IMAGI

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

2011 Annual Report 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 Director

Mr. Soh Szu Wei
Mr. Yung Tse Kwong, Steven

Non-executive Directors

Ms. Ma Wai Man, Catherine
Mr. Yang Fei

Independent Non-executive Directors

Mr. Chan Yuk Sang
Mr. Cheng Yuk Wo
Dr. Lam Lee G.
Mr. Lim Chin Leong
Ms. Wei Wei

Audit Committee

Mr. Cheng Yuk Wo (Chairman)
Mr. Chan Yuk Sang
Ms. Ma Wai Man, Catherine

Remuneration Committee

Mr. Chan Yuk Sang (Chairman)
Mr. Cheng Yuk Wo
Dr. Lam Lee G.
Mr. Soh Szu Wei
Mr. Yung Tse Kwong, Steven

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Ms. Lau Siu Mui

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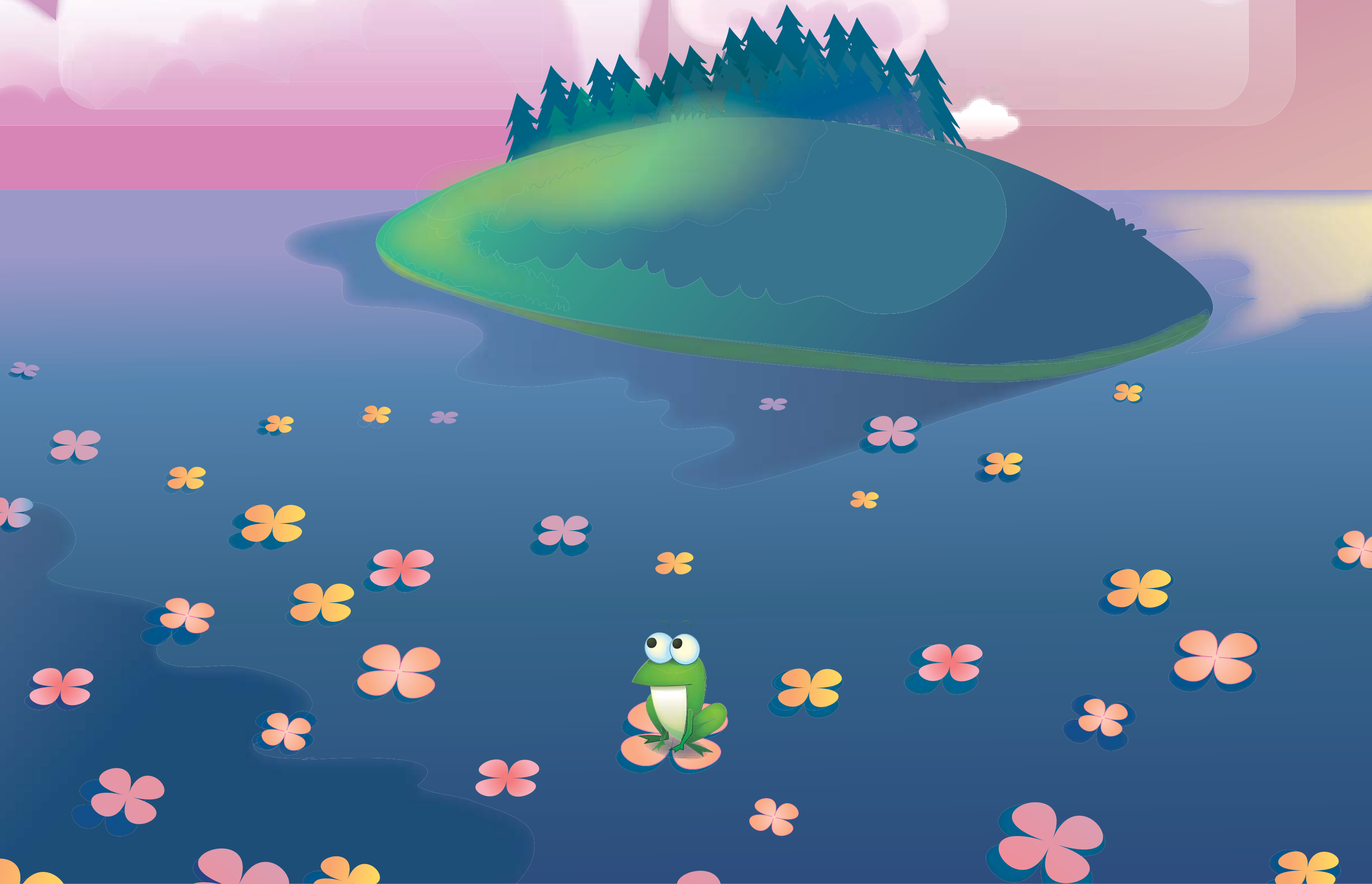

To be a branded leader in the Greater China region and beyond

2011 was a major milestone for Imagi and a significant move into the future. In April, the Group acquired Infoport Management Limited and its operating subsidiaries including Toon Express International Limited, which allows the Group to have a viable core business through China's No. 1 animation brand *Pleasant Goat and Big Big Wolf*. In addition, the Group has completed a financial restructuring and is now in a healthy state. In the nine months ended 31 December 2011, the loss incurred by the Group has substantially reduced when compared with that in the year ended 31 March 2011 and the Company is now well positioned to achieve its vision "**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**".

Our core brand *Pleasant Goat and Big Big Wolf* continues to be the market leader in China's animation market. Our television ratings continue to achieve higher indices and our movies continue to be the best performing locally produced animation movie for four years running.

The Group intends to deepen and expand the brand franchise of *Pleasant Goat* and *Big Big Wolf* within Greater China and the rest of Asia Pacific. Within Greater China, the Group will expand the demographic coverage of *Pleasant Goat* and *Big Big Wolf* by introducing brand extensions to ensure that the brand is relevant to the evolving consumer preferences. In the rest of Asia Pacific, the broadcast of *Pleasant Goat* and *Big Big Wolf* episodes through Disney Channel allows the core *Pleasant Goat* and *Big Big Wolf* brand to be gradually exposed to the target audience of these markets which will provide a new customer base to the Group. With this objective, the Group has started brand building activities in Taiwan and Singapore. Negotiations are underway to bring the brand to Malaysia in 2012.

The Group also recognizes the need to develop other brands and is actively working to rejuvenate another classic animation brand *Happy Family*. There will be a major push in 2012 for *Happy Family* via a launch of an animation movie and television episodes.

The Group recognizes that the global economy is now moving at a much faster pace and becoming more integrated. The Group intends to take advantage of the Internet and mobile business environment. Many of our products are highly suitable to be converted into e-products at minimal cost and this will allow the Group to benefit from the new economic growth created by Internet and mobile platforms.

The co-operation with our merchandise master licensee, Disney Enterprise Inc ("Disney"), and its affiliates continues to progress. In addition, in our latest *Pleasant Goat* and *Big Big Wolf* movie sequel launched in January 2012, Disney's *Kungfu Dragon* made a guest appearance. Disney also supported our overseas expansion by distributing the movie in Taiwan.

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, 29 March 2012

Management Discussion and Analysis

Business and Operational Review

Imagi International Holdings Limited (the "Company" or "Imagi", together with its subsidiaries, the "Group") completed the acquisition of Infoport Management Limited and its operating subsidiaries including Toon Express International Limited ("Toon Express", together the "TE Group") on 13 April 2011. During the nine months ended 31 December 2011, the Group successfully integrated both Imagi and Toon Express' operations. In addition, the Company is deepening its relationship with its strategic partner, Creative Power Entertaining Limited Liability Company ("CPE"), and its master licensee, Disney Enterprises Inc. ("Disney" or "Master Licensee") and other Disney affiliates.

Consumer Products Licensing

Since Disney became the Master Licensee on 1 January 2011 for all existing Toon Express' brands for the following product categories: consumer products, publishing, internet and mobile downloads (excluding video streaming) and home entertainment products, there have been significant benefits for the brand *Pleasant Goat and Big Big Wolf*. Since 1 January 2011, the following achievements have been made:

- The placement of *Kungfu Dragon* in *Pleasant Goat and Big Big Wolf* movie series — "**Mission Incredible: Adventures on the Dragon's Trail**" **「開心闖龍年」** ("Movie 4") to maximize monetization potentials. Disney will share with TE Group the licensing income generated from the sales of *Kungfu Dragon's* consumer products for a period of three years.

On the other hand, the appointment of Buena Vista International ("BVI") (a Disney company) to distribute Movie 4 in cinematic channels on a global basis (excluding China and certain selected territories and distribution channels) was beneficial. Movie 4 which was shown in Taiwan for 3 weeks since 20 January 2012, has recorded a very substantial increase in box office results compared to the last movie.

- In the area of new media, TE Group has directly as well as through Disney converted and distributed the content of *Pleasant Goat and Big Big Wolf* for use through different internet platforms and portals. The brand has been signed on with various major internet content providers and portals such as tiancity.com, 4399.com, China Mobile, Nokia's ovi, sohu.com, tencent.com, renren.com, PCCW, etc., for online/mobile games and video on demand, wallpaper, e-commerce, etc.

  A licensing deal has been concluded with 4399.com that will create, host, market and distribute *Pleasant Goat and Big Big Wolf* themed web game, mini-flash games and social game throughout the Greater China region.

- All the licensees under TE Group as at 1 January 2011 were transferred to the Master Licensee under the Consumer Products Agreement. In the twelve months ended 31 December 2011, Disney as the Master Licensee terminated 55 licensing contracts (expired and termination) and achieved the following:

  1) Renewed 16 contracts and signed up 41 new licensees in aggregate with HK$105.9 million of minimum guaranteed licensing fees over the next 2–3 years

  2) Developed 2,869 new product designs

- Accelerating the retail presence of *Pleasant Goat and Big Big Wolf*: In December 2011, Disney signed up a confectionary sub licensee who will set up 300 *Pleasant Goat and Big Big Wolf* retail points (both kiosks and stores) by 2014. The sub licensee will be retailing confectionary under the *Pleasant Goat and Big Big Wolf* brand nationwide, in its new standalone shops, key account outlets as well as piggy backing on the sub licensee's existing candy stores. The shop design aims to promote product purchases in a quality environment and at the same time, immerse the kids in the animated world of *Pleasant Goat and Big Big Wolf*. The first shop will be opened in Chengdu in March 2012.

  Promoting closer relationships with sub licensees of Taiwan: To build brand awareness and build sub licensee confidence towards the brand, a *Pleasant Goat and Big Big Wolf* Christmas event was staged in the Greater Taipei area by Toon Express Taiwan. Media value at NT$41 million (equivalent to HK$10.8 million)[1] was generated and more than 10,000 visitors were recorded. The event also aimed to launch the new TV series "*Smart Dodging*" and give fans a prelude to Movie 4. A *Pleasant Goat and Big Big Wolf* Disney Sub Licensee meeting was organized by Disney in January 2012. The announcement of *Pleasant Goat and Big Big Wolf*'s superb brand awareness performance, being No.2 in the animation sector in Taiwan, earned the applause and commitment from the floor.

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1 Media Value equals cost of editorial coverage in traditional media. Media Value is print, electronic and non-traditional news coverage resulting from editorial content generated via press releases, interviews, photos, video and special events. The simplest way to generate raw data is by using the advertising value equivalency (AVE) which involves determining what editorial coverage in traditional media would cost, if it was purchased as paid advertising.

Under the Broadcast Agreement with Disney signed on 15 October 2010, Disney has started broadcasting the *Joys of Seasons* in Taiwan, Hong Kong and the Indian Sub-Continent (in three local Indian dialects) through Disney Channel. The broadcast aims to seed consumer product licensing opportunities and diversify its economic dependency on Mainland China. The Group has started to see the benefits as sub licensees in Thailand and Vietnam have signed contracts with our Master Licensee.

BVI has also signed new contracts for the broadcast of 100 more TV episodes, Movie 2 — The Adventure of the Lost Totem and Movie 3 — Moon Castle: The Space Adventure. This will further widen and deepen fans' interest towards the *Pleasant Goat and Big Big Wolf* brand in the region.

- A *Pleasant Goat and Big Big Wolf* Licensee Survey was commissioned to *The Nielsen Company* in the 3rd quarter of 2011 to gauge satisfaction level of sub licensees (lapsed and current) towards TE Group and Disney. Amongst the 102 licensees responded, satisfaction level was high. Two key areas which increased focus is required are; increase in communication of marketing information and increase in protection of intellectual property rights of *Pleasant Goat and Big Big Wolf*.

Anti-Counterfeit Activities

To follow up the Licensee Survey, TE Group has stepped up efforts in protecting intellectual property rights of *Pleasant Goat and Big Big Wolf*. Apart from carrying the "Disney Licensed Merchandise" logo and the anti-counterfeit holograms by our sub licensees on the licensed products, TE Group launched a TV campaign since 1 November 2011 to start official communications and educate consumers. In 2011, TE Group worked on 358 IP infringement cases which violated our intellectual property rights.

Expansion of Core Franchise

To diversify and expand revenue stream and widen brand interest by expanding target core consumer base beyond 4–8 years old, TE Group is working on the following segments and developing images respectively for licensed products:

- **Babies**
- **Pink Category**
- **Freedom n Power**
- **Avant Garde — Happy Simple Life**

Baby Pleasant Goat and Big Big Wolf: Sub licensees can now develop baby products and expand target consumer group to include new mothers with infants and pre school kids.

Pink Category: This category is designed to appeal to female fans of *Pleasant Goat and Big Big Wolf*. Female fans include female kids, teenagers and young adults who like the "cute and feminine" images of Tibbie in particular.

Freedom n Power: Appeal to boys with values specific to them at their age bracket (9–13 years of age), e.g. free will, energy, excitement, etc.

Avant Garde Range: Target at both male and female teens and young adults who are 14 years old or above and grown up with *Pleasant Goat and Big Big Wolf*. This line extension has images of a more mature and playful *Pleasant Goat and Big Big Wolf*. To launch the Avant Garde range, a Lunar New Year exhibition which lasted for 23 days was held in Hong Kong in conjunction with an upmarket shopping mall, Langham Place. The exhibition attracted more than 9.2 million visitors.

Babies

Pink Category

Freedom n Power

Happy Simple Life

Management Discussion and Analysis

Strategic Alliance with Creative Power Entertaining

- *Pleasant Goat and Big Big Wolf* Movie 4 "**Mission Incredible: Adventures on the Dragon's Trail**"「開心闖龍年」achieved another record breaking performance in China with box office receipts exceeding HK$203 million (RMB$165 million). The first three movie series for *Pleasant Goat and Big Big Wolf* have recorded box office receipts of HK$98 million, HK$147 million and HK$180 million respectively.

  During this year's Lunar New Year holiday, blockbusters which were released in China included "The Great Magician", "Sherlock Holmes: A Game Of Shadows", and another Chinese local animation production "The Monkey King". These films have recorded box offices of HK$145 million, HK$103 million and HK$35 million respectively up to 15 January 2012. The robust performance of "Movie 4" in this highly competitive market truly demonstrates the strong popularity and support of the public for the *Pleasant Goat and Big Big Wolf* cartoon brand which was able to compete against non-animation and live action movies. In addition, TE Group and its business partners have committed to extend the movie franchise for *Pleasant Goat and Big Big Wolf* for at least another 2 movies in the next 3 years. The annual movie launch allows TE Group to significantly elevate its brand awareness and boost its consumer product and licensing business, managed through its global master licensee, Disney. TE Group is also considering the possibility to produce a *Pleasant Goat and Big Big Wolf* movie in stereoscopic 3D.

- TE Group is now working on Movie 5 which will be slated for release in early 2013. Working with Disney and 4399.com, a major internet based game which will be loosely based on Movie 5's storyline will be launched to deepen brand integration.

- To cater towards the growing fan base amongst teenagers and young adults, a romantic live action movie with *Pleasant Goat and Big Big Wolf* animation involvement is under production. Targeted to be released in 2013/14, this movie is unique to our fans who will be able to enjoy the interaction between animated characters and live actors and actresses.

