position ourselves as a leading Asian brand company by leveraging on our core competencies to develop brands that can generate shareholder value. The broadcasting agreement entered into between Buena Vista International Inc. (an affiliate of Disney) and CPE on 15 October 2010 opens the path to internationalisation of *Pleasant Goat* and *Big Big Wolf* and other cartoon characters and brands of TE Group in the Asia Pacific region, with the potential of expanding the consumer products licensing business also into this region, in particular Taiwan. The Group will also move aggressively into digital and interactive media products to provide a 360 degree interaction with its consumers. The advent of internet and mobile communications is beneficial to the Group as it allows consumers and fans to directly interact with our brands.

As another key task to strengthen our existing portfolio by pursuing brand diversification, improving the quality of our media and entertainment products and expanding our geographical coverage, the Group will continue to look for merger and acquisition opportunities in Greater China and the international markets that will accelerate our growth in three areas: (1) emerging brands (2) delivery channel access (traditional and new media) and (3) geographical expansion.

On behalf of the board of directors and our management team, I would like to take this opportunity to thank our loyal shareholders, business partners and customers for their continued support and encouragement.

Leung Pak To
Chairman
Hong Kong, 21 June 2011

Management Discussion and Analysis

> “to be a branded leader in the Greater China region and beyond through the development of its merchandising, lifestyle, media and entertainment products and services”

Business Review

The acquisition (the “Acquisition”) of the Toon Express Group (“TE Group”) by Imagi International Holdings Limited (the “Company”) was completed on 13 April 2011.

The Acquisition is an important step in achieving the Company’s vision to become a major Asian brand company, through the management of its proprietary animated cartoon brands in the Greater China region and beyond. By working with its strategic and commercial partners, the Group is building on the equity of its core brands like *Pleasant Goat and Big Big Wolf*. The Group seeks to provide consumers with maximum interaction across all lines of business to create shareholder value.

Working with Creative Power Entertaining Limited Liability Company (“CPE”), TE Group’s strategic media content partner, TE Group is able to allow consumers to experience *Pleasant Goat and Big Big Wolf* through a wide range of media products such as animated television and movie productions, publications, costume plays, live stage shows and mobile carnivals. These products are distributed through traditional distribution channels such as theatres, free to air television, paid television, live shows and publications. These traditional delivery channels have been effective in increasing the awareness of our brands in the past. However, (with the exception of live stage shows and mobile carnivals), they tend to restrict the Group’s effort to have a direct interaction with consumers as they are B2B channels as compared to B2C, insofar as the Group is concerned.

With the strong emergence of virtual distribution channels such as internet and mobile telephones, the Group is well positioned to take advantage of the new trend as our media products are well suited to be distributed on a global scale though these new channels. They provide consumers with direct communication opportunities with the Group. The Group will further enhance its B2C initiatives such as revamping its brand websites and Customer Relationship Management systems, introducing online anti-counterfeit verifications and undertaking other Electronic Database Management projects.

As TE Group is now the Company’s main operating entity, all the Company’s resources including the CGI Production Center located in Chai Wan, will be geared towards the development and growth of TE Group’s portfolio.

In August 2010, in furtherance of its merchandise licensing strategy and to seize the momentum generated by *Pleasant Goat and Big Big Wolf*, TE Group entered into a consumer product agreement (“CP Agreement”) with Disney Enterprises, Inc. (“Disney”), whereby TE Group granted Disney an exclusive right as the “Master Licensee” to manage its merchandise licensing business for 10 years from 1 January 2011. Disney has the worldwide exclusive right to use TE Group’s existing intellectual property rights which are licensed to Disney, including *Pleasant Goat and Big Big Wolf*, for the development, design, production and sale of consumer products and publications, among others. Disney is responsible for administering all TE Group's existing licensees, offering TE Group's brands to Disney's existing licensees and signing up new licensees. TE Group remains involved by providing direction, guidance and assistance to Disney, for example, through its Brand Guidelines and Master Style Guide which establish the style and design to be adopted for licensed products. TE Group charges Disney royalties according to the kinds of products in addition to a minimum guarantee which is adjusted periodically. This minimum guarantee can minimise business exposure of TE Group on a global basis and at the same time, is an incitement for its licensees to generate as much licensing income as possible. This agreement with Disney opens up a worldwide network of licensees and allows TE Group to benefit from Disney's economies of scale.

In October 2010, CPE granted Buena Vista International ("BVI"), an affiliate of Disney, a license to telecast the 100 episodes of the TV series "*Pleasant Goat and Big Big Wolf: Joys of the Seasons*" on pay TV non-exclusively in China, and exclusively in 52 territories including Hong Kong, Macau, Taiwan, Australia, New Zealand, Korea, India and Southeast Asia, in English and 17 other local languages. This signals the beginning of a long-term distribution relationship with a global giant and allows TE Group to tap into overseas markets rapidly.

The Acquisition will allow the Group to gear towards the building of a much solid and bigger consumer products licensing business in Greater China and international markets. Together with existing expertise in the production and distribution of internationally acclaimed stereoscopic 3D CGI full featured movies, the Group is well positioned to become a branded family entertainment powerhouse in the Greater China area and beyond. The Acquisition also brings on board the management and creative talents to take the Company to the next level. TE Group has already established a strong merchandising foothold in China with *Pleasant Goat and Big Big Wolf* and will leverage off its first mover advantage to expand into the broader merchandising, lifestyle, media, entertainment and services markets.

Management Discussion and Analysis

Financial Summary of TE Group

For the year ended 31 December 2010, TE Group achieved the following results:

	For the year ended 31 December 2010 HK$'000 (Audited)
Turnover	85,771
Cost of sales	(6,607)
Gross profit	79,164
Operating expenses	(33,482)
Profit from operations	45,682
Finance costs	–
Profit before taxation	45,682
Income tax	(16,558)
Profit for the year	29,124

As of 31 December, 2010, TE Group's summary financial position was as follows:

	As at 31 December 2010 HK$'000 (Audited)
Non-current assets	6,676
Current assets	67,297
Total assets	73,973
Current liabilities	37,987
Non-current liabilities	1,622
Total liabilities	39,609
Net assets	34,364

As stated in the circular to shareholders dated 23 March 2011 (the "Circular"), TE Group's income mainly comprises of royalties derived from its consumer products licensing business and the management fee paid by CPE under the Joint Brand Management Agreement entered into on 15 April 2010. For the year ended 31 December 2010, TE Group's turnover of HK$85,771,000 consisted of licensing income of HK$45,980,000, sales of merchandise of HK$5,879,000 and a management fee from CPE of HK$33,912,000. TE Group's consumer products licensing business covers a wide range of products from food, stationery, toys to beauty products and fashion, to name a few. For the year ended 31 December 2010, the breakdown of turnover by product category is as follows:

	For the year ended 31 December 2010 HK$'000
Food, healthcare and beauty	15,661
Premium, stationery and toys	15,054
Fashion and home	9,826
Publication	1,863
Others	3,576
Total licensing income	45,980

Financial Review

Review of Results

As the Acquisition was completed after 31 March 2011, the results of TE Group were not reflected in the accounts of the Group for the year ended 31 March 2011 (the "Year under Review").

Management Discussion and Analysis

Although the Company is now looking ahead to a bright future, the board of directors of the Company (the "Board") and the new management team have had to assume the responsibility to complete the financial restructuring of the previous operations.

With the implementation of the restructuring programme (the "Restructuring") by the Board since May 2010 and the formation of the new management team in April 2011, the Board is pleased to report that the restructuring of the previous operations has been completed and the financial and accounting effects of the Restructuring have been fully reflected in the results of the year ended 31 March 2011. The Board believes that the legacy of the Company's previous operations will not have any material impact on the Group in the future.

In the Year under Review, the Group recorded a revenue of HK$8.6 million, representing a shrinkage of HK$98.5 million or 92.0% when compared with the previous financial year. Income generated from the provision of CGI animation service amounting to HK$2.3 million and the remaining broadcasting income of *Astro Boy* amounting to HK$6.0 million were the major components of revenue for the Year under Review. In the financial year ended 31 March 2010, more than 98% of the Group's total revenue (being HK$105.7 million) was income derived from broadcasting and licensing the ancillary rights of *Astro Boy*.

Cost of sales of the Group comprises the production cost of the CGI animation projects which generate income for the same reporting year and normally includes staff cost and other attributable direct and indirect costs. It also includes provision for impairment loss for projects which have yet generated income but the expected future income would not fully cover all the production cost relating thereto. With respect to *Astro Boy* (which was launched during the year ended 31 March 2010), the Group made a provision of impairment loss amounting to HK$5.3 million in the Year under Review, being the remainder of the carrying value of *Astro Boy* in the book of accounts of the Group. In the year ended 31 March 2010, an impairment loss of HK$396.2 million was made with respect to *Astro Boy*. As part of the Restructuring, the directors of the Company (the "Directors") decided to focus the Group's resources on Greater China and wanted to reduce the Group's exposure to the production of high-budget CGI animation pictures, especially those with intellectual property rights licensed from third parties. Accordingly, during the Year under Review, the Directors resolved to stop investing further money in the production of the *Gatchaman* animation movie and to make another provision of impairment loss amounting to HK$75.9 million, being the remainder of the carrying value of *Gatchaman* in the book of accounts of the Group. This provision is in addition to a similar provision of HK$382.0 million made in the previous financial year with respect to *Gatchaman*. These provisions wiped the Group's past slate clean, and as a result, *Astro Boy* and *Gatchaman* will no longer have any adverse financial effect on the Group beyond the Year under Review. After taking into account these provisions, the carrying value of CGI animation pictures in the book of accounts of the Group as at 31 March 2011 amounted to approximately HK$10.5 million and was solely attributable to *Cat Tale*, a proprietary property of the Company.

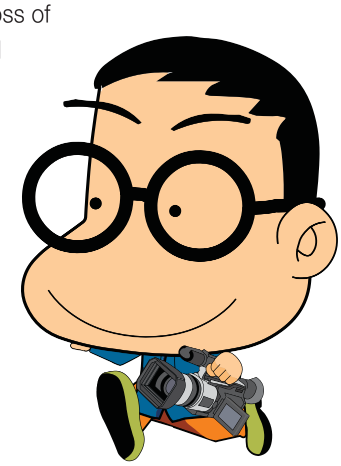
Management Discussion and Analysis

On the positive side, certain items of expenditure incurred in the year ended 31 March 2010 relating to the launch of *Astro Boy* no longer recurred or substantially decreased in the Year under Review. These items include prints and advertising expenses and finance cost.

The closure of the Group's studio in the United States and the streamlining of the one in Hong Kong in the first quarter of 2010 substantially reduced the cost base of the Group. The administrative expenses for the Year under Review substantially reduced to HK$27.5 million, being a reduction of HK$59.2 million or 68.3% when compared with the previous financial year. Other related items of expenditure, including other expenses, impairment loss on goodwill and gain on deconsolidation of subsidiaries, no longer repeated in the Year under Review.

The most salient items in the income statement of the Group for the Year under Review are the losses on the redemption ("Redemption") of prints and advertising loan, a bridge loan and convertible loan notes which in aggregate amounted to HK$501.4 million and contributed to 80.4% of the loss of the Group for the year. As part of the Restructuring, the Redemption was fully settled by a combination of cash, new shares of HK$0.001 each in the share capital of the Company (the "Shares") and options to subscribe for new Shares. According to the prevailing accounting standards applicable to the Group, the new Shares issued and the options granted by the Company had to be accounted for using their respective fair values which in turn were based on the closing price of the Shares as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of issue or grant of the new Shares and the options, being 11 May 2010. Since the closing price of the Shares on 11 May 2010 was exceedingly high (being HK$0.56 per Share as compared to the issue price of such new Shares of HK$0.07 per Share and the exercise price of HK$0.08 per Share for the options), the accounting fair values of the securities issued or granted by the Company were inflated, and the resulting accounting losses due to the Redemption (being the difference between the book value of the liabilities settled and the aggregate amount of the cash paid and the fair values of the securities issued or granted) were extraordinary large. However, such accounting losses were technical in nature and had no impact whatsoever on the cash flow, the liquidity and financial position or the net asset value of the Group.

Loss for the Year under Review amounting to HK$623.6 million, representing a decrease of 54.4% when compared to the loss of HK$1,367.1 million for the previous financial year. Excluding the accounting losses due to the Redemption, the loss for the Year under Review was HK$122.2 million (of which HK$81.2 million was attributable to the provision for impairment loss relating to *Astro Boy* and *Gatchaman*) and represented a decrease of 89.9% compared to the loss of HK$1,211.2 million prepared on the same basis for the previous financial year.



Management Discussion and Analysis

Liquidity and Financial Resources

The liquidity and financial position of the Group as at 31 March 2011 remained healthy and strong, with bank balances amounting to HK$167.2 million and a current ratio of 10.5. Subsequent to the year-end date, the cash and bank balances further increased by HK$123.8 million as a result of the exercise of the options as referred to in paragraph 3 of the section headed "Capital Structure" below.

After repaying its core creditors in May 2010, the Group has become debt-free. As at 31 March 2011, the Group had no bank or other borrowings and therefore had a zero gearing (expressed as a percentage of total borrowings over total capital).

Capital Structure

The Company ceased to have any debt capital in May 2010 after the Restructuring. As at 31 March 2011, the Company had in issue 5,724,907,577 Shares and outstanding options granted in May 2010 to subscribe for 1,629,600,000 Shares at an exercise price of HK$0.08 per Share (subject to adjustments).

Subsequent to the year-end date, the capital of the Company has undergone the following changes.

1. 1,382,857,143 Shares were issued on 13 April 2011 as consideration shares to partially settle the initial consideration of the Acquisition.

2. 1,282,816,000 Shares were issued on 13 April 2011 pursuant to a subscription agreement entered into on 18 February 2011 (the "Subscription") to raise approximately HK$359 million to finance mainly the cash consideration of the Acquisition.

3. 1,629,600,000 Shares were issued pursuant to the options granted by the Company in May 2010. The exercise price of the options was adjusted to HK$0.076 per Share in accordance with the relevant agreements to reflect the dilution effect caused by the Subscription.

4. On 15 April 2011, an option to subscribe for 50,000,000 Shares on or before 31 December 2013 at a subscription price of HK$0.35 per Share was granted to Sevena Holdings Ltd., an affiliate of IDG-Accel China Growth Fund II L.P., as remuneration for introducing potential subscribers to the Company.

As at the date of this annual report, the Company had in issue 10,020,180,720 Shares and an outstanding option to subscribe for 50,000,000 Shares at an exercise price of HK$0.35 per Share.

Management Discussion and Analysis

Charges on Assets

As at 31 March 2011, the Group's entire rights in *Astro Boy* (except for the exploitation rights throughout the territories of China, Hong Kong and Japan) were pledged as collateral to secure a loan granted to a former subsidiary of the Company in the United States for funding the launch of *Astro Boy* in October 2009. This former subsidiary is currently under a procedure called Assignment for the Benefit of Creditor, which is a recognised form of voluntary liquidation in California. The carrying value of *Astro Boy* in the book of accounts of the Group as at 31 March 2011 was nil.

Exposure to Exchange Rates

During the Year under Review, most of the Group's business transactions, assets and liabilities were denominated in Hong Kong dollar, United State dollar or Euro. Presently, the Group does not have any currency hedging policy and has not entered into any hedging or other instrument to reduce currency risks. However, the management will closely monitor the Group's exposure to the fluctuation of exchange rates and take appropriate measures to minimise any adverse impact that may be caused by such fluctuation.

Contingent Liabilities

As at 31 March 2011, the Group had no significant contingent liabilities.

Future Plans and Prospects

To achieve the vision set out in the section headed "Business Review", the Group will undertake a number of strategic initiatives to drive its growth.

Licensing and Marketing Strategic Initiatives

Leverage existing first-mover and leadership position

- *Pleasant Goat and Big Big Wolf* with its status of being the No. 1 Chinese animation brand will continue to utilise its first mover and competitive position to set a benchmark and high standard in animation contents, storytelling techniques, animation quality, deployment of multi delivery channels for brand exposure, development and penetration of consumer products through its licensees.

Continue to expand the "360 Degree" Total Brand Experience

- A Portfolio of Trusted Brands

  In addition to its existing 922 television episodes of *Pleasant Goat and Big Big Wolf* and other brands in its library, TE Group is committed to produce a steady number of new episodes annually to support its portfolio and the planned growth of TE Group in its licensing business. For the next two years, the following are planned.

Management Discussion and Analysis

1) A new sequel of 60 episodes of "*Pleasant Goat and Big Big Wolf : Smart Dodging*" will be released in 2011.

2) Another 100 episodes of "*Pleasant Goat and Big Big Wolf: Happy Happy Bang Bang*" will be released in late 2011 or early 2012.

3) 60 new TV episodes of *Happy Family* will be produced to support the launch of its animated movie which will be launched in the summer of 2012.

4) *Cat Tale* and *Zentrix*, whose intellectual property rights are owned by Imagi, are being reviewed by the Group to determine how they can be revitalized.

- Brand Diversification Initiatives

  — As part of the brand diversification initiatives to target the young adult segment, a real life movie based on the *Big Big Wolf* and *Red Wolf* characters will be produced before 2014 to expand brand appeal to teenagers and young adults.

  — Besides *Pleasant Goat and Big Big Wolf*, an animated featured movie for *Happy Family* will be created, and production is expected to be finished in early 2012 with a target launch in the summer.

- International Broadcast Channel Expansion

  — In terms of TV distribution, CPE has entered into free to air and pay television channels. As part of the market expansion strategy, *Pleasant Goat and Big Big Wolf* can also now be seen in Disney Channel. International broadcast is key to gaining brand awareness to facilitate future consumer products licensing expansion.

Management Discussion and Analysis

- Distribution in Non-traditional Media

  — TE Group and CPE are also actively working with non-traditional media distribution partners to further increase the consumer touchpoints. *Pleasant Goat* and *Big Big Wolf* television products can now be seen via Video on Demand in the United States via www.KyLinTV.com and in the air through Hainan Airlines.

  1) For mobile download, Disney as our master licensee has signed deals for creating the *Pleasant Goat* and *Big Big Wolf* Featured Zone and providing video streaming services in China Mobile.

  2) For online games, Tiancity launched the *Pleasant Goat* and *Big Big Wolf* themed online game Kart Rider on 26 May 2011. *Pleasant Goat* and *Big Big Wolf* themed mini flash games have also been launched in 4399.com, which is the No. 1 mini-game portal in China.

  — Publications represent another crucial delivery channel for the franchise to reach the audience and it is a powerful tool to keep the audience captive and help generate sales in other segments.

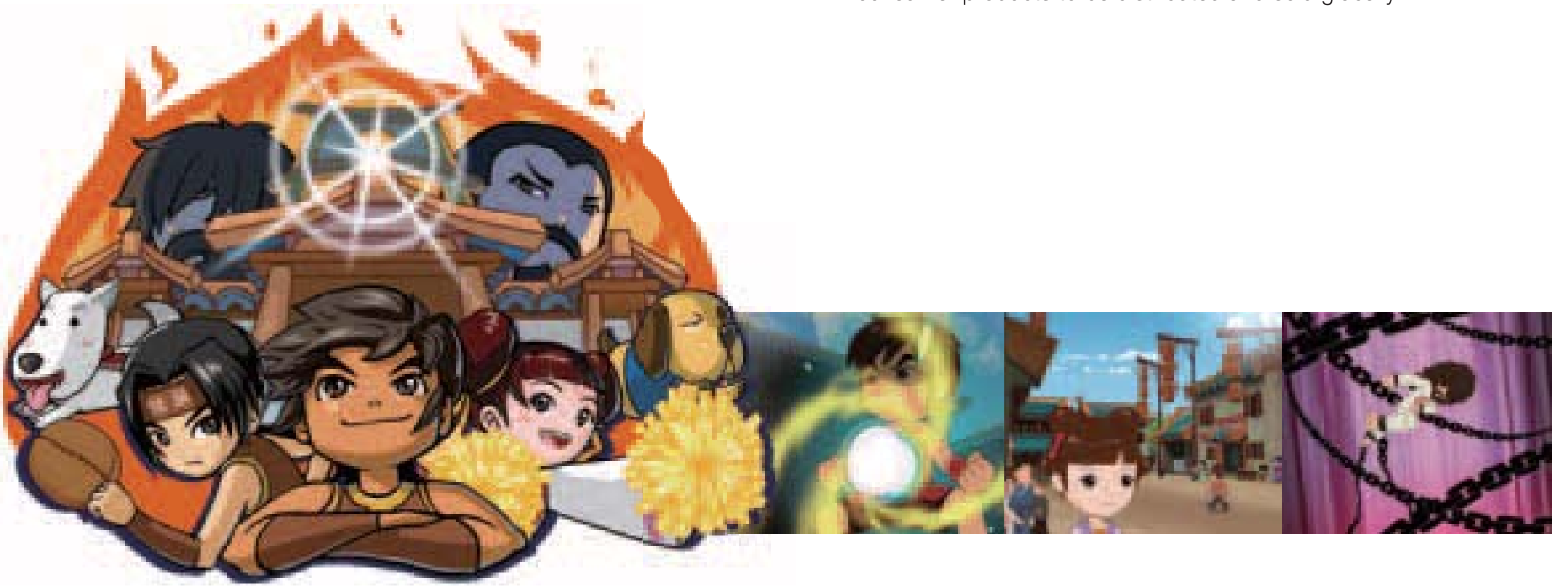
- Carnivals and live shows not only build greater brand awareness but also drive meaningful revenue. CPE is now working in full force to support our licensee Mactus Pte Ltd, an experienced event organiser in Asia, to drive the business in major cities of China for a period of 2 years.

