美亞娛樂資訊集團有限公司
MEI AH ENTERTAINMENT GROUP LTD.

(Incorporated in Bermuda with limited liability)
(Stock code: 391)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST MARCH 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2009

	Note	**2009** *HK$'000*	2008 *HK$'000*
Revenue	*2*	**191,559**	102,986
Cost of sales	*4*	**(145,635)**	(67,216)
Gross profit		**45,924**	35,770
Other income	*2*	**21,901**	10,354
Other (losses)/gains — net	*3*		
— Fair value gain/(loss) on derivative financial instrument		**13,951**	(111,401)
— Others		**(26,644)**	75,452
Selling and marketing expenses	*4*	**(14,586)**	(6,018)
Administrative and other expenses	*4*	**(87,528)**	(75,547)
Impairment of goodwill		**(22,413)**	—
Operating loss		**(69,395)**	(71,390)
Finance costs — net	*5*	**(5,070)**	(3,816)
Share of losses of associated companies		**(1,570)**	(4,582)
Loss before income tax		**(76,035)**	(79,788)
Income tax credit/(expense)	*6*	**4,062**	(3,596)
Loss for the year		**(71,973)**	(83,384)
Attributable to:			
Equity holders of the Company		**(71,529)**	(83,413)
Minority interests		**(444)**	29
		(71,973)	(83,384)
		HK cents	*HK cents*
Loss per share	*7*		
Basic		**(7.28)**	(8.78)
Diluted		**(7.28)**	(8.78)
Dividend	*8*	—	—

CONSOLIDATED BALANCE SHEET

As at 31st March 2009

	Note	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights		**11,946**	12,270
Property, plant and equipment		**106,129**	128,268
Intangible assets		**—**	—
Investment properties		**84,261**	74,710
Interest in a jointly controlled entity		**—**	—
Interests in associated companies		**—**	19,631
Available-for-sale financial assets		**18,180**	59,407
Film rights, films in progress and film royalty deposits		**55,582**	85,040
Trade and other receivables	9	**—**	5,432
		276,098	384,758
Current assets			
Inventories		**6,945**	7,458
Trade and other receivables	9	**68,712**	48,638
Financial assets at fair value through profit or loss		**22,476**	18,401
Pledged bank deposit		**43,500**	30,000
Cash and cash equivalents		**56,620**	86,936
		198,253	191,433
Total assets		**474,351**	576,191
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**98,209**	98,209
Share premium		**167,569**	167,569
Reserves		**71,638**	181,700
Shareholders' funds		**337,416**	447,478
Minority interests		**265**	41
Total equity		**337,681**	447,519
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**7,612**	9,986
Derivative financial instrument	11	**—**	14,005
Convertible notes — liability portion	11	**—**	22,683
Obligations under finance leases		**3,023**	3,346
		10,635	50,020
Current liabilities			
Trade and other payables	10	**78,848**	74,589
Borrowings		**22,387**	—
Obligations under finance leases		**3,677**	2,746
Derivative financial instrument	11	**36**	—
Convertible notes — liability portion	11	**19,404**	—
Current income tax liabilities		**1,683**	1,317
		126,035	78,652
Total liabilities		**136,670**	128,672
Total equity and liabilities		**474,351**	576,191
Net current assets		**72,218**	112,781
Total asset less current liabilities		**348,316**	497,539

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2009

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	Share redemption reserve HK$'000	Share-based payment reserve HK$'000	Contributed surplus HK$'000	Exchange difference HK$'000	Buildings revaluation reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Retained earnings/ (accumulated losses) HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1st April 2007	82,300	11,156	12	—	107,099	(306)	6,809	930	72,888	12	280,900
Loss for the year	—	—	—	—	—	—	—	—	(83,413)	29	(83,384)
Surplus on revaluation of buildings	—	—	—	—	—	—	5,668	—	—	—	5,668
Fair value gain on available-for-sale financial assets	—	—	—	—	—	—	—	56,358	—	—	56,358
Currency translation differences	—	—	—	—	—	290	—	—	—	—	290
Deferred income tax relating to revaluation of buildings	—	—	—	—	—	—	(992)	—	—	—	(992)
Disposal of available-for-sale financial assets	—	—	—	—	—	—	—	(930)	—	—	(930)
Total recognised income/(expense) for the year	—	—	—	—	—	290	4,676	55,428	(83,413)	29	(22,990)
Share-based compensation *(note 12)*	—	—	—	22,197	—	—	—	—	—	—	22,197
Issue of shares	15,909	156,413	—	—	—	—	—	—	—	—	172,322
Dividends	—	—	—	—	—	—	—	—	(4,910)	—	(4,910)
At 31st March 2008	98,209	167,569	12	22,197	107,099	(16)	11,485	56,358	(15,435)	41	447,519