As part of TE Group's brand diversification strategy, a full feature cinematic movie based on the *Happy Family* brand is scheduled for release in 2012/13. *Happy Family* is one of the original brands previously developed by TE Group and will be rejuvenated and launched in its movie debut. This will be supported by the launch of at least 40 new television episodes to be shown in China. The re-launch of *Happy Family* will also allow TE Group to further expand its consumer product licensing business which is managed through Disney.

TV Series Broadcast Performance

- In terms of TV episode production, CPE continues to build the strongest pipeline of media content in the Greater China region. In 2011, a total of 162 television episodes were produced, of which *Pleasant Goat and Big Big Wolf* had 2 new seasons, being *Smart Dodging* and *Happy Happy Bang Bang* with 60 and 100 episodes respectively. To date, *Pleasant Goat and Big Big Wolf* has had 850 TV episodes in its library with 60 television station coverage, reaching 93% of its targets who are 4–14 years old.

- In terms of broadcast performance in China, *Pleasant Goat and Big Big Wolf* achieved the following in 2011

  - o Airtime reached 1,500,552 minutes, averaging out to be 74.75 minutes of airtime per day in each of the 55 cities monitored by The Nielsen Company.

  - o 3+Reach was 78% for 39 cities monitored. 3+Reach means three (3) or more minutes of continuous viewing by audiences aged between four and fourteen years, with a frequency of three or more times per month.

  - o TV ratings of *Pleasant Goat and Big Big Wolf*: *Happy Happy Bang Bang* amongst 4–14 years old (China nationwide) was at 1.49% in the 4th quarter of 2011, as compared to 1.12% for the previous quarter.

  - o *Pleasant Goat and Big Big Wolf's* audience profile (China): In terms of total viewership, the core 4–14 age group increased from 43.3% for the period from January to June 2011, to 46% for the period from July to December 2011.

Management Discussion and Analysis

Stage Shows and Carnivals

Stage shows and carnivals continue to be powerful platforms to drive brand awareness and generate revenue. CPE completed 111 stage shows and 9 carnivals in 2011.

In Taiwan, Jinho Dissemination Co, Ltd has been signed up to run 28–30 *Pleasant Goat and Big Big Wolf* stage shows in 2012.

For the mobile carnival licensing to Mactus Pte Ltd, 3 trial events were carried out in the 3rd quarter of 2011 to test the ticketing and token sales system for the full launch of *Pleasant Goat and Big Big Wolf* carnivals in China in 2012, which will commence in the 2nd quarter of 2012 for a period of 3 years.

Publications

120 titles were developed and more than 7.2 million copies of *Pleasant Goat and Big Big Wolf* publications (books and magazines) were sold. Ten baby styleguides have been developed to support the business development needs.

In line with the rapid changes in technology, TE Group intends to upgrade the publications and bringing them to the internet and smartphone era and integrate our internet strategy with the merchandizing business.

Overseas Activities

TE Group is expanding its brand activities beyond Mainland China. With the opening of the Taipei branch office in March 2011, TE Group has commenced its marketing activities to support *Pleasant Goat and Big Big Wolf*. In December 2011, a Christmas Event was held in the Miramar Entertainment Park of Dazhi, Taipei which attracted more than 10,000 visitors and generated a media value of NT$41 million (equivalent to HK$10.8 million). All future marketing activities will be geared towards complementing the growth of the consumer products licensing opportunities.

In Taiwan, momo Kids Channel, one of the leading cable televisions for children's programming, has signed *Smart Dodging* and *Happy Happy Bang Bang* for a period of 3 years. Classic TV series of *Pleasant Goat and Big Big Wolf* and *Joys of Seasons* have constituted 7.5 million seconds of momo's total broadcast time since October 2008. Lately, due to its increasing appeal of the brand to kids, momo has been showing the *Pleasant Goat and Big Big Wolf* cartoons for 3 hours with 12 episodes every day.

In Singapore, Mediacorp's Channel 8 has been showing stronger interests in *Pleasant Goat and Big Big Wolf* cartoon. Three licenses with a total of 208 TV episodes have been signed with latest TV series broadcasted since 14 January 2012. Riding on the strong interest of Singaporeans to learn Mandarin, TE Group is working with various government agencies to make the learning of Mandarin fun through *Pleasant Goat and Big Big Wolf*.

Financial Review

Review of Results

The Group

Financially, the acquisition of TE Group in April 2011 has brought certain fundamental changes to the Group. On 22 September 2011, the Board resolved to change the financial year end date of the Company from 31 March to 31 December so as to align with that of its new principal operating subsidiary which is a PRC company. Accordingly, the current reporting period covers a period of nine months from 1 April 2011 to 31 December 2011 (the "Period under Review") whilst the comparative period is last financial year from 1 April 2010 to 31 March 2011.

Starting from April 2011, the principal components of Group's revenue are licensing income and income arising from the Joint Brand Management Agreement ("JBMA") entered into between TE Group and CPE on commercial exploitation of cartoon characters. The aggregate of these two items accounted for HK$110.8 million or 94.5% of the total revenue of the Group in the Period under Review. Compared with last financial year, revenue of the Group for the Period under Review surged by HK$108.6 million or 12.6 times.

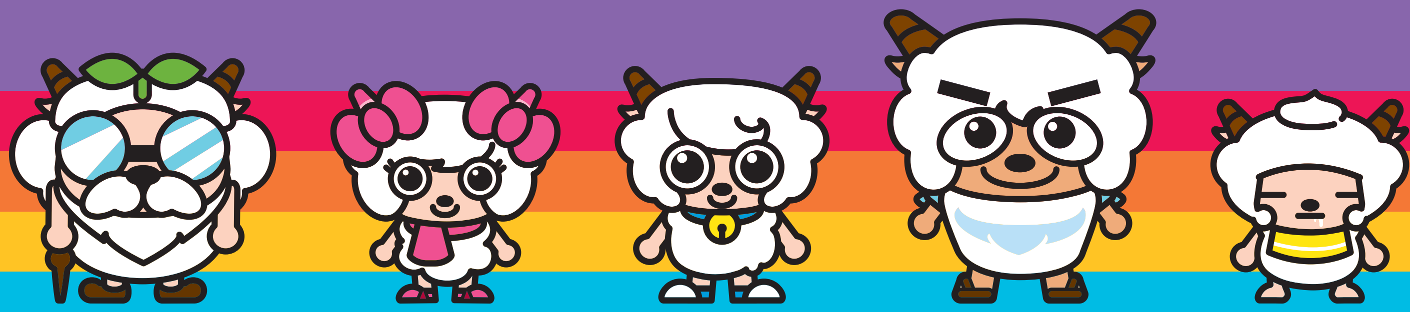
Correspondingly, the nature of the cost of sales of the Group has also been transformed and now is mainly comprised of staff cost incurred for the production of TV episodes, movies and other related products and royalty fee expenses. Cost of sales (excluding the impairment loss provision made for the Group's historical animation products amounted to HK$5.3 million for the Period under Review and HK$81.2 million for the last reporting year) for the Period under Review increased by HK$34.0 million to HK$43.6 million when compared with last financial year. With the newly acquired business, the Group is now on the right track and recorded a gross margin of 58.3% in the Period under Review.

Being part of the acquisition of TE Group, certain commercial contracts entered into by TE Group and the trademarks owned by it have to be recognized as intangible assets, which are subject to amortization under the accounting policies adopted by the Group. During the Period under Review, the amortization of intangible assets charged to the income statement and the associated reversal of deferred tax amounted to HK$73.7 million and HK$18.3 million respectively.

Likewise, other components of the income statement, namely other gains, distribution and selling expenses and administrative expenses also reflect the inclusion of TE Group and thus substantially increased when compared with last financial year. More details regarding TE Group's performance are discussed in the section below.

In the last financial year, the Group recognized various losses on redemption of loans with an aggregate amount of HK$501.4 million, which were accounting losses, arose from the restructuring program to revive the Group in May 2010. There were also acquisition-related costs amounting to HK$11.5 million relating to the acquisition of TE Group in the Period under Review. Both of these items were one-off expenditure and not recurring.

Management Discussion and Analysis



The Group reported a loss after tax of HK$67.4 million for the Period under Review, being a decrease of HK$556.3 million or 89.2% when compared with last financial year. In view of the fact that the amortization of the intangible assets recognized upon acquisition of TE Group is an accounting loss without any effect on operating performance and cash flow, EBITDA (earnings before interest, taxes, depreciation and amortization) or LBITDA (loss before interest, taxes, depreciation and amortization) provides a better assessment of the Group's performance. In the Period under Review, the LBITDA is HK$2.5 million whilst the LBITDA for the last financial year was HK$623.0 million.

TE Group

For the Period under Review, TE Group's total revenue was HK$110.8 million, representing an increase of HK$11.7 million or 12% as compared with the same nine-month period in 2010. The increase was primarily attributed to increased income derived from TE Group's licensing business. Cost of sales increased mainly due to Disney's share of licensing royalties, based on the Consumer Products and Related Use Agreement ("CPA") signed on 30 August 2010. The effective date of this agreement was 1 January 2011. The gross profit margin decreased from 74% in the nine-month period ended 31 December 2010 to 73% for the Period under Review.

TE Group's operating expenses for the Period under Review increased by 51% compared to the prior period. This was mainly due to the increase in overall headcounts (including new functional departments), setting up of overseas units in Taiwan and Singapore, renovation costs and rental costs of the new office, launch of new *Pleasant Goat and Big Big Wolf* brand extension, rejuvenation of *Happy Family* and higher marketing expenses to build brand awareness for our existing and new brands in the Greater China area.

Material Acquisition of Subsidiaries

The acquisition of TE Group (the "Acquisition") was approved by the shareholders of the Company on 12 April 2011 and was completed on 13 April 2011. As the initial consideration of the Acquisition, cash consideration of HK$330 million was paid and 1,382,857,143 new shares of HK$0.001 each of the Company (the "Shares") were issued upon the completion. Depending on the financial performance of TE Group in the financial years ended 31 December 2011 and ending 31 December 2012, a further amount of up to HK$232.5 million may be payable in October 2013 as earn-out payment. Further details of the Acquisition and the determination of the earn-out payment were set out in the circular of the Company dated 23 March 2011.

Based on the actual performance of TE Group in the year ended 31 December 2011, the Directors believe that it is unlikely that TE Group will achieve the performance target of an aggregate net profit of HK$242 million (after tax) for the year ended 31 December 2011 (being HK$85 million) and the year ending 31 December 2012 (being HK$157 million). As such, the condition, amongst others, for the earn-out payment in the form of promissory note in connection with the Acquisition is unlikely to be met.

The Shares issued as part of the consideration of the Acquisition were valued at HK$423.5 million for accounting purpose. Together with the cash consideration of HK$330 million, an amount of HK$753.5 million was recorded as the initial consideration of the Acquisition paid on 13 April 2011. In exchange of this HK$753.5 million, the Group recognized (i), based on the

completion accounts of TE Group, the fair value of the assets and liabilities of TE Group as at 13 April 2011 amounting to HK$17.6 million; (ii) the aggregate fair value of three intangible assets identified in the Acquisition, namely the trademarks and copyrights owned by TE Group, the CPA with Disney and the underlying assets of the JBMA with CPE, amounting to HK$979.8 million; and (iii) the associated deferred tax liabilities of the three intangible assets totalling HK$243.9 million. According to the prevailing accounting policies adopted by the Group, the three intangible assets are subject to amortization based on their respective contract lives and estimated economic lives ranging from 6 to 12 years.

During the Period under Review, the amortization of these three intangible assets charged to the income statement as cost of sales and the corresponding deferred tax liabilities credited amounted to approximately HK$73.7 million and HK$18.3 million respectively.

Acquisition and Disposal of an Associated Company

As a brand manager, it is always TE Group's strategy to explore new initiatives to promote its brand and assist its licensees in commercial exploitation. Hence, on 13 July 2011, Toon Express International Limited ("TEIL"), a member of TE Group, entered into an agreement to subscribe for a 20.63% equity interest in Sino Light Enterprise Limited ("SLE"), which was then a new business aiming to engage in the design, manufacture, sales and distribution through its retail network of children's apparel under the *Pleasant Goat and Big Big Wolf* brand.

The aggregate consideration was HK$36.4 million, of which HK$9.1 million was satisfied by cash and HK$27.3 million was satisfied by way of provision of certain business support services procured by TE Group which allowed SLE to tap TE Group's experience in brand management business. The transaction was completed and SLE became an associated company of the Group on 29 August 2011.

In the past six months, SLE has built up a retail chain and, as at the end of February 2012, it had over ten stores in Mainland China. All parties involved have concluded that it is the appropriate time for SLE to operate on its own under management of Disney, the master licensee of TE Group and, therefore, on 2 March 2012, TEIL entered into an agreement with another shareholder of SLE pursuant to which TEIL disposed of all its equity interest in SLE on 14 March 2012 at a consideration of HK$9.1 million. Since then, SLE has ceased to be an associated company of the Group and TE Group's obligation of providing business support services was also terminated. Further details regarding the disposal were set out in note 41 to the financial statements.

Liquidity and Financial Resources

During the Period under Review, the Company raised approximately HK$483 million in aggregate from the placing of 1,282,816,000 new Shares at a consideration of HK$0.28 per Share on 13 April 2011 and the issue of 1,629,600,000 new Shares pursuant to the exercise of the options granted in May 2010 at an adjusted exercise price of HK$0.076 per Share. The funds so raised were applied to settle the cash consideration of HK$330 million under the Acquisition and as working capital of the Group. Surplus cash with no immediate use has been placed on short-term deposits with licensed banks to earn interest income.

The liquidity and financial position of the Group as at 31 December 2011 remained healthy and strong, with bank balance amounting to HK$281.3 million and a current ratio of 6.2.

As at 31 December 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

As at 31 December 2011, 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 which will expire on 31 December 2013. Details of the share options granted under the share option scheme of the Company are set out under the heading "Share Options" in the Directors' Report.

Charges on Assets

As at 31 December 2011, the Group's entire rights in its second feature film, *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 recognized form of voluntary liquidation in California. The carrying value of *Astro Boy* in the book of accounts of the Group as at 31 December 2011 was nil.

Exposure to Exchange Rates

During the Period under Review, most of the Group's business transactions, assets and liabilities were denominated in Hong Kong dollar, Renminbi and United State dollar. 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 minimize any adverse impact that may be caused by such fluctuation.

Contingent Liabilities

On 14 September 2011, the Company and its wholly-owned subsidiary, Imagi Diamond Limited ("IDL"), received a summons (the "Summons") served by Tatsunoko Production Co., Ltd. ("Tatsunoko"). It is alleged in the Summons that, among others, (i) because of its failing to complete the production of an animated motion picture based on the *Gatchaman* animated television series (the "Picture") before the stipulated deadline, IDL breached an agreement entered into on 7 June 2006 with Tatsunoko; and (ii) the Company and IDL have made unfair and false representations and advertising material regarding their rights on the Picture. The Summons has not specified the amount of claims.

After the completion of the acquisition of TE Group in April 2011, the Company focuses its efforts in the business of TE Group and stopped investing further money in the production of the Picture and the carrying value of the Picture in the book of the Group has been fully impaired. Therefore, the management considers that the claim from Tatsunoko will not have material impact on the business, operations and/or financial position of the Group.

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

Future Plans and Prospects

The Group's prospects remain good with the continued strong popularity of *Pleasant Goat and Big Big Wolf* brand. There are increasing media products, quality and presentation improvement of stage shows and carnivals, new image development to broaden and deepen licensing opportunities, major big brand events in progress, breakthrough in movie production, birth of i-xyy.com, new mobile app for marketing initiative targeted at retail, online language learning program to capture the education segment; last but not least, the brand is gearing up to expand overseas with South East Asia as the starting point.