- Building *Pleasant Goat and Big Big Wolf* Foothold in the "Service Category"

  — *Pleasant Goat and Big Big Wolf* Themed Party in chain restaurants, co-operation with maternity or pediatrics ward, etc. are under active exploration for the franchise to mingle with target consumers in all walks of their lives.

Utilise relationships with content developers and Disney for business expansion

- The CP Agreement with Disney has provided the opportunity for *Pleasant Goat and Big Big Wolf*'s consumer products to be distributed and sold globally.



Management Discussion and Analysis

- In terms of consumer product design, teenagers and young adults are also added to the Group's target consumer pool as the Group's fans grow up and the society shifts towards higher family entertainment consumption.

Maintain and strengthen government and industry relationships

- Riding on the No. 1 Chinese animation brand status, TE Group is actively looking at expanding the content of *Pleasant Goat and Big Big Wolf* into the school curriculum, primarily targeting at kindergarten and primary schools both in local and overseas markets.

Synergy with the Chai Wan Production Center to drive future creations and quality improvement

- To allow the Group to compete and sustain in the local and international animation markets, as a first step, the Chai Wan Production Center will be providing technical expertise on 3D Maya effect and stereoscopic 3D for *Pleasant Goat and Big Big Wolf* Movie 5 to meet the industry trend towards 3D graphics and the consumer requirements of quality animation.

Stepping up efforts in protecting intellectual property rights of *Pleasant Goat and Big Big Wolf*

- TE Group places significant emphasis on protecting our intellectual property rights and has embarked on various initiatives, including the adoption of anticounterfeit holograms with all our licensees.

Human Resource Strategic Initiatives

As a result of the merger of Imagi and TE Group, the Group now has 152 employees in Hong Kong, Guangzhou, Shanghai, Singapore and Taipei. The Group recognises that as an intellectual property developer, the development of its human resource talent pool is key to its future growth and will be focusing on the following key objectives in the coming year:

- Restructuring the Group's current organisational structure to maximise the synergy from the enlarged entity.

- Creating a more robust training and development program to cater to the growth of our talent pool.

- Staff Welfare and Development Program to improve retention.

Conclusion

The Group's prospects are never brighter. The ability of the Group to develop content that is widely acceptable by all ages and use the content creatively to reach more and more fans through traditional and new media channels will further enhance shareholder value.

Management Discussion and Analysis

With the brand management team in place for the Greater China region, the Group can now plan and implement more organised and structured on-the-ground marketing support programs. Full-fledged marketing programs are planned for the launch of new TV episodes, annual featured movie, toonwiz.com, consumer relationship management programs, consumer promotions, roadshows, etc. to strengthen brand exposure, create brand momentum and build brand equity. With an increase in consumer touchpoints, the Group targets to create 360 degree interactions with our consumers 365 days a year in both the traditional and non-traditional media to strengthen consumer disposition towards our brands.

For the consumer products licensing business, any investment in new media products or intellectual properties will be critically examined of its ability to create licensing opportunity. On the other hand, the co-operation with Disney via the CP Agreement has seen an improvement in consumer product design, and a stronger ability of the Group to tap into overseas markets, which will help the licensing business, brand exposure and revenue generation of the Group.

With our strategic partner, CPE, our valued partner from the Disney group and synergies from the merger, we are confident that the Group will be able to further strengthen its dominance in the Greater China region, whilst expanding its reach into the Asia Pacific region.

The Restructuring commenced in May 2010 wiped the Group's past slate clean and the Board believes that the legacy of the Company's previous operations will no longer have any material impact on the Group in the future. Barring any unforeseen circumstances, the Acquisition is expected to allow the Group to return to profitability and is a major step forward for the Group to realise its vision of being a branded leader in the Greater China region and beyond, through the development of its merchandising, lifestyle, media and entertainment products and services.

Human Resources

Emolument Policy

Emolument policy is reviewed regularly to ensure compliance of the latest labour laws and market norms. In view of the enactment of the Minimum Wages Ordinance, the Group has reviewed the remuneration package of its Hong Kong staff and considered that the financial effects as a result of the implementation of the initial statutory minimum wages with effect from 1 May 2011 on the Group's performance is immaterial.

Remuneration package of the Directors are recommended by the remuneration committee of the Company and approved by the Board, as authorised by the shareholders at the annual general meeting of the Company. In addition to the basic salaries, incentives in the form of bonus and share options may also be offered to eligible employees on the basis of individual performance and the Group's results.

Employees

The Group employed 62 staff as at 31 March 2011. Subsequent to the completion of the Acquisition, the number of staff of the Group increased to 152 as at the date of this annual report.

Profile of Directors
and Senior Management

Chairman

Mr. Leung Pak To, aged 56, joined the Company as the Chairman and non-executive Director in May 2010. Mr. Leung has over 30 years of experience in investment banking, in particular, the field of corporate finance involving capital raising, mergers and acquisitions, corporate restructuring and reorganisation, investments and other general finance advisory activities in Hong Kong and the PRC. Mr. Leung is currently the Chairman (Greater China) of CVC Asia Pacific Limited, the Vice-Chairman of Yung's Enterprise Holdings Limited. Between June 2001 and July 2006, Mr. Leung was the Chairman of Citigroup Global Markets in Asia. Prior to Citigroup, he was the Chief Executive and Vice Chairman of BNP Paribas Peregrine Ltd. Mr. Leung holds a MBA and an undergraduate degree from the University of Toronto in Canada.

Executive Directors

Mr. Soh Szu Wei, aged 46, joined the Company as an executive Director and chief executive officer of the Company in April 2011. Mr. Soh received his Bachelor of Science (Economics) Degree from University of Oregon, United States and his Master of Business Administration (Accountancy) from the Nanyang Technological University, Singapore. Presently the chief executive officer of Toon Express Hong Kong Limited, he has been working in TE Group since 2009. He has extensive experience in business development and corporate management. Prior to joining TE Group, Mr. Soh served in the public sector in the Singapore Economic Development Board and the Ministry of Trade and Industry. He later left the public sector to work as a principal consultant in PriceWaterhouseCoopers. He has also held the appointment of General Manager of Fraser & Neave Ltd, F&N Coca Cola Group of Companies and Country Manager for British American Tobacco (Singapore, Indochina, Hong Kong, Macau, Mongolia and DPR Korea).

Profile of Directors and Senior Management

Ms. Ma Wai Man, Catherine, aged 45, joined the Company in May 2010 as the company secretary and was appointed as an executive Director in July 2010. Ms. Ma is a graduate of the City University of Hong Kong, a chartered secretary, a fellow of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Ms. Ma has extensive management experience in companies with diversified interests ranging from manufacturing, telecommunications to infrastructure and property investments. She has previously held executive directorships in a number of companies listed on local and overseas stock exchanges.

Non-Executive Directors

Mr. Chong Meng Tak, Christopher, aged 52, joined the Company as a non-executive Director in April 2011. Mr. Chong obtained a Bachelor of Science in Economics (First Honours) from the University College of Wales in 1979, a MBA from the London Business School in 1985 and completed the Australia Institute of Company Directors' post graduate diploma course in 2005. He is a member of the Institute of Chartered Accountants of Scotland, a fellow and ex-Honorary Secretary of Hong Kong Institute of Investment Analysts, a master stockbroker of the Australian Securities, Investment & Derivatives Association and a fellow of Hong Kong Institute of Certified Public Accountants, Australia Institute of Certified Public Accountants, Australia Institute of Company Directors and Singapore Institute of Directors. Mr. Chong serves on the committee of Temasek Holdings Limited's Stewardship and Corporate Governance Centre (Singapore) and is a senior expert witness to the Commercial Affairs Department and the Monetary Authority of Singapore with respect to Singapore's securities law.

Mr. Chong has extensive experience in accounting, finance, equity research and corporate governance. He was a senior accountant at Ernst & Whitney London (now Ernst & Young), senior analyst at Jardine Fleming (now JP Morgan), Executive Director of James Capel Asia (now HSBC Securities), Executive Director of Kay Hian James Capel (now UOB Kay Hian) and Managing Director of HSBC Securities (Singapore). He is the co-founder and partner of ACH Investments Pte Ltd, a corporate advisory firm registered with the Monetary Authority of Singapore.

Mr. Yang Fei, aged 53, joined the Company as a non-executive Director in April 2011. Mr. Yang graduated from Sun Yat Sen University with a Bachelor of Science degree in 1982 and a master degree in 1989. He started in IDG Capital Partners in 1997 and is currently a general partner of IDG Capital Partners. Previously he was the Director of IPO Division of Guangdong Government Securities Regulatory Commission, Vice President of Guangdong United Future Exchange and the Director of Consultant Division of Guangdong Foreign Trade and Economy Institute. Mr. Yang was also engaged in the research of the PRC economy, having worked on the project of "Strategy of Pushing Area Economy Forward" awarded in 1996 by the central government of the PRC.

Independent Non-Executive Directors

Mr. Chan Yuk Sang, aged 65, joined the Company as an independent non-executive Director in May 2010. Mr. Chan has more than 30 years of experience in the banking and finance industry. He was the chairman of Century Legend (Holdings) Limited from September 1999 to July 2002 and a director of Hong Kong Building & Loan Agency Ltd. from 1993 to 1995, both are companies listed on the Stock Exchange. He was a senior general manager of a local bank and an executive director of a joint Chinese foreign bank in Shenzhen.

On 21 April 2011, Mr. Chan was appointed as an independent non-executive director of Opes Asia Development Limited, the shares of which are listed on the Stock Exchange.

Profile of Directors and Senior Management

Mr. Cheng Yuk Wo, aged 50, joined the Company as an independent non-executive Director in July 2010. Mr. Cheng is a fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants of Ontario, Canada. He is the managing director of a certified public accounting practice limited and the proprietor of a certified public accountant practice in Hong Kong. Mr. Cheng holds a Master of Science (Economics) degree in Accounting and Finance and a Bachelor of Arts (Honours) degree in Accounting.

On 30 November 2010, Mr. Cheng was appointed as an independent non-executive director of Top Spring International Holdings Limited, the shares of which are listed on the Stock Exchange.

Dr. Lam Lee G., aged 51, joined the Company as an independent non-executive Director in May 2010. Dr. Lam holds a Bachelor of Science in Mathematics and Sciences, a Master of Science in Systems Science and a Master of Business Administration, all from the University of Ottawa in Canada, a Post-graduate Diploma in Public Administration from Carleton University in Canada, a Post-graduate Diploma in English and Hong Kong Law and a Bachelor of Law (Hons) from Manchester Metropolitan University in the U.K., a PCLL in Law from the City University of Hong Kong, a Certificate in Professional Accountancy from the Chinese University of Hong Kong SCS, a LLM in Law from the University of Wolverhampton in the U.K. and a Doctor of Philosophy from the University of Hong Kong.

Dr. Lam has over 28 years of multinational general management, corporate governance, investment banking and direct investment experience in the telecommunications, media and technology (TMT), retail/consumer, property/hotel and financial services sectors and is Chairman-Hong Kong, Chairman-Vietnam and Senior Adviser-Asia of Macquarie Capital (Hong Kong) Limited. Having served as a Part-time Member of the Central Policy Unit of the Government of the Hong

Profile of Directors and Senior Management

Kong Special Administrative Region for two terms, Dr. Lam is a Member of the Jilin Province Committee of the Chinese People's Political Consultative Committee (and a former Specially-invited Member of the Zhejiang Province Committee), a Member of Hong Kong Institute of Bankers, a Board Member of the East-West Center Foundation, a Member of the Young Presidents' Organisation, a Member of the Chief Executives Organisation, a Fellow of the Hong Kong Institute of Directors, a Fellow of the Hong Kong Institute of Arbitrators, a Member of the General Committee and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies, a Vice President of the Hong Kong Association for the Advancement of Real Estate and Construction Technology, a founding Board Member and the Honorary Treasurer of the Hong Kong-Vietnam Chamber of Commerce, Chairman of Monte Jade Science and Technology Association of Hong Kong and a Visiting Professor (in the subjects of corporate governance and investment banking) at the School of Economics & Management of Tsinghua University in Beijing.

Dr. Lam resigned as an independent non-executive director of China.com Inc., Finet Group Limited and Sino Resources Group Limited, all are companies listed on the Stock Exchange, with effect from 23 March 2011, 25 January 2011 and 23 March 2011 respectively. He was also appointed as an independent non-executive director of TMC Life Sciences Berhad (a company listed on the Main Board of the Malaysia Stock Exchange) on 22 December 2010.

Senior Management

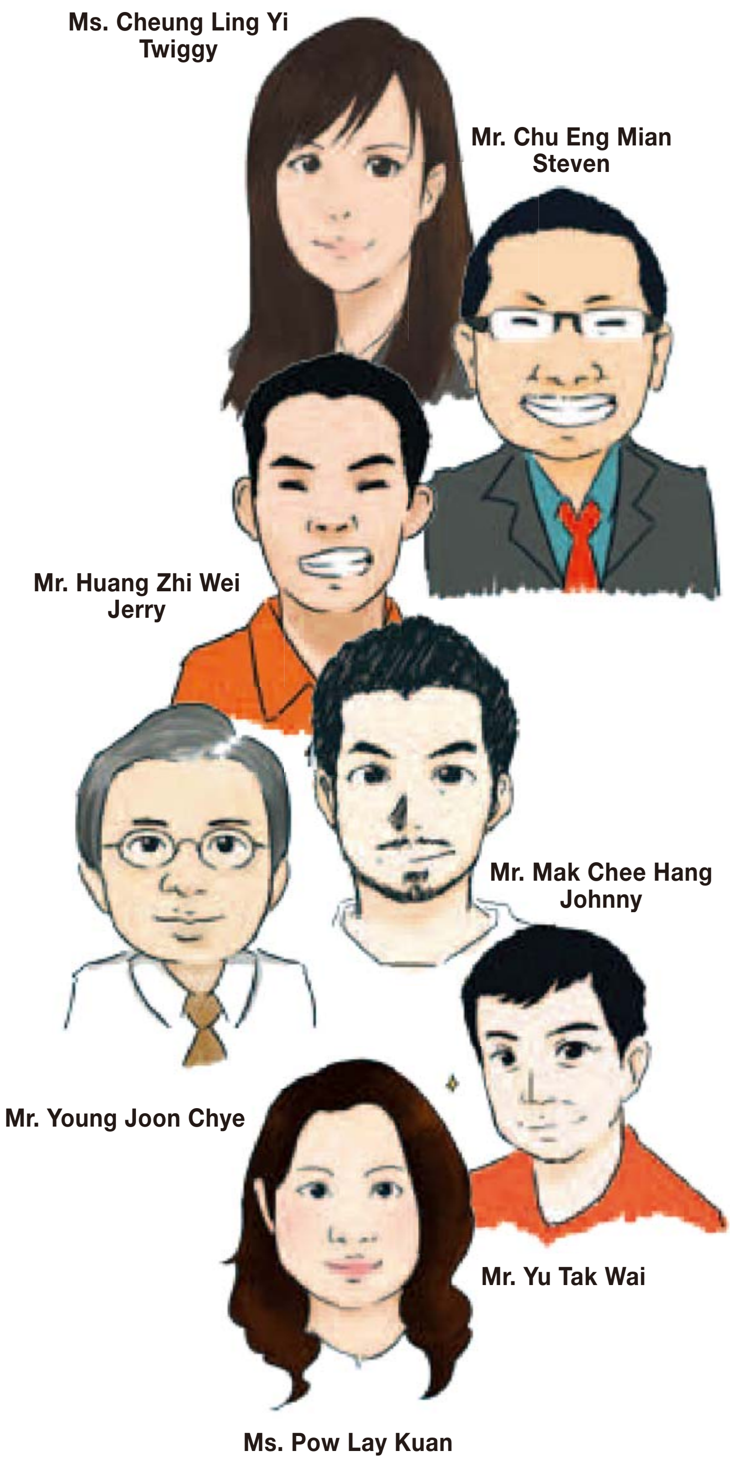
Mr. Lai Seck Khui, aged 58, joined TE Group in April 2009 and is a non-executive director of companies in TE Group. Mr. Lai graduated from the University of Birmingham, UK with a first class honours Bachelor degree in Electronic Engineering in 1974. He also holds Master degrees in Industrial Engineering from the National University of Singapore, Public Administration from Harvard University, USA and Business Administration from Deakin University, Australia. Mr. Lai is a Chartered Engineer and Corporate Member of the Institution of Engineering Technology, UK. He had held senior corporate appointments in Singapore, Malaysia, Australia, Thailand, Hong Kong, UK and US companies. Mr. Lai was the President and CEO of Times Publishing Group, and Chief Operating Officer (New Ventures and Strategic Planning) of the Fraser and Neave Group prior to his retirement from operational management in 2006. Mr. Lai had also served as Board member in Singapore statutory boards, and non-executive director of public-listed companies in Singapore, Malaysia and Hong Kong. Prior to joining the private sector, he had served as the Deputy Secretary in the Ministry of Trade and Industry and had held senior staff and command appointments in the Singapore Armed Forces and the Ministry of Defence.

Mr. Lo Wing Keung, aged 52, has been appointed as the Senior Advisor of TE Group since September 2009. Mr. Lo is one of the founders of TE Group and has more than three decades experience in the entertainment and broadcast industry in mainland China and Hong Kong. Mr. Lo started in Hong Kong's TVB and ventured into mainland China in the early 1990s creating television series and movies. Mr. Lo is also a well known music composer.

Mr. So Wing Lok, Jonathan, aged 45, is one of the founders of TE Group and has been appointed the Senior Advisor of TE Group since September 2009. Mr. So graduated from the Hong Kong Baptist College and has developed strong expertise in the manufacturing and business development of toys, gifts, publications, food ware, apparels and accessories.

Mr. Chan Kin Wa, Desmond, aged 34, is the Executive Producer of Imagi Studio. Mr. Chan holds a Masters Degree in Computer Animation from Teesside University, England. Prior to joining the Group in 2005, he held a broad range of positions with a number of studios in Hong Kong. Mr. Chan is skilled in project management, programme and other animation technical issues.

Profile of Directors and Senior Management



Ms. Cheung Ling Yi, Twiggy, aged 45, is the Chief Marketing Officer of the Group and the Chief Operating Officer of TE Group. Ms. Cheung joined TE Group in September 2010. She graduated from the University of Hong Kong with a bachelor degree in Arts and a MBA from the Manchester Business School, UK. Ms. Cheung has started her career in sales and marketing of FMCG products since 1991 for markets like Hong Kong, China and Taiwan with companies likes British American Tobacco and Tittot Glass Art.