	Attributable to equity holders of the Company										
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Share redemption reserve** *HK$'000*	**Share-based payment reserve** *HK$'000*	**Contributed surplus** *HK$'000*	**Exchange difference** *HK$'000*	**Buildings revaluation reserve** *HK$'000*	**Available-for-sale financial assets revaluation reserve** *HK$'000*	**Retained earnings/ (accumulated losses)** *HK$'000*	**Minority interests** *HK$'000*	**Total equity** *HK$'000*
At 1st April 2008, as per above	98,209	167,569	12	22,197	107,099	(16)	11,485	56,358	(15,435)	41	447,519
Loss for the year	—	—	—	—	—	—	—	—	(71,529)	(444)	(71,973)
Surplus on revaluation of buildings	—	—	—	—	—	—	3,440	—	—	—	3,440
Fair value loss on available-for-sale financial assets	—	—	—	—	—	—	—	(40,602)	—	—	(40,602)
Currency translation differences	—	—	—	—	—	(803)	—	—	—	—	(803)
Deferred income tax relating to revaluation of buildings	—	—	—	—	—	—	(568)	—	—	—	(568)
Total recognised (expense)/income for the year	—	—	—	—	—	(803)	2,872	(40,602)	(71,529)	(444)	(110,506)
Expiry of share-based compensation *(note 12)*	—	—	—	(22,197)	—	—	—	—	22,197	—	—
Minority interest arising on business combination	—	—	—	—	—	—	—	—	—	668	668
At 31st March 2009	98,209	167,569	12	—	107,099	(819)	14,357	15,756	(64,767)	265	337,681

Notes:

1. **Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings, investment properties, available-for-sale financial assets, financial assets at fair value through profit or loss and derivative financial instrument.

2. **Turnover, revenues and segment information**

Revenues recognised during the year are as follows:

	2009	2008
	HK$'000	*HK$'000*
Revenue		
Television operations	**84,487**	64,150
Film exhibition and film rights licensing and sub-licensing	**62,839**	23,191
Sale and distribution of films and programs in audio visual product format	**44,233**	15,645
	191,559	102,986
Other income		
Rental income from investment properties	**6,449**	3,606
Other rental income	**8,989**	4,365
Distribution commission income	**2,884**	916
Management fee income	**1,255**	1,390
Others	**2,324**	77
	21,901	10,354
Total revenues	**213,460**	113,340

Primary reporting format — business segments

For the year ended 31st March 2009, the Group operates in three business segments:

— Television operations

— Film exhibition and film rights licensing and sub-licensing

— Sale and distribution of films and programs in audio visual product format

The segment results for the year ended 31st March 2009 by each principal activity is as follows:

	For the year ended 31st March 2009				
	Television operations *HK$'000*	**Film exhibition and film rights licensing and sub-licensing** *HK$'000*	**Sale and distribution of films and programs in audio visual product format** *HK$'000*	**Elimination** *HK$'000*	**Group** *HK$'000*
External sales	**84,487**	**62,839**	**44,233**	**—**	**191,559**
Inter-segment sales	**—**	**10,450**	**—**	**(10,450)**	**—**
Total revenues	**84,487**	**73,289**	**44,233**	**(10,450)**	**191,559**
Segment results	**(19,198)**	**3,515**	**(28,122)**	**(913)**	**(44,718)**
Unallocated income					**30,906**
Unallocated costs					**(55,583)**
Operating loss					**(69,395)**
Finance costs — net					**(5,070)**
Share of losses of associated companies					**(1,570)**
Loss before income tax					**(76,035)**
Income tax credit					**4,062**
Loss for the year					**(71,973)**
Property, plant and equipment					
— Additions	**784**	**160**	**53**	**—**	**997**
— Unallocated additions					**1,232**
					2,229
— Depreciation	**(656)**	**(27)**	**(671)**	**—**	**(1,354)**
— Unallocated depreciation					**(6,369)**
					(7,723)
Film rights, films in progress and film royalty deposits					
— additions	**26,831**	**—**	**11,930**	**(10,450)**	**28,311**
— amortisation	**(30,824)**	**(22,134)**	**(9,587)**	**9,537**	**(53,008)**
— impairment	**—**	**(4,105)**	**(402)**	**—**	**(4,507)**
Provision for impairment of trade receivables	**—**	**—**	**(9,514)**	**—**	**(9,514)**
Contractual supplier relationships					
— acquisition of subsidiaries	**5,029**	**—**	**4,000**	**—**	**9,029**
— amortisation	**(419)**	**—**	**(4,000)**	**—**	**(4,419)**
— impairment	**(4,610)**	**—**	**—**	**—**	**(4,610)**
Leasehold land and land use rights					
— unallocated amortisation					**(324)**

	For the year ended 31st March 2008				
	Television operations *HK$'000*	Film exhibition and film rights licensing and sub-licensing *HK$'000*	Sale and distribution of films and programs in audio visual product format *HK$'000*	Elimination *HK$'000*	Group *HK$'000*
External sales	64,150	23,191	15,645	—	102,986
Inter-segment sales	—	2,160	—	(2,160)	—
Total revenues	64,150	25,351	15,645	(2,160)	102,986
Segment results	10,354	3,123	(23,959)	3,325	(7,157)
Unallocated income					86,738
Unallocated costs					(150,971)
Operating loss					(71,390)
Finance costs — net					(3,816)
Share of losses of associated companies					(4,582)
Loss before income tax					(79,788)
Income tax expense					(3,596)
Loss for the year					(83,384)
Property, plant and equipment					
— Additions	163	104	208	—	475
— Unallocated additions					14,740
					15,215
— Depreciation	(499)	(22)	(914)	—	(1,435)
— Unallocated depreciation					(4,053)
					(5,488)
Film rights, films in progress and film royalty deposits					
— additions	20,400	27,495	6,525	(2,160)	52,260
— amortisation	(23,031)	(14,127)	(5,607)	5,485	(37,280)
— impairment	—	(2,839)	(473)	—	(3,312)
Provision for impairment of trade receivables	—	—	(9,833)	—	(9,833)
Leasehold land and land use rights					
— unallocated amortisation					(324)

	As at 31st March 2009				
	Television operations	**Film exhibition and film rights licensing and sub-licensing**	**Sale and distribution of films and programs in audio visual product format**	**Elimination**	**Group**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**39,107**	**42,763**	**155,411**	**(3,531)**	**233,750**
Interest in a jointly controlled entity					**—**
Interests in associated companies					**—**
Unallocated assets					**240,601**
Total assets					**474,351**
Segment liabilities	**16,681**	**34,742**	**31,710**	**—**	**83,133**
Unallocated liabilities					**53,537**
Total liabilities					**136,670**

	As at 31st March 2008				
	Television operations	Film exhibition and film rights licensing and sub-licensing	Sale and distribution of films and programs in audio visual product format	Elimination	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	35,886	58,974	170,101	(2,618)	262,343
Interest in a jointly controlled entity					—
Interests in associated companies					19,631
Unallocated assets					294,217
Total assets					576,191
Segment liabilities	23,645	34,543	17,631	—	75,819
Unallocated liabilities					52,853
Total liabilities					128,672

Secondary reporting format — geographical segment

The Group is operating in three main geographical areas — Hong Kong, Singapore and other countries.

	2009	2008
	HK$'000	*HK$'000*
Revenue		
Hong Kong	**153,622**	82,597
Singapore	**32,070**	12,215
Other countries	**5,867**	8,174
	191,559	102,986

Revenue is allocated based on the country in which the customers are located. No geographical analysis is provided for the Group's assets and capital expenditure as less then 10% of the Group's consolidated assets and capital expenditure was attributable to markets outside Hong Kong as at 31st March 2008 and 2009.