Licensing and Strategic Marketing Initiatives

A Portfolio of Trusted Brands

1) *TV and Movie*

   CPE has scheduled to produce 220 TV episodes; to be split between *Pleasant Goat and Big Big Wolf*, and *Happy Family*.

   CPE will soon commence production for the live action and animation *Pleasant Goat and Big Big Wolf* full feature movie targeted at teenagers and young adults for release in late 2013/14.

   Planning and production for *Pleasant Goat and Big Big Wolf* Movies 5 to 7, which will be released between 2013 and 2015 have started. TE Group has planned for major commercial co-operation with sub licensees in the form of product placement and other non-Consumer Product licensing co-operation opportunities in Movie 5. To deepen brand integration, maximize licensing opportunities and boost awareness of the *Pleasant Goat and Big Big Wolf* movie, TE Group has licensed 4399.com to design, create and market a web game for Movie 5 release. The Group believes that building interactivities between web-game and the movie is a good way to achieve synergy. It has been proven that game and animation movie can promote each other, especially via game portals like 4399.com which targets at 5–18 years old kids. We are also planting Zentrix[2] characters into Movie 5 as a first step to gauge consumer interest and potentials of revitalizing the Zentrix brand.

   In terms of production technology, TE Group is considering the possibility to produce a *Pleasant Goat and Big Big Wolf* movie in stereoscopic 3D in line with prevailing international standards.

[2] Completed by Imagi in 2002, Zentrix aired in France, Germany, the UK, Japan and Hong Kong and went on to win awards at festivals and competitions on three continents, including a Gold Camera at the US International Film & Video Festival in Los Angeles.

As an effort to diversify the portfolio, CPE will be producing a full feature movie for *Happy Family*. At least 40 new TV episodes will be produced to support the launch. Both the movie and television episodes will be released in the 2nd half of 2012.

The efficient modus operandi of CPE will allow CPE to produce an average of 1.5 movies per year and at significantly lower cost as compared to other production studios.

2) *Stage Shows and Carnivals*
For 2012, the planning directions will be on new content development and geographical expansion.

For stage show, the plan is to launch the 3rd sequel of *Pleasant Goat and Big Big Wolf* stage show

"Wilie's Cherished Desire" in the 2nd quarter in China to hike up the interest level. A total of 138 stage shows have been signed up so far for the year.

For Taiwan, 28–30 stage shows will be organized by Jinho Dissemination Co, Ltd. between June to August throughout the island to support the brand and new TV series "*Smart Dodging*" which is to be launched in momo Kids Channel.

In addition to the *Pleasant Goat and Big Big Wolf* Mobile Carnivals to be organized by Mactus, CPE is revved up to stage indoor smaller scale carnivals for shopping mall co-operations and corporate bookings. This new round of carnivals is designed to be interactive to give participants different sensual experience. Kids are encouraged to experiment, interact and discover. On the commercial side, discussions with few major sub licensees are in progress. Six carnivals have been confirmed.

Expansion of Core Franchise
A focus group research has been conducted in Guangzhou, Shanghai and Beijing in early March this year to test the appeal of the different new images of *Pleasant Goat and Big Big Wolf* amongst an expanded group of target consumers; infant, mothers, children aged 8–13 and above 13. Research information will be shared with Disney and sub licensees to boost the latter's interest to adopt the new images on their products, as well as recruitment of new licensees.

In addition to working on existing intellectual properties, the Group is developing new intellectual properties and new characters for online and mobile gaming. There is a game development project in the pipeline for the US and China launch. The first game is scheduled to be released in the 2nd/3rd quarter of 2012. If the brand is able to achieve consumer traction, it will allow the Group to consider a full blown exploitation in TV series, movie and consumer products licensing opportunities.

Building Big Brand Image

To create a more impactful promotional experience, *Pleasant Goat and Big Big Wolf* will be engaged in various big scale activities in various key regions in China. We are currently exploring with a major China city subway to extend the exposure of the brand beyond traditional advertising media and blend the brand into people's daily lives. A "discovery" approach to the users of the subway will be deployed in the event execution, with an ultimate objective to make *Pleasant Goat and Big Big Wolf* the "talk of the town".

Interactive Media Initiatives

As TE Group rolls out the new *Pleasant Goat and Big Big Wolf* brand extensions, revenue is expected to grow. In addition, TE Group is moving significantly in the Internet and mobile environment (in addition to traditional channels in which our brands have already gained a significant presence through TE Group and the Master Licensee). TE Group has successfully transformed itself from an animation company to a brand management company based on TE Group's own intellectual property rights. This is significantly different from the past when the Group obtained licensing rights from 3rd party brand owners. The Group now channels its resources to developing its own brands.

Our products are very suitable for Internet and mobile platforms. We are reviewing our options to maximize the benefits to be derived from internet and mobile platforms to stay ahead of competition. TE Group's existing entire database of 1,082 television episodes, 4 movies and numerous publications can all be digitized and commercialized in the Internet and mobile environment. In addition, TE Group is exploring with major partners on other aspects of its e-strategy. The Group has started a mobile game app department in its Chai Wan production studio to launch new brands and to support existing brands. With the rapidly emergence of Stereoscopic 3D devices in the marketplace, the Stereoscopic 3D capability of the Chai Wan production studio will be able to capitalize on this rapidly growing trend as more consumer devices are launched.

Nowadays, people live online. According to The Nielsen Company, China boasts more than 457 million internet users which represent only 34.3% of the total population. Users of social networking sites (SNS) increased by 19.5% from 2009–2010. *Pleasant Goat and Big Big Wolf* has lately launched i-xyy.com which is a social networking forum allowing discussion and interaction among fans of *Pleasant Goat and Big Big Wolf*. There is an additional function to allow redirection to other brand sites for games, video, updated news, mom and kids information, publication, e-commerce and free downloads. This is a good way to connect the fans and the brand, making Customer Relationship Management a reality, where i-xyy.com can send out updates about the brand and its activities to fans who are interested and enable fans to give quick feedback.

The rapid emergence of smartphone technology is transforming consumers' shopping experience. We are now exploring ways as to how *Pleasant Goat and Big Big Wolf* can work with manufacturers in a retail environment via a multi-channel communications approach to strengthen brand interest, purchase satisfaction, and long-term loyalty, and at the same time consumers' disposition towards our cartoon brand. Such a mobile app can be used in most of our licensed products for marketing initiatives.

Education Initiatives

The huge TV library content of *Pleasant Goat and Big Big Wolf* and its appeal amongst kids would facilitate the development and acceptance by parents of the brand in the education arena. We are currently developing *Pleasant Goat and Big Big Wolf* Online Language Learning programs for primary school students in Greater China and South East Asia regions.

Anti-Counterfeit Activities

Second wave of the TV campaign will be launched in early April with the following communication message; "only genuine *Pleasant Goat and Big Big Wolf* licensed consumer products which carry a holographic device can guarantee you product quality".

Overseas Expansion

1) Taiwan

The potential of *Pleasant Goat and Big Big Wolf* is rapidly emerging as the broadcast of the television episodes in the past few years is now starting to turn into merchandising benefits. There is a strong commitment from both TE Group and Disney to develop the brand for Taiwan market. The surge of Movie 4 box office results by more than 100% from Movie 3 is a key indicator of brand appeal and awareness.

momo Kids Channel has been showing the "*Smart Dodging*" TV series since January 2012 and has scheduled "*Happy Happy Bang Bang*" in June 2012 for viewing. In addition, the Group is discussing with a major Taiwanese telecommunication company and free-to-air TV channels to bring the cartoon to a bigger audience.

For the next brand event in the marketing activity calendar, TE Group will be working with Carrefour to stage the "*Pleasant Goat and Big Big Wolf* Children's Day Roadshow" in early April 2012. Apart from festive celebration, other objectives include promoting the new TV series "*Happy Happy Bang Bang*" as well as recruiting female fans for the Pink Category launch event in July/August. By working with Carrefour, we can pull together our sub licensees to promote the exposure of their licensed products and sales offtake.

With commitment and investment from both TE Group and Disney, Taiwan will soon become another major market for the brand to monetize.

2) *Singapore*

Singapore is the key market in the Group's South East Asia expansion plan. Mediacorp's Channel 8 has been broadcasting *Pleasant Goat and Big Big Wolf* cartoon since late 2010. Its interest level towards the brand is on the rise. It has now doubled its library of the *Pleasant Goat and Big Big Wolf* TV series.

TE Group is also working with various Singapore government agencies to create a platform — *Fun Learning Mandarin* — to encourage the appreciation of the Mandarin language and the Chinese culture in a fun and interactive way using *Pleasant Goat and Big Big Wolf* as the ambassador of the whole initiative. A "Mandarin Storytelling Competition" will be hosted in summer, covering all the primary and secondary schools of Singapore.

Going forward, TE Group expects to achieve operational profitability, before the annual amortization of intangible assets (and the reversal of the corresponding deferred tax liabilities). Arising from the acquisition of TE Group and based on the current accounting treatment, the amortization of intangible assets (after reversal of the corresponding deferred tax liabilities) amounts to approximately HK$74 million per annum. The amortization of intangible assets is an accounting treatment and will not affect the Group's future cash flow and liquidity.

Human Resource Initiatives

As at 31 December 2011, the Group employed 137 employees in Hong Kong, Guangzhou, Shanghai, Singapore and Taipei for its business. Emolument policy is reviewed regularly to ensure compliance of the latest labour laws and market norms where the Group has operations.

In addition to 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 business results.

In 2011, a new performance appraisal system was implemented. The Group also introduced new HR policies and formalized the entire recruitment and selection process as well as the payroll administration.

In 2012, the Group will be focusing on the following key initiatives:

- Implementing a new staff salary grading and benefits system
- Developing a staff training and development plan
- Improving staff communications

Profile of Directors and Senior Management

Chairman

Mr. Leung Pak To, aged 57, 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) and a managing partner of CVC Asia Pacific Limited and 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.

Profile of Directors and Senior Management

Executive Director

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. He jointed TE Group as its first Chief Executive Officer in 2009. He has extensive experience in business development and corporate management. Prior to joining TE Group, Mr. Soh served in the Singapore Economic Development Board and the Ministry of Trade and Industry. He later left and joined PriceWaterhouseCoopers as a principal consultant. 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).

Non-executive Directors

Ms. Ma Wai Man, Catherine, aged 46, joined the Company in May 2010 as the company secretary, was appointed as an executive Director in July 2010 and re-designated as a non-executive Director in July 2011. 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, and infrastructure to property investments. She has previously held executive directorships in a number of companies listed on local and overseas stock exchanges.

Profile of Directors and Senior Management

Mr. Yang Fei, aged 54, 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 66, 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 of Hong Kong Limited (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.

Mr. Cheng Yuk Wo, aged 51, 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.

Profile of Directors and Senior Management

Dr. Lam Lee G., aged 52, 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 29 years of multinational experience in general management, corporate governance, investment banking and direct investment across the telecommunications, media and technology (TMT), retail/consumer, infrastructure/real estates and financial services sectors and is Chairman-Indochina and Senior Adviser-Asia of Macquarie Capital. Having served as a part-time member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region for two terms, Dr. Lam is a member of the Jilin Province Committee (and formerly a Specially-invited Member of the Zhejiang Province Committee) of the Chinese People's Political Consultative Conference, a member of the Hong Kong Institute of Bankers, a member of the Young Presidents' Organization, a member of the Chief Executives Organization, a Fellow of the Hong Kong Institute of Directors and 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 Board Member of the Australian Chamber of Commerce in Hong Kong, a founding Board Member and the Honorary Treasurer of the Hong Kong-Vietnam Chamber of Commerce, and a Vice President of the Hong Kong Real Estate Association.

On 8 December 2011, Dr. Lam was appointed as an independent director of Sunwah International Limited, the shares of which are listed on the Toronto Stock Exchange.

Mr. Lim Chin Leong, aged 57, joined the Company as an independent non-executive Director in December 2011. Mr. Lim graduated from University of Singapore with a bachelor degree of Electrical Engineering in 1980. Since then, he has worked for Schlumberger, a global oilfield service company, in various positions in various countries until his retirement in January 2010 after 30 years in the company, as Chairman of Asia. Mr. Lim is currently a non-executive independent director for Keppel Offshore and Marine, a subsidiary of Keppel Corporation Limited of Singapore.

Profile of Directors and Senior Management

Ms. Wei Wei, aged 42, joined the Company as an independent non-executive Director in December 2011. Ms. Wei holds a bachelor degree in Arts from Shanghai International Studies University and a MBA from INSEAD in France. She has extensive experience in providing advisory services in the areas of strategy, marketing, sales, operations, information technology, organisations and corporate finance. Ms. Wei was the chief executive officer of a leading private-owned food and beverage company in Beijing and the principal of Mckinsey & Company in Hong Kong and Shanghai. Ms. Wei is a professor of MBA Centre of Shanghai International Studies University.

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 55, 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).

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 of Hong Kong Limited (the "Listing Rules") throughout the nine months ended 31 December 2011, except for the deviation from Code A.4.1 of the CG Code as further described in the section "Non-executive Directors" in this Corporate Governance Report.

Code for Securities Transactions

The Group 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 transactions. In response to the specific enquiry made by the Company, all the Directors confirmed that they fully complied with the Model Code throughout the nine months ended 31 December 2011.

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 37 to 38 of this annual report.

As at 31 December 2011, the Board comprised one executive Director, three non-executive Directors and five independent non-executive Directors, whose biographies are set out on pages 22 to 26 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 nine months ended 31 December 2011 are as follows:

	No. of meetings attended/held during the respective tenure		
	Regular full board meetings	**Audit Committee meetings**	**Remuneration Committee meetings**
Chairman			
Leung Pak To	3/3	n/a	n/a
Executive Director			
Soh Szu Wei	3/3	n/a	2/2
Non-executive Directors			
Ma Wai Man, Catherine	3/3	n/a	2/2
Yang Fei	1/3	n/a	n/a
Chong Meng Tak, Christopher (resigned on 1 December 2011)	3/3	n/a	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
Lim Chin Leong (appointed on 1 December 2011)	0/0	n/a	n/a
Wei Wei (appointed on 1 December 2011)	0/0	n/a	n/a

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.

Mr. Leung Pak To is the Chairman of the Company whilst the responsibility of chief executive officer was vested with Ms. Ma Wai Man, Catherine, a then executive Director, until the formal appointment of Mr. Soh Szu Wei as the chief executive officer of the Group on 13 April 2011.

Non-executive Directors

During the Period under Review, 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

As at 31 December 2011, 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 Period under Review, 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 2011 and the interim results of the Group for the six months ended 30 September 2011 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 December 2011, the Remuneration Committee composed of Mr. Soh Szu Wei (committee chairman), Mr. Chan Yuk Sang, Mr. Cheng Yuk Wo, Dr. Lam Lee G. and Ms. Ma Wai Man, Catherine.

The Remuneration Committee members met twice in the Period under Review, one for considering the grant of share options to certain Directors and senior management and the other for discussing the remuneration package of senior management.

Nomination of Directors

The Company did not have a nomination committee during the Period under Review. 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 professional firms to conduct evaluation on the effectiveness of the internal control system of the Group and, in particular, the newly acquired licensing business segment was reviewed during the nine months ended 31 December 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 Period under Review.

Auditor's Remuneration

During the Period under Review, remuneration in respect of audit and non-audit services provided by the auditor of the Company to the Group are approximately HK$2.9 million and HK$0.8 million respectively.

The Directors present their annual report and the audited consolidated financial statements of the Group for the nine months ended 31 December 2011.

Principal Activities

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 43 to the financial statements.

Results and Appropriations

The results of the Group for the nine months ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 39.

The Directors do not recommend the payment of a dividend for the nine months ended 31 December 2011.

Financial Summary

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

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the period are set out in note 20 to the financial statements.

Share Capital

Details of the movements in share capital of the Company during the period are set out in note 32 to the financial statements.