Mr. Chu Eng Mian, Steven, aged 54, is the Chief Information Officer of the Group and the Chief Operating Officer of an operating subsidiary of the Group, Imagi Services Limited. He joined TE Group in March 2011. Mr. Chu graduated from RMIT University, Australia, with a Distinction Degree in Business Administration (Information Technology). He has more than 25 years of diversified IT experience covering regional IT management, vendor management, IT outsourcing service modeling and management, ERP system implementations and ICT standardisations. He has served both private and public sectors, with industry coverage as diverse as government, white goods, industrial, banking, electronics, IT and tobacco. The companies he has worked with included AIA, American Express Bank, Whirlpool Asia Pacific, Vickers Systems, Fuji Xerox, British American Tobacco, 3Com, Carrier and Government of Singapore (Monetary Authority and Infocomm Development Authority).

Mr. Huang Zhi Wei, Jerry, aged 28, is the Legal Counsel of the Group. He joined TE Group in March 2010. Mr. Huang graduated from the Guangdong University of Foreign Studies with a Bachelor Degree in Law. Mr. Huang has been working in the legal professions for more than six years. The companies he had served include Guangdong Trust Law Firm, HSBC Compliance Department, Lehman and Lee & Xu. Mr. Huang has the expertise in the intellectual property protection.

Profile of Directors and Senior Management

Mr. Mak Chee Hang, Johnny, aged 36, is the Head of Technical Operations of Imagi Studio. Mr. Mak joined the Group in 2003 and is responsible for establishing and designing the production pipeline. Currently, he is responsible for the studio's overall technical agenda. He leads the IT, R&D and Production Engineer team and manages the overall proprietary tools development and the Group's IT assets as well as its key operational processes. Mr. Mak has over 10 years of experience in computer games production and computer graphic technology. He holds a bachelor's degree in Computer Science from Macquarie University, Australia and a Master of Technology from the University of New South Wales, Australia.

Mr. Young Joon Chye, aged 39, joined TE Group as the General Manager, Finance in November 2009 and is a non-executive director of companies in TE Group. After graduating with an Accounting degree from Curtin University of Technology in Perth, Australia, Mr. Young embarked his auditing career in KPMG Singapore. During his stint in KPMG, Mr. Young has worked with public and private institutions and industries from finance, manufacturing, healthcare to construction. After KPMG, Mr. Young has worked under the Parkway Health Group, Fraser & Neave Limited and British American Tobacco. His working experience ranged from finance, business development and operations.

Mr. Yu Tak Wai, aged 47, is the Creative Director of the Group. He joined TE Group in September 2009. Mr. Yu graduated from the Hong Kong Baptist University with a honour diploma in Geography. He has more than 20 years working experience in the creative and production areas of TV and mass media. He has worked with HK TVB, HK ATV, Red Muse Entertainment Ltd China as script supervisor and creative director, and till now he has produced more than 20 TV dramas and cartoons in the PRC.

Ms. Pow Lay Kuan, aged 45, is a non-executive director of an operating subsidiary of TE Group. She joined TE Group in September 2009. Ms. Pow graduated from National University of Singapore, with a BBA in Business Administration. Ms. Pow has more than 20 years in retail operations, wholesale and merchandising. Her key strength lies in developing new businesses in Asia Pacific, including Greater China. Ms. Pow has held senior positions in many key retail companies, Esprit International, The Body Shop Asia Pacific Ltd, Dickson Trading Pte Ltd and DVS Venture Singapore Pte Ltd. Her previous role as Regional Director, Asia Pacific for Esprit International has equipped her with market knowledge covering Asia, India, Australia/New Zealand, Middle East and South Africa. Ms. Pow has held directorship in retail companies that she worked in. Upto June 2011, Ms. Pow was the Chief Operating Officer of TE Group and was instrumental in driving the consumer business. Ms. Pow is currently on secondment to a sub licensee as its Chief Executive Officer, who will be driving the establishment of the *Pleasant Goat and Big Big Wolf* retail outlets.

Corporate Governance Report

Corporate Governance Practices

The Board considers that good corporate governance is essential for enhancing accountability and transparency of a company to the investing public and other stakeholders. Therefore, the Company commits to maintain high standard corporate governance practices and has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 March 2011 except for the deviations described below.

On 1 April 2010, the Company had only one executive Director, Mr. Phoon Chiong Kit, and one independent non-executive Director, Mr. Ng See Yuen, and therefore failed to comply with:

(1) Rule 3.10 of the Listing Rules which set out that the minimum number of independent non-executive directors is three and that at least one of them must have appropriate professional qualification;

(2) Rule 3.21 of the Listing Rules which requires that the audit committee must comprise a minimum of three members;

(3) Code A.2.1 of the CG Code which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual; and

(4) Code B.1.1 of the CG Code in respect of the composition of the remuneration committee.

Subsequent to 1 April 2010, the Board and its committees have made the following changes and henceforth the Company has fulfilled the requirements under the above-mentioned Listing Rules and CG Codes:

(a) both Mr. Phoon and Mr. Ng resigned as Directors in May 2010;

(b) on 11 May 2010, Mr. Chan Yuk Sang and Dr. Lam Lee G. were appointed as independent non-executive Directors and members of the audit committee of the Company;

(c) Mr. Leung Pak To was appointed as Chairman of the Company and non-executive Director on 18 May 2010;

(d) Ms. Ma Wai Man, Catherine was appointed as an executive Director on 1 July 2010 and since then, has also taken up the function of chief executive officer. Mr. Cheng Yuk Wo, who possesses accounting professional qualifications, was appointed as an independent non-executive Director and a member of the audit committee on 1 July 2010; and

(e) by a resolution passed by the Directors on 6 July 2010, the remuneration committee of the Company was reorganised. Ms. Ma Wai Man, Catherine was nominated as the chairman of the remuneration committee and Mr. Chan Yuk Sang, Mr. Cheng Yuk Wo and Dr. Lam Lee G. were appointed as members.

Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as its own code of conduct regarding the Directors' securities transaction. In response to the specific enquiry made by the Company, all the existing Directors confirmed that they fully complied with the Model Code throughout the year.

Corporate Governance Report

Board of Directors

The Board is vested with the key roles of formulating the Group's corporate strategic directions and policies; monitoring the financial performance and internal control system of the Group and overseeing the performance of management, who is delegated with the responsibilities of executing the Board's decision and in-charging day-to-day operation. In discharging its responsibilities, the Board meets regularly and acts in good faith, with due diligence and care.

The Directors acknowledge their responsibility for preparing the financial statements of the Company. The statement made by the auditor of the Company regarding their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 36 to 37 of this annual report.

Subsequent to year-end date, on 13 April 2011, Mr. Soh Sze Wei was appointed as an executive Director and both of Mr. Chong Meng Tak, Christopher and Mr. Yang Fei were appointed as a non-executive Director.

The Board currently comprises two executive Directors, three non-executive Directors and three independent non-executive Directors, whose biographies are set out on pages 18 to 23 of this annual report. All the Directors are high caliber executives with diversified industry expertise and bring a wide range of skills and experience to the Group. The composition of the Board and their respective attendance in the Board meetings and other committee meetings during the year ended 31 March 2011 are as follows:

	No. of meetings attended/held during the respective tenure		
	Regular full board meetings (note)	**Audit Committee meetings**	**Remuneration Committee meetings**
Chairman			
Leung Pak To	3/3	n/a	n/a
Executive Directors			
Ma Wai Man, Catherine	3/3	n/a	2/2
Phoon Chiong Kit	–	n/a	–
Independent Non-executive Directors			
Chan Yuk Sang	3/3	2/2	2/2
Cheng Yuk Wo	3/3	2/2	2/2
Lam Lee G.	3/3	2/2	2/2
Ng See Yuen	–	–	n/a

Note: Only three full Board meetings have been held in the year ended 31 March 2011 subsequent to the appointment of an executive Director and sufficient number of independent non-executive Directors in July 2010.

Chairman and Chief Executive Officer

The Chairman provides leadership for the Board and ensures that the Board works effectively and discharges its responsibility whilst the chief executive officer has overall chief executive responsibility for the Group's business development and day-to-day management generally.

On 18 May 2010, Mr. Leung Pak To was appointed as the Chairman of the Company to lead the Board. Ms. Ma Wai Man, Catherine was appointed as an executive Director on 1 July 2010 and also took up the function of chief executive office until the formal appointment of Mr. Soh Szu Wei as the chief executive office of the Group on 13 April 2011.

Non-executive Directors

None of the non-executive directors of the Company is appointed for specific term which deviates from Code A.4.1 of the CG Code. However, in accordance with the bye-laws of the Company (the "Bye-laws"), one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Board therefore considers that sufficient measures have been in place to ensure that the Company's corporate governance practices are no less exacting than the CG Code.

Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Cheng Yuk Wo (committee chairman), Mr. Chan Yuk Sang and Dr. Lam Lee G.. The main role and functions of the Audit Committee include, among others, to review the financial information of the Company, to oversee the Company's financial reporting system and internal control procedure and to maintain relations with the auditor of the Company.

In the year ended 31 March 2011, the Audit Committee held two meetings, both of which were attended by Mr. Cheng Yuk Wo, Mr. Chan Yuk Sang and Dr. Lam Lee G.. During the meetings, the annual results of the Group for the year ended 31 March 2010 and the interim results of the Group for the six months ended 30 September 2010 were reviewed with the auditor of the Company.

Remuneration Committee

The Remuneration Committee of the Company was set up with key responsibilities, among others, of recommending the policy and structure for remuneration of Directors and senior management and determining the remuneration package of executive Directors and senior management.

As at 31 March 2011, the Remuneration Committee composed of Ms. Ma Wai Man, Catherine (committee chairman), Mr. Chan Yuk Sang, Mr. Cheng Yuk Wo and Dr. Lam Lee G.. On 13 April 2011, Mr. Soh Szu Wei was nominated as a member and the chairman of the Remuneration Committee whilst Ms. Ma stepped down from being the chairman but remains as a member. The committee member met twice in the year ended 31 March 2011, one for reviewing the remuneration of the Directors and the overall remuneration package and benefits of the employees of the Group and the other for discussing the remuneration package of Mr. Soh Szu Wei.

Nomination of Directors

The Company has not established a nomination committee. The Board as a whole is responsible for considering and approving the appointment of its members and will meet to discuss when nomination of new director(s) is received or when circumstances require. In considering the suitability of a candidate for directorship, the Board will take into account the candidate's qualification, experience, expertise and knowledge as well as the prevailing composition, structure and size of the Board and the requirements under the Listing Rules.

Internal Controls

The Board acknowledges that an effective internal control system which is designed to monitor and response appropriately to significant risk, to safeguard assets, to provide reasonable assurance from fraud and errors and to ensure compliance of applicable law and regulations is essential for effective and efficient operations of a company. Furthermore, the internal control system is designed to manage rather than eliminate the risk of failure and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has in place an effective internal control system which encompasses sound control environment, appropriate segregation of duties, well-defined policies and procedures, close monitoring and is reviewed and enhanced by the management at regular intervals.

The Board has regularly engaged independent accountancy firm to conduct evaluation on the effectiveness of the internal control system of the Group and, in particular, the production cycle was reviewed for the year ended 31 March 2011. Based on the report on the findings which include recommendations for further improvement, the Board satisfies that the Group has operated an effective internal control system during the year under review.

Auditor's Remuneration

During the year ended 31 March 2011, remuneration in respect of audit and non-audit services provided by the auditor of the Company to the Group amounted to approximately HK$2,230,000 and HK$1,790,000 respectively.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2011.

Principal Activities

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 39 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 March 2011 are set out in the consolidated statement of comprehensive income on page 38.

The Directors do not recommend the payment of a dividend for the year.

Financial Summary

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 108.

Property, Plant and Equipment

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

Share Capital

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

Purchase, Sale or Redemption of Securities

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

Reserves

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 40 and note 37 to the financial statements respectively. As at 31 March 2011, the Company did not have any reserves available for distribution.

Directors' Report

Directors

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

Chairman and non-executive Director

Mr. Leung Pak To	(appointed on 18 May 2010)

Executive Directors

Mr. Soh Szu Wei	(appointed on 13 April 2011)
Ms. Ma Wai Man, Catherine	(appointed on 1 July 2010)
Mr. Phoon Chiong Kit	(resigned on 18 May 2010)

Non-executive Directors

Mr. Chong Meng Tak, Christopher	(appointed on 13 April 2011)
Mr. Yang Fei	(appointed on 13 April 2011)

Independent Non-executive Directors

Mr. Chan Yuk Sang	(appointed on 11 May 2010)
Mr. Cheng Yuk Wo	(appointed on 1 July 2010)
Dr. Lam Lee G.	(appointed on 11 May 2010)
Mr. Ng See Yuen	(resigned on 13 May 2010)

In accordance with Bye-law 86(2) of the Bye-laws, Mr. Soh Szu Wei, Mr. Chong Meng Tak, Christopher and Mr. Yang Fei, who were appointed as Directors by the Board after the annual general meeting held by the Company in year 2010, will hold office until the forthcoming annual general meeting. They, being eligible, offer themselves for re-election. The Directors retiring by rotation in accordance with Bye-law 87 of the Bye-laws are Mr. Chan Yuk Sang and Dr. Lam Lee G., both of them will, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

The non-executive Directors are subject to retirement by rotation in accordance with the Bye-laws.

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

Directors' Interests in Securities

As at 31 March 2011, the interests and short positions of the Directors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations were as follows:

Long positions in the Shares and underlying Shares of the Company

Name of Director	Capacity	Number of Shares	Number of underlying Shares	% of the issued share capital (note 1)
Leung Pak To	Interest of controlled corporation	1,200,000,000 (note 2)	–	20.96%
		–	1,500,000,000 (note 3)	26.20%

Notes:

1. It was based on 5,724,907,577 Shares in issue as at 31 March 2011.

2. The Shares were held by Idea Talent Limited ("ITL"), a company owned as to 93.75% by Grandwin Enterprises Limited which in turn was wholly and beneficially owned by Mr. Leung Pak To as at 31 March 2011.

3. The underlying Shares represented the Shares that might be issued to ITL pursuant to an option agreement approved by the shareholders of the Company on 16 April 2010. Subsequent to the year-end date, ITL exercised the option to subscribe for 1,500,000,000 Shares at an adjusted subscription price of HK$0.076 per Share on 13 April 2011 and was then owned as to 75% by Grandwin Enterprises Limited.

Save as disclosed above, as at 31 March 2011, none of the Directors or chief executive of the Company or any of their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Arrangements to Purchase Shares or Debentures

Save for the option holding as disclosed above in the section "Directors' Interests in Securities", at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debenture of, the Company or any other body corporate.

Directors' Interests in Contracts of Significance

Save as disclosed in note 35 to the financial statements and the section "Directors' Interests in Securities" above, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Substantial Shareholders

As at 31 March 2011, so far as was known to the Directors, the interests and short positions of those person (other than the Directors and chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company were as follows:

Long positions in the Shares and underlying Shares of the Company

Name	Capacity	Number of Shares	Number of underlying Shares	% of the issued share capital (note 1)
Idea Talent Limited	Beneficial owner	1,200,000,000	–	20.96%
		–	1,500,000,000 (note 3)	26.20%
Grandwin Enterprises Limited	Interest in controlled corporation	1,200,000,000 (note 2)	–	20.96%
		–	1,500,000,000 (note 3)	26.20%
Better Lead Limited	Interest in controlled corporation	1,200,000,000 (note 2)	–	20.96%
		–	1,500,000,000 (note 3)	26.20%
Chung Cho Yee, Mico	Interest in controlled corporation	1,200,000,000 (note 2)	–	20.96%
		–	1,500,000,000 (note 3)	26.20%
Trophy Fund	Beneficial owner	591,122,397	–	10.33%
Trophy Asset Management Limited ("Trophy Asset")	Investment manager	591,122,397 (note 4)	–	10.33%
Winnington Capital Limited ("Winnington")	Beneficial owner	59,066,237	–	1.03%
	Investment manager	591,122,397 (note 4)	–	10.33%
Hung Kam Biu ("Mr. Hung")	Beneficial owner	1,414,194	–	0.02%
	Interest in controlled corporation	650,188,634 (note 5)	–	11.36%
Chu Jocelyn ("Ms. Chu")	Interest of spouse	1,414,194 (note 5)	–	0.02%
	Interest in controlled corporation	650,188,634 (note 5)	–	11.36%
Citigroup Inc.	Lending agent	64,600	–	0.00%
	Person having a security interest in shares	361,994,075	–	6.32%

Notes:

1. It was based on 5,724,907,577 Shares in issue as at 31 March 2011.

2. The Shares were held by ITL, a company owned as to 93.75% by Grandwin Enterprises Limited, which in turn was wholly and beneficially owned by Mr. Leung Pak To, and as to 6.25% by Better Lead Limited, which in turn was wholly and beneficially owned by Mr. Chung Cho Yee, Mico as at 31 March 2011.

3. The underlying Shares represented the Shares that might be issued to ITL pursuant to an option agreement approved by the shareholders of the Company on 16 April 2010. Subsequent to the year-end date, ITL exercised the option to subscribe for 1,500,000,000 Shares at an adjusted subscription price of HK$0.076 per Share on 13 April 2011 and was then owned as to 75% by Grandwin Enterprises Limited and as to 25% by Better Lead Limited.

4. To the Directors' best knowledge, Trophy Fund is managed by Trophy Asset and is also advised by Winnington. Therefore, both Trophy Asset and Winnington were deemed to have interest in the 591,122,397 Shares beneficially owned by Trophy Fund.

5. To the Directors' best knowledge, as at 31 March 2011, Trophy Asset was wholly owned by Mr. Hung whilst Winnington was 50% owned by each of Mr. Hung and his wife, Ms. Chu. Hence, both Mr. Hung and Ms. Chu were deemed to have interest in the 59,066,237 Shares held by Winningon and the 591,122,397 Shares beneficially owned by Trophy Fund.

Save as disclosed above, as at 31 March 2011, so far as was known to the Directors, no other persons (other than the Directors or chief executive of the Company) had any interests or short positions in the Shares or underlying Shares of the Company representing five percent or more in the issued share capital of the Company and as recorded in the register required to be kept under Section 336 of the SFO.

Share Options

Particulars of the share option scheme adopted by the Company are set out in note 29 to the financial statements. Movement of the share options under the share option scheme during the year were as follows:

	Date of grant	Vesting period	Exercise period	Exercise price per Share (note) HK$	Number of share options: As at 1 April 2010	Adjustments (note)	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited during the year	As at 31 March 2011
Former Directors											
Douglas Esse Glen	09.10.2006	nil to 5 years	5 years	5.590	5,510,880	(4,959,792)	–	–	(495,979)	(55,109)	–
	07.04.2008	2.74 to 4.74 years	5 years	4.737	3,306,528	(2,975,875)	–	–	(330,653)	–	–
	29.12.2008	nil to 1 year	5 years	0.875	7,715,232	(6,943,709)	–	–	–	(771,523)	–
Ng See Yuen	22.07.2008	1 to 4 years	5 years	1.870	551,088	(321,196)	–	–	(174,718)	(55,174)	–
	21.08.2009	1 to 3 years	5 years	0.755	1,500,000	(874,260)	–	–	(625,740)	–	–
Phoon Chiong Kit	21.08.2009	1 to 3 years	5 years	0.755	10,000,000	(5,828,402)	–	–	(4,171,598)	–	–
William Montgomerie Courtauld	21.08.2009	1 to 3 years	5 years	0.755	2,000,000	(1,165,680)	–	–	(834,320)	–	–
					30,583,728	(23,068,914)	–	–	(6,633,008)	(881,806)	–
Employees	21.08.2009	1 to 3 years	5 years	0.755	18,412,000	(14,492,135)	–	–	(2,870,124)	(73,589)	976,152
	17.11.2009	nil to 3 years	3 to 5 years	0.755	4,368,392	(3,763,755)	–	–	–	(531,069)	73,568
					22,780,392	(18,255,890)	–	–	(2,870,124)	(604,658)	1,049,720
Consultant	12.01.2009	0.05 to 1.97 years	5 years	0.897	5,510,880	(3,211,963)	–	–	–	(2,298,917)	–
					58,875,000	(44,536,767)	–	–	(9,503,132)	(3,785,381)	1,049,720

Note: The exercise prices and numbers of share options were adjusted to reflect the share consolidation and the rights issue of the Company effected during the year ended 31 March 2011 (details of which are set out in note 2 to the financial statements).