3. Other (losses)/gains — net

	2009	2008
	HK$'000	*HK$'000*
Fair value gain/(loss) on derivative financial instrument *(note 11)*	**13,951**	(111,401)
Loss on repurchase of convertible notes	**(544)**	—
(Deficit)/surplus on revaluation of investment properties	**(11,335)**	12,930
Gain on disposal of an associated company	**—**	55,749
Gain on disposal of available-for-sale financial assets	**—**	1,412
Fair value (losses)/gains on financial assets at fair value through profit or loss	**(14,765)**	5,361
	(12,693)	(35,949)

4. Expenses by nature

Expenses included in cost of sales, selling and marketing expenses, administrative and other expenses are analysed as follows:

	2009	2008
	HK$'000	*HK$'000*
Depreciation		
— owned property, plant and equipment	**4,834**	4,452
— leased property, plant and equipment	**2,889**	1,036
Amortisation of intangible assets	**4,419**	—
Amortisation of leasehold land and land use rights	**324**	324
Amortisation of film rights	**53,008**	37,280
Impairment of contractual supplier relationships	**4,610**	—
Impairment of film rights and film in progress	**4,507**	3,312
Provision for impairment of trade receivables	**9,514**	9,833
Write-off of trade receivables	**—**	442
Provision for impairment of amounts due from a jointly controlled entity	**443**	445
Provision for impairment of amounts due from associated companies	**14,740**	78
Provision for impairment loss of available-for-sale financial assets	**625**	—
Provision for obsolescence of inventories	**3,237**	—
Loss on disposal of film rights	**164**	—
Reversal of provision for impairment of amount due from an associated company	**—**	(3,161)
Employee benefit expenses (including directors' emoluments)	**21,801**	16,317
Auditor's remuneration		
— current year	**1,350**	1,163
— under provision in prior years	**70**	170
Cost of inventories	**8,053**	5,649
Share-based compensation *(note 12)*	**—**	22,197
Direct operating expenses arising from investment properties that generate rental income	**883**	620
Theatrical commission	**25,441**	—

5. Finance costs — net

	2009	2008
	HK$'000	*HK$'000*
Finance cost		
— Interest on bank loans and overdrafts wholly repayable within five years	**(627)**	(413)
— Interest element of finance leases	**(425)**	(133)
— Interest accretion in respect of convertible notes wholly repayable within five years	**(7,362)**	(8,523)
	(8,414)	(9,069)
Finance income		
— Interest income on short-term bank deposits	**1,935**	2,057
— Interest income on loans to third parties	**933**	731
— Unwinding of discount in respect of non-current receivables	**476**	2,465
	3,344	5,253
Finance costs — net	**(5,070)**	(3,816)

6. Income tax credit/(expense)

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2009	2008
	HK$'000	*HK$'000*
Current income tax — Hong Kong profits tax	**(370)**	(1,333)
Deferred income tax	**4,432**	(2,263)
	4,062	(3,596)

7. Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company of HK$71,529,000 (2008: HK$83,413,000) by the weighted average number of ordinary shares of 982,091,000 (2008: 949,893,936) in issue during the year.

Diluted loss per share is computed by dividing loss attributable to equity holders for each year by the weighted average number of ordinary shares and ordinary share equivalents outstanding during the year. The weighted average number of shares used to compute diluted loss per share includes the incremental shares of ordinary shares relating to conversion of convertible notes and options.

The diluted loss per share was the same as the basic loss per share for the year ended 31st March 2009 as the conversion of the Company's outstanding convertible notes and options granted by the Company would be anti-dilutive (2008: same).

8. Dividend

The directors do not recommend the payment of a dividend in respect of the year ended 31st March 2009 (2008: Nil).

9. Trade and other receivables

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**43,746**	27,867
Less: provision for impairment of receivables	**(23,045)**	(13,531)
Less: discount on non-current portion	**—**	(476)
Trade receivables — net	**20,701**	13,860
Prepayments, deposits and other receivables — net	**48,011**	40,210
	68,712	54,070
Less: non-current portion of trade receivables	**—**	(5,432)
	68,712	48,638

All non-current receivables as at 31st March 2008 were due within five years from the balance sheet date. The fair values were based on cash flows discounted using prevailing fixed deposit rates that range from 1.2% to 2.2% per annum.