Purchase, Sale or Redemption of Securities

During the nine months ended 31 December 2011, 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 period are set out in the consolidated statement of changes in equity on pages 41 to 42 and note 40 to the financial statements respectively. As at 31 December 2011, the Company's reserves available for distribution to the shareholders amounted to HK$1,035.6 million (31 March 2011: nil).

Directors' Report

Directors

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

Chairman and non-executive Director

Mr. Leung Pak To

Executive Director

Mr. Soh Szu Wei *(chief executive officer)*	(appointed on 13 April 2011)

Non-executive Directors

Ms. Ma Wai Man, Catherine	(re-designated from executive director on 1 July 2011)
Mr. Yang Fei	(appointed on 13 April 2011)
Mr. Chong Meng Tak, Christopher	(appointed on 13 April 2011 and resigned on 1 December 2011)

Independent Non-executive Directors

Mr. Chan Yuk Sang	
Mr. Cheng Yuk Wo	
Dr. Lam Lee G.	
Mr. Lim Chin Leong	(appointed on 1 December 2011)
Ms. Wei Wei	(appointed on 1 December 2011)

In accordance with Bye-law 86(2) of the Bye-laws, Mr. Lim Chin Leong and Ms. Wei Wei, who were appointed as Directors by the Board after the annual general meeting held by the Company in year 2011, 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. Leung Pak To, Ms. Ma Wai Man, Catherine and Mr. Cheng Yuk Wo, all 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 December 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 of the Company

Name of Director	Capacity	Number of Shares	% of the issued share capital *(note 1)*
Leung Pak To	Interest of controlled corporation	2,700,000,000 *(note 2)*	26.95%
Soh Szu Wei	Interest of controlled corporation	32,580,000 *(note 3)*	0.33%

Notes:

1. It was based on 10,020,180,720 Shares in issue as at 31 December 2011.

2. The Shares were held by Idea Talent Limited ("ITL"), a company owned as to 75% by Grandwin Enterprises Limited which in turn is wholly and beneficially owned by Mr. Leung Pak To.

3. The Shares were held by Kolela Limited, a company wholly and beneficially owned by Mr. Soh Szu Wei.

- Long positions in the share options of the Company

Name of Director	Capacity	Number of options held	Number of underlying shares
Soh Szu Wei	Beneficial owner	50,000,000	50,000,000
Ma Wai Man, Catherine	Beneficial owner	2,000,000	2,000,000

Save as disclosed above, as at 31 December 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 and Debentures

Save for the option holding as disclosed above in the section "Directors' Interests in Securities", at no time during the nine months ended 31 December 2011 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

No contract 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 period or at any time during the nine months ended 31 December 2011.

Substantial Shareholders' Interest

As at 31 December 2011, 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 of the Company

Name	**Capacity**	**Number of Shares**	**% of the issued share capital** *(note 1)*
Idea Talent Limited	Beneficial owner	2,700,000,000	26.95%
Grandwin Enterprises Limited	Interest in controlled corporation	2,700,000,000 *(note 2)*	26.95%
Better Lead Limited	Interest in controlled corporation	2,700,000,000 *(note 2)*	26.95%
Chung Cho Yee, Mico	Interest in controlled corporation	2,700,000,000 *(note 2)*	26.95%
Sure Wealth Holdings Limited	Beneficial owner	572,809,670	5.72%
So Wing Lok, Jonathan	Interest in controlled corporation	572,809,670 *(note 3)*	5.72%
FIL Limited	Investment manager	561,392,000	5.60%

Notes:

1. It was based on 10,020,180,720 Shares in issue as at 31 December 2011.

2. The Shares were held by ITL, a company owned as to 75% by Grandwin Enterprises Limited, which in turn is wholly and beneficially owned by Mr. Leung Pak To, and as to 25% by Better Lead Limited, which in turn is wholly and beneficially owned by Mr. Chung Cho Yee, Mico.

3. To the Directors' best knowledge, the Shares were held by Sure Wealth Holdings Limited, a company wholly and beneficially owned by Mr. So Wing Lok, Jonathan.

Save as disclosed above, as at 31 December 2011, so far as was known to the Directors, no other persons (other than the Directors and 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 33 to the financial statements. Movement of the share options under the share option scheme adopted by the Company on 16 August 2002 were as follows:

					Number of share options					
	Date of grant	Vesting period	Exercise period	Exercise price per Share HK$	As at 1 April 2011	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited during the period	As at 31 December 2011
Directors										
Soh Szu Wei	13 April 2011	3 to 5 years	3 years	0.368	–	50,000,000	–	–	–	50,000,000
Ma Wai Man, Catherine	13 April 2011	3 to 5 years	3 years	0.368	–	2,000,000	–	–	–	2,000,000
					–	52,000,000	–	–	–	52,000,000
Employees	21 August 2009	1 to 3 years	5 years	0.755	976,152	–	–	(223,598)	(335,394)	417,160
	17 November 2009	nil to 3 years	3 to 5 years	0.755	73,568	–	–	–	(73,568)	–
	13 April 2011	3 to 5 years	3 years	0.368	–	12,120,000	–	(1,440,000)	–	10,680,000
					1,049,720	12,120,000	–	(1,663,598)	(408,962)	11,097,160
					1,049,720	64,120,000	–	(1,663,598)	(408,962)	63,097,160

Directors' Report

Major Customers and Suppliers

For the nine months ended 31 December 2011, the percentage of revenue of the Group attributable to the largest customer and the five largest customers combined are 12.9% and 35.0% respectively. The percentage of cost of sales of the Group attributable to the five largest suppliers combined is less than 30%.

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, 29 March 2012

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 39 to 107, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period from 1 April 2011 to 31 December 2011, 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 about 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 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.

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011 and of the Group's loss and cash flows for the period from 1 April 2011 to 31 December 2011 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
29 March 2012

Consolidated Statement of Comprehensive Income

For the period from 1 April 2011 to 31 December 2011

	Notes	**From 1 April 2011 to 31 December 2011 HK$'000**	From 1 April 2010 to 31 March 2011 HK$'000
Revenue	9	**117,233**	8,616
Cost of sales before amortisation of intangible assets	10	**(48,838)**	(90,750)
Gross profit (loss) before amortisation of intangible assets		**68,395**	(82,134)
Amortisation of intangible assets	21	**(73,729)**	—
Gross loss after amortisation of intangible assets		**(5,334)**	(82,134)
Other income	11	**11,264**	1,080
Other gains (losses)	12	**146**	(980)
Distribution and selling expenses		**(9,414)**	—
Administrative expenses		**(69,064)**	(27,531)
Share of loss of an associate	22	**(2,516)**	—
Loss on redemption of bridge loans	28	**—**	(57,091)
Loss on redemption of prints and advertising loan	29	**—**	(187,078)
Loss on redemption of convertible loan notes	30	**—**	(257,269)
Loss on dissolution and disposal of subsidiaries	34	**—**	(66)
Acquisition-related costs		**—**	(11,496)
Finance costs	13	**(79)**	(3,316)
Loss before tax	14A	**(74,997)**	(625,881)
Income tax credit	15	**7,642**	2,257
Loss for the period/year		**(67,355)**	(623,624)
Exchange differences arising on translation of foreign operations		**17,074**	(326)
Total comprehensive expenses for the period/year		**(50,281)**	(623,950)
Loss per share			
Basic and diluted	19	**(HK$0.007)**	(HK$0.121)

Consolidated Statement of Financial Position

At 31 December 2011

	Notes	31 December 2011 HK$'000	31 March 2011 HK$'000
Non-current assets			
Property, plant and equipment	20	**7,691**	3,261
Intangible assets	21	**932,133**	10,499
Interest in an associate	22	**27,086**	—
Derivative financial instrument	23	**6,798**	—
Deferred tax assets	31	**2,359**	—
		976,067	13,760
Current assets			
Inventories		**797**	966
Trade and other receivables, deposits and prepayments	24	**76,701**	2,986
Bank balances and cash	25	**281,341**	167,161
		358,839	171,113
Current liabilities			
Trade, other payables and liabilities	26	**35,133**	14,775
Unearned revenue		**12,770**	1,540
Tax payable		**9,532**	—
		57,435	16,315
Net current assets		**301,404**	154,798
Total assets less current liabilities		**1,277,471**	168,558
Non-current liabilities			
Other liabilities	27	**17,972**	—
Deferred tax liabilities	31	**232,678**	—
		250,650	—
Net assets		**1,026,821**	168,558
Capital and reserves			
Share capital	32	**10,020**	5,725
Reserves		**1,016,801**	162,833
Total equity attributable to owners of the Company		**1,026,821**	168,558

The consolidated financial statements on pages 39 to 107 were approved and authorised for issue by the board of directors on 29 March 2012 and are signed on its behalf by:

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

Consolidated Statement of Changes in Equity

For the period from 1 April 2011 to 31 December 2011

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (note i)	Merger reserve HK$'000 (note ii)	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$'000	Deemed contribution reserve HK$'000 (note iii)	PRC statutory reserve HK$'000 (note iv)	Accumulated losses HK$'000	Total HK$'000
At 1 April 2010	360,152	1,001,833	–	909	3,493	47,251	27,303	1,355	–	22,650	–	(1,629,789)	(164,843)
Exchange differences arising on translation	–	–	–	–	(326)	–	–	–	–	–	–	–	(326)
Loss for the year	–	–	–	–	–	–	–	–	–	–	–	(623,624)	(623,624)
Total loss and comprehensive expenses for the year	–	–	–	–	(326)	–	–	–	–	–	–	(623,624)	(623,950)
Capital reorganisation	(359,792)	(1,001,833)	–	–	–	–	–	–	–	–	–	1,361,625	–
Issue of conversion shares	790	441,610	–	–	–	–	–	–	–	–	–	–	442,400
Share award	1	1,354	–	–	–	–	–	(1,355)	–	–	–	–	–
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	2,863	197,547	–	–	–	–	–	–	–	–	–	–	200,410
Rights issue	1,441	99,402	–	–	–	–	–	–	–	–	–	–	100,843
Share issue expenses	–	(1,008)	–	–	–	–	–	–	–	–	–	–	(1,008)
Exercise of option shares	270	154,019	–	–	–	–	–	–	(132,659)	–	–	–	21,630
Reversal of equity-settled share-based payments	–	–	–	–	–	–	(8,997)	–	–	–	–	–	(8,997)
Share options forfeited for the year	–	–	–	–	–	–	(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	–	909	3,167	–	708	–	63,581	22,650	–	(821,106)	168,558

Consolidated Statement of Changes in Equity

For the period from 1 April 2011 to 31 December 2011

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (note i)	Merger reserve HK$'000 (note ii)	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$'000	Deemed contribution reserve HK$'000 (note iii)	PRC statutory reserve HK$'000 (note iv)	Accumulated losses HK$'000	Total HK$'000
At 31 March 2011	5,725	892,924	–	909	3,167	–	708	–	63,581	22,650	–	(821,106)	168,558
Exchange differences arising on translation	–	–	–	–	17,074	–	–	–	–	–	–	–	17,074
Loss for the period	–	–	–	–	–	–	–	–	–	–	–	(67,355)	(67,355)
Total loss and comprehensive expenses for the period	–	–	–	–	17,074	–	–	–	–	–	–	(67,355)	(50,281)
Issue of consideration shares (Note 3(B)(i)(b))	1,383	422,071	–	–	–	–	–	–	–	–	–	–	423,454
Share subscription (Note 32(vi))	1,283	357,906	–	–	–	–	–	–	–	–	–	–	359,189
Exercise of option shares (Note 32(vii))	1,629	185,801	–	–	–	–	–	–	(63,581)	–	–	–	123,849
Share issue expenses (Note 33(C)(iv))	–	(6,060)	–	–	–	–	–	–	6,060	–	–	–	–
Share options forfeited for the period (Note 33(A)(b)(iii))	–	–	–	–	–	–	(459)	–	–	–	–	459	–
Recognition of equity-settled share-based payments (Note 33(A)(c))	–	–	–	–	–	–	2,052	–	–	–	–	–	2,052
Transfer (note i)	–	(1,852,642)	1,037,593	–	–	–	–	–	–	(22,650)	–	837,699	–
Transfer to statutory reserve	–	–	–	–	–	–	–	–	–	–	2,429	(2,429)	–
At 31 December 2011	**10,020**	**–**	**1,037,593**	**909**	**20,241**	**–**	**2,301**	**–**	**6,060**	**–**	**2,429**	**(52,732)**	**1,026,821**

notes:

(i) Pursuant to section 46(2) of the Companies Act 1981 of Bermuda and with effect after the passing of a special resolution at a special general meeting held on 29 August 2011, the Company's entire amount standing to the credit of the share premium account and the deemed contribution reserve account were cancelled (the "Share Premium Cancellation"). Upon the Share Premium Cancellation becoming effective, the directors of the Company authorised to transfer the credit arising therefrom to the contributed surplus account of the Company and to set off the accumulated losses of the Company in a manner permitted by the laws of Bermuda and the bye-laws of the Company.

(ii) 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.

(iii) 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. Pursuant to a special resolution passed on 29 August 2011, deemed contribution reserve was cancelled as detailed in note (i) above.

(iv) According to the rules and regulations in the People's Republic of China ("PRC"), a portion of the profit after taxation of a Company's PRC subsidiary is required to be transferred to a statutory reserve before distribution of a dividend to its equity owners. The transfer can cease when the balance of the reserve reaches 50% of the registered capital of the subsidiary. The reserve can be applied either to set off accumulated losses or to increase capital.

Consolidated Statement of Cash Flows

For the period from 1 April 2011 to 31 December 2011

	Note	**From 1 April 2011 to 31 December 2011 HK$'000**	From 1 April 2010 to 31 March 2011 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(74,997)**	(625,881)
Adjustments for:			
Amortisation of intangible assets		**73,729**	—
Bank interest income		**(2,649)**	(976)
Allowance for doubtful debts		**4,856**	—
Share-based payment expenses (reversal)		**2,052**	(8,997)
Share of loss of an associate		**2,516**	—
Depreciation of property, plant and equipment		**1,316**	535
Loss on disposal of property, plant and equipment		**176**	1,217
Finance costs		**79**	3,316
Loss on redemption of convertible loan notes		**—**	257,269
Loss on redemption of prints and advertising loan		**—**	187,078
Impairment loss recognised in respect of intangible assets		**5,250**	81,194
Loss on redemption of bridge loans		**—**	57,091
Loss on dissolution and disposal of subsidiaries	34	**—**	66
Operating cash flows before movements in working capital		**12,328**	(48,088)
Increase in trade and other receivables, deposits and prepayments		**(33,458)**	(1,720)
Decrease in trade, other payables and liabilities		**(6,868)**	(9,076)
Decrease (increase) in inventories		**3,047**	(930)
(Decrease) increase in unearned revenue		**(6,340)**	1,540
Cash used in operations		**(31,291)**	(58,274)
Tax paid		**(8,848)**	(15)
NET CASH USED IN OPERATING ACTIVITIES		**(40,139)**	(58,289)

Consolidated Statement of Cash Flows

For the period from 1 April 2011 to 31 December 2011

	Note	**From 1 April 2011 to 31 December 2011 HK$'000**	From 1 April 2010 to 31 March 2011 HK$'000
INVESTING ACTIVITIES			
Withdrawal of pledged deposit		**11,674**	—
Interest received		**2,021**	942
Proceeds from disposal of property, plant and equipment		**857**	—
Acquisition of subsidiaries	3(B)	**(317,774)**	—
Acquisition of an associate		**(9,100)**	—
Purchase of property, plant and equipment		**(4,827)**	(3,830)
Cost incurred in intangible assets		**–**	(8,894)
Dissolution and disposal of subsidiaries	34	**–**	(35)
NET CASH USED IN INVESTING ACTIVITIES		**(317,149)**	(11,817)
FINANCING ACTIVITIES			
Proceeds from exercise of share options		**123,849**	21,630
Repayment of bank loans		**(10,529)**	—
Interest paid		**(79)**	(447)
Proceeds from subscription and top-up shares		**359,189**	200,410
Proceeds from rights issue		**–**	100,843
Bridge loans raised		**–**	7,000
Repayment of convertible loan notes		**–**	(34,403)
Repayment of bridge loans		**–**	(29,812)
Repayment of prints and advertising loan		**–**	(29,035)
Share issue expenses		**–**	(1,008)
NET CASH FROM FINANCING ACTIVITIES		**472,430**	235,178
NET INCREASE IN CASH AND CASH EQUIVALENTS		**115,142**	165,072
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR		**167,161**	2,368
Effect of foreign exchange rate changes		**(962)**	(279)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR, representing bank balances and cash		**281,341**	167,161

1. GENERAL

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

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

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in Note 43.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As set out in Note 3(B), on 13 April 2011, the Group completed the Acquisition (as defined in Note 3(B)). Following the Acquisition, the directors of the Company decided to change the reporting period of the Group from 31 March to 31 December in order to bring the annual reporting period end date of the Group in line with that of its major operating subsidiary which operates in the PRC. Accordingly, the consolidated financial statements for the current period cover a nine month period from 1 April 2011 to 31 December 2011. The corresponding comparative amounts shown for the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a twelve month period from 1 April 2010 to 31 March 2011 and therefore may not be comparable with amounts shown for the current period.