Connected Transactions

Loan Restructuring with Core Creditors

On 10 February 2010, the Company entered into an intercreditors' agreement (the "Intercreditors' Agreement") with, among others, its core creditors, namely Goodyear Group Limited, Trophy LV Master Fund, Trophy Fund and Fortunate City Investment Limited, pursuant to which the core creditors agreed, subject to the fulfillment of certain conditions, to accept in full settlement of their respective debts by a combination of (i) cash settlement; (ii) issue of conversion shares; and (iii) grant of options to subscribe Shares at a price of HK$0.08 per Share (subject to adjustment) pursuant to the respective option agreements entered into on 10 February 2010 (the "Option Agreements") as follows:

Creditors	Respective debts HK$	Cash settlement amount HK$	Number of conversion shares	Number of option shares
Goodyear Group Limited	94,000,000	24,498,832	277,477,800	145,300,000
Trophy LV Master Fund	38,000,000	9,903,783	112,171,900	61,200,000
Trophy Fund	19,983,160	6,312,033	71,491,100	63,900,000
Fortunate City Investment Limited	89,125,000	29,035,351	328,859,200	129,600,000

The Intercreditors' Agreement was part of the transactions executed by the Company in February 2010 to restructure its balance sheet and recapitalise the Group so as to restore the long-term viability of the Group. Details of the Intercreditors' Agreement and the Option Agreements are set out in the circular of the Company dated 24 March 2010.

Trophy Fund is a substantial shareholder of the Company and Goodyear Group Limited is a wholly owned subsidiary of Trophy Fund. Both Trophy Fund and Trophy LV Master Fund are managed by Trophy Asset Management Limited. Accordingly, the transactions between the Company and each of Trophy Fund, Trophy LV Master Fund and Goodyear Group Limited pursuant to the Intercreditors' Agreement and the respective Option Agreements constituted connected transactions of the Company under the Listing Rules.

The Intercreditors' Agreement and the Option Agreements were approved in a special general meeting of the Company held on 16 April 2010 and were completed on 11 May 2010. Furthermore, up to the date of this report, options granted under the Option Agreements were fully exercised.

Engagement of Luminary Capital Limited

Pursuant to an engagement agreement entered into on 18 February 2011, the Company appointed Luminary Capital Limited ("Luminary") as the financial advisor to provide financial and strategic advices to the Company in respect of the Acquisition and the Subscription for a fee of HK$5,000,000 payable in cash on completion of the Acquisition.

Luminary is wholly owned by Mr. Leung Pak To, the Chairman and a non-executive Director of the Company. Furthermore, Mr. Leung is an indirect major shareholder of ITL, which in turn is a substantial shareholder of the Company. Therefore, the engagement of Luminary constituted a connected transaction of the Company under the Listing Rules. As each of the applicable percentage ratios (as defined in the Listing Rules) was less than 25% and the total consideration was less than HK$10,000,000, the engagement was only subject to reporting and announcement requirement and was exempt from the independent shareholders' approval requirement under the Listing Rules.

Major Customers and Suppliers

For the year ended 31 March 2011, the percentage of revenue of the Group attributable to the largest customer and the five largest customers combined are 62.2% and 85.7% respectively. Due to the nature of the Group's business, no supply of raw materials or finished products is required for carrying out the Group's business and therefore there is no relevant information in respect of the major suppliers.

None of the Directors, their associates or shareholders of the Company (who or which, to the best knowledge of the Directors, owns more than five percent of the issued share capital of Company) had any interest in the five largest customers of the Group.

Pre-emptive Rights

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

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

Auditor

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

On behalf of the Board
Soh Szu Wei
Executive Director & Chief Executive Officer

Hong Kong, 21 June 2011

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of Imagi International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 107, which comprise the consolidated statement of financial position as at 31 March 2011, 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 information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2011 and the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 June 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Revenue	8	**8,616**	107,123
Cost of sales	9	**(90,750)**	(883,499)
Gross loss		**(82,134)**	(776,376)
Other income	10	**1,080**	1,295
Other gains and losses	11	**(980)**	(506)
Prints and advertising expenses		**–**	(282,200)
Administrative expenses		**(27,531)**	(86,713)
Other expenses		**–**	(64,103)
Impairment loss on goodwill	21	**–**	(3,228)
Loss on redemption of bridge loans	24	**(57,091)**	(150,560)
Loss on redemption of prints and advertising loan	25	**(187,078)**	–
Loss on redemption of convertible loan notes	26	**(257,269)**	(5,332)
(Loss) gain on disposal and dissolution/ deconsolidation of subsidiaries	30	**(66)**	55,354
Acquisition-related costs		**(11,496)**	–
Finance costs	12	**(3,316)**	(55,542)
Loss before tax	13	**(625,881)**	(1,367,911)
Income tax credit	14	**2,257**	825
Loss for the year		**(623,624)**	(1,367,086)
Exchange differences arising on translation of foreign operations		**(326)**	2,497
Total comprehensive expenses for the year		**(623,950)**	(1,364,589)
Loss per share			
— basic and diluted	18	**HK$0.121**	HK$1.035

Consolidated Statement of Financial Position

At 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	19	**3,261**	1,446
Computer graphic imaging ("CGI") animation pictures	20	**10,499**	82,572
		13,760	84,018
Current assets			
Inventories		**966**	–
Trade and other receivables, deposits and prepayments	22	**2,986**	1,264
Bank balances and cash	23	**167,161**	2,368
		171,113	3,632
Current liabilities			
Other payables and accruals		**14,775**	36,435
Unearned revenue		**1,540**	–
Tax payable		**–**	1,788
Bridge loans	24	**–**	36,000
Prints and advertising loan	25	**–**	78,000
Convertible loan notes	26	**–**	34,403
		16,315	186,626
Net current assets (liabilities)		**154,798**	(182,994)
Total assets less current liabilities		**168,558**	(98,976)
Non-current liabilities			
Convertible loan notes	26	**–**	59,597
Deferred tax	27	**–**	6,270
		–	65,867
Net assets (liabilities)		**168,558**	(164,843)
Capital and reserves			
Share capital	28	**5,725**	360,152
Reserves		**162,833**	(524,995)
Total equity attributable to owners of the Company		**168,558**	(164,843)

The consolidated financial statements on pages 38 to 107 were approved and authorised for issue by the Board on 21 June 2011 and were signed on its behalf by:

LEUNG PAK TO	**SOH SZU WEI**
DIRECTOR	*DIRECTOR*

Consolidated Statement of
Changes in Equity

For the year ended 31 March 2011

	Share capital HK$'000	Share premium HK$'000	Deemed contribution reserve HK$'000 (note ii)	Merger reserve HK$'000 (note i)	Translation reserve HK$'000	Convertible loan notes equity reserve HK$'000	Share option reserve HK$'000	Share award reserve HK$'000	Option shares reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2009	172,875	622,469	22,650	909	996	43,493	114,872	–	–	(411,461)	566,803
Exchange differences arising on translation of foreign operations	–	–	–	–	2,497	–	–	–	–	–	2,497
Loss for the year	–	–	–	–	–	–	–	–	–	(1,367,086)	(1,367,086)
Total comprehensive income (expenses) for the year	–	–	–	–	2,497	–	–	–	–	(1,367,086)	(1,364,589)
Placement of shares (Note 28(iii))	23,000	78,430	–	–	–	–	–	–	–	–	101,430
Rights issue (Note 28(iv))	43,274	64,911	–	–	–	–	–	–	–	–	108,185
Share issue expenses	–	(6,748)	–	–	–	–	–	–	–	–	(6,748)
Conversion of bridge loans (Note 24)	120,448	240,896	–	–	–	–	–	–	–	–	361,344
Recognition of equity-settled share-based payments (Note 29)	–	–	–	–	–	–	18,600	1,355	–	–	19,955
Exercise of share options (Note 28(ii))	555	1,875	–	–	–	–	(904)	–	–	–	1,526
Share options forfeited during the year (Note 29(b)(vii))	–	–	–	–	–	–	(105,265)	–	–	105,265	–
Redemption of convertible loan note	–	–	–	–	–	(43,493)	–	–	–	43,493	–
Recognition of equity component of convertible loan note	–	–	–	–	–	56,588	–	–	–	–	56,588
Deferred tax liability on recognition of equity component of convertible loan note	–	–	–	–	–	(9,337)	–	–	–	–	(9,337)
At 31 March 2010	360,152	1,001,833	22,650	909	3,493	47,251	27,303	1,355	–	(1,629,789)	(164,843)
Exchange differences arising on translation of foreign operations	–	–	–	–	(326)	–	–	–	–	–	(326)
Loss for the year	–	–	–	–	–	–	–	–	–	(623,624)	(623,624)
Total comprehensive expenses for the year	–	–	–	–	(326)	–	–	–	–	(623,624)	(623,950)
Capital Reorganisation (Note 2(d))	(359,792)	(1,001,833)	–	–	–	–	–	–	–	1,361,625	–
Issue of conversion shares (Note 28(vii))	790	441,610	–	–	–	–	–	–	–	–	442,400
Share award (Note 28(x))	1	1,354	–	–	–	–	–	(1,355)	–	–	–
Recognition of fair value in respect of option shares arising from using equity to settle liabilities (Note 2(a))	–	–	–	–	–	–	–	–	196,240	–	196,240
Share subscription and top-up share subscription (Note 28(viii))	2,863	197,547	–	–	–	–	–	–	–	–	200,410
Rights issue (Note 28 (vi))	1,441	99,402	–	–	–	–	–	–	–	–	100,843
Share issue expenses	–	(1,008)	–	–	–	–	–	–	–	–	(1,008)
Exercise of option shares (Note 28(ix))	270	154,019	–	–	–	–	–	–	(132,659)	–	21,630
Reversal of equity-settled share-based payments (Note 29)	–	–	–	–	–	–	(8,997)	–	–	–	(8,997)
Share options forfeited for the year (Note 29(b)(iii))	–	–	–	–	–	–	(17,598)	–	–	17,598	–
Reversal of deferred tax liability on redemption of convertible loan notes	–	–	–	–	–	5,833	–	–	–	–	5,833
Redemption of convertible loan notes	–	–	–	–	–	(53,084)	–	–	–	53,084	–
At 31 March 2011	**5,725**	**892,924**	**22,650**	**909**	**3,167**	**–**	**708**	**–**	**63,581**	**(821,106)**	**168,558**

notes:

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

(ii) Deemed contribution reserve represents the difference between the subscription price of a share subscription by a then new shareholder and the diluted subscription price after taking into account of the transfer of gift shares from a then existing shareholder to the then new shareholder.

Consolidated Statement of Cash Flows

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(625,881)**	(1,367,911)
Adjustments for:			
Amortisation of CGI animation pictures		**–**	44,675
Bank interest income		**(976)**	(15)
Depreciation of property, plant and equipment		**535**	2,097
Finance costs		**3,316**	55,542
Impairment loss recognised in respect of CGI animation pictures		**81,194**	838,824
Impairment loss recognised on goodwill		**–**	3,228
Loss on disposal of club debenture		**–**	850
Loss on disposal of property, plant and equipment		**1,217**	1,019
Loss (gain) on disposal and dissolution/ deconsolidation of subsidiaries	30	**66**	(55,354)
Loss on redemption of convertible loan notes		**257,269**	5,332
Loss on redemption of prints and advertising loan		**187,078**	–
Loss on redemption of bridge loans		**57,091**	150,560
(Reversal of) share-based payment expenses		**(8,997)**	6,098
Write off of trade and other receivables		**–**	1,072
Operating cash flow before movements in working capital		**(48,088)**	(313,983)
Increase in inventories		**(930)**	–
(Increase) decrease in trade and other receivables, deposits and prepayments		**(1,720)**	6,738
(Decrease) increase in other payables		**(9,076)**	53,611
Increase (decrease) in unearned revenue		**1,540**	(5,090)
Net cash used in operations		**(58,274)**	(258,724)
Overseas tax paid		**(15)**	(779)
NET CASH USED IN OPERATING ACTIVITIES		**(58,289)**	(259,503)

Consolidated Statement of Cash Flows

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
INVESTING ACTIVITIES			
Cost incurred in CGI animation pictures		**(8,894)**	(182,153)
Purchase of property, plant and equipment		**(3,830)**	(431)
Disposal and dissolution/deconsolidation of subsidiaries	30	**(35)**	(81)
Interest received		**942**	15
Proceeds from disposal of property, plant and equipment		**–**	1,964
Proceeds from disposal of club debenture		**–**	1,600
NET CASH USED IN INVESTING ACTIVITIES		**(11,817)**	(179,086)
FINANCING ACTIVITIES			
Proceeds from subscription and top-up shares		**200,410**	–
Proceeds from rights issue		**100,843**	108,185
Proceeds from exercise of share options		**21,630**	1,526
Bridge loans raised		**7,000**	136,581
Repayment of convertible loan notes		**(34,403)**	–
Repayment of bridge loans		**(29,812)**	–
Repayment of prints and advertising loan		**(29,035)**	(51,809)
Share issue expenses		**(1,008)**	(6,748)
Interest paid		**(447)**	(32,796)
Arrangement fees in connection with borrowing paid		**–**	(12,480)
Prints and advertising loan raised		**–**	195,000
Proceeds from issue of shares		**–**	101,430
Repayment of obligations under finance leases		**–**	(2,034)
NET CASH FROM FINANCING ACTIVITIES		**235,178**	436,855
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**165,072**	(1,734)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**2,368**	3,808
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(279)**	294
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash		**167,161**	2,368

1. General

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

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

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in Note 39.

2. Significant Transactions During the Year

A series of significant transactions in relation to the restructuring of the Group's debts and equity were completed during the current year:

(a) On 10 February 2010, the Company, Idea Talent Limited (the "Investor"), a then independent third party to the Group, and the then core creditors of the Group, comprising Goodyear Group Limited, Trophy LV Master Fund, Trophy Fund and Fortunate City Investment Limited (the "Core Creditors"), entered into an agreement (the "Intercreditors' Agreement") pursuant to which the Core Creditors agreed not to exercise or enforce any of their rights or remedies or take or commence any legal proceedings or accelerate or demand repayment of any principal or interest owing to them (the "Standstill") and, subject to fulfilment of certain conditions, to accept full settlement of their relevant debts as at 10 February 2010 in the manner as set out below:

		To be settled by		
Relevant debts	**Amount**	**Cash**	**Number of conversion shares**	**Number of share options (the "Core Creditors Options")**
	HK$	HK$		
Trophy US Bridge Loan (as defined in Note 24)	19,983,160	6,312,033	71,491,100	63,900,000
P&A Loan (as defined in Note 25)	89,125,000	29,035,351	328,859,200	129,600,000
CN Aug 2009 (as defined in Note 26)	132,000,000	34,402,615	389,649,700	206,500,000
	241,108,160	69,749,999	790,000,000	400,000,000

2. Significant Transactions During the Year *(Continued)*

(a) *(Continued)*

The exercise price of the Core Creditors Options is HK$0.08 per Adjusted Share (as defined in Note 2(d)) and is subject to adjustment when the Company issues shares wholly for cash at a price per share that is less than 95% of the market price, being the average of the quoted closing prices of the Company's shares ten days immediately preceding the announcement of such share issues. The Core Creditors Options are exercisable for 12 months commencing from completion of the Share Subscription (see Note 2(b)). Details of movement for the Core Creditors Options are set out in Note 28(ix).

(b) On 10 February 2010, the Company and the Investor entered into a share subscription agreement pursuant to which the Investor agreed, subject to fulfillment of certain conditions, to subscribe for 1,880,000,000 Adjusted Shares at a subscription price of HK$0.07 per Adjusted Share for a total amount of HK$131,600,000 (the "Share Subscription").

In addition to the aforementioned subscription and depending on the amount of shares that the Investor might acquire by virtue of its participation in the 2010 Rights Issue (as defined in Note 2(c)), pursuant to the share subscription agreement, the Investor could at its option further subscribe for up to a maximum of 988,000,000 Adjusted Shares (the "Top-up Subscription") within a period of 45 days from completion of the Share Subscription at a subscription price of HK$0.07 per Adjusted Share such that immediately after the issuance of the Adjusted Shares under the Share Subscription and Top-up Subscription, the Investor shall beneficially own approximately 52.5% of the then enlarged issued share capital of the Company.

In conjunction with the above arrangements, the Company also granted an option to the Investor to subscribe for a total of 1,500,000,000 Adjusted Shares at an exercise price of HK$0.08 per Adjusted Share (the "Investor Option") which is subject to adjustment when the Company issues shares wholly for cash at a price per share that is less than 95% of the market price. The Investor Option is exercisable for 12 months commencing from completion of the Share Subscription but in no event that the exercise of this option was to result in the public float of the Company's shares falling below 25%. Details of movement for the Investor Option are set out in Note 28(ix).

(c) On 17 February 2010, the Company announced that it proposed to raise approximately HK$100.8 million, before expenses, by issuing not less than 1,440,607,352 rights shares of HK$0.001 each (the "Right Shares") at a subscription price of HK$0.07 per Rights Share (the "2010 Rights Issue"), on the basis of four Rights Shares for every Adjusted Share in issue, subject to fulfillment of certain conditions. The net proceeds of the 2010 Rights Issue were to be approximately HK$95.9 million.

2. Significant Transactions During the Year *(Continued)*

(d) On 17 February 2010, the Company also announced that it proposed to effect a capital reorganisation pursuant to which (i) every ten issued and unissued shares of par value HK$0.10 each in the Company (the "Unadjusted Shares") were to be consolidated into one consolidated share of par value HK$1.00 each; (ii) the par value of each consolidated share was then to be reduced from HK$1.00 to HK$0.001 by the cancellation of HK$0.999 of the par value, resulting in a new par value of HK$0.001 for each adjusted share (the "Adjusted Share"); (iii) the authorised share capital of the Company was to be restored back to HK$1,000,000,000 by the creation of such number of additional Adjusted Shares as was to be necessary; and (iv) the credit standing at the share premium account of the Company was to be cancelled and together with the credit arising from the capital reduction were to be transferred to offset the accumulated losses of the Company as permitted by the Company Act 1981 of Bermuda and the bye-laws of the Company (the "Capital Reorganisation").

The Capital Reorganisation was approved by shareholders of the Company in a special general meeting held on 16 April 2010.

Details of the above transactions were set out in the Company's circular dated 24 March 2010. All the conditions precedent to these transactions were fulfilled by 11 May 2010 and accordingly,

(i) on 10 May 2010, a total of 1,440,607,352 Rights Shares were issued pursuant to the 2010 Rights Issue, raising gross proceeds of approximately HK$100.8 million, before expenses. The proceeds have been applied in settling the Group's outstanding financial obligations and as working capital of the Group;

(ii) on 11 May 2010, the relevant debts contemplated in the Intercreditors' Agreement were settled in the manner as described above; and

(iii) on 11 May 2010, a total of 2,863,000,000 Adjusted Shares, comprising 1,880,000,000 Adjusted Shares under the Share Subscription and 983,000,000 Adjusted Shares under the Top-Up Subscription, were issued to the Investor, representing approximately 52.5% of the enlarged issued share capital of the Company following the completion of the 2010 Rights Issue, the Share Subscription, the Intercreditors' Agreement and the Top-up Subscription. The Investor then became the controlling shareholder of the Company. In addition, the Company granted the Investor Option to the Investor on the same date.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRS")

New and revised standards and interpretations applied in the current year

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

HKFRS 3 (as revised in 2008) *Business Combinations*

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 April 2010 in accordance with the relevant transitional provisions. Its application will affect the accounting for business combination as follows:

- HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

  As set out in Note 38, the Group completed its acquisition of the entire issued share capital of Infoport (as defined in Note 38) subsequent to the year end. The application of HKFRS 3 (as revised in 2008) have resulted in the recognition of approximately HK$11,496,000, being the acquisition-related costs representing mainly professional fees incurred as at 31 March 2011, as an expense incurred in the profit or loss for the year ended 31 March 2011. The loss per share for both basic and diluted for the year increased by HK$0.002 per share, resulting from the change in accounting policy.

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

New and revised standards and interpretations issued but not yet effective

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKFRS 7 (Amendment)	Disclosures - Transfer of Financial Assets[4]
HKFRS 9	Financial Instruments[6]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (Revised)	Related Party Disclosures[3]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9 (as issued in November 2009), all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

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

HKFRS 9 (as revised in November 2010) is effective for annual periods beginning on or after 1 April 2013, with earlier application permitted.