The ageing analysis of trade receivables is as follows:

	2009	2008
	HK$'000	*HK$'000*
Current to 3 months	**19,620**	2,392
4 to 6 months	**70**	684
Over 6 months	**24,056**	24,791
	43,746	27,867

The Group's credit terms to trade receivables generally range from 7 to 90 days (2008: ranged from 7 to 90 days).

10. Trade and other payables

	2009	2008
	HK$'000	*HK$'000*
Trade payable	**5,755**	10,464
Receipts in advance and accruals	**73,093**	57,586
Bills payable	**—**	6,539
	78,848	74,589

The ageing analysis of trade payables is as follows:

	2009	2008
	HK$'000	*HK$'000*
Current to 3 months	**2,483**	6,632
4 to 6 months	**485**	—
Over 6 months	**2,787**	3,832
	5,755	10,464

11. Convertible notes

	Liability portion HK$'000	Derivative portion HK$'000	Total HK$'000
At 1st April 2007	62,771	28,459	91,230
Change in fair value of derivative financial instrument *(note 3)*	—	111,401	111,401
Interest accretion	8,523	—	8,523
Conversion during the year	(46,467)	(125,855)	(172,322)
Interest paid during the year	(2,144)	—	(2,144)
At 31st March 2008	22,683	14,005	36,688
At 1st April 2008	22,683	14,005	36,688
Change in fair value of derivative financial instrument *(note 3)*	—	(13,951)	(13,951)
Interest accretion	7,362	—	7,362
Repurchase during the year	(9,438)	(18)	(9,456)
Interest paid during the year	(1,203)	—	(1,203)
At 31st March 2009	19,404	36	19,440

(a) On 11th August 2006, the Company issued convertible notes (the "Notes") in an aggregate principal amount of HK$100 million. The initial conversion price, which is subject to anti-dilution adjustments in certain events and a reset mechanism as set out in the note subscription agreements, is HK$0.44 per share. For the year ended 31st March 2008, convertible notes with an aggregate principal amount of HK$70,000,000 were converted and 159,090,905 shares were issued to the holders of the Notes. For the year ended 31st March 2009, convertible notes with an aggregate principal amount of HK$10,000,000 were repurchased.

The derivative portion of the Notes was revalued to its fair value using the Binominal model at each conversion date, repurchase date and at every reporting date. Changes in fair values were reflected as other (losses)/gains — net in the consolidated income statement. The changes in fair value of the derivative portion resulted in a fair value gain on derivative financial instrument of HK$13,951,000 were recognised during the year (2008: fair value loss of HK$111,401,000).

(b) During the year ended 31st March 2008, 70% of the Notes were converted by certain note holders, and 159,090,905 new shares were issued. For the Notes converted, the respective derivative financial instrument was fair valued at each conversion date, and along with the amortised cost of the liability portion, was recorded as share capital and share premium of the Company. As a result, share capital and share premium increased by HK$15,909,000 and HK$156,413,000, respectively, arising from the conversion of the Notes.

(c) During the year ended 31st March 2009, HK$10,000,000 of the remaining Notes were repurchased by the Company at par. On the repurchase date, respective derivative financial instrument was fair valued, and along with the amortised cost of the liability portion, resulted in a loss of HK$544,000 being recognised.

(d) The fair value of the derivative component of the Notes as at 31st March 2009 was calculated using the Binomial model with the following major inputs:

	2009	2008
Stock price	**HK$0.24**	HK$0.41
Exercise price	**HK$0.44**	HK$0.44
Volatility	**52.09%**	121.68%
Risk free rate	**0.16% p.a.**	1.028% p.a.
Expected life	**19 weeks**	71 weeks

The initial carrying amount of the liability component is the residual amount after deducting the issuance costs of the Notes and the fair value of the derivative component as at 11th August 2006 and is subsequently carried at amortised cost. Interest expense is calculated using the effective interest method by applying the effective interest rate of 34.45% (2008: 31.22%) to the adjusted liability component.