3. SIGNIFICANT TRANSACTIONS DURING THE PERIOD/YEAR

(A) For the year ended 31 March 2011

A series of significant transactions in relation to the restructuring of the Group's debts and equity were completed during the year ended 31 March 2011:

(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 ("FCI") (collectively 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 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:

3. SIGNIFICANT TRANSACTIONS DURING THE PERIOD/YEAR *(Continued)*

(A) For the year ended 31 March 2011 *(Continued)*

		To be settled by		
Relevant debts	**Amount**	**Cash**	**Number of conversion shares**	**Number of share options (the "Core Creditor Options")**
	HK$	HK$		
US Bridge Loan (as defined in Note 28)	19,983,160	6,312,033	71,491,100	63,900,000
P&A Loan (as defined in Note 29)	89,125,000	29,035,351	328,859,200	129,600,000
CN Aug 2009 (as defined in Note 30)	132,000,000	34,402,615	389,649,700	206,500,000
	241,108,160	69,749,999	790,000,000	400,000,000

The exercise price of the Core Creditor Options is HK$0.08 per Adjusted Share (as defined in Note 3(A)(d)) and is subject to anti-dilutive adjustment. The Core Creditor Options are exercisable for 12 months commencing from completion of the Share Subscription (as defined in Note 3(A)(b)). Details of movement for the Core Creditor Options are set out in Note 33(C).

(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 3(A)(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 was subject to anti-dilutive adjustment. The Investor Option was 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 33(C).

3. SIGNIFICANT TRANSACTIONS DURING THE PERIOD/YEAR *(Continued)*

(A) For the year ended 31 March 2011 *(Continued)*

(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 "Rights 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.

(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. SIGNIFICANT TRANSACTIONS DURING THE PERIOD/YEAR *(Continued)*

(B) For the period from 1 April 2011 to 31 December 2011

On 13 April 2011, the Group acquired the entire equity interest in Infoport Management Limited ("Infoport"), a company incorporated in the British Virgin Islands ("BVI") from PGBBW Limited, a company also incorporated in the BVI and unrelated to the Group (the "Acquisition").

The principal activities of Infoport and its subsidiaries including Toon Express International Limited (the "TE Group") are licensing of trademarks and copyrights of cartoon characters, sales of merchandise and management of the commercial exploitation of animation pictures. The Acquisition entitles the Group to well-known brand and cartoon characters across multiple distribution channels in and outside of the PRC. Details of the consideration transferred, the assets acquired and the liabilities assumed, on the date of completion of the Acquisition, are set out below.

	notes	HK$'000
Consideration, satisfied by:	(i)	
Cash payment		330,000
Consideration shares		423,454
		753,454
Net identifiable assets acquired and liabilities assumed, at fair value:		
Property, plant and equipment		1,969
Deferred tax assets		1,337
Intangible assets	(ii)	979,767
Inventories		378
Trade and other receivables	(iii)	44,424
Pledged deposits	(iv)	11,674
Bank balances and cash		12,226
Trade and other payables and accruals		(18,073)
Unearned revenue		(17,410)
Taxation payable		(6,449)
Bank and other loans	(iv)	(10,529)
Deferred tax liabilities		(245,860)
		753,454
Net cash outflow arising on acquisition:		
Cash and bank balances acquired		12,226
Cash consideration		(330,000)
		(317,774)

3. SIGNIFICANT TRANSACTIONS DURING THE PERIOD/YEAR *(Continued)*

(B) For the period from 1 April 2011 to 31 December 2011 *(Continued)*

notes:

(i) Pursuant to the Acquisition, the Company paid an initial consideration of HK$753.5 million, comprising the following:

(a) cash payment of HK$330 million; and

(b) Consideration shares representing 1,382,857,143 shares of the Company issued and allotted to the vendor.

The consideration shares are subject to a lock-up undertaking and as such, the fair value of the consideration shares was determined by the directors with reference to an external valuation report prepared by an independent valuation firm, Greater China Appraisal Limited ("Greater China").

The fair value of the consideration shares, taken into consideration the lock-up period, was therefore determined to be HK$423,454,000 at an adjusted price of HK$0.306 per share.

In addition to the above, the Company is also required to pay a contingent earn-out payment in the form of promissory notes ("Earn-out Payment") subject to certain conditions as detailed below.

The Earn-out Payment, being 9.3 times of the excess, if any, of the aggregate consolidated net profit of TE Group for the two financial years ending 31 December 2011 and 2012 over HK$242 million, is 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 of the Acquisition. They are payable in one lump sum on maturity together with all accrued interest.

Based on the facts and circumstances at the acquisition date and the review of the financial projection of TE Group, in the opinion of the directors, the Earn-out Payment is unlikely to be payable and accordingly, its fair value as at the date of acquisition is determined at nil value.

(ii) Certain intangible assets were identified as part of the Acquisition. The fair values of these intangible assets were determined by the directors with reference to an external valuation report prepared by Greater China comprise:

(a) intellectual properties in the form of trademarks and copyrights of various animation brands and related characters under the ownership of TE Group of HK$227,019,000 ("TE Trademarks and Copyrights");

(b) future economic benefits of HK$129,448,000 arising from a consumer products and related use agreement with Disney Enterprises, Inc. ("Disney") to promote and market TE Group's intellectual properties ("Consumer Products Agreement"); and

(c) intellectual properties in the form of trademarks and copyrights of HK$623,300,000 arising from a joint brand management agreement with Creative Power Entertaining Limited Liability Company ("CPE"), a PRC company, through which TE Group participates in the coordination of the commercial exploitation of the animations for television episodes and movies and related characters owned by CPE and TE Group ("JBM Agreement").

The fair values of the intangible assets are arrived at either using the Multi-period excess earnings method or discounted cash flow approach.

(iii) The trade and other receivables acquired with a fair value of HK$44,424,000 have gross contractual amounts of HK$44,424,000. There was no contractual cash flow not expected to be collectible at the acquisition date.

3. SIGNIFICANT TRANSACTIONS DURING THE PERIOD/YEAR *(Continued)*

(B) For the period from 1 April 2011 to 31 December 2011 *(Continued)*

notes: (continued)

(iv) The deposits were pledged to banks for the bank loans extended to TE Group. Subsequent to the Acquisition, the bank loans were repaid and the pledged deposits were released during the period ended 31 December 2011.

(v) The Acquisition gave rise to acquisition-related costs of HK$11,496,000, which were recognised as an expense in the consolidated statement of comprehensive income for the year ended 31 March 2011.

(vi) Included in the revenue and loss for the period of the Group is approximately HK$110,843,000 and a profit of HK$15,972,000 (before amortisation of respective intangible assets) respectively attributable to the additional business generated by TE Group. The additional business generated by TE Group for the period after amortisation of respective intangible assets is loss of approximately HK$43,942,000 attributable to the loss for the period of the Group. Had the Acquisition been completed on 1 April 2011, total group revenue and loss for the period would approximate the revenue and loss for the period as presented in the consolidated statement of comprehensive income.

This pro forma information is for illustration purposes only and is not necessarily an indication of the revenue and results of operations of the Group that the Group actually would have been achieved had the Acquisition been completed on 1 April 2011, nor is it intended to be a projection of future results.

(vii) The accounting for the acquisition of TE Group involves identifying and then determining the fair values to be assigned to the identified assets, liabilities and contingent liabilities and the cost of the business combination, which has been determined by the directors with reference to an external valuation report prepared by Greater China for the purpose of this consolidated financial information.

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

In the current period, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current period and prior years and/or on the disclosures set out in these consolidated financial statements.

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

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets[1]
	Disclosures — Offsetting Financial Assets and Financial Liabilities[4]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2012.
[3] Effective for annual periods beginning on or after 1 July 2012.
[4] Effective for annual periods beginning on or after 1 January 2013.
[5] Effective for annual periods beginning on or after 1 January 2014.
[6] Effective for annual periods beginning on or after 1 January 2015.

New and revised standards on consolidation, joint arrangements, associates and disclosures

The five new or revised standards on consolidation, joint arrangements and disclosure including HKAS 27 (Revised), HKAS 28 (Revised), HKFRS 10, HKFRS 11 and HKFRS 12 were issued by the HKICPA in June 2011 and are effective for annual period beginning on or after 1 January 2013. Earlier application is permitted provided that all of those five new or revised standards are applied early at the same time.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC)-Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall the application of HKFRS 10 requires extensive judgment.

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

New and revised HKFRSs issued but not yet effective *(Continued)*

New and revised standards on consolidation, joint arrangements, associates and disclosures (Continued)

HKFRS 11 replaces the parts of HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in HKFRS 11 is based on parties' rights and obligations under the arrangements. In the contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

The Group is still in the progress of assessing the impact for the Group's investees upon the application of the HKFRS 10 and HKFRS 11.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments to HKAS 1 are effective for the Group for annual period beginning on 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

5. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value, 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.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances as of existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39 *Financial Instruments*, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amount are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Investment in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses.

Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment in an associate *(Continued)*

The requirements of HKAS 39 *Financial Instruments* are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Jointly controlled operations

When a group entity undertakes its activities under joint venture arrangements directly, constituted as jointly controlled operations, the assets and liabilities arising from those jointly controlled operations are recognised in the consolidated statement of financial position of the relevant company on an accrual basis and classified according to the nature of the item. The Group's share of the income from jointly controlled operations, together with the expenses that it incurs are included in the consolidated statement of comprehensive income when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Government grants

Government grants are not recognised until there is a reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit and loss on a systematic basis over the periods which the Group recognised as expenses the related cost for which the grants are intended to compensate.

Revenue recognition

Revenue is measured at the fair values of considerations received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

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.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

(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.

Royalty income from the licensing of trademarks and copyrights is generally recognised in periods when royalties are reported by licensees about the related product sales.

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.

Property, plant and equipment

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

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 and loss in the period in which the item is derecognised.

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 relevant leases.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit cost

Payments to the State-managed retirement benefit schemes/Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

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 period. 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. Deferred tax assets are generally recognised for all deductible temporary difference 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.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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.

Current and 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 current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Intangible assets

Consumer Products Agreement, TE Trademarks and Copyrights and JBM Agreement

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Consumer Products Agreement, TE Trademarks and Copyrights and JBM Agreement (Continued)

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses/revalued amounts, being their fair value on the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at costs less any subsequent accumulated impairment losses.

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.

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.

Intangible assets 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 intangible assets, which is calculated as the difference between the net disposal proceeds and the carrying value of the net asset is recognised in profit and loss in the period when the asset is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the 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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

The Group's financial assets are classified as derivative financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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 (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be 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.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

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, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, an impairment loss is recognised in profit and loss when there is objective evidence that the assets 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.

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.

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.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

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.

Financial liabilities

Financial liabilities including trade and other payables 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.

Derivative financial instruments

Derivative financial assets and liabilities that are linked to and must be settled by delivery of such unquoted equity instruments (i.e. Sino Light Subscription Option, TE Put Options and Other Shareholders' Call Option) are measured at fair value upon initial recognition and are subsequently measured at cost less any identified impairment losses or at cost respectively at the end of the reporting period because they do not have quoted market price in an active market and whose fair value cannot be reliably measured.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition (Continued)

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, recognised in profit or loss.

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 option 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 such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

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.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

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 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 credited to accumulated losses, but not reversed, with a corresponding adjustment to share option reserve.

Impairment losses on tangible and intangible assets

At the end of each 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. In addition, intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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 (or a cash generating unit ("CGU")) in prior years. A reversal of an impairment loss is recognised as income immediately.

6. 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 intangible assets

Determining whether intangible assets are impaired requires an estimation of the value in use of the CGU to which intangible assets 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 December 2011, the carrying amount of intangible assets is HK$932,133,000 (net of accumulated amortisation and impairment loss of HK$873,492,000 (31 March 2011: carrying amount of HK$10,499,000, net of accumulated amortisation and impairment loss of HK$827,447,000)).

6. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2011, the carrying amount of trade receivable is HK$68,357,000 (net of allowance for doubtful debts of HK$4,917,000) (31 March 2011: carrying amount of HK$1,194,000, net of allowance for doubtful debts of HK$Nil).

7. 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 or the redemption of existing debt.

8. FINANCIAL INSTRUMENTS

8a. Categories of financial instruments

	31 December 2011 HK$'000	31 March 2011 HK$'000
Financial assets		
Derivative financial asset	**6,798**	—
Loans and receivables (including cash and cash equivalents)	**357,265**	169,548
	364,063	169,548
Financial liabilities		
Amortised cost	**21,419**	14,725

8. FINANCIAL INSTRUMENTS *(Continued)*

8b. Financial risk management objectives and policies

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

Market risk

(i) *Currency risk*

The Group's sale are denominated in HKD, RMB 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 RMB.

The carrying amounts of the Group's net monetary assets mainly in the form of trade and other receivables, deposits, bank balances and other payables (31 March 2011: bank balances), denominated in a currency other than the functional currency of the relevant group entities at the end of the reporting date are as follows:

	Net monetary assets	
	31 December 2011 HK$'000	31 March 2011 HK$'000
USD	**2,709**	726

Sensitivity analysis

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 the period/year.

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.

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

8. FINANCIAL INSTRUMENTS *(Continued)*

8b. Financial risk management objectives and policies *(Continued)*

Credit risk

As at 31 December 2011, 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 financial assets 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.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

Liquidity risk

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

The 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 which are based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December 2011 HK$'000
At 31 December 2011							
Non-derivative financial liabilities							
Trade and other payables	–	21,419	–	–	–	21,419	21,419

8. FINANCIAL INSTRUMENTS *(Continued)*

8b. Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

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

8c. 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.

9. REVENUE AND SEGMENT INFORMATION

In prior years, the Group had only one operating segment which is the CGI animation pictures. A business carried out by TE Group was newly acquired by the Group in April 2011 (see Note 3(B)). For the purpose of performance assessment and resources allocation, the executive directors of the Company, being the chief operating decision maker ("CODM"), regularly reviews the revenue and results of the following two segments:

Segment A: Production, broadcasting and licensing of CGI animation pictures not developed by TE Group; and

Segment B: Licensing and management of cartoon character trademarks and copyrights and all related activities managed by TE Group.

9. REVENUE AND SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's revenue and results by reportable and operating segment.