Having regard the Group's existing financial assets and liabilities as at 31 March 2011, in the opinion of the directors, the application of HKFRS 9 Financial Instruments is not expected to have significant impact on the classification and measurement of the Group's financial assets and financial liabilities.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the consolidated financial statements.

4. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis as explained in the accounting policies set out below.

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

Basis of consolidation

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

The results of subsidiaries disposed of during the year are included in the consolidated statement of comprehensive income up to the effective date of disposal.

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

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

Goodwill

Goodwill arising on acquisition before 1 January 2005 was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

4. Significant Accounting Policies *(Continued)*

Goodwill *(Continued)*

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (the ''CGU") (or groups of CGU) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable.

Revenue from broadcasting of the Group's computer graphic imaging ("CGI") animation pictures is recognised as follows:

(i) When a distribution arrangement has been made with a distributor whereby the distributor is responsible for broadcasting and distribution costs and such broadcasting and distribution costs are to be recovered by the distributor from box office receipts in accordance with the arrangement, revenue is recognised based on net box office receipts reported by the distributor when the Group is not required to reimburse the distributor any shortfall between the box office receipts and the broadcasting and distribution costs.

(ii) When the Group is required to reimburse the distributor any shortfall between the box office receipts and the recoupable broadcasting and distribution costs, revenue is recognised based on box office receipts reported by the distributor with the relevant recoupable broadcasting and distribution costs being recognised as prints and advertising expenses in the consolidated statement of comprehensive income.

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

4. Significant Accounting Policies *(Continued)*

Revenue recognition *(Continued)*

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

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

Prepaid expenditures on advertising and promotional activities

Prepaid expenditures on advertising and promotional activities are recognised as an asset when payment for goods or services have been made in advance of the Group's obtaining a right to access the goods or receiving the services. Prepaid expenditures are expensed to the consolidated statement of comprehensive income when the Group has the right to access the goods or when it receives the services.

Property, plant and equipment

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

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

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

CGI animation pictures

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

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

4. Significant Accounting Policies *(Continued)*

CGI animation pictures *(Continued)*

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

CGI animation pictures are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the relevant CGI animation pictures, which is calculated as the difference between the sale proceeds and the carrying value of the item is recognised in the consolidated statement of comprehensive income.

Leasing

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

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant leases.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HKD) 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 in other comprehensive income and accumulated equity (the translation reserve).

4. Significant Accounting Policies *(Continued)*

Inventories

Inventories represent CGI animation pictures, in which the Group does not retain any ownership, produced under CGI animation pictures production contracts with independent third parties and are stated at the lower of cost and net realisable value.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

Taxation

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

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

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

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

4. Significant Accounting Policies *(Continued)*

Taxation *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Retirement benefit cost

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

Financial instruments

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

Financial assets

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

Effective interest method

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, deposits, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

4. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the 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.

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

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

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

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

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

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

4. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Convertible loan notes contain liability and equity components

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

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

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

4. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Convertible loan notes contain liability and equity components *(Continued)*

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

Other financial liabilities

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

Equity instruments

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

Options that will be settled by issuing fixed number of shares for a fixed amount of cash are regarded as equity instrument. Options granted to creditors to settle the relevant debts or to investor are recorded at fair value of the options on the date of grant in option shares reserve.

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 in other comprehensive income is recognised in profit or loss.

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

When an existing financial liability's terms are modified and such modification results in the discounted present value of the cash flows under the new terms including any fees paid net of any fees received is at least 10 per cent different from the discounted present values of the remaining cash flows of the original financial liability, it is accounted for as an extinguishment of the original financial liability and a recognition of a new financial liability or equity instrument or compound instrument with the difference, being the carrying amount of the financial liability extinguished and the fair value of the financial liability or equity instrument or compound instrument issued, recognises in profit or loss.

4. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Derecognition *(Continued)*

When an existing financial liability is renegotiated in such a way that the liability is extinguished fully or partially by issuing equity instruments, it is accounted for as an extinguishment of the original financial liability and a recognition of equity instrument at the fair value upon issue with the difference, being the carrying amount of the financial liability (or part of a financial liability) extinguished and the consideration paid, recognised to profit or loss.

Equity-settled share-based payment transactions

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

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

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

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

The Group cancels and forfeits the share options as a result of resignation of employees. For cancellation of share options where the vesting period of the share options has not completed, the relevant recognised share-based payment was either to adjust the CGI animation pictures where the share based payment was previously capitalised or to reverse to profit or loss if it was previously charged to the profit or loss. For forfeiture of share options where the vesting period of the share options has completed, the relevant recognised share-based payment was either to adjust the CGI animation pictures where the share options were previously capitalised or credited to accumulated losses, but not reversed, with a corresponding adjustment to share options reserve.

Options granted to institutional investor as remuneration for introducing potential subscribers to the Company are recorded at fair value of the options on the date of grant and charged to share premium account as share issue expense, to the extent they are incremental costs directly attributable to the equity transactions.

4. Significant Accounting Policies *(Continued)*

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

At each the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

5. Key Sources of Estimation Uncertainty

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

Estimated impairment of CGI animation picture

Determining whether CGI animation pictures are impaired requires an estimation of the value in use of the CGU to which CGI animation pictures have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2011, the carrying amount of CGI animation pictures was HK$10,499,000 (2010: HK$82,572,000). Details of the recoverable amount calculation are disclosed in Note 20.

Revenue from release of *Astro Boy*

The amount of revenue that the Group recognises for its CGI animation pictures, *Astro Boy*, is dependent on the timing, accuracy and sufficiency of the information provided by the distributors. As typical in the film industry, the distributors may make adjustments in future periods to information previously provided to the Group that could have a material impact on the Group's operating results in later periods. Furthermore, management may, in their judgment, make material adjustments to the information reported by the distributors to ensure that revenues are accurately reflected in the financial statements. Up to the date of approval of these financial statements, neither the distributors nor the management has made material adjustments to information provided by the distributors and used in the preparation of the financial statements for the years ended 31 March 2010 and 2011.

6. Capital Risk Management

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

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital and various reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt.

7. Financial Instruments

7a. Categories of financial instruments

	2011 **HK$'000**	2010 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**169,548**	3,222
Financial liabilities		
Amortised cost	**14,725**	224,101

7b. Financial risk management objectives and policies

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

7. Financial Instruments *(Continued)*

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

Market risk

(i) Currency risk

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

The carrying amounts of the Group's net monetary assets (liabilities), denominated in a currency other than the functional currency of the relevant group entities at the end of the reporting period, mainly in the form of bank balances (2010: Trophy US Bridge Loan, P&A Loan arrangement fee payable (included in other payables) and bank balances) are as follows:

	net monetary assets (liabilities)	
	2011	2010
	HK$'000	HK$'000
USD	**726**	(108,690)

As HKD is pegged to USD, the currency risk exposure in respect of monetary assets and liabilities denominated in USD is considered insignificant.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances for both years. For the year ended 31 March 2010, the Group was exposed to fair value interest rate risk in relation to bridge loans (see Note 24), P&A Loan (see Note 25) and liability component of convertible loan notes (see Note 26).

It is the Group's policy to keep its bank balances at floating rate of interest so as to minimise the fair value interest rate risk as the amount involved is not significant. The Group's policy on financial liabilities is to keep at fixed rate of interest so as to minimise the cash flow interest rate risk having regard the magnitude of the borrowings.

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

7. Financial Instruments *(Continued)*

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

Credit risk

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 (i) various receivables and (ii) bank balances as stated in the consolidated statement of financial position.

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

As the Group's bank balances are maintained in banks with good reputation, the related credit risk is considered insignificant.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

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

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total undiscounted cash flows	Carrying amount at 31 March 2011
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2011							
Non-derivative financial liabilities							
Other payables	–	14,725	–	–	–	14,725	14,725

7. Financial Instruments *(Continued)*

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

Liquidity risk *(Continued)*

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total undiscounted cash flows	Carrying amount at 31 March 2010
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2010							
Non-derivative financial liabilities							
Other payables (note)	5	4,426	11,700	–	–	16,126	16,101
Bridge loans (note)	15	3,541	33,656	–	–	37,197	36,000
P&A Loan (note)	–	–	78,000	–	–	78,000	78,000
Convertible loan notes (note)	24.80	–	132,000	–	–	132,000	94,000
		7,967	255,356	–	–	263,323	224,101

note: In May 2010, Trophy US Bridge Loan (included in 2010 Bridge Loans), the P&A Loan, arrangement fee of P&A Loan (included in other payables) and convertible loan notes (CN Aug 2009) were settled in cash in an aggregated amount of approximately HK$69.7 million and the remaining balances were settled by conversion shares and grant of option shares in accordance with Intercreditors' Agreement as detailed in Note 2.

7c. Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

8. Revenue and Segment Information

The management of the Group regularly reviews revenue as set out below in respect of the Group's CGI animation pictures and the consolidated results for the year for the purpose of performance assessment and making decision about resources allocation. As no other discrete financial information is available for the assessment of performance of different business activities, no segment information is presented other than entity-wide disclosures.

Revenue analysis in respect of the Group's CGI animation pictures is as follows:

	2011	2010
	HK$'000	HK$'000
Revenue from broadcasting CGI animation pictures	**6,039**	102,300
Production service income from CGI animation pictures	**2,267**	1,378
Income from licensing ancillary rights of CGI animation pictures	**310**	3,445
	8,616	107,123

Entity-wide disclosures

Geographical information

(a) Revenue from external customers

The following is an analysis of the Group's revenue by geographical market based on the location of customers irrespective of the origin of the goods and services:

	Revenue by geographical market	
	2011	2010
	HK$'000	HK$'000
US	**–**	43,626
People's Republic of China (the "PRC")	**1,708**	13,160
Hong Kong	**1,261**	1,935
Japan (note)	**–**	–
Others	**5,647**	48,402
	8,616	107,123

8. Revenue and Segment Information *(Continued)*

Entity-wide disclosures *(Continued)*

Geographical information *(Continued)*

(a) Revenue from external customers *(Continued)*

note: According to the distribution arrangement made with a distributor in respect of the release of *Astro Boy* in Japan, the distributor was responsible for broadcasting and distribution costs and such broadcasting and distribution costs are to be recovered by the distributor from box office receipts in accordance with the arrangement. Revenue was recognised based on net box office receipts reported by the distributor and the Group was not required to reimburse the distributor any shortfall between the box office receipts and the broadcasting and distribution costs. Because the broadcasting and distribution costs recovered by the distributor exceeded the related box office receipts in Japan, no net revenue in respect of the release of *Astro Boy* in Japan was recognised for the year ended 31 March 2010. The Group had no revenue from Japan for the year ended 31 March 2011.

(b) Non-current assets

At the end of the reporting period, all the Group's non-current assets are based in Hong Kong and the carrying amount is HK$13,760,000 (2010: HK$84,018,000).

Information about major customers

Revenues from customers contributing over 10% of the total revenue of the Group for the year are as follows:

	Revenue	
	2011	2010
	HK$'000	HK$'000
Customer A	**5,357**	48,188
Customer B (note)	**–**	39,162
Customer C (note)	**–**	13,160

note: There was no revenue from customers B and C in 2011.

9. Cost of Sales

	2011	2010
	HK$'000	HK$'000
Amortisation of CGI animation pictures	**–**	44,675
Production cost for CGI animation pictures	**9,556**	–
Impairment loss on CGI animation pictures	**81,194**	838,824
	90,750	883,499

10. Other Income

	2011 HK$'000	2010 HK$'000
Interest income	**976**	15
Others	**104**	1,280
	1,080	1,295

11. Other Gains and Losses

	2011 HK$'000	2010 HK$'000
Loss on impairment and disposal of club debentures	**–**	850
Loss on disposal of property, plant and equipment	**1,217**	1,019
Net foreign exchange gains	**(237)**	(1,363)
	980	506

12. Finance Costs

	2011 HK$'000	2010 HK$'000
Interest on liabilities wholly repayable within five years:		
– obligations under finance leases	**–**	75
– bridge loans and prints and advertising loan due to Endgame (Note 30)	**669**	33,948
Effective interest expense on convertible loan notes (Note 26)	**2,647**	13,256
Arrangement fees incurred in connection with:		
– prints and advertising loan due to Endgame (Note 30)	**–**	12,480
– P&A Loan (Notes 25 and 35)	**–**	11,700
	3,316	71,459
Less: amounts capitalised in CGI animation pictures	**–**	(15,917)
	3,316	55,542

Borrowing costs capitalised during the year ended 31 March 2010 arose on the general borrowing pool and were calculated by applying a capitalisation rate of 24.51% per annum to expenditure on qualifying assets.

13. Loss Before Tax

	2011 HK$'000	2010 HK$'000
Loss before tax has been arrived at after charging and (crediting):		
Directors' emoluments (Note 15)	**(6,257)**	13,685
Contribution to retirement benefit scheme	**649**	3,118
Other staff costs	**18,872**	190,187
Equity-settled share-based payments expenses other than directors	**(469)**	14,467
Total staff costs	**12,795**	221,457
Less: amounts capitalised in CGI animation pictures	**(6,380)**	(139,904)
	6,415	81,553
Depreciation of property, plant and equipment	**798**	17,594
Less: amounts capitalised in CGI animation pictures	**(263)**	(15,497)
	535	2,097
Rentals in respect of premises under operating leases	**2,019**	27,987
Less: amounts capitalised in CGI animation pictures	**(510)**	(24,119)
	1,509	3,868
Auditor's remuneration	**2,230**	1,620
Write off of trade and other receivables	**–**	1,072

14. Income Tax Credit

	2011 **HK$'000**	2010 HK$'000
The charge comprises:		
Other jurisdictions		
– current tax	**–**	2,647
– overprovision in the prior years	**(1,820)**	(487)
	(1,820)	2,160
Deferred tax (Note 27)		
– current year	**(437)**	(2,985)
Total	**(2,257)**	(825)

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits for both years.

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

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

	2011 **HK$'000**	2010 HK$'000
Loss before tax	**(625,881)**	(1,367,911)
Tax at the Hong Kong Profits Tax rate of 16.5%	**(103,270)**	(225,705)
Tax effect of expenses not deductible for tax purpose	**93,713**	126,272
Tax effect of income not taxable for tax purpose	**(1,645)**	(19)
Tax effect of tax losses not recognised	**10,765**	97,881
Overprovision in respect of prior years	**(1,820)**	(487)
Utilisation of tax losses previously not recognised	**–**	(54)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**–**	1,287
Tax charge for the year	**(2,257)**	(825)

Details of deferred tax at the end of the reporting period and during the year are set out in Note 27.

15. Directors' Emoluments

The emoluments paid or payable to each of the 10 (2010: 8) directors were as follows:

For the year ended 31 March 2011

	Mr. Leung Pak To HK$'000 (note (a))	Ms. Ma Wai Man, Catherine HK$'000 (note (b))	Mr. Chan Yuk Sang HK$'000 (note (c))	Mr. Cheng Yuk Wo HK$'000 (note (b))	Dr. Lam Lee G. HK$'000 (note (c))	Mr. Phoon Chiong Kit HK$'000 (note (d))	Mr. Ng See Yuen HK$'000 (note (e))	Mr. William Montgomerie Courtauld. HK$'000 (note (f))	Mr. Oh Kok Chi HK$'000 (note (g))	Mr. Douglas Esse Glen. HK$'000 (note (h))	Total 2011 HK$'000
Fees	174	–	178	150	178	–	(14)	–	(78)	–	588
Other emoluments:											
Salaries and other benefits	–	1,672	–	–	–	–	–	–	–	–	1,672
Equity-settled share-based payment expense (note (i))	–	–	–	–	–	(536)	(141)	(107)	–	(7,744)	(8,528)
Contributions to retirement benefit scheme	–	11	–	–	–	–	–	–	–	–	11
Total emoluments	174	1,683	178	150	178	(536)	(155)	(107)	(78)	(7,744)	(6,257)

notes:

(a) Mr. Leung Pak To was appointed as Chairman and non-executive director on 18 May 2010.

(b) Ms. Ma Wai Man, Catherine and Mr. Cheng Yuk Wo were appointed as executive director and independent non-executive director, respectively, on 1 July 2010.

(c) Mr. Chan Yuk Sang and Dr. Lam Lee G. were appointed as independent non-executive directors on 11 May 2010.

(d) Mr. Phoon Chiong Kit resigned as executive director on 18 May 2010.

(e) Mr. Ng See Yuen resigned as independent non-executive director on 13 May 2010.

(f) Mr. William Montgomerie Courtauld passed away on 7 March 2010.

(g) Mr. Oh Kok Chi resigned as independent non-executive director on 1 January 2010.

(h) Mr. Douglas Esse Glen resigned as executive director on 8 May 2009.

(i) The share-based payment expenses were reversed to consolidated statement of comprehensive income during the year as the vesting period of the share options has not yet completed when the directors resigned.

15. Directors' Emoluments *(Continued)*

For the year ended 31 March 2010

	Ms. Ting Chuk Kwan HK$'000 note (a))	Mr. Phoon Chiong Kit HK$'000 (note (b))	Mr. Ng See Yuen HK$'000 (note (c))	Mr. William Montgomerie Courtauld HK$'000 (note (d))	Mr. Oh Kok Chi HK$'000 (note (e))	Mr. Paul Steven Serfaty HK$'000 (note (f))	Mr. Richard Arthur Witts HK$'000 (note (f))	Mr. Douglas Esse Glen HK$'000 (note (g))	Total 2010 HK$'000
Fees	–	101	413	135	394	338	588	–	1,969
Other emoluments:									
Salaries and other benefits	900	–	–	1,069	–	–	–	4,252	6,221
Equity-settled share-based payment expense	–	898	126	1,100	(14)	–	–	3,378	5,488
Contributions to retirement benefit scheme	–	–	–	–	–	–	–	7	7
Total emoluments	900	999	539	2,304	380	338	588	7,637	13,685

notes:

(a) Ms. Ting Chuk Kwan was appointed as independent non-executive director on 8 May 2009 and resigned as executive director on 1 November 2009.

(b) Mr. Phoon Chiong Kit resigned as executive director on 18 May 2010.

(c) Mr. Ng See Yuen resigned as independent non-executive director on 13 May 2010.

(d) Mr. William Montgomerie Courtauld passed away on 7 March 2010.

(e) Mr. Oh Kok Chi resigned as independent non-executive director on 1 January 2010.

(f) Mr. Paul Steven Serfaty and Mr. Richard Arthur Witts retired as non-executive director and independent non-executive director respectively on 17 November 2009.

(g) Mr. Douglas Esse Glen resigned as executive director on 8 May 2009.

Except for Mr. Paul Steven Serfaty, no other directors waived any emoluments for the years ended 31 March 2010 and 2011.

16. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, one (2010: two) was a director of the Company whose emoluments are included in the disclosures in Note 15. The emoluments of the other four (2010: three) employees are as follows:

	2011 HK$'000	2010 HK$'000
Salaries and other benefits	**2,916**	9,596
Equity-settled share-based payment expenses	**–**	(216)
Contributions to retirement benefit scheme	**43**	17
	2,959	9,397

16. Employees' Emoluments *(Continued)*

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

	2011 Number of employee	2010 Number of employee
Nil to HK$1,000,000	**4**	–
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,000,001 to HK$3,500,000	**–**	2

17. Dividends

The directors have not recommended the payment of a dividend for any of the two years ended 31 March 2010 and 2011.

18. Loss Per Share

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

	2011 HK$'000	2010 HK$'000
Loss for the year attributable to owners of the Company	**623,624**	1,367,086
Number of shares (note):		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**5,173,157,446**	1,320,418,963

The computation of diluted loss per share does not assume the exercise of share options (2010: the exercise of share options and the conversion of convertible loan notes) since their exercise would result in a decrease in loss per share. Therefore, the basic and diluted loss per share are the same.

note: The weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share for the year ended 31 March 2010 has been adjusted for the effect of the Capital Reorganisation and the bonus element in connection with the 2010 Rights Issue completed in current year.