12. Share-based payment

A share option scheme (the "Scheme") was adopted by Company on 30th August 2005. No option was granted under the Scheme up to 21st June 2007.

On 21st June 2007, 77,100,000 options were granted to certain service providers to subscribe for 77,100,000 shares of the Company at an exercise price of HK$0.9 per share. Of the options granted, 50% of them vested on 1st August 2007 and the remaining 50% became vested on 1st November 2007.

The fair value of the options granted of HK$22,197,000 on the date of grant was determined using the Black-Scholes-Merton Option Pricing Model and based on the following parameters:

Spot price	HK$0.85
Exercise price	HK$0.90
Risk free rate	4.051% p.a.
Expected life of the options	0.63 year
Expected volatility	115.36%
Expected dividend yield	0.95%

The variables and assumptions used in computing the fair value of the share options are based on management's best estimate, the value of an option may vary by the adoption of different variables of certain subjective assumptions with uncertainty.

The expected volatility is based on historical volatilities of the share prices of the Company over the past two years before the date of grant.

No option has been exercised since the date of grant and all options were expired on 30th June 2008.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

BUSINESS REVIEW AND MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31st March 2009, the Group recorded a consolidated turnover of HK$191,559,000 (2008: HK$102,986,000) and a loss attributable to equity holders of the Company of HK$71,529,000 (2008: HK$83,413,000). Excluding the impairment of goodwill of HK$22,413,000 (2008: Nil) and the net other losses of HK$12,693,000 (2008: HK$35,949,000), the loss attributable to equity holders of the Company for the year shall be HK$36,423,000 (2008: HK$47,464,000).

The Group operates in three major business segments, television operations, film exhibition and film rights licensing and sub-licensing and sale and distribution of films and programs in audio visual product format, which contributed 44% (2008: 62%), 33% (2008: 23%) and 23% (2008: 15%) to the Group's revenue respectively.

The contribution of revenues from the Group's television segment has increased to approximately HK$84,487,000 (2008: HK$64,150,000), representing approximately 44% (2008: 62%) of the Group's revenue. Since the launch of its first channel in 2001, which broadcasts movies from the Group's film library and other programs from its business partners, the Group has continuously explored opportunities to broaden the revenue streams of its television operations. As at 31st March 2009, the Group provided three channels to now TV. In July 2007 and October 2008, the Group launched a movie channel and a drama channel in Singapore respectively. These channels contributed steady and secured revenue to the Group. Looking forward, the Group aims to develop and launch more channels with increasing varieties to other Asian countries and secure advertising income from available air-time in those TV channels and develop channels with increasing varieties.

The Group will continue to strengthen its film library through acquisition, own production and co-production. Equipped by the Group's film library and through the Group's experience and network in program sourcing, the Group is confident that it will continue to provide high quality and customised TV programs to its audiences. The Group also believes that its television segment has huge potential of growth and will continue to bring significant and increasing contribution to the Group's results. Following the increasing popularity of pay TV in Hong Kong and digitalisation plan of TV signal in Hong Kong and China, which allows more broadcasting channels than the existing analogue system, the demand for TV contents is expected to increase significantly and the Group believes that it will receive encouraging results and fruitful rewards from these new market opportunities.

The contribution of revenues from the Group's segment of film exhibition and film rights licensing and sub-licensing increased from HK$23,191,000 to HK$62,839,000 which is mainly attributable to the release of "Red Cliff".

Since 2007, the Group strengthened its production arm through the professional production team of BIG Media Group ("BIG") to support its content requirement in respect of the Group's television, licensing and distribution operations, and favour from the synergy in respect of the collaboration of BIG's film library and the Group's distribution network. The Group was appointed as the exclusive distribution agent to market and license BIG's films. The Group will continue to support Hong Kong's film industry by investing in high quality and popular films.

The revenues attributable to sale and distribution of films and programs in audio visual product format increased from HK$15,645,000 to HK$44,233,000, which is mainly due to the contribution from a new subsidiary which owns the exclusive right from Sony Pictures Home Entertainment Inc. to distribute their film titles in Hong Kong and Macau. Despite the increasing popularity of copyright infringement behaviour and the keen competition, the Group will continue to acquire popular films and diversify its distribution channels in order to maintain its competitiveness.