	From 1 April 2011 to 31 December 2011			From 1 April 2010 to 31 March 2011
	Segment A	**Segment B**	**Total**	Segment A
	HK$'000	**HK$'000**	**HK$'000**	HK$'000
Revenue				
External sales	**6,390**	**110,843**	**117,233**	8,616
Segment results	**(17,150)**	**(43,942)**	**(61,092)**	(89,077)
Reconciling items:				
Unallocated administrative expenses			**(11,310)**	(20,488)
Loss on redemption of bridge loans			**–**	(57,091)
Loss on redemption of prints and advertising loan			**–**	(187,078)
Loss on redemption of convertible loan notes			**–**	(257,269)
Loss on dissolution and disposal of subsidiaries			**–**	(66)
Acquisition-related costs			**–**	(11,496)
Finance costs			**(79)**	(3,316)
Share of loss of an associate			**(2,516)**	–
Loss before tax			**(74,997)**	(625,881)

9. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information

	From 1 April 2011 to 31 December 2011			From 1 April 2010 to 31 March 2011
	Segment A	**Segment B**	**Total**	Segment A
	HK$'000	**HK$'000**	**HK$'000**	HK$'000
Amounts included in the measure of segment profit or loss:				
Additions to non-current assets	**268**	**986,295**	**986,563**	12,951
Impairment loss on intangible assets	**(5,250)**	**—**	**(5,250)**	(81,194)
Amortisation of intangible assets	**—**	**(73,729)**	**(73,729)**	—
Depreciation of property, plant and equipment (net of amounts capitalised)	**(603)**	**(713)**	**(1,316)**	(535)
Allowance for doubtful debts	**—**	**(4,856)**	**(4,856)**	—
Loss on disposal of property, plant and equipment	**(10)**	**(166)**	**(176)**	(1,217)

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment results represent loss attributable to each segment without allocation of certain administrative expenses, finance costs, share of loss of an associate, loss on redemption of bridge loans, loss on redemption of prints and advertising loan, loss on redemption of convertible loan notes, loss on dissolution and disposal of subsidiaries and acquisition-related costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance. This basis of segment revenue and segment results has been consistently applied for the period/year presented.

Segment assets and liabilities

As the assets and liabilities are regularly reviewed by the CODM in total for the Group as a whole, the measure of total assets and liabilities by operating segment is therefore not presented.

9. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are located in Hong Kong and PRC. Information about the Group's revenue from external customers is presented based on the location of the operations.

	Revenue from external customers		**Non-current assets**	
	From 1 April 2011 to 31 December 2011	From 1 April 2010 to 31 March 2011	**31 December 2011**	31 March 2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC	**98,978**	1,708	**601,891**	—
Hong Kong	**7,497**	1,261	**364,894**	13,760
Others	**10,758**	5,647	**125**	—
	117,233	8,616	**966,910**	13,760

Note: Non-current assets excluded derivative financial assets and deferred tax assets.

Information about major customers

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

	From 1 April 2011 to 31 December 2011	From 1 April 2010 to 31 March 2011
	HK$'000	HK$'000
Customer A[1] (relating to Segment A)	**N/A***	5,357
Customer B[2] (relating to Segment B)	**15,289**	—

* The amount is less than 10% for the current period.

1 Revenue represents production service income.

2 Revenue mainly represents licensing of rights to customers to use trademarks and image of cartoon characters.

10. COST OF SALES BEFORE AMORTISATION OF INTANGIBLE ASSETS

	From 1 April 2011 to 31 December 2011 HK$'000	From 1 April 2010 to 31 March 2011 HK$'000
Royalty fees	**16,371**	—
Production cost for CGI animation pictures	**13,540**	9,556
Impairment loss on intangible assets	**5,250**	81,194
Production cost for licensing and management of cartoon character trademarks by TE Group	**13,677**	—
	48,838	90,750

11. OTHER INCOME

	From 1 April 2011 to 31 December 2011 HK$'000	From 1 April 2010 to 31 March 2011 HK$'000
Interest income	**2,649**	976
Government award/subsidies (note)	**6,280**	—
Compensation received on settlements of legal cases	**1,252**	—
Others	**1,083**	104
	11,264	1,080

note: These related to several award/subsidies from the PRC local government authority for its outstanding performance and contribution to the development of new media industry. No conditions are attached to the award/subsidies. Such government award/subsidies recognised as other income upon receipt in the current period.

12. OTHER GAINS (LOSSES)

	From 1 April 2011 to 31 December 2011 HK$'000	From 1 April 2010 to 31 March 2011 HK$'000
Loss on disposal of property, plant and equipment	**(176)**	(1,217)
Net foreign exchange gains	**322**	237
	146	(980)

13. FINANCE COSTS

	From 1 April 2011 to 31 December 2011 HK$'000	From 1 April 2010 to 31 March 2011 HK$'000
Interest on bank loans wholly repayable within five years	**79**	—
Interest on bridge loans wholly repayable within five years	**—**	669
Effective interest expense on convertible loan notes	**—**	2,647
	79	3,316

14A. LOSS BEFORE TAX

	From 1 April 2011 to 31 December 2011 HK$'000	From 1 April 2010 to 31 March 2011 HK$'000
Loss before tax has been arrived at after charging and (crediting):		
Directors' emoluments (Note 16)	**9,047**	(6,257)
Contribution to retirement benefit scheme	**2,739**	649
Other staff costs (salaries and wages)	**40,866**	18,872
Equity-settled share-based payments expenses other than directors	**255**	(469)
Total staff costs	**52,907**	12,795
Less: amounts capitalised	**(320)**	(6,380)
	52,587	6,415
Depreciation of property, plant and equipment (Note 20)	**1,339**	798
Less: amounts capitalised	**(23)**	(263)
	1,316	535
Amortisation of intangible assets (Note 21)	**73,729**	—
Total depreciation and amortisation	**75,045**	535
Rentals in respect of premises under operating leases	**4,670**	2,019
Less: amounts capitalised	**(17)**	(510)
	4,653	1,509
Auditor's remuneration	**3,051**	2,230
Allowance for doubtful debts	**4,856**	—

14B. LOSS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION

The calculation of the loss before interest, tax, depreciation and amortisation ("LBITDA") during the period/year is based on the following data:

	From 1 April 2011 to 31 December 2011 HK$'000	From 1 April 2010 to 31 March 2011 HK$'000
LBITDA		
Loss before tax	**(74,997)**	(625,881)
Adjusted for:		
Interest income	**(2,649)**	(976)
Finance costs	**79**	3,316
Depreciation and amortisation	**75,045**	535
	(2,522)	(623,006)

15. INCOME TAX CREDIT

	From 1 April 2011 to 31 December 2011 HK$'000	From 1 April 2010 to 31 March 2011 HK$'000
The credit comprises:		
Current tax:		
PRC Enterprise Income Tax	**10,353**	—
Withholding tax paid upon dividend received from subsidiaries	**1,405**	—
	11,758	—
Overprovision in prior years:		
Current tax	**(36)**	—
Other jurisdictions	**—**	(1,820)
	11,722	(1,820)
Deferred tax (Note 31)		
Current period/year	**(17,959)**	(437)
Reversal upon tax paid	**(1,405)**	—
Total	**(7,642)**	(2,257)

15. INCOME TAX CREDIT *(Continued)*

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the period/year. No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits for the period/year.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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

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

	From 1 April 2011 to 31 December 2011 HK$'000	From 1 April 2010 to 31 March 2011 HK$'000
Loss before tax	**(74,997)**	(625,881)
Tax at the Hong Kong Profits Tax rate of 16.5%	**(12,375)**	(103,270)
Tax effect of expenses not deductible for tax purpose	**3,783**	93,713
Tax effect of income not taxable for tax purpose	**(1,206)**	(1,645)
Tax effect of tax losses not recognised	**5,195**	10,765
Overprovision of income tax in respect of prior years	**(36)**	(1,820)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(3,003)**	—
Tax credit for the period/year	**(7,642)**	(2,257)

Details of deferred tax at the end of the reporting period and during the period/year are set out in Note 31.

16. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 10 (31 March 2011: 10) directors were as follows:

From 1 April 2011 to 31 December 2011

	Mr. Leung Pak To HK$'000	Mr. Soh Szu Wei HK$'000 (note (a))	Ms. Ma Wai Man, Catherine HK$'000 (note (b))	Mr. Yang Fei HK$'000 (note (c))	Mr. Chan Yuk Sang HK$'000	Mr. Cheng Yuk Wo HK$'000	Dr. Lam Lee G. HK$'000	Mr. Lim Chin Leong HK$'000 (note (d))	Ms. Wei Wei HK$'000 (note (d))	Mr. Chong Meng Tak, Christopher HK$'000 (note (e))	Total HK$'000
Fees	150	–	100	143	150	150	150	17	17	127	1,004
Other emoluments:											
Salaries and other benefits	–	5,771	471	–	–	–	–	–	–	–	6,242
Equity-settled share-based payment expense *(Note 33(A)(c))*	–	1,728	69	–	–	–	–	–	–	–	1,797
Contributions to retirement benefit scheme	–	1	3	–	–	–	–	–	–	–	4
Total emoluments	150	7,500	643	143	150	150	150	17	17	127	9,047

notes:

(a) Mr. Soh Szu Wei was appointed as an executive director on 13 April 2011.

(b) Ms. Ma Wai Man, Catherine was designated as a non-executive director on 1 July 2011.

(c) Mr. Yang Fei was appointed as a non-executive director on 13 April 2011.

(d) Mr. Lim Chin Leong and Ms. Wei Wei were appointed as independent non-executive directors on 1 December 2011.

(e) Mr. Chong Meng Tak, Christopher was appointed as a non-executive director on 13 April 2011 and he resigned on 1 December 2011.

16. DIRECTORS' EMOLUMENTS *(Continued)*

From 1 April 2010 to 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 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 33(A)(c)) (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 was not yet completed when the directors resigned.

17. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (31 March 2011: one) was a director of the Company whose emoluments are included in the disclosures in Note 16 above. The emoluments of the remaining four (31 March 2011: four) individuals were as follows:

	From 1 April 2011 to 31 December 2011 HK$'000	From 1 April 2010 to 31 March 2011 HK$'000
Salaries and other benefits	**4,946**	2,916
Contributions to retirement benefit scheme	**84**	43
Equity-settled share-based payment expenses	**175**	—
	5,205	2,959

Their emoluments were within the following bands:

	From 1 April 2011 to 31 December 2011 Number of employee	From 1 April 2010 to 31 March 2011 Number of employee
Nil to HK$1,000,000	**1**	4
HK$1,000,001 to HK$1,500,000	**2**	—
HK$1,500,001 to HK$2,000,000	**1**	—

18. DIVIDEND

No dividend was paid or proposed during the period from 1 April 2011 to 31 December 2011 (From 1 April 2010 to 31 March 2011: Nil), nor has any dividend been proposed since the end of the reporting period/year.

19. 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:

	From 1 April 2011 to 31 December 2011 HK$'000	From 1 April 2010 to 31 March 2011 HK$'000
Loss		
Loss for the purposes of basic and diluted loss per share	**67,355**	623,624
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**9,820,698,257**	5,173,157,446

The computation of diluted loss per share does not assume the exercise of IDG Option (Note 33(C)) and options granted under the incentive share option scheme (Note 33(A)) (From 1 April 2010 to 31 March 2011: Core Creditor Options (Note 3(A)(a)), Investor Option (Note 3(A)(b)) and options granted under the incentive share option scheme) since their exercise would result in a decrease in loss per share for the period/year. Therefore, the basic and diluted loss per share is the same.

20. 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 2010	3,062	3,067	—	6,129
Additions	864	2,966	—	3,830
Disposals	(3,062)	(2,519)	—	(5,581)
At 31 March 2011	864	3,514	—	4,378
Exchange realignment	16	24	—	40
Additions	2,491	2,336	—	4,827
Acquired on acquisition of subsidiaries (Note 3(B))	—	1,694	275	1,969
Disposals	—	(1,203)	—	(1,203)
At 31 December 2011	**3,371**	**6,365**	**275**	**10,011**
DEPRECIATION				
At 1 April 2010	2,363	2,320	—	4,683
Charge for the year	201	597	—	798
Eliminated on disposals	(2,418)	(1,946)	—	(4,364)
At 31 March 2011	146	971	—	1,117
Exchange realignment	16	22	(5)	33
Charge for the period	344	948	47	1,339
Eliminated on disposals	—	(169)	—	(169)
At 31 December 2011	**506**	**1,772**	**42**	**2,320**
CARRYING VALUES				
At 31 December 2011	**2,865**	**4,593**	**233**	**7,691**
At 31 March 2011	718	2,543	—	3,261

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the shorter of the term of the lease, or 5 years
Furniture, fixtures and equipment	20%
Motor vehicles	20%

21. INTANGIBLE ASSETS

	Consumer Products Agreement HK$'000 (note (i))	TE Trademarks and Copyrights HK$'000 (note (ii))	JBM Agreement HK$'000 (note (ii))	CGI animation pictures HK$'000 (note (iii))	Total HK$'000
COST					
At 1 April 2010	—	—	—	859,566	859,566
Additions	—	—	—	9,121	9,121
Eliminated on dissolution of a subsidiary	—	—	—	(30,741)	(30,741)
At 31 March 2011	—	—	—	837,946	837,946
Acquired on acquisition of subsidiaries (Note 3(B)(ii))	129,448	227,019	623,300	—	979,767
Exchange realignment	—	—	21,904	—	21,904
Eliminated on dissolution of a subsidiary	—	—	—	(33,992)	(33,992)
At 31 December 2011	**129,448**	**227,019**	**645,204**	**803,954**	**1,805,625**
AMORTISATION AND IMPAIRMENT					
At 1 April 2010	—	—	—	776,994	776,994
Impairment loss recognised in the year	—	—	—	81,194	81,194
Eliminated on dissolution of a subsidiary	—	—	—	(30,741)	(30,741)
At 31 March 2011	—	—	—	827,447	827,447
Charge for the period	9,958	17,292	46,479	—	73,729
Exchange realignment	—	—	1,058	—	1,058
Impairment loss recognised in the period	—	—	—	5,250	5,250
Eliminated on dissolution of a subsidiary	—	—	—	(33,992)	(33,992)
At 31 December 2011	**9,958**	**17,292**	**47,537**	**798,705**	**873,492**
CARRYING VALUE					
At 31 December 2011	**119,490**	**209,727**	**597,667**	**5,249**	**932,133**
At 31 March 2011	—	—	—	10,499	10,499

21. INTANGIBLE ASSETS *(Continued)*

notes:

(i) The Consumer Products Agreement has a term of 10 years but is renewable subject to negotiation by the parties concerned. Accordingly, it is being amortised over the contractual life of the Consumer Products Agreement.

(ii) The TE Trademarks and Copyrights generally have finite legal lives of 10 years but are renewable at minimal cost.

The JBM Agreement can only be terminated by a party when the other party commits a default which is not remedied within a specified period.

Pursuant to the JBM Agreement, TE Group participates in the co-ordination of the commercial exploitation of the animation for television episodes and movies and related characters owned by CPE and TE Group. The Group's results include the revenue derived from the JBM Agreement and the amortisation thereof and other related expenses.

The JBM Agreement's income stream is derived from the underlying trademarks and copyrights, the use of which is contemplated by the JBM Agreement (the "JBM Trademarks and Copyrights").

While the directors consider amortisation for TE Trademarks and Copyrights and the JBM Trademarks and Copyrights, they have taken into account the finite economic lives of these intangible assets with reference to studies of product life cycle, market and competitiveness trends. Accordingly, the TE Trademarks and Copyrights and the JBM Trademarks and Copyrights are being amortised over a period of 6 to 12 years which reflect the directors' best estimates of these assets' economic lives.

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

For the purpose of impairment testing, CGI animation pictures and CGI animation pictures in progress are allocated to the Group's CGU relating to Segment A (Note 9).

In the opinion of the directors, taking into account of the estimation of future cash flows in relation to the CGI animation pictures in progress, an impairment loss of approximately HK$5,250,000 was recognised for the CGI animation pictures in progress for the period.