19. Property, Plant and Equipment

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST				
At 1 April 2009	23,810	127,503	5,527	156,840
Exchange realignment	1	25	–	26
Additions	181	250	–	431
Disposals	(25)	(766)	(5,527)	(6,318)
Eliminated on deconsolidation of subsidiaries	(20,905)	(123,945)	–	(144,850)
At 31 March 2010	3,062	3,067	–	6,129
Additions	864	2,966	–	3,830
Disposal	(3,062)	(2,519)	–	(5,581)
At 31 March 2011	**864**	**3,514**	**–**	**4,378**
DEPRECIATION				
At 1 April 2009	13,785	69,456	2,207	85,448
Exchange realignment	1	22	–	23
Provided for the year	2,977	14,133	484	17,594
Eliminated on disposals	(22)	(622)	(2,691)	(3,335)
Eliminated on deconsolidation of subsidiaries	(14,378)	(80,669)	–	(95,047)
At 31 March 2010	2,363	2,320	–	4,683
Provided for the year	201	597	–	798
Eliminated on disposal	(2,418)	(1,946)	–	(4,364)
At 31 March 2011	**146**	**971**	**–**	**1,117**
CARRYING VALUE				
At 31 March 2011	**718**	**2,543**	**–**	**3,261**
At 31 March 2010	699	747	–	1,446

19. Property, Plant and Equipment *(Continued)*

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

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

20. CGI Animation Pictures

	Completed CGI animation pictures HK$'000	**CGI animation picture in progress** HK$'000	**Total** HK$'000
COST			
At 1 April 2009	399,314	868,525	1,267,839
Additions	–	227,424	227,424
Transfer	440,853	(440,853)	—
Eliminated on deconsolidation of subsidiaries	(568,545)	(67,152)	(635,697)
At 31 March 2010	271,622	587,944	859,566
Additions	–	9,121	9,121
Eliminated on dissolution of a subsidiary	–	(30,741)	(30,741)
At 31 March 2011	**271,622**	**566,324**	**837,946**
AMORTISATION AND IMPAIRMENT			
At 1 April 2009	399,314	129,878	529,192
Provided for the year	44,675	–	44,675
Impairment loss recognised	396,178	442,646	838,824
Eliminated on deconsolidation of subsidiaries	(568,545)	(67,152)	(635,697)
At 31 March 2010	271,622	505,372	776,994
Impairment loss recognised	–	81,194	81,194
Eliminated on dissolution of a subsidiary	–	(30,741)	(30,741)
At 31 March 2011	**271,622**	**555,825**	**827,447**
CARRYING VALUE			
At 31 March 2011	**–**	**10,499**	**10,499**
At 31 March 2010	–	82,572	82,572

20. CGI Animation Pictures *(Continued)*

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

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

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

The Group's CGI animation pictures mainly consist of a completed CGI animation picture, *Astro Boy*, and another major CGI animation picture in progress.

As part of their review of the Group's consolidated financial statements, the directors have conducted an impairment review of the Group's sole CGU which being the production, broadcasting and licensing of CGI animation pictures. All the Group's CGI animation pictures are attributable to this CGU.

For the year ended 31 March 2010

The recoverable amount of the CGU had been determined based on a value in use calculation. The calculation used cash flow projections based on financial budgets prepared by management covering a 4-year period at a discount rate of 28.2%. The cash flows beyond the 4-year period were extrapolated with zero growth rate. Other key assumptions for the value in use calculations related to the estimation of cash flows and budgeted box office and other receipts including receipt from licensing ancillary rights of CGI animation pictures and gross margin. Such estimations were based on the CGU's past performance and management's expectations of the market performance including the launch of *Astro Boy* in October 2009 and the subsequent box office falling short of the budgeted box office. In addition, the estimates were also based on the Group's revised marketing strategy in releasing future CGI animation pictures in view of *Astro Boy*'s performance in 2009. The management of the Company therefore was of the opinion that their previous expectation on the potential market performance in respect of the CGU could not be met and as a result, CGI animation pictures were impaired accordingly.

The Group recognised impairment losses of approximately HK$839 million and HK$3.2 million in respect of the Group's CGI animation pictures and goodwill respectively.

20. CGI Animation Pictures *(Continued)*

For the year ended 31 March 2011

In assessing the recoverable amount of the CGI animation pictures held by the Group at 31 March 2011, the management has taken into account (i) the delay in production schedule of *Gatchaman*, a major CGI animation picture in progress, which was developed under an agreement with the original creator of a popular animation series. In the opinion of the management, a satisfactory outcome in negotiating with the original creator to relax the terms of the production and broadcasting agreements may not be achievable and hence the commercial viability of *Gatchaman* has become uncertain, and (ii) a shift in the Group's resources focus towards development of the Group's newly acquired investment in TE Group (as defined in Note 38(i)). Accordingly, the management has decided to fully write off certain CGI animation pictures whose carrying amounts exceed their recoverable amounts, principally *Gatchaman*, and an impairment loss of HK$81,194,000 in aggregate was charged to the consolidated statement of comprehensive income for the year ended 31 March 2011.

21. Goodwill

	HK$'000
COST	
At 1 April 2009	3,228
Eliminated on deconsolidation of a subsidiary	(2,726)
At 31 March 2010	502
Eliminated on disposal of a subsidiary	(502)
At 31 March 2011	**–**
IMPAIRMENT	
At 1 April 2009	–
Impairment loss recognised	3,228
Eliminated on deconsolidation of a subsidiary	(2,726)
At 31 March 2010	502
Eliminated on disposal of a subsidiary	(502)
At 31 March 2011	**–**
CARRYING VALUE	
At 31 March 2011	**–**
At 31 March 2010	–

Details of the impairment of goodwill for the year ended 31 March 2010 are set out in Note 20.

22. Trade and Other Receivables, Deposits and Prepayments

	2011 HK$'000	2010 HK$'000
Trade receivables	1,194	123
Less: bad debt write off	–	(123)
	1,194	–
Other receivables, deposits and prepayments	1,792	1,264
	2,986	1,264

The Group allows its trade customers a credit period in accordance with the terms specified in the contracts, normally ranging from 0 to 90 days. The trade receivable at 31 March 2011 was aged less than 30 days based on the invoice date at the end of the reporting period. No amount was past due but not impaired at the end of the reporting period.

During the year ended 31 March 2010, a trade receivable of HK$123,000 was written off as uncollectible due to deterioration in credit quality of a customer.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with a satisfactory trustworthy credit history. Credit limits attributed to customers are reviewed regularly.

At the end of the reporting period, all trade and other receivables are denominated in the functional currency of the relevant group entities.

23. Bank Balances and Cash

Bank balances

Bank balances carried interest at market rates which range from 0.001% to 1.35% (2010: 0.001% to 2%) per annum. Bank balances included approximately HK$726,000 (2010: HK$510,000) that are denominated in USD, which is not the functional currency of the relevant group entities.

24. Bridge Loans

2009 bridge loans

As at 1 April 2009, the Company was granted loan facilities by various bridge loans lenders (the "2009 Bridge Loans Lenders"), of which US$12 million (equivalent to approximately HK$93.6 million) was drawn and outstanding (the "2009 Bridge Loans").

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

On 15 May 2009, a conversion agreement was entered into between the Company and the 2009 Bridge Loans Lenders whereby each of the 2009 Bridge Loans Lenders agreed, subject to fulfilment of certain conditions, to convert all their respective outstanding bridge loan principal and accrued interest into Unadjusted Shares in the Company at a conversion price of HK$0.175 per Unadjusted Share.

Upon the completion of the conversion on 19 August 2009, the 2009 Bridge Loans were extinguished by the issue of 1,204,476,068 new Unadjusted Shares of the Company and a difference of approximately HK$150,560,000, being the excess of the fair value of the Unadjusted Shares issued over the carrying amount of the 2009 Bridge Loans, was recognised as a redemption loss and charged to the consolidated statement of comprehensive income for the year ended 31 March 2010.

2010 bridge loans

Subsequent to the extinguishment of the 2009 Bridge Loans, the Company was granted other bridge loans by various parties, details of which are as follows:

Lenders	Maximum loan facilities '000	Balance at 1 April 2010 '000	Drawn down during the year '000	Settlement through Intercreditors' Agreement '000	Other settlement '000	Balance at 31 March 2011 '000	Fixed interest rate	Maturity date
Trophy Fund	HK$19,500 (US$2,500)	HK$19,500 (US$2,500)	–	HK$19,500	–	–	10% per annum	12 February 2010 (note)
Trophy Fund	HK$3,500	HK$3,500	–	–	HK$3,500	–	20% per annum	Repayable on demand
Idea Talent Limited	HK$20,000	HK$13,000	HK$7,000	–	HK$20,000	–	20% per annum	10 June 2010
	HK$43,000	HK$36,000	HK$7,000	HK$19,500	HK$23,500	–		

note: The amount was subject to the Standstill under the Intercreditors' Agreement as detailed in Note 2(a).

24. Bridge Loans *(Continued)*

2010 bridge loans *(Continued)*

On 10 February 2010, the principal sum of US$2,500,000 and accrued interest thereon of US$78,472 due to Trophy Fund, amounting to approximately HK$19,983,000 in aggregate (the "Trophy US Bridge Loan"), were included in the Intercreditors' Agreement. Upon completion of the Intercreditors' Agreement on 11 May 2010, the Trophy US Bridge Loan, together with additional accrued interest of US$63,194 (of which US$27,778 (approximately HK$217,000) was charged to the consolidated statement of comprehensive income for the year ended 31 March 2011) for the period between 10 February 2010 and 11 May 2010, amounting to US$2,641,666 (approximately HK$20,605,000) in aggregate, was settled through a combination of (i) cash; (ii) conversion shares; and (iii) share options, as set out in Note 2(a).

The fair value of the consideration to settle the Trophy US Bridge Loan together with the additional accrued interest was approximately HK$77,696,000, comprising cash of HK$6,312,033, 71,491,000 conversion shares of approximately HK$40,035,000 based on the closing price of the Company's shares on 11 May 2010 of HK$0.56 per share, and 63,900,000 Core Creditors Options of approximately HK$31,349,000 based on the fair value of the share options granted on 11 May 2010 of HK$0.4906 per share option. The fair value of the share options was determined by an independent valuation firm, Greater China Appraisal Limited ("Greater China"), using the Binominal Option Pricing Model. The share options had no vesting period and the following assumptions were used to calculate the fair values of these share options.

	Core Creditors Options granted on 11 May 2010
Grant date share price	HK$0.56
Exercise price	HK$0.08
Expected life	1 year
Expected volatility	144.27%
Expected dividend yield	0%
Risk free interest rate	0.19%
Exercise period	From 11 May 2010 to 10 May 2011

The excess of the fair value of the consideration to settle the Trophy US Bridge Loan and additional accrued interest, over their carrying value, amounting to approximately HK$57,091,000, was recognised by the Group as a redemption loss of bridge loan and charged to the consolidated statement of comprehensive income for the year ended 31 March 2011.

25. Prints and Advertising Loan

In September 2009, a bank granted the Group a credit facility of US$10 million (equivalent to HK$78 million) for the specific purpose of funding the promotion expenses to be incurred in connection with the launch of Astro Boy (the "P&A Facility"). The P&A Facility was secured by a cash collateral provided to the bank by Fortunate City Investment Limited ("FCI"), a company in which Mr. Hung Kam Bui (''Mr. Hung"), a then substantial shareholder of the Company, was interested.

The P&A Facility was fully drawn down by the Group on 30 November 2009. The Group agreed to indemnify and keep FCI indemnified against all liabilities arising from the cash collateral in a written notice dated 9 September 2009. Accordingly, the draw-down of the P&A Facility effected a contemporaneous incurrence of liability to FCI by the Group, which was interest-free and had no fixed repayment term while a fixed arrangement fee of US$1.5 million was payable by the Group to FCI in respect of this liability on or before 8 January 2010.

On 10 February 2010, the principal sum of US$10 million and the accrued fixed arrangement fee thereon of US$1.5 million, amounting to HK$89,125,000 (as translated to HK$ on 10 February 2010) in aggregate (the "P&A Loan"), were included in the Intercreditors' Agreement. Upon completion of the Intercreditors' Agreement on 11 May 2010, the P&A Loan of HK$89,700,000 (as translated to HK$ on 11 May 2010) were settled through a combination of (i) cash; (ii) conversion shares; and (iii) share options, as set out in Note 2(a).

The fair value of the consideration to settle the P&A Loan was approximately HK$276,778,000, comprising cash of HK$29,035,351, 328,859,200 conversion shares of approximately HK$184,161,000 based on the closing price of the Company's shares on 11 May 2010 of HK$0.56 per share, and 129,600,000 Core Creditors Options of approximately HK$63,582,000 based on the fair value of the share option granted on 11 May 2010 of HK$0.4906 per share option. The fair value of the share option was determined by Greater China, using the Binominal Option Pricing Model as per the assumptions in Note 24.

The excess of the fair value of the consideration to settle the P&A Loan over the carrying value, amount to approximately HK$187,078,000, was recognised by the Group as a redemption loss of the P&A Loan and charged to the consolidated statement of comprehensive income for the year ended 31 March 2011.

26. Convertible Loan Notes

The Company issued convertible loan note with a principal amounts of HK$132,000,000 on 30 January 2008 ("CN Jan 2008"). CN Jan 2008 was denominated in Hong Kong dollars with zero coupon rate.

CN Jan 2008 was convertible by the holder into shares of the Company at a conversion price of HK$1.768 per share during the period from the 90th day after its issue to the 15th day prior to its maturity which was 29 January 2011. Unless previously converted or early redeemed, CN Jan 2008 would be redeemed at its principal sum of HK$132,000,000 upon maturity.

26. Convertible Loan Notes *(Continued)*

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

On 15 May 2009, the Company and the holders of CN Jan 2008 entered into an agreement whereby, subject to, inter-alia, completion of the 2009 Rights Issue (as defined in Note 28(iv)) and the contemporaneous completion of the 2009 Bridge Loans conversion, CN Jan 2008 would be redeemed by the issue of a new convertible loan note (the "CN Exchange").

On 19 August 2009, upon the completion of the 2009 Rights Issue and 2009 Bridge Loans conversion, the Company effected the CN Exchange by the issue of new zero coupon convertible loan notes (the "CN Aug 2009") with the same aggregate principal amount.

CN Aug 2009 was convertible by the holders thereof into shares of the Company at a conversion price of HK$0.30 per share during the period from the 90th day after its issue to the 15th day prior to its maturity which was 18 August 2011. Unless converted, CN Aug 2009 would be redeemed at its principal sum of HK$132,000,000 upon maturity. However, upon occurrence of certain events including (i) a delisting of the Company's shares on the Stock Exchange, (ii) a change in control in the Company (as defined in the CN Aug 2009 agreement) or (iii) a pledge of the Group's assets on other liabilities, the holders of CN Aug 2009 could early exercise their redemption right by issuing early redemption notices.

The effect of the CN Exchange represents the extinguishment of CN Jan 2008 having a carrying amount of HK$132,000,000 by the issue of CN Aug 2009 having a fair value of approximately HK$137,332,000 comprising liability portion of approximately HK$80,744,000 and equity portion of approximately HK$56,588,000. The difference of approximately HK$5,332,000 between CN Jan 2008 and CN Aug 2009 on the date of the CN Exchange was charged to the consolidated statement of comprehensive income.

The fair value of the entire CN Aug 2009 was calculated using Binomial Option Pricing model while the fair value of the liability portion of CN Aug 2009 was calculated based on the present value of the contractually determined stream of future cash flows discounted at 24.8%, being the effective interest rate of CN Aug 2009.

26. Convertible Loan Notes *(Continued)*

The valuation of the entire CN Aug 2009 including the equity portion and liability portion was performed by Greater China. The following assumptions were used to calculate the fair value using Binomial Option Pricing model:

	19 August 2009
Grant date share price	HK$0.30
Exercise price	HK$0.30
Expected life	2 years
Expected volatility	86.94%
Expected dividend yield	0%
Risk free interest rate	0.56%

On 10 February 2010, the principal sum of CN Aug 2009 of HK$132,000,000 was included in the Intercreditors' Agreement. Upon completion of the Intercreditors' Agreement on 11 May 2010, CN Aug 2009 was settled through a combination of (i) cash; (ii) conversion shares; and (iii) share options, as set out in Note 2(a).

The fair value of the consideration to settle CN Aug 2009 was approximately HK$353,916,000, comprising cash of HK$34,402,615, 389,649,700 conversion shares of approximately HK$218,204,000 based on the closing price of the Company's shares on 11 May 2010 of HK$0.56 per share, and 206,500,000 Core Creditors Options of HK$101,309,000 based on the fair value of the share options granted on 11 May 2010 of HK$0.4906 per share option. The fair value of the share options was determined by Greater China, using the Binomial Option Pricing Model as per the assumptions in Note 24.

At the date of redemption, the fair value of the equity component of CN Aug 2009 was insignificant. The excess of the fair value of the consideration to settle CN Aug 2009 over the carrying value of the liability portion of CN Aug 2009 of HK$90,853,000, and an additional interest accrual for the period between 10 February 2010 and 11 May 2010 of approximately HK$5,794,000 (of which approximately HK$2,647,000 was charged to the consolidated statement of comprehensive income for the year ended 31 March 2011), amounting to approximately HK$257,269,000, was recognised by the Group as a redemption loss of convertible loan notes and charged to the consolidated statement of comprehensive income for the year ended 31 March 2011.

26. Convertible Loan Notes *(Continued)*

The movement of the liability portions for the years is set out below:

	CN Jan 2008 HK$'000	CN Aug 2009 HK$'000	Total HK$'000
At 1 April 2009	132,000	–	132,000
Redemption during the year	(132,000)	–	(132,000)
Issue during the year	–	80,744	80,744
Interest charged	–	13,256	13,256
At 31 March 2010	–	94,000	94,000
Interest charged	–	2,647	2,647
Redemption during the year	–	(96,647)	(96,647)
At 31 March 2011	**–**	**–**	**–**

27. Deferred Tax

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

	Accelerated tax depreciation HK$'000	Recognised tax losses HK$'000	Convertible loan notes HK$'000	Total HK$'000
At 1 April 2009	(7,692)	5,296	–	(2,396)
Charge to equity for the year	–	–	(9,337)	(9,337)
Credit (charge) to profit or loss	126	(208)	3,067	2,985
Relating to deconsolidation of subsidiaries	7,566	(5,088)	–	2,478
At 31 March 2010	–	–	(6,270)	(6,270)
Credit to profit or loss	–	–	437	437
Credit to equity upon redemption	–	–	5,833	5,833
At 31 March 2011	**–**	**–**	**–**	**–**

At the end of the reporting period, the Group had unused tax losses of approximately HK$808,522,000 (2010: HK$743,280,000) available to offset against future assessable profits. No deferred tax has been recognised in respect of these tax losses due to the unpredictability of future profit streams. Unused tax losses can be carried forward indefinitely.

28. Share Capital of the Company

	Number of ordinary shares '000	Values HK$'000
Authorised:		
At 1 April 2009, at HK$0.10 each	2,500,000	250,000
Increase during the year (note i)	7,500,000	750,000
At 31 March 2010, at HK$0.10 each	10,000,000	1,000,000
Share consolidation (note v(a))	(9,000,000)	–
Capital reduction (note v(b))	–	(999,000)
Increase of authorised capital (note v(c))	999,000,000	999,000
At 31 March 2011, at HK$0.001 each	**1,000,000,000**	**1,000,000**
Issued and fully paid:		
At 1 April 2009, at HK$0.10 each	1,728,754	172,875
Exercise of share options (note ii)	5,550	555
Placement of shares (note iii)	230,000	23,000
Conversion of 2009 Bridge Loans (Note 24)	1,204,476	120,448
2009 Rights Issue (note iv)	432,738	43,274
At 31 March 2010, at HK$0.10 each	3,601,518	360,152
Share consolidation (note v(a))	(3,241,366)	–
Capital reduction (note v(b))	–	(359,792)
2010 Rights Issue (note vi)	1,440,607	1,441
Issue of conversion shares (note vii)	790,000	790
Issue of shares to Investor (note viii)	2,863,000	2,863
Exercise of share options by Core Creditors (note ix)	270,400	270
Share award (note x)	748	1
At 31 March 2011, at HK$0.001 each	**5,724,907**	**5,725**

28. Share Capital of the Company *(Continued)*

The movements in the ordinary share capital for the year ended 31 March 2010 were as follows:

(i) Pursuant to a special general meeting held on 30 July 2009, the increase in authorised share capital by HK$750,000,000 was approved.