Responding to the increasing popularity of films to be released and distributed in high definition ("HD") format, the Group invested approximately HK$15 million to acquire equipment that are HD compatible. Management believes that the investment will enable the Group to be in line with the market demand and contribute return to the Group in the near future.

Following the downturn in the economic environment, in particular the securities and property investment markets during the year ended 31st March 2009, the Group recognised unrealised losses of HK$15 million (2008: profit of HK$5 million) and HK$11 million (2008: profit of HK$13 million) for its portfolios on financial assets at fair value through profit or loss and investment properties respectively in the consolidated income statement. An impairment loss on goodwill on acquisition of subsidiaries of HK$22 million was also recognised during the year. Management considers such provisions do not have significant adverse effect on the Group's financial capability and the Group will benefit from the market rebound subsequent to the balance sheet date.

As set out in the Company's announcement dated 1st June 2009, the Group acquired an office premise (the "Property") in Beijing, China, for investment purpose. Management considers the Group will benefit from the anticipated growth in value of the Property in the long-term prospect, while diversifying the portfolio of investment properties of the Group and providing a steady income stream. Looking forward, the Group will continue to explore possible investment opportunities in the property investment and development markets, in order to diversify the Group's businesses and sources of income.

Following the fund raising activities in 2006, the working capital of the Group has been significantly enhanced. Further to the conversion of convertible notes in 2007, the equity base of the Company was broadened and strengthened and the Group believes that it will continue to be benefited from that and its increasing exposure to the global entertainment industry.

Looking forward, the Group will exploit every opportunity to generate greatest returns for its shareholders and reward their long-term support.

Liquidity and financial resources

At 31st March 2009, the Group had available banking facilities of approximately HK$60.5 million, of which approximately HK$25.7 million were utilised. Certain of the Group's deposits and properties with net book values of HK$151.8 million were pledged to banks to secure banking facilities. The Group's gearing ratio of 14% as at 31st March 2009 was based on the total of bank borrowings (repayable within 1 year), convertible notes and derivative financial instrument (with remaining maturity of less than 1 year) and obligations under finance leases (of which HK$3,677,000 and HK$3,023,000 are repayable within one year and in the second year respectively) of HK$48,527,000 in aggregate and the shareholders' funds of approximately HK$337,416,000. The Group's borrowings and bank balances are primarily denominated in Hong Kong dollars and the Group has no significant exposure to foreign currency fluctuations.

At 31st March 2009, the Company had contingent liabilities in respect of guarantees given to banks for facilities of its subsidiaries amounting to approximately HK$16.0 million, and commitments in respect of film production and program licensing agreements amounting to approximately HK$1.7 million. The commitments will be financed by the Group's internal resources and banking facilities.

Employees

At 31st March 2009, the Group employed 88 staff. Remuneration is reviewed periodically based on individual staff's performance. In addition to the basic salaries, staff benefits include discretionary bonus, medical insurance scheme and contributory provident fund. The Group also has a share option scheme whereby qualified participants may be granted options to acquire shares of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the code provisions set out in the Code of Corporate Governance Practices under Appendix 14 of the Rules Governance the Listing of Securities on the Stock Exchange of Hong Kong Limited, with the exception of the deviation in respect of the appointment term of non-executive directors.

Under code provision A4.1, non-executive directors should be appointed for specific term. There is no specific term of appointment of the non-executive directors of the Company, however, they are subject to rotation in accordance with the Bye-laws of the Company. Accordingly the Company considers that sufficient measures have been taken to deal with the requirement in respect of the appointment terms of non-executive directors as required under the code provision.

REVIEW BY AUDIT COMMITTEE

The annual results have been reviewed by the audit committee of the Company.

On behalf of the Board
Li Kuo Hsing
Chairman

Hong Kong, 28th July 2009

As at the date of this announcement, the executive directors of the Company are Mr. Li Kuo Hsing, Mr. Tong Hing Chi and Mr. Chau Kei Leung, the non-executive directors are Mr. Hugo Shong and Mr. Chan Ngan Piu and the independent non-executive directors are Ms. Wang Huarong, Mr. Cheung Ming Man and Dr. Lee G. Lam.