22. INTEREST IN AN ASSOCIATE

	31 December 2011 HK$'000	31 March 2011 HK$'000
Cost of investment in an associate — unlisted	**29,602**	—
Share of loss	**(2,516)**	—
	27,086	—

22. INTEREST IN AN ASSOCIATE *(Continued)*

As at 31 December 2011, the Group had interest in the following associate:

Name of entity	Form of business structure	Place of establishment/ principal place of operation	Class of shares held	Proportion of nominal value of issued capital and voting power held by the Group 31 December 2011	31 March 2011	Principal activities
Sino Light Enterprise Limited ("Sino Light")	Limited company	Hong Kong	Ordinary	**20.63%**	–	Retailing and wholesaling of children's apparel

In August 2011, TE Group acquired 20.63% equity interest in Sino Light and an option (the "Sino Light Subscription Option") (the "Sino Light Acquisition"), to be satisfied by TE Group with a cash payment of HK$9.1 million and the provision of certain management services to Sino Light (the "Sino Light Consideration").

Sino Light Subscription Option entitled TE Group to subscribe a further 11.3% equity interest in Sino Light as enlarged by the exercise of Sino Light Subscription Option at a consideration of HK$22.4 million.

The provision of management services, which was detailed in a business support agreement dated 29 August 2011 (the "Business Support Agreement"), had a term of three years commencing from the effective date of the agreement, subject to early termination upon occurrence of certain events.

Upon completion of the subscription, the total consideration of HK$36.4 million is allocated to (i) cost of investment in an associate of HK$29,602,000; and (ii) the Sino Light Subscription Option of HK$6,798,000 (Note 23).

In conjunction with the Sino Light Acquisition and pursuant to the shareholders' agreement entered among TE Group and the other two original shareholders (the "Sino Light Shareholders' Agreement"), the shares held by the shareholders were restricted from transfer, except under certain circumstances including the exercise of the TE Put Options (detailed below) and Other Shareholders' Call Options (detailed below).

Each of the other shareholders of Sino Light (the "Sino Light Original Shareholders") granted an option to TE Group whereby TE Group had the right to require the Sino Light Original Shareholders to purchase its equity interest in Sino Light under certain conditions including the expiry of the a licensing agreement Sino Light entered for business (the "TE Put Options").

TE Group also granted an option to the Sino Light Original Shareholders whereby the Sino Light Original Shareholders had the right to require TE Group to sell its equity interest in Sino Light to them under certain conditions including TE Group ceasing to hold certain of its brands (the "Other Shareholders' Call Options").

Further details of the above three options are set out in Note 23.

23. DERIVATIVE FINANCIAL INSTRUMENT

	note	**31 December 2011 HK$'000**	31 March 2011 HK$'000
Sino Light Subscription Option	(i)	**6,798**	—

notes:

(i) Sino Light Subscription Option

Pursuant to the Sino Light Subscription Option, TE Group had the right, but not the obligation, to subscribe a further 11.3% interest in Sino Light for HK$22.4 million during the period from the completion of the Sino Light Acquisition to 31 August 2014, subject to certain early termination clauses.

At initial recognition, the fair value of the Sino Light Subscription Option was determined to be HK$6,798,000 by Greater China using the Binomial Option Pricing Model. The following assumptions were used to calculate the fair value of the option.

Exercise price	HK$14,000 per share
Expected life	3.01 year
Expected volatility	50.05%
Expected dividend yield	0%
Risk free interest rate	0.64%
Exercise period	From 29 August 2011 to 31 August 2014

Sino Light does not have a quoted market price in an active market. In the opinion of the directors, the fair value of the option cannot be reliably measured subsequent to initial recognition and is measured at cost less any identified impairment losses at the end of each reporting period.

(ii) TE Put Options and Other Shareholders' Call Options

The exercise prices of both the TE Put Options and Other Shareholders' Call Options were to be determined (a) between the parties concerned; or (b) if the concerned parties were unable to agree on an exercise price, they were to appoint an independent professional business valuer to determine the fair value of the exercise price at date of exercise. In the opinion of the directors, these options had insignificant value.

24. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	31 December 2011 HK$'000	31 March 2011 HK$'000
Trade receivables (note i)	**29,291**	1,194
Less: allowance for doubtful debts	**(4,917)**	—
	24,374	1,194
Amount due from CPE (note ii)	**45,385**	—
Other receivables, deposits and prepayments	**6,942**	1,792
	76,701	2,986

notes:

(i) The Group allows its trade customers a credit period in accordance with the terms specified in the contracts, normally ranging from 0 day to 90 days. The trade receivables at 31 December 2011 are aged less than 60 days based on invoice dates.

(ii) Amount due from CPE included approximately HK$43,983,000 related to the JBM Agreement and approximately HK$1,402,000 related to non-trade nature transactions. Both amounts are aged less than one year and are unsecured, non-interest bearing and repayable on demand.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limits by customer. Credit sales are made to customers with a satisfactory trustworthy credit history. Credit limits attributed to customers are reviewed regularly. All of the trade receivables are neither past due nor impaired and have a satisfactory credit history.

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

24. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

Movement in the allowance for doubtful debts

	31 December 2011 HK$'000	31 March 2011 HK$'000
Beginning of period/year	**—**	—
Provision for the period	**4,856**	—
Exchange realignment	**61**	—
End of period/year	**4,917**	—

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$4,856,000 (31 March 2011: HK$Nil). The individually impaired receivables related to customers that were in financial difficulties and the directors of the Group assessed the recoverability of sales to these individual customers and concluded that the chance of receiving proceeds from these individual customers is minimal. Therefore, the amounts are provided as uncollectible in current period.

25. BANK BALANCES AND CASH

Bank balances carried interest at market rates which range from 0.001% to 2.1% (31 March 2011: 0.001% to 2%) per annum. Bank balances included approximately HK$1,111,000 (31 March 2011: HK$726,000) that are denominated in USD, which is not the functional currency of the relevant group entities.

26. TRADE, OTHER PAYABLES AND LIABILITIES

	31 December 2011 HK$'000	31 March 2011 HK$'000
Trade payables (note i)	**7,830**	—
Other liabilities (note ii)	**9,100**	—
Other payables and accruals	**18,203**	14,775
	35,133	14,775

notes:

(i) Trade payables are aged less than 3 months based on the invoice dates.

(ii) The amount represents the current portion of the other liabilities (Note 27) as at the end of the reporting period.

27. OTHER LIABILITIES

As set out in Note 22, as part of the consideration for the Sino Light Acquisition, the Group was to provide certain management services to Sino Light for a period of three years. The fair value of such management services, as determined approximately HK$27.1 million in August 2011, was recognised as other liabilities. As at 31 December 2011, approximately HK$18.0 million was non-current (31 March 2011: HK$Nil).

28. BRIDGE LOANS

During the year ended 31 March 2010, the Company was granted an USD bridge loan ("US Bridge Loan") having a principal amount of US$2.5 million (equivalent to HK$19,500,000) and carrying an interest rate of 10% per annum.

The US Bridge Loan, together with the P&A Loan (as defined and detailed in Note 29) and CN Aug 2009 (as defined and detailed in Note 30) (collectively the "Relevant Debts"), were redeemed under a debt restructuring exercise completed in May 2010, pursuant to the Intercreditors' Agreement.

The US Bridge Loan including accrued interest at date of redemption amounted to approximately HK$20,605,000.

The fair value of the consideration to settle the 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 Creditor 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 was determined by Greater China, using the Binomial Option Pricing Model. The following assumptions were used to calculate the fair values of these share options.

	Shares 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 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 loans and charged to the consolidated statement of comprehensive income for the year ended 31 March 2011. No bridge loans were outstanding as at 31 December 2011.

29. PRINTS AND ADVERTISING LOAN

During the year ended 31 March 2010, 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 FCI, a company in which a then substantial shareholder who then had significant influence of the Company was interested.

The P&A Facility was fully drawn down by the Group and the Group agreed to keep FCI indemnified against all liabilities arising from the cash collateral. Accordingly, the draw-down of the P&A Facility effected a contemporaneous incurrence of liability to FCI by the Group (the "P&A Loan").

The P&A Loan 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 P&A Loan.

The P&A Loan including the fixed arrangement fee at the date of redemption amounted to approximately HK$89,700,000.

The fair value of the consideration to settle the P&A Loan including the fixed arrangement fee 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 Creditor 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 was determined by Greater China, using the Binomial Option Pricing Model as per the assumptions in Note 28.

The excess of the fair value of the consideration to settle the P&A Loan including the fixed arrangement fee, over their carrying value, amounting to approximately HK$187,078,000, was recognised by the Group as a redemption loss of P&A Loan and charged to the consolidated statement of comprehensive income for the year ended 31 March 2011. No prints and advertising loans were outstanding as at 31 December 2011.

30. CONVERTIBLE LOAN NOTES

During the year ended 31 March 2010, the Group issued convertible loan notes with an aggregate principal amount of HK$132 million ("CN Aug 2009"). CN Aug 2009 was denominated in Hong Kong dollars with zero coupon rate.

The fair value of the consideration to settle CN Aug 2009 was approximately HK$353,916,000, comprising cash of HK$34,402,615, a total of 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 Creditor 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 28.

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 of approximately HK$5,794,000, 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. No convertible loan notes were outstanding as at 31 December 2011.

31. DEFERRED TAXATION

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

	31 December 2011 HK$'000	31 March 2011 HK$'000
Deferred tax assets	**2,359**	—
Deferred tax liabilities	**(232,678)**	—
	(230,319)	—

The following are the major deferred tax (assets) liabilities recognised and movements thereon during the current period and prior year:

	Fair value adjustments on the acquisition HK$'000	**PRC dividend withholding tax** HK$'000	**Deferred royalty income** HK$'000	**Convertible loan notes** HK$'000	**Total** HK$'000
At 1 April 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	—	—	—	—	—
Acquired on acquisition of subsidiaries (Note 3(B))	243,911	1,949	(1,337)	—	244,523
(Credit) charge to profit or loss	(18,288)	1,298	(969)	—	(17,959)
Reversal upon tax paid	—	(1,405)	—	—	(1,405)
Exchange differences	5,213	—	(53)	—	5,160
At 31 December 2011	**230,836**	**1,842**	**(2,359)**	**—**	**230,319**

At the end of the reporting period, the Group had unused tax losses of HK$786,720,000 (31 March 2011: HK$808,522,000) available for offset against future profits. No deferred tax assets has been recognised due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

32. SHARE CAPITAL OF THE COMPANY

	Number of shares '000	Share capital HK$'000
Authorised		
At 1 April 2010, at HK$0.10 each	10,000,000	1,000,000
Share consolidation (note i(a))	(9,000,000)	—
Capital reduction (note i(b))	—	(999,000)
Increase of authorised capital (note i(c))	999,000,000	999,000
At 31 March and 31 December 2011, at HK$0.001 each	**1,000,000,000**	**1,000,000**
Issued and fully paid		
At 1 April 2010, at HK$0.10 each	3,601,518	360,152
Share consolidation (note i(a))	(3,241,366)	—
Capital reduction (note i(b))	—	(359,792)
2010 Rights Issue (note ii)	1,440,607	1,441
Issue of conversion shares (note iii)	790,000	790
Issue of shares to Investor (note iv)	2,863,000	2,863
Exercise of share options by Core Creditors (note v)	270,400	270
Share award (Note 33(B))	748	1
At 31 March 2011, at HK$0.001 each	5,724,907	5,725
Issue of consideration shares (Note 3(B)(i)(b))	1,382,857	1,383
2011 Share Subscription (note vi)	1,282,816	1,283
Exercise of share options (note vii)	1,629,600	1,629
At 31 December 2011, at HK$0.001 each	**10,020,180**	**10,020**

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

notes:

(i) 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.

(ii) On 10 May 2010, the Company effected the 2010 Rights Issue as set out in Note 3(A)(c).

(iii) 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 3(A)(a).

(iv) 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 3(A)(b).

In the opinion of the 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 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.

(v) Core Creditors subscribed for a total of 270,400,000 (Note 33(C)) Adjusted Shares at HK$0.08 per Adjusted Share through exercising its Core Creditor Options as set out in Note 3(A)(a).

(vi) On 18 February 2011, the Company and various subscribers entered into a subscription agreement pursuant to which the subscribers agreed, subject to fulfillment of certain conditions including approval from the shareholders at a special general meeting, to subscribe for 1,282,816,000 shares at a subscription price of HK$0.28 per share for a total amount of approximately HK$359,189,000 ("2011 Share Subscription").

The share subscription was completed in April 2011 and the proceed thereof was used to finance the cash portion of the consideration payable for the Acquisition.

(vii) During the period from 1 April 2011 to 31 December 2011, (a) the Investor exercised its Investor Option (Note 33(C)) to subscribe for 1,500,000,000 shares in the Company at an adjusted exercise price of HK$0.076 per share; and (b) FCI exercised its Core Creditor Options (Note 33(C)) to subscribe for 129,600,000 shares in the Company at an adjusted exercise price of HK$0.076 per share.

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

33. SHARE-BASED PAYMENT TRANSACTIONS/OTHER OPTIONS

(A) Share Option Scheme

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

On 16 August 2002, the Company adopted a share option 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"). Under the 2002 Scheme, which will end on 15 August 2012, the directors may grant options to the Participants to subscribe for shares in the Company for a consideration of HK$10 for each lot of share options granted. Options granted must be taken up within 28 days of date of grant. The exercise price is determined by the directors and shall not be less than the highest of:

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

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

(iii) the nominal value of a share.

Pursuant to the 2002 Scheme, the maximum number of shares in the Company in respect of which options may be granted when aggregated with any other share option scheme of the Company is not permitted to exceed 10% of the issued share capital of the Company as at 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.

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.

33. SHARE-BASED PAYMENT TRANSACTIONS/OTHER OPTIONS *(Continued)*

(A) Share Option Scheme *(Continued)*

(b) Movements of share options

The following table discloses movements of the Company's number of share options held by directors and employees during the current period and prior year:

For the period from 1 April 2011 to 31 December 2011

	Grant date	Vesting period	Fair value of share option at grant date HK$	Outstanding at 1 April 2011	Granted during the period (note i)	Cancelled during the period (note ii)	Forfeited during the period (note iii)	Outstanding at 31 December 2011
Directors	13 April 2011	13/4/2011 to 12/4/2014	0.164	–	26,000,000	–	–	**26,000,000**
		13/4/2011 to 12/4/2015	0.178	–	13,000,000	–	–	**13,000,000**
		13/4/2011 to 12/4/2016	0.191	–	13,000,000	–	–	**13,000,000**
Employees	17 November 2009 (note)	15/5/2007 to 14/1/2008	2.066	22,071	–	–	(22,071)	**–**
		15/5/2007 to 14/1/2009	2.520	22,071	–	–	(22,071)	**–**
		15/5/2007 to 14/1/2010	2.845	29,426	–	–	(29,426)	**–**
	21 August 2009	21/8/2009 to 30/9/2010	0.144	584,858	–	–	(167,698)	**417,160**
		21/8/2009 to 30/9/2011	0.178	167,696	–	–	(167,696)	**–**
		21/8/2009 to 30/9/2012	0.184	223,598	–	(223,598)	–	**–**
	13 April 2011	13/4/2011 to 12/4/2014	0.160	–	6,060,000	(720,000)	–	**5,340,000**
		13/4/2011 to 12/4/2015	0.175	–	3,030,000	(360,000)	–	**2,670,000**
		13/4/2011 to 12/4/2016	0.187	–	3,030,000	(360,000)	–	**2,670,000**
				1,049,720	64,120,000	(1,663,598)	(408,962)	**63,097,160**

note:

The options were originally granted on 15 May 2007. On 17 November 2009, the unexercised share options were re-granted to the affected grantees with a modified exercise price of HK$0.315 per share, which was subsequently adjusted to HK$0.755 per share as a result of a share consolidation and rights issue taken place for the year ended 31 March 2011. Apart from the modified exercise price, there is no modification to the terms of the affected share options. The replacements were accounted for as a modification of the original grant.