(ii) The Company issued 2,000,000, 200,000, 2,800,000 and 550,000 ordinary shares of HK$0.10 each in the Company for cash at HK$0.420, HK$0.196, HK$0.196 and HK$0.178 per share, respectively, as a result of the exercise of share options.

(iii) Pursuant to a placing agreement entered into on 15 June 2009, a placing agent agreed to subscribe or procure subscription for 130,000,000 shares and on a best efforts basis an additional 100,000,000 shares at a price of HK$0.441 per placing share. The placing was completed on 29 July 2009 and an aggregate of 230,000,000 ordinary shares of the Company were issued.

(iv) On 19 August 2009, a rights issue on the basis of one rights share for every four shares in issue then held by the shareholders on the register of members on 28 July 2009 was effected at a subscription price of HK$0.25 per rights share (the "2009 Rights Issue"). A total of 432,738,463 rights shares were issued resulting in gross proceeds of approximately HK$108 million to the Company.

The movements in the ordinary share capital for the year ended 31 March 2011 were as follows:

(v) By resolutions passed in the Company's special general meeting held on 16 April 2010, the Company effected the Capital Reorganisation as follows:

   (a) every ten issued and unissued shares of par value HK$0.10 each in the Company were consolidated into one consolidated share of par value HK$1.00 each;

   (b) the par value of each consolidated share was then reduced from HK$1.00 to HK$0.001 by the cancellation of HK$0.999 of the par value, resulting in a new par value of HK$0.001 for each Adjusted Share;

   (c) the authorised share capital of the Company was restored back to HK$1,000,000,000 by the creation of such number of additional Adjusted Shares as was necessary.

(vi) On 10 May 2010, the Company effected the 2010 Rights Issue as set out in Note 2(c).

(vii) On 11 May 2010, the Company issued a total of 790,000,000 Adjusted Shares to the Core Creditors upon completion of the Intercreditors' Agreement as set out in Note 2(a).

28. Share Capital of the Company *(Continued)*

(viii) On 11 May 2010, the Company (a) issued a total of 2,863,000,000 Adjusted Shares, comprising 1,880,000,000 Adjusted Shares under the Share Subscription and 983,000,000 Adjusted Shares under the Top-up Subscription, to the Investor, at HK$0.07 per Adjusted Share; and (b) granted the Investor the Investor Option to subscribe for a total of 1,500,000,000 additional Adjusted Shares at an exercise price of HK$0.08 per share, as set out in Note 2(b).

In the opinion of the then directors of the Company, the above transactions with the Investor, being the Share Subscription, the Top-up Subscription and the Investor Option, were part of a package to incentivise the Investor to become the controlling shareholder of the Company and to re-capitalise the Company when the Group's financial and liquidity position had been adversely impacted by the disappointing performance of its latest feature film, *Astro Boy*. The then directors were also of the opinion that the Share Subscription price, the Top-up Subscription price and the Investor Option exercise price were fair and reasonable under the circumstances.

(ix) As set out in Note 2, on 11 May 2010, the Company granted options to the Core Creditors and the Investor to subscribe for 400,000,000 and 1,500,000,000 Adjusted Shares, respectively, at an exercise price of HK$0.08 per share. These options are exercisable, in whole or in part, for a period of 12 months from the date of grant.

Movement of Core Creditors Options and Investor Options during the year ended 31 March 2011 is as follows:

Core Creditors/Investor	Balance at 1 April 2010 '000	Granted during the year '000	Exercised during the year '000	Balance at 31 March 2011 '000
Goodyear Group Limited	–	145,300	(145,300)	–
Trophy LV Master Fund	–	61,200	(61,200)	–
Trophy Fund	–	63,900	(63,900)	–
FCI	–	129,600	–	129,600
Idea Talent Limited	–	1,500,000	–	1,500,000
	–	1,900,000	(270,400)	1,629,600

During the year ended 31 March 2011, the Core Creditors subscribed for 270,400,000 Adjusted Shares at HK$0.08 per Adjusted Share through exercising their Core Creditors Options as set out in Note 2(a).

28. Share Capital of the Company *(Continued)*

(x) Pursuant to a resolution approved in a special general meeting of the Company held on 17 November 2009, the Group granted to the late Mr. William Montgomerie Courtauld, a then non-executive director of the Company, and Mr. Phoon Chiong Kit, a then executive director, deputy chairman and chief executive officer of the Company, 5,483,870 Unadjusted Shares and 2,000,000 Unadjusted Shares, respectively, totaling 7,483,870 Unadjusted Shares, as part of their service compensation. The Group recognised an equity settled shared-based payment expense of HK$1,355,000 in aggregate with a corresponding credit to share award reserve based on the closing price of the Company's Unadjusted Shares at the date of approval of HK$0.181 per Unadjusted Share.

After adjusting for the share consolidation as set out in (v) above, a total of 748,387 Adjusted Shares were issued in May 2010.

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

29. Share-Based Payment Transactions

Share Option Scheme

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

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

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

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

(iii) the nominal value of a share.

29. Share-Based Payment Transactions *(Continued)*

Share Option Scheme *(Continued)*

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

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

At 31 March 2011, the number of shares in respect of which options had been granted and remained outstanding under the 2002 Scheme was 1,049,720 (2010: 58,875,000), representing 0.02% (2010: 1.63%) of the total number of shares of the Company in issue at that date.

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

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

29. Share-Based Payment Transactions *(Continued)*

Share Option Scheme *(Continued)*

(b) Movements of share options

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

For the year ended 31 March 2011

	Number of share options			
	Directors	**Employees**	**Consultant**	**Total**
Outstanding at 1 April 2010	30,583,728	22,780,392	5,510,880	58,875,000
Adjustment on share consolidation (note i)	(27,525,355)	(20,502,353)	(4,959,792)	(52,987,500)
After share consolidation and before 2010 Rights Issue				
Cancelled during the year (note ii)	(826,632)	(1,185,800)	–	(2,012,432)
Forfeited during the year (note iii)	(826,632)	(383,939)	–	(1,210,571)
Adjustment on 2010 Rights Issue (note i)	4,456,441	2,246,463	1,747,829	8,450,733
After share consolidation and after 2010 Rights Issue				
Cancelled during the year (note ii)	(5,806,376)	(1,684,324)	–	(7,490,700)
Forfeited during the year (note iii)	(55,174)	(220,719)	(2,298,917)	(2,574,810)
Outstanding at 31 March 2011 (note iv)	**–**	**1,049,720**	**–**	**1,049,720**

The number of options exercisable, representing options vested, as of 31 March 2011 was 658,000 (2010: 16,883,000).

29. Share-Based Payment Transactions *(Continued)*

Share Option Scheme *(Continued)*

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

	Weighted average exercise price		
	Directors	**Employees**	**Consultant**
Outstanding at 1 April 2010	0.879	0.315	0.374
After share consolidation and before 2010 Rights Issue			
Cancelled during the year	21.896	3.150	–
Forfeited during the year	4.961	3.150	–
After share consolidation and 2010 Rights Issue			
Cancelled during the year	0.789	0.755	–
Forfeited during the year	1.870	0.755	0.897
Outstanding at 31 March 2011	N/A	0.755	N/A

notes:

(i) As a result of the share consolidation and 2010 Rights Issue as set out in Note 28(v) and (vi) respectively, the number of the outstanding share options was adjusted accordingly based on the adjustment factor of share consolidation and the 2010 Rights Issue, and the exercise prices of the share options were also adjusted as follows:

Date of grant	Exercise price at 31 March 2010 HK$	Revised exercise price after share consolidation HK$	Revised exercise price after share consolidation and 2010 Rights Issue HK$	Vesting period
Former Directors				
9 October 2006	2.332	23.32	5.590	Nil to 5 years
7 April 2008	1.976	19.76	4.737	2.74 to 4.74 years
22 July 2008	0.780	7.80	1.870	1 to 4 years
29 December 2008	0.365	3.65	0.875	Nil to 1 year
21 August 2009	0.315	3.15	0.755	1 to 3 years
Employees				
21 August 2009	0.315	3.15	0.755	1 to 3 years
17 November 2009	0.315	3.15	0.755	Nil to 3 years
Consultant				
12 January 2009	0.374	3.74	0.897	0.05 to 1.97 years

29. Share-Based Payment Transactions *(Continued)*

Share Option Scheme *(Continued)*

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

notes: *(Continued)*

(ii) During the year, 9,503,132 share options were cancelled as a result of the resignation of the directors and employees prior to the vesting of relevant share options. The impact of the cancellation was to recognise a reversal of share-based payment of HK$8,997,000 in the profit and loss, with a corresponding adjustment to the share options reserve.

(iii) 3,785,381 share options were forfeited due to the resignation of the directors and employees after the vesting period. For forfeiture of share options when the vesting period of the share options has completed, the relevant recognised share-based payment previously charged to profit or loss is not reversed but credited to accumulated losses, with a corresponding adjustment to share options reserve. During the year, an adjustment of approximately HK$17,598,000 was credited to accumulated losses due to forfeiture of share options.

(iv) Details of date of grant, vesting period, exercisable period and exercise price of the share options outstanding at 31 March 2011 for employees are as follows:

Date of grant	Vesting period	Exercisable period	Exercise price	Outstanding at 31 March 2011
21 August 2009	1 to 3 years	5 years	0.755	976,152
17 November 2009	Nil to 3 years	5 years	0.755	73,568
				1,049,720

29. Share-Based Payment Transactions *(Continued)*

Share Option Scheme *(Continued)*

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

For the year ended 31 March 2010

	Number of share options			
	Directors	**Employees**	**Consultant**	**Total**
Outstanding at 1 April 2009	16,000,000	70,625,000	5,000,000	91,625,000
Before 2009 Rights Issue				
Exercised during the year (note v)	–	(5,000,000)	–	(5,000,000)
Cancelled during the vesting period (note vi)	–	(80,000)	–	(80,000)
Forfeited during the year (note vii)	–	(120,000)	–	(120,000)
Adjustment due to 2009 Rights Issue (note viii)	1,634,816	6,970,956	510,880	9,116,652
After 2009 Rights Issue				
Granted during the year (note ix)	23,000,000	167,738,000	–	190,738,000
Granted with modification during the year (note x)	–	48,032,830	–	48,032,830
Cancelled with modification during the year (note x)	–	(48,032,830)	–	(48,032,830)
Exercised during the year (note xi)	–	(550,000)	–	(550,000)
Cancelled during the vesting period (note vi)	(9,918,827)	(152,150,285)	–	(162,069,112)
Forfeited during the year (note vii)	(132,261)	(64,653,279)	–	(64,785,540)
Outstanding at 31 March 2010 (note xii)	30,583,728	22,780,392	5,510,880	58,875,000

29. Share-Based Payment Transactions *(Continued)*

Share Option Scheme *(Continued)*

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

	Weighted average exercise price		
	Directors	**Employees**	**Consultant**
	HK$	HK$	HK$
Outstanding at 1 April 2009	1.441	1.648	0.412
Before 2009 Rights Issue			
Exercised during the year	–	0.286	–
Cancelled during the vesting period	–	2.178	–
Forfeited during the year	–	2.178	–
After 2009 Rights Issue			
Granted during the year	0.315	0.315	–
Granted with modification during the year	–	0.315	–
Exercised during the year	–	0.178	–
Cancelled with modification during the year	–	1.924	–
Forfeited during the year	0.780	0.540	–
Cancelled during the vesting period	0.335	0.315	–
Outstanding at 31 March 2010	0.879	0.315	0.374

notes:

(v) 2,000,000, 200,000 and 2,800,000 share options were exercised by the employees on 2 July 2009, 9 July 2009 and 12 August 2009 at exercise price of HK$0.420, HK$0.196 and HK$0.196 respectively before the 2009 Rights Issue. The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK$0.454.

(vi) During the year ended 31 March 2010, 162,149,112 share options were cancelled as a result of the resignation of director and resignation or termination of employment of employees prior to the vesting of relevant share options. The impact of the cancellation was recognised in the profit and loss, with a corresponding adjustment to the share options reserve.

(vii) 64,905,540 share options were forfeited due to the resignation of directors and resignation or termination of employment of employees subsequent to the vesting period.

29. Share-Based Payment Transactions *(Continued)*

Share Option Scheme *(Continued)*

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

notes: *(Continued)*

(viii) As a result of the 2009 Rights Issue as set out in Note 28(iv), the number of the outstanding share options was adjusted accordingly based on the adjustment factor of 1.102 of the 2009 Rights Issue and the exercise prices of the share options were also adjusted as follows:

Date of grant	Original exercise price HK$	Revised exercise price after 2009 Rights Issue HK$	Vesting period
Directors			
9 October 2006	2.570	2.332	Nil to 5 years
7 April 2008	2.178	1.976	2.74 to 4.74 years
22 July 2008	0.860	0.780	1 to 4 years
29 December 2008	0.402	0.365	Nil to 1 year
Employees			
24 May 2005	0.196	0.178	Nil
7 June 2005	0.195	0.177	Nil
13 February 2006	0.535	0.485	Nil
8 November 2006	3.070	2.785	Nil
15 May 2007	2.178	1.976	0.67 to 3 years
25 September 2007	2.178	1.976	0.33 to 3 years
17 January 2008	2.178	1.976	1 to 3 years
7 April 2008	2.178	1.976	1 to 3 years
22 December 2008	0.420	0.381	Nil
Consultant			
12 January 2009	0.412	0.374	0.05 to 1.97 years

(ix) On 21 August 2009, 190,738,000 share options were granted at an exercise price of HK$0.315 per share. The closing price of the Company's shares immediately before the grant date was HK$0.285.

(x) On 17 November 2009, 48,032,829 unexercised share options previously granted were cancelled and the same number of share options were re-granted to the affected grantees with a modified exercise price of HK$0.315 per share. The closing price of the Company's shares immediately before the re-grant date was HK$0.181. Apart from the modified exercise price, there was no modification to the terms of the affected share options.

The replacements were accounted for as a modification of the original grant. The incremental fair value arising from the modification of the exercise price is approximately HK$2,272,000. The assumptions in the calculation of the fair value are set out in Note 29(c).

29. Share-Based Payment Transactions *(Continued)*

Share Option Scheme *(Continued)*

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

notes: *(Continued)*

(xi) 550,000 share options were exercised by an employee on 16 September 2009 at an exercise price of HK$0.178 after the 2009 Rights Issue. The closing price of the Company's shares immediately before the date on which the options were exercised was HK$0.450.

(xii) Directors, employees and consultant are entitled to a gradual increase in the number of share options being vested upon increase in the years of services to the Group. Details of date of grant, vesting period, exercisable period and exercise price of the share options outstanding at 31 March 2010 for directors, employees and consultant are as follows:

Date of grant	Vesting period	Exercisable period	Exercise price	Outstanding at 31 March 2010
Directors				
9 October 2006	Nil to 5 years	5 years	2.332	5,510,880
7 April 2008	2.74 to 4.74 years	5 years	1.976	3,306,528
22 July 2008	1 to 4 years	5 years	0.780	551,088
29 December 2008	Nil to 1 year	5 years	0.365	7,715,232
21 August 2009	1 to 3 years	5 years	0.315	13,500,000
				30,583,728
Employees				
21 August 2009	1 to 3 years	5 years	0.315	18,412,000
17 November 2009	Nil to 3 years	5 years	0.315	4,368,392
				22,780,392
Consultant				
12 January 2009	0.05 to 1.97 years	5 years	0.374	5,510,880
			Total:	58,875,000

29. Share-Based Payment Transactions *(Continued)*

Share Option Scheme *(Continued)*

(c) Recognition of share-based payments expenses

No share option was granted during the year ended 31 March 2011. The total fair value of the share options granted during the year ended 31 March 2010, at the respective dates of grant, was approximately HK$35,640,000, calculated using the Binomial Option Pricing Model with the following inputs:

Date of grant	Share price on date of grant HK$	Fair value per option HK$	Vesting period	Exercisable period	Expected volatility %	Expected dividend yield %	Risk free rate %	Expected life
21 August 2009	0.280	0.144 to 0.184	1 to 3 years	5 years	69.39 to 93.31	0	1.99 to 2.30	6 years to 8 years
17 November 2009	0.181	0.044 to 0.097	Nil to 3 years	5 years	71.12 to 109.16	0	0.41 to 1.76	5 years to 8 years

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

During the year ended 31 March 2011, the Group recognised a reversal of share-based payment expense of HK$8,997,000 (2010: an expense of HK$18,600,000) as a result of the cancellation of the share options subsequent to the resignation of directors and employees. The (reversal of) share-based payment expenses were analysed as follows:

	2011 HK$'000	2010 HK$'000
Directors' emoluments	**(8,528)**	4,133
Other staff cost	**(580)**	13,929
Consultant	**111**	538
	(8,997)	18,600
Less: amounts capitalised in CGI animation pictures	**–**	(13,857)
Amounts (credited) charged to profit or loss	**(8,997)**	4,743

29. Share-Based Payment Transactions *(Continued)*

Share award

In accordance with a service agreement dated 21 August 2009 entered into between the Company and the late Mr. William Montgomerie Courtauld, a then non-executive director of the Company, and a grant letter dated 21 August 2009 issued by the Company to Mr. Phoon Chiong Kit, the then executive director, deputy chairman and chief executive officer of the Company, the Company would issue 5,483,870 Unadjusted Shares and 2,000,000 Unadjusted Shares to Mr. William Montgomerie Courtauld and Mr. Phoon Chiong Kit, respectively, as part of their service compensation. Shares would be issued subject to the approval by shareholders.

The grants were approved in a special general meeting dated 17 November 2009 and the Group recognised an equity-settled shared-based payment expense of HK$1,355,000 in aggregate with a corresponding credit to share award reserve. The closing price of the Company's Unadjusted Share on 17 November 2009 was HK$0.181 per share.

After adjusting for the share consolidation as set out in Note 28(v), a total of 748,387 Adjusted Shares were issued in May 2010.

30. Disposal and Dissolution/Deconsolidation of Subsidiaries

For the year ended 31 March 2011

During the year, the Group disposed of one subsidiary and dissolved seven subsidiaries. The net assets of these subsidiaries at the date of disposal/dissolution are as follows:

	HK$'000
NET ASSETS DISPOSED/DISSOLVED	
Other receivables	32
Bank balances and cash	35
Other payables	(1)
Loss on disposal/dissolution	66
Net cash outflow arising on bank balance and cash disposed of	35

30. Disposal and Dissolution/Deconsolidation of Subsidiaries *(Continued)*

For the year ended 31 March 2010

The Group's subsidiaries in the US (the "US Subsidiaries") were placed under a procedure called Assignment for the Benefit of Creditor ("ABC") on 25 January 2010. The filling for ABC is governed by California state law and upon the appointment of an assignee, the Group delivered all control over these US Subsidiaries to the assignee. Accordingly, the US Subsidiaries were deconsolidated by the Group.

In addition, on 5 February 2010, a wholly-owned subsidiary of the Company, Imagi Production Limited ("IPL"), made an application to the High Court of the Hong Kong Special Administration Region ("High Court") for the appointment of provisional liquidators. On 8 February 2010, the liquidators were appointed pursuant to an order granted by the High Court. Accordingly, IPL was deconsolidated by the Group.

The net liabilities of the US Subsidiaries and IPL at the respective dates of deconsolidation were as follows:

	US Subsidiaries HK$'000	**IPL** HK$'000	**Total** HK$'000
NET LIABILITIES DECONSOLIDATED			
Property, plant and equipment	13,123	36,680	49,803
Club debentures	–	60	60
Trade and other receivables, deposits and prepayment	10,940	2,817	13,757
Tax recoverable	40	–	40
Bank balances and cash	66	15	81
Other payables and accruals	(7,270)	(44,156)	(51,426)
Prints and advertising loan due to Endgame (note)	(65,191)	–	(65,191)
Deferred tax	(1,388)	(1,090)	(2,478)
Gain on deconsolidation	(49,680)	(5,674)	(55,354)
Net cash outflow arising on bank balances and cash deconsolidated	66	15	81

note: The loan was granted by Endgame Funding, LLC (the "Endgame Loan"), a California limited liability company, for the specific purpose of funding the promotion expenses to be incurred in connection with the launch of *Astro Boy* in October 2009. Included in the amount is an arrangement fee, arising from the loan, of US$1.6 million, approximately HK$12.5 million, payable to Endgame with a corresponding expense recognised as finance costs in the consolidated statement of comprehensive income for the year ended 31 March 2010.

31. Pledge of Assets

As at 31 March 2010 and 2011, all the Group's rights in *Astro Boy* (except for the exploitation rights throughout the territories of China, Hong Kong and Japan) were pledged as collateral to secure the Endgame Loan granted to a former subsidiary of the Company in the US for funding the launch of *Astro Boy* in October 2009. This former subsidiary is currently under ABC as per Note 30. The carrying value of *Astro Boy* as at 31 March 2010 and 2011 was nil.

As at 31 March 2010, the P&A Loan as per Note 25 was secured by properties of certain subsidiaries of the Company including *Astro Boy*, together with the revenue to be generated from *Astro Boy*. Such security was released during the year ended 31 March 2011 upon the settlement of the P&A Loan as per Note 25.

32. Operating Lease Commitments

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

	2011 **HK$'000**	2010 HK$'000
Within one year	**1,938**	140
In the second to fifth years inclusive	**196**	64
	2,134	204

Operating lease payments represent rentals payable by the Group for office premises. Leases were negotiated for an average term of two years (2010: two years) and rentals were fixed for an average term of two years (2010: two years).

33. Retirement Benefits Scheme

The Group participates in a MPF Scheme established under the Mandatory Provident Fund Scheme Ordinance for all its employees in Hong Kong. The scheme is a defined contribution scheme effective from December 2000 and is funded by contributions from employer and employees according to the rules of the MPF Scheme. The assets of the scheme are held separately from those of the Group, in funds under the control of an independent trustee. During the year, the total amount contributed by the Group to the scheme was approximately HK$660,000 (2010: HK$3,125,000), of which HK$285,000 (2010: HK$2,487,000) was capitalised in CGI animation pictures and HK$375,000 (2010: HK$638,000) charged to profit or loss and no contributions were forfeited. The Group contributes at the lower of HK$1,000 or 5% of the relevant payroll costs to the MPF Scheme.

34. Major Non-Cash Transactions

During the year, the major non-cash transactions were as follows:

For the year ended 31 March 2011

(i) The Group recognised a reversal of share-based payment expense of approximately HK$8,997,000 which was credited to the consolidated statement of comprehensive income.

(ii) The financial liabilities extinguished pursuant to the Intercreditors' Agreement were set out in Note 2(a).

For the year ended 31 March 2010

(i) The Group recognised share-based payment expenses of approximately HK$19,955,000 of which approximately HK$13,857,000 was capitalised in CGI animation pictures and approximately HK$6,098,000 was charged to the consolidated statement of comprehensive income.

(ii) The 2009 Bridge Loans as mentioned in Note 24 were converted into 1,204,476,068 Unadjusted Shares at a conversion price of HK$0.175 per share.

(iii) CN Jan 2008 was redeemed by the issue of CN Aug 2009 with the same principal amount of HK$132 million as detailed in Note 26.

35. Related Party Disclosures

During the year, the following related party transactions were entered into by the Group:

For the year ended 31 March 2011

(i) The Intercreditors' Agreement as set out in Note 2(a) was completed on 11 May 2010, in which Mr. Hung, a then substantial shareholder of the Company, had significant influence.

(ii) On 18 February 2011, the Company entered into an agreement with Luminary Capital Limited, a company wholly owned by Mr. Leung Pak To, a director and controlling shareholder of the Company, for the provision of financial advisory services in relation to the Acquisition as set out in Note 38 for a fee of HK$5 million. The whole amount was charged to consolidated statement of comprehensive income for the year upon the provision of the service.

35. Related Party Disclosures *(Continued)*

For the year ended 31 March 2010

(i) The P&A Facility as stated in Note 25 was secured by a cash collateral provided to the bank by FCI, a company in which Mr. Hung had significant influence.

In consideration of and as a condition to the provision of the cash collateral by FCI, the Group agreed to, among other things, (i) pay a fixed fee of US$1,500,000 (approximately HK$11.7 million and included in finance costs) and (ii) charge all exploitation rights of *Astro Boy* including certain of its future revenue in favour of FCI. Details of the P&A Facility are set out in the Company's announcement dated 9 September 2009.

Shareholders' approval of the P&A Facility was obtained in a special general meeting held on 17 December 2009.

(ii) The Group obtained bridge loan facilities to the extent of HK$23 million from Trophy Fund, a company related to Mr. Hung. Detailed terms of the facilities and the amount utilised by the Group at 31 March 2010 are set out in Note 24.

(iii) The Group effected the CN Exchange (Note 26) whereby the Company issued CN Aug 2009 to, and redeemed CN Jan 2008 from, Goodyear Group Limited and Trophy LV Master Fund.

Trophy Fund is a substantial shareholder of the Company and Goodyear Group Limited is a wholly owned subsidiary of Trophy Fund. Both Trophy Fund and Trophy LV Master Fund are managed by Trophy Asset Management Limited, which in turn is wholly owned by Mr. Hung.

(iv) Upon the completion of the 2009 Bridge Loans conversion on 19 August 2009, the outstanding loan principal and accrued interest due to Evertop Capital Limited, a company in which Mr. Hung had significant influence, were converted into Unadjusted Shares in the Company at a conversion price of HK$0.175 per share. Details of the 2009 Bridge Loans conversion are set out in Note 24.

36. Compensation of Key Management Personnel

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

	2011 **HK$'000**	2010 HK$'000
Short-term benefits	**4,806**	35,574
Post-employment benefits	**52**	80
Equity-settled share-based payment expenses	**–**	5,329
	4,858	40,983

37. Statement of Financial Position of the Company

The statement of financial positions of the Company as at 31 March 2011 is as follows:

	Note	**2011** **HK$'000**	2010 HK$'000
Total assets		**167,248**	79,630
Total liabilities		**(13,242)**	(244,473)
		154,006	(164,843)
Capital and reserves			
Share capital		**5,725**	360,151
Reserves	(i)	**148,281**	(524,994)
		154,006	(164,843)

37. Statement of Financial Position of the Company *(Continued)*

(i) Reserves of the Company

	Share premium HK$'000	Deemed contribution reserve HK$'000	Convertible loan notes equity reserve HK$'000	Share option reserve HK$'000	Share award reserve HK$'000	Option shares reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2009	622,469	22,650	43,493	114,872	–	–	(409,556)	393,928
Loss for the year	–	–	–	–	–	–	(1,364,588)	(1,364,588)
Placement of shares (Note 28(iii))	78,430	–	–	–	–	–	–	78,430
Rights issue (Note 28(vii))	64,911	–	–	–	–	–	–	64,911
Share issue expenses	(6,748)	–	–	–	–	–	–	(6,748)
Conversion of bridge loans (Note 24)	240,896	–	–	–	–	–	–	240,896
Recognition of equity-settled share-based payments (Note 29)	–	–	–	18,600	1,355	–	–	19,955
Exercise of share options (Note 28(ii))	1,875	–	–	(904)	–	–	–	971
Share options forfeited during the year (Note 29(b)(vii))	–	–	–	(105,265)	–	–	105,265	–
Redemption of convertible loan note	–	–	(43,493)	–	–	–	43,493	–
Recognition of equity component of convertible loan note	–	–	56,588	–	–	–	–	56,588
Deferred tax liability on recognition of equity component of convertible loan note	–	–	(9,337)	–	–	–	–	(9,337)
At 31 March 2010	1,001,833	22,650	47,251	27,303	1,355	–	(1,625,386)	(524,994)
Loss for the year	–	–	–	–	–	–	(638,503)	(638,503)
Capital Reorganisation (Note 2(d))	(1,001,833)	–	–	–	–	–	1,361,625	359,792
Issue of conversion shares (Note 28(viii))	441,610	–	–	–	–	–	–	441,610
Issue of share award (Note 28(x))	1,354	–	–	–	(1,355)	–	–	(1)
Recognition of fair value in respect of option shares arising from using equity to settle liabilities	–	–	–	–	–	196,240	–	196,240
Share subscription and top-up share subscription	197,547	–	–	–	–	–	–	197,547
Rights issue (Note 28 (vi))	99,402	–	–	–	–	–	–	99,402
Share issue expenses	(1,008)	–	–	–	–	–	–	(1,008)
Exercise of option shares (Note 28(ix))	154,019	–	–	–	–	(132,659)	–	21,360
Reversal of equity-settled share-based payments (Note 29)	–	–	–	(8,997)	–	–	–	(8,997)
Share options forfeited for the year (Note 29(b)(iii))	–	–	–	(17,598)	–	–	17,598	–
Reversal of deferred tax liability on redemption of convertible loan notes	–	–	5,833	–	–	–	–	5,833
Redemption of convertible loan notes	–	–	(53,084)	–	–	–	53,084	–
At 31 March 2011	**892,924**	**22,650**	**–**	**708**	**–**	**63,581**	**(831,582)**	**148,281**

Deemed contribution reserve represents the difference between the subscription price of a share subscription by a then new shareholder and the diluted subscription price after taking into account of the transfer of gift shares from a then existing shareholder to the then new shareholder.

38. Events after the Reporting Period

Subsequent to 31 March 2011, the following significant events took place:

(i) On 13 April 2011, the Group completed its acquisition (the "Acquisition") of the entire issued share capital of Infoport Management Limited ("Infoport"), a company incorporated in the British Virgin Islands. The principal activities of Infoport and its subsidiaries including Toon Express International Limited ("TE Group") are licensing of copyrights of cartoon characters in animation pictures, sales of merchandise of the cartoon characters and management of the commercial exploitation of animation pictures produced by a related party. Details of the Acquisition are set out in the Company's circular dated 23 March 2011 (the "Circular"). Details of the consideration transferred, the assets acquired and the liabilities assumed, on the date of completion of the Acquisition, are set out below. Terms in this note are as defined in the Circular.

	Amounts recognised at the date of acquisition HK$'000
Net identifiable assets of the subsidiaries acquired:	
Property, plant and equipment	1,969
Prepayments – non-current	3,923
Deferred tax assets	1,337
Intangible assets (note a)	1,037,748
Inventories	378
Trade and other receivables and prepayments	44,424
Pledged deposits	11,674
Bank balances and cash	12,226
Trade and other payables and accruals	(35,483)
Taxation payable	(6,449)
Bank and other loans	(10,529)
Deferred tax liability (note c)	(261,336)
	799,882
Consideration, satisfied by (note b):	
Cash payment	330,000
Consideration Shares	423,500
Earn-out Payment by Promissory Notes	90,625
	844,125
Goodwill arising on acquisition (note d)	44,243
Net cash outflow arising on acquisition	
Cash and bank balances acquired	12,226
Cash consideration	(330,000)
	(317,774)

38. Events after the Reporting Period *(Continued)*

(i) *(Continued)*

notes:

(a) Certain intangible assets were identified as part of the Acquisition. The fair values of these intangible assets provisionally determined by the directors with reference to external valuation reports prepared by an independent valuation firm, comprise:

(i) intellectual properties in the form of trademarks and copyrights of various animation brands and related characters under the ownership of TE Group of HK$222,896,000, arrived at using the Multi-period Excess Earnings Method;

(ii) future economic benefits of HK$129,448,000 arising from the CP Agreement with Disney Enterprises, Inc. to promote and market TE Group's intellectual properties, arrived at using the discounted cash flow approach; and

(iii) future economic benefits of HK$685,204,000 arising from the Joint Brand Management Agreement with Creative Power Entertainment Limited Liability Company ("CPE"), a PRC company engaged in animation development and commercialisation, through which TE Group participates in the coordination of commercial exploitation for the animations and related characters owned by CPE. The fair value is arrived at using the discounted cash flow approach.

(b) Pursuant to the Acquisition, the Company acquired the entire equity interest in Infoport at an initial consideration of HK$814 million and a contingent maximum earn-out payment of HK$232.5 million which may be payable subject to certain conditions set out in the Circular. However, the fair value of this total consideration is HK$844,125,000, comprising the following:

(i) cash payment of HK$330 million;

(ii) Consideration Shares representing 1,382,857,143 Shares were issued and allotted to the Seller or its shareholder(s) or nominee(s).

The Consideration Shares are subject to a lock-up undertaking as detailed in the Circular and as such, the fair value of the Consideration Shares is determined by the Directors with reference to external valuation report prepared by an independent valuation firm.

The fair value of the Consideration Shares, taken into consideration the lock-up period, is therefore determined to be HK$423,500,000 at an adjusted price of HK$0.306 per Share; and

(iii) an Earn-out Payment by Promissory Notes, being 9.3 times of the excess, if any, of the aggregate consolidated net profit of TE Group for the financial years of 2011 and 2012 over HK$242 million, subject to a cap of HK$232.5 million.

The Promissory Notes, if issued, will carry interest at a fixed rate of 1% per annum and mature in 2.5 years from the Completion Date. They are payable in one lump sum on maturity together with all accrued interest.

The fair value of the Promissory Notes is provisionally determined to be HK$90,625,000, arrived at by discounting the estimated redemption amount of HK$119,156,000 at an effective interest rate of 11.57%, based on an external valuation report prepared by an independent valuation firm.

38. Events after the Reporting Period *(Continued)*

(i) *(Continued)*

notes: *(Continued)*

(c) A deferred tax liability of HK$259,387,000 is recognised on the fair value of the intangible assets recognised (see note a), calculated at the PRC enterprise income tax rate of 25%.

(d) Goodwill is measured as the excess of the sum of the consideration transferred (see note b) over the fair value of the identifiable assets acquired less liabilities assumed.

(e) Direct costs relating to the Acquisition of approximately HK$11,496,000 would be recognised as expenses when and as incurred.

(ii) Also on 13 April 2011, the Company completed the Subscription (as defined in the Circular) whereby a total of 1,282,816,000 Shares were allotted and issued. The gross proceeds from the Subscription amounted to approximately HK$359 million which were used to finance the Acquisition.

As a result of the Subscription, the exercise price of the Core Creditors Options and the Investor Option was adjusted from HK$0.08 per Share to HK$0.076 per Share in accordance with the terms of the relevant option agreements.

As part of the Subscription, the Company granted an institutional investor option to subscribe for 50,000,000 Shares (the "IDG Option") as remuneration for introducing potential subscribers to the Company. The IDG Option may be exercised by the holder thereof in whole or in part from the date on which they were granted until 31 December 2013 on which date any unexercised IDG Options will automatically lapse.

The fair value of the IDG Option on the date of grant (i.e. 15 April 2011), arrived at using the Binomial Option Pricing Model, was approximately HK$6,060,000 which, representing incremental costs directly attributable to the Subscription, was charged to the share premium account as a share issue expense on the date of grant.

(iii) Also on 13 April 2011, Idea Talent Limited exercised the Investor Option to subscribe for 1,500,000,000 Shares at the adjusted exercise price of HK$0.076 per Share. The Shares allotted and issued pursuant to the Investor Option represented 17.88% of the issued share capital of the Company before the exercise of the Investor Option and approximately 15.17% of the issued share capital of the Company as enlarged by the exercise of the Investor Option. The gross proceeds of HK$114 million arising from the exercise of the Investor Option will be used for general working capital of the Company.

38. Events after the Reporting Period *(Continued)*

(iv) Also on 13 April 2011, the Company offered to grant an aggregate of 65,000,000 share options to certain grantees in accordance with the Company's share option scheme, of which 52,000,000 options were granted to two directors of the Company.

The exercise price of the above share options is HK$0.368 per Share, being the highest of (i) the closing price of HK$0.365 per Share on the date of grant; (ii) the average closing price of HK$0.368 per Share for the 5 trading days immediately preceding the date of grant; and (iii) the nominal value of the Share.

The above share options, which were accepted as to 64,120,000 share options on or before 11 May 2011, are to be vested in the following manner:

- 50% of the share option will be vested immediately after a three year period from the date of grant and will be exercisable until the expiration of a three year period from the vesting date of such share option;
- 25% of the share option will be vested immediately after a four year period from the date of grant and will be exercisable until the expiration of a three year period from the vesting date of such share option;
- 25% of the share option will be vested immediately after a five year period from the date of grant and will be exercisable until the expiration of a three year period from the vesting date of such share option.

The aggregate fair value of the above share options on the date of grant, arrived at using the Binomial Option Pricing Model, was approximately HK$11,126,000, which will be charged to profit and loss over the vesting period.

(v) On 27 April 2011, FCI exercised certain Core Creditors Options to subscribe for 129,600,000 Shares at the adjusted exercise price of HK$0.076 per Share. The Shares allotted and issued pursuant to the Core Creditors Options exercised by FCI represented 1.31% of the issued share capital of the Company before the exercise of the Core Creditors Options and approximately 1.29% of the issued share capital of the Company as enlarged by the exercise of the Core Creditors Options. The gross proceeds of approximately HK$9,850,000 arising from the exercise of the Core Creditors Options by FCI will be used for general working capital of the Company.

39. Particulars of Principal Subsidiaries

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

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company				Principal activities
			Directly		Indirectly		
			2011 %	2010 %	**2011** %	2010 %	
Diamond Century International Limited	British Virgin Islands/ Hong Kong	US$4	**–**	–	**100**	100	Investment holding
Great Trend International Limited	British Virgin Islands/ Hong Kong	US$4	**100**	100	**–**	–	Investment holding
iDream Production Limited	Hong Kong	HK$2	**–**	–	**100**	100	Provision of CGI and special effect production services in respect of CGI animation pictures
Imagi Animation Studios Limited	Hong Kong	HK$2	**–**	–	**100**	100	Holding and licensing of intellectual property rights in respect of CGI animation pictures
Imagi Character Licensing B.V.	Netherlands	EUR18,100	**–**	–	**100**	100	Sub-licensing of intellectual property rights in respect of CGI animation pictures
Imagi Character Limited	Labuan	US$100	**–**	–	**100**	100	Holding and licensing of intellectual property rights in respect of CGI animation pictures
Imagi Crystal Limited	Hong Kong	HK$1	**–**	–	**100**	100	Holding and licensing of intellectual property rights in respect of CGI animation pictures

39. Particulars of Principal Subsidiaries *(Continued)*

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly 2011 %	Directly 2010 %	Indirectly 2011 %	Indirectly 2010 %	Principal activities
Imagi Diamond Limited	Hong Kong	HK$1	–	–	100	100	Holding and licensing of intellectual property rights in respect of CGI animation pictures
Imagi International Japan Company Limited (note i)	Japan	JPY30,000,000	–	–	–	100	Provision of marketing services on project licensing and acting as a full-service project management house in respect of CGI animation pictures
Imagi Platinum Limited	Hong Kong	HK$1	–	–	100	100	Holding and licensing of intellectual property rights in respect of CGI animation pictures
Imagi Services Limited	Hong Kong	HK$2	–	–	100	100	Provision of CGI and special effect production services and administrative services
Sky Field Holdings Limited (note ii)	British Virgin Islands/ Hong Kong	US$1	100	–	–	–	Investment holding

note i: The company was disposed of during the year.
note ii: The company was newly incorporated during the year.

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

Financial
Summary

Results

	Year ended 31 March				
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011** **HK$'000**
Revenue	243,485	17,189	3,613	107,123	**8,616**
Loss before tax	(138,345)	(56,964)	(184,493)	(1,367,911)	**(625,881)**
Income tax (expense) credit	(617)	(865)	7,066	825	**2,257**
Loss for the year	(138,962)	(57,829)	(177,427)	(1,367,086)	**(623,624)**
Attributable to:					
Owners of the Company	(138,923)	(57,829)	(177,427)	(1,367,086)	**(623,624)**
Non-controlling interests	(39)	–	–	–	**–**
	(138,962)	(57,829)	(177,427)	(1,367,086)	**(623,624)**

Assets and Liabilities

	At 31 March				
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011** **HK$'000**
Total assets	608,403	754,532	841,547	87,650	**184,873**
Total liabilities	(93,862)	(116,689)	(274,744)	(252,493)	**(16,315)**
	514,541	637,843	566,803	(164,843)	**168,558**
Equity attributable to owners of the Company	514,541	637,843	566,803	(164,843)	**168,558**

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