33. SHARE-BASED PAYMENT TRANSACTIONS/OTHER OPTIONS *(Continued)*

(A) Share Option Scheme *(Continued)*

(b) Movements of share options (Continued)

For the period from 1 April 2011 to 31 December 2011 *(Continued)*

Exercise price for the share options are as follows:

Grant date	Exercise price HK$
17 November 2009	0.755 per share
21 August 2009	0.755 per share
13 April 2011	0.368 per share

notes:

(i) On 13 April 2011, the Company offered to grant an aggregate of 65,000,000 share options to certain grantees, of which 52,000,000 options were granted to two directors of the Company.

The exercise price of the above share option 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.

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

- 50% of the share option will be vested 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 ("6 year Options");
- 25% of the share option will be vested 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 ("7 year Options"); and
- 25% of the share option will be vested 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 ("8 year Options").

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

The following assumptions were used to calculate the fair value of the options:

	6 year Options	7 year Options	8 year Options
Exercise price	HK$0.368	HK$0.368	HK$0.368
Life to expiration	within 6 years	within 7 years	within 8 years
Expected volatility	45.020%	45.112%	45.112%
Expected dividend rate	0%	0%	0%
Risk free interest rate	2.651%	2.897%	3.087%

33. SHARE-BASED PAYMENT TRANSACTIONS/OTHER OPTIONS *(Continued)*

(A) Share Option Scheme *(Continued)*

(b) Movements of share options (Continued)

For the period from 1 April 2011 to 31 December 2011 *(Continued)*

notes: (continued)

(ii) During the current reporting period, 1,663,598 share options were forfeited prior to the vesting of the relevant share options as a result of the resignation of employees. The impact of the revision of the estimates during the vesting period is recognised in the profit and loss, with a corresponding adjustment to the share option reserve.

(iii) 408,962 share options were forfeited after the vesting period due to the resignation of employees. When the share options are forfeited after the vesting date, the amount previously charged to profit or loss is credited to accumulated losses, with a corresponding adjustment to share option reserve. During the current reporting period, an adjustment of approximately HK$459,000 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 December 2011 are as follows:

Date of grant	Vesting period	Exercisable period	Exercise price HK$	Outstanding at 31 December 2011
21 August 2009	1 to 3 years	5 years	0.755	**417,160**
13 April 2011	3 to 5 years	3 years	0.368	**62,680,000**
				63,097,160

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.

33. SHARE-BASED PAYMENT TRANSACTIONS/OTHER OPTIONS *(Continued)*

(A) Share Option Scheme *(Continued)*

(b) Movements of share options (Continued)

For the year ended 31 March 2011 (Continued)

	Weighted average exercise price		
	Directors	**Employees**	**Consultant**
	HK$	HK$	HK$
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 32(i)(a) and 32(ii) 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

33. SHARE-BASED PAYMENT TRANSACTIONS/OTHER OPTIONS *(Continued)*

(A) Share Option Scheme *(Continued)*

(b) Movements of share options (Continued)

For the year ended 31 March 2011 (Continued)

notes: (continued)

(ii) During the year ended 31 March 2011, 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 option 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 option reserve. During the year ended 31 March 2011, 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 are as follows:

Date of grant	Vesting period	Exercisable period	Exercise price HK$	Outstanding at 31 March 2011
21 August 2009	1 to 3 years	5 years	0.755	976,190
17 November 2009	Nil to 3 years	5 years	0.755	73,530
				1,049,720

(c) Recognition of share-based payment expenses

During the period, the Group recognised a share-based payment expense of HK$2,052,000 (From 1 April 2010 to 31 March 2011: a reversal of share-based payment expense of HK$8,997,000), analysed as follows:

	From 1 April 2011 to 31 December 2011 HK$'000	From 1 April 2010 to 31 March 2011 HK$'000
Directors' emoluments	**1,797**	(8,528)
Other staff cost	**255**	(580)
Consultant	**–**	111
Amount charged (credited) to profit or loss	**2,052**	(8,997)

33. SHARE-BASED PAYMENT TRANSACTIONS/OTHER OPTIONS *(Continued)*

(B) 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 32(i), a total of 748,387 Adjusted Shares were issued in May 2010. No such transaction was noted for the period ended 31 December 2011.

(C) Other option arrangements

In addition to the 2002 Scheme, the Company has also granted other options. The following table discloses movements of the Company's other options during the current period and prior year:

	Balance at 1 April 2010 '000	Granted during the year '000 (note (i))	Exercised during the year '000 (note (ii))	Balance at 31 March 2011 '000	Granted during the period '000 (note (iv))	Exercised during the period '000 (note (iii))	**Balance at 31 December 2011 '000**
Core Creditor Options							
– 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	–	(129,600)	**–**
Investor Option	–	1,500,000	–	1,500,000	–	(1,500,000)	**–**
IDG Option	–	–	–	–	50,000	–	**50,000**
	–	1,900,000	(270,400)	1,629,600	50,000	(1,629,600)	**50,000**

33. SHARE-BASED PAYMENT TRANSACTIONS/OTHER OPTIONS *(Continued)*

(C) Other option arrangements *(Continued)*

notes:

(i) Details of the Core Creditor Options and Investor Option granted are set out in Note 3(A)(a) and (b), respectively.

(ii) These options were exercised at an exercise price of HK$0.08 per share.

(iii) These options were exercised at an adjusted exercise price of HK$0.076 per share.

(iv) As part of the 2011 Share Subscription, the Company granted an institutional investor an 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), determined by Greater China using the Binomial Option Pricing Model, was approximately HK$6,060,000 which, representing incremental costs directly attributable to the 2011 Share Subscription, was charged to the share premium account as a share issue expense on the date of grant.

The IDG Option had no vesting period and the following assumptions were used to calculate the fair value of the option.

Share price at grant date	HK$0.365 per share
Exercise price	HK$0.35 per share
Expected life	2.715 years
Expected volatility	47.669%
Expected dividend yield	0%
Risk free interest rate	1.242%
Exercise period	From 15 April 2011 to 31 December 2013

At 31 December 2011, the IDG Option remained unexercised and outstanding.

34. DISSOLUTION AND DISPOSAL OF SUBSIDIARIES

	From 1 April 2011 to 31 December 2011 HK$'000	From 1 April 2010 to 31 March 2011 HK$'000
NET ASSETS DISSOLVED/DISPOSED		
Other receivables	–	32
Bank balances and cash	–	35
Other payables	–	(1)
Loss on dissolution/disposal	–	66
Net cash outflow arising on bank balances and cash dissolved/disposed of	–	35

During the period from 1 April 2011 to 31 December 2011, the Group had dissolved three subsidiaries, all of which had nil net asset value at the date of dissolution.

35. PLEDGE OF ASSETS

As at 31 March 2011 and 31 December 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 against a loan granted to a former subsidiary of the Company in the United States of America for funding the launch of *Astro Boy* in October 2009. The carrying value of *Astro Boy* as at 31 March 2011 and 31 December 2011 was nil.

36. OPERATING LEASE COMMITMENTS

The Group as lessee

Minimum lease payments paid under operating leases in respect of rented premises were HK$4,670,000 (31 March 2011: HK$2,019,000).

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

	31 December 2011 HK$'000	31 March 2011 HK$'000
Within one year	**3,033**	1,938
In the second to fifth years inclusive	**615**	196
	3,648	2,134

Operating lease payments represent rentals payable by the Group for office premises. Leases are negotiated for an average term of two years (31 March 2011: two years) and rentals are fixed for an average term of two years (31 March 2011: two years).

37. RETIREMENT BENEFITS SCHEMES

The Group operates a MPF Scheme for all its qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The employees employed in the PRC are members of a State-managed retirement benefit scheme operated by the PRC government. The PRC subsidiary is required to contribute a certain percentage of their basic payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

38. MAJOR NON-CASH TRANSACTIONS

For the period from 1 April 2011 to 31 December 2011

(i) Consideration shares were issued for the Acquisition as detailed in Note 3(B)(i)(b).

(ii) The Company recognised an equity-settled share-based payments of approximately HK$2,052,000.

(iii) The grant of IDG Option as detailed in Note 33(C)(iv).

(iv) The Group invested in Sino Light by way of service provision of HK$27.3 million as detailed in Note 22.

For the year from 1 April 2010 to 31 March 2011

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

(ii) The extinguishment of financial liabilities pursuant to the Intercreditors' Agreement as set out in Note 3(A)(a).

39. RELATED PARTY DISCLOSURES

The Group had the following related party transactions during the year ended 31 March 2011:

(i) The Intercreditors' Agreement as set out in Note 3(A)(a) was completed on 11 May 2010, in which Mr. Hung, a then substantial shareholder of the Company, who had significant influence to the Company.

(ii) On 18 February 2011, the Company entered into an agreement with Luminary Capital Limited, a company controlled by Mr. Leung Pak To, a director of the Company, for the provision of financial advisory services in relation to the Acquisition as set out in Note 3(B) for a fee of HK$5 million, paid on the completion of the relevant transaction. The amount was recognised as an expense for the year ended 31 March 2011.

Compensation of key management personnel

The remuneration of directors and other members of key management during the period/year was as follows:

	From 1 April 2011 to 31 December 2011 HK$'000	From 1 April 2010 to 31 March 2011 HK$'000
Short-term benefits	**14,267**	4,806
Contributions to pension schemes	**115**	52
Equity-settled share-based payments	**2,010**	—
	16,392	4,858

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company as at the end of the reporting period is as follows:

	note	**31 December 2011 HK$'000**	31 March 2011 HK$'000
Investment in subsidiaries		**753,454**	—
Amount due from subsidiaries		**56,257**	—
Other assets		**247,149**	167,248
Total assets		**1,056,860**	167,248
Total liabilities		**(2,916)**	(13,242)
		1,053,944	154,006
Capital and reserves			
Share capital		**10,020**	5,725
Reserves	(i)	**1,043,924**	148,281
		1,053,944	154,006

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

(i) Reserves of the Company

	Share premium HK$'000	Contributed surplus HK$'000	Convertible loan notes equity reserve HK$'000	Share option reserve HK$'000	Share award reserve HK$'000	Option shares reserve HK$'000	Deemed contribution reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2010	1,001,833	–	47,251	27,303	1,355	–	22,650	(1,625,386)	(524,994)
Loss for the year	–	–	–	–	–	–	–	(638,503)	(638,503)
Capital Reorganisation	(1,001,833)	–	–	–	–	–	–	1,361,625	359,792
Issue of conversion shares	441,610	–	–	–	–	–	–	–	441,610
Issue of share award	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	99,402	–	–	–	–	–	–	–	99,402
Share issue expenses	(1,008)	–	–	–	–	–	–	–	(1,008)
Exercise of option shares	154,019	–	–	–	–	(132,659)	–	–	21,360
Reversal of equity-settled share-based payments	–	–	–	(8,997)	–	–	–	–	(8,997)
Share options forfeited for the year	–	–	–	(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	–	–	708	–	63,581	22,650	(831,582)	148,281
Loss for the period	–	–	–	–	–	–	–	(8,606)	(8,606)
Issue of consideration shares	422,071	–	–	–	–	–	–	–	422,071
Share subscription	357,906	–	–	–	–	–	–	–	357,906
Exercise of option shares	185,801	–	–	–	–	(63,581)	–	–	122,220
Share issue expenses	(6,060)	–	–	–	–	6,060	–	–	–
Share options forfeited for the period	–	–	–	(459)	–	–	–	459	–
Recognition of equity-settled share-based payments	–	–	–	2,052	–	–	–	–	2,052
Transfer	(1,852,642)	1,037,593	–	–	–	–	(22,650)	837,699	–
At 31 December 2011	**–**	**1,037,593**	**–**	**2,301**	**–**	**6,060**	**–**	**(2,030)**	**1,043,924**

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.

41. EVENT AFTER THE REPORTING PERIOD

In March 2012, the Group entered into deeds and agreements with various parties which involved (i) the transfer of its entire interest in Sino Light (Note 22) to one of the Sino Light Original Shareholders; (ii) the termination of the Sino Light Subscription Option of HK$6,798,000, TE Put Options, Other Shareholders' Call Option (detailed in Note 22) and (iii) the termination of Business Support Agreement (detailed in Note 27) with carrying value of approximately HK$27.1 million as a result of which all relevant parties were released of their rights and obligations arising therefrom. The Group received a net consideration of HK$9.1 million in relation to the aforesaid arrangement. The transaction has been completed and the directors are in the progress of assessing the financial impact of the disposing of the entire interest in Sino Light as at the reporting date.

42. LITIGATION

As announced by the Company, on 14 September 2011, the Group received a summons served by a former business partner alleging the Group for a breach of contract and certain unfair and false representation. The summons has not specified the amount of the claim. The Company's management is now negotiating a possible solution with the former business partner and the management do not anticipate that the matter will have material impact on the Group's operations and financial position.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The particulars of principal subsidiaries of the Company for the period ended 31 December 2011 and year ended 31 March 2011 are listed as follow:

Name of subsidiary	Place of incorporation or registration/ operations	Paid up issued share capital	Proportion of ownership interest and voting power held by the Company		Proportion of ownership interest and voting power held by the Company		Principal activities
			Directly	Indirectly	Directly	Indirectly	
			31 December 2011		31 March 2011		
			%	%	%	%	
Diamond Century International Limited	BVI/ Hong Kong	US$4	**–**	**100**	–	100	Investment holding
Great Trend International Limited	BVI/ Hong Kong	US$4	**100**	**–**	100	–	Investment holding
iDream Production Limited	Hong Kong	HK$2	**–**	**100**	–	100	Provision of CGI and special effects production services in respect of CGI animation pictures

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiary	Place of incorporation or registration/ operations	Paid up issued share capital	Proportion of ownership interest and voting power held by the Company 31 December 2011 Directly %	Indirectly %	Proportion of ownership interest and voting power held by the Company 31 March 2011 Directly %	Indirectly %	Principal activities
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
Imagi Diamond Limited	Hong Kong	HK$1	–	**100**	–	100	Holding and licensing of intellectual property rights 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

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiary	Place of incorporation or registration/ operations	Paid up issued share capital	Proportion of ownership interest and voting power held by the Company Directly 31 December 2011 %	Indirectly 31 December 2011 %	Proportion of ownership interest and voting power held by the Company Directly 31 March 2011 %	Indirectly 31 March 2011 %	Principal activities
Imagi Services Limited	Hong Kong	HK$2	–	100	–	100	Provision of CGI and special effect production services and administrative services
Sky Field Holdings Limited	BVI/Hong Kong	US$1	100	–	100	–	Investment holding
Infoport Management Limited (note i)	BVI/Hong Kong	US$499,990	100	–	–	–	Investment holding and holding of intellectual property rights
Toon Express International Limited (note i)	BVI/Hong Kong	US$10,000	–	100	–	–	Investment holding
Toon Express Hong Kong Limited (note i)	Hong Kong	HK$10,000	–	100	–	–	Licencing and management of cartoon character trademarks and copyrights and all related activities
廣州新原動力動漫形象管理有限公司 (note i)	PRC	HK$1,500,000	–	100	–	–	Licencing and management of cartoon character trademarks and copyrights and all related activities

note:

(i) These companies were acquired in the Acquisition as set out in Note 3(B).

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

Financial Summary

Results

	Year ended 31 March				Period from 1 April 2011 to 31 December
	2008	2009	2010	2011	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	17,189	3,613	107,123	8,616	**117,233**
Loss before tax	(56,964)	(184,493)	(1,367,911)	(625,881)	**(74,997)**
Income tax (expense) credit	(865)	7,066	825	2,257	**7,642**
Loss for the year/period	(57,829)	(177,427)	(1,367,086)	(623,624)	**(67,355)**
Attributable to owners of the Company	(57,829)	(177,427)	(1,367,086)	(623,624)	**(67,355)**

Assets and Liabilities

	At 31 March				At 31 December
	2008	2009	2010	2011	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	754,532	841,547	87,650	184,873	**1,334,906**
Total liabilities	(116,689)	(274,744)	(252,493)	(16,315)	**(308,085)**
	637,843	566,803	(164,843)	168,558	**1,026,821**
Equity attributable to owners of the Company	637,843	566,803	(164,843)	168,558	**1,026,821**

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