THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Bingo Group Holdings Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

BINGO

BINGO GROUP HOLDINGS LIMITED
比高集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8220)

(i) CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF NEW SHARES BY A SUBSTANTIAL SHAREHOLDER; (ii) CONNECTED TRANSACTION IN RELATION TO CAPITALISATION OF LOANS; (iii) APPLICATION FOR WHITEWASH WAIVER; AND (iv) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

Financial adviser to Bingo Group Holdings Limited

OPTIMA CAPITAL

Optima Capital Limited

Independent financial adviser to the Whitewash IBC, the GEM Listing Rules IBC and the Independent Shareholders

大有融資有限公司

MESSIS CAPITAL LIMITED

Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 6 to 21 of this circular. A letter from the Whitewash IBC is set out on pages 22 to 23 of this circular. A letter from the GEM Listing Rules IBC is set out on pages 24 to 25 of this circular. A letter from Messis Capital containing its advice to the Whitewash IBC, the GEM Listing Rules IBC and the Independent Shareholders is set out on pages 26 to 48 of this circular.

A notice convening the EGM to be held at City Garden Hotel, 1st Floor, Yue – Function Room II, 9 City Garden Road, Hong Kong on 12 March 2012 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof to the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

24 February 2012

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GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

In this circular, unless the context requires otherwise, the following expressions have the meanings set out below:–

"2011 CBs"	convertible bonds of the Company in the aggregate principal amount of HK$78 million which became due and mature on 6 October 2011
"acting in concert"	has the meanings ascribed to it under the Takeovers Code
"Announcement"	the Company's announcement dated 19 January 2012 in relation to, among other things, the Subscription, the Capitalisation, the Whitewash Waiver and the proposed increase in the authorised share capital of the Company
"associate(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Beglobal"	Beglobal Investments Limited, a company incorporated in the British Virgin Islands and a substantial Shareholder
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, Sunday or public holiday) on which banks are open for business in Hong Kong
"Capitalisation"	the capitalisation of the Loans by way of allotment and issue of the Capitalisation Shares pursuant to the Capitalisation Agreements
"Capitalisation Agreement(s)"	the conditional agreement(s) dated 12 January 2012 entered into among the Company and each of the Creditors in relation to the Capitalisation
"Capitalisation Price"	the issue price of HK$0.03 per Capitalisation Share pursuant to the Capitalisation Agreements
"Capitalisation Shares"	the 1,706,249,999 new Shares to be allotted and issued by the Company to the Creditors pursuant to the Capitalisation Agreements
"Company"	Bingo Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM (stock code: 8220)
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules

"Creditor(s)"	the creditor(s) of the Company, being Beglobal, Ms. Fung, Ms. Wong, Mr. Lee and Mr. Asvaintra, to whom the Company owes the Loans
"Director(s)"	director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve the Subscription Agreement and the transactions contemplated thereunder, the Capitalisation Agreements and the transactions contemplated thereunder, the Whitewash Waiver and the proposed increase in authorised share capital of the Company
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegates
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"GEM Listing Rules IBC"	the independent committee of the Board comprising all the independent non-executive Directors, namely Mrs. Chen Chou Mei Mei, Vivien, Mr. Wong Chak Keung and Mr. Chum Kwan Yue, Desmond, established to advise the Independent Shareholders in respect of the terms of the Subscription Agreement and the transactions contemplated thereunder, the Capitalisation Agreements and the transactions contemplated thereunder
"Golden Treasure"	Golden Treasure Global Investment Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Beglobal
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Shareholders"	(i) in respect of the Subscription and the Capitalisation, the Shareholders other than Beglobal, Golden Treasure, the Other Creditors and their respective associates; and (ii) in respect of the Subscription and the Whitewash Waiver, the Shareholders other than Mr. Chiau and his family, the Trust, SMP Trustees, Beglobal, Golden Treasure and parties acting in concert with any of them, the Other Creditors, the Directors who were involved in the Subscription and the Whitewash Waiver and those who are interested in or involved in the Subscription and the Whitewash Waiver

"Last Trading Day"	12 January 2012, being the last trading day prior to the suspension of trading in the Shares on the Stock Exchange pending the release of the Announcement
"Latest Practicable Date"	22 February 2012, being the latest practicable date prior to the despatch of this circular for the purpose of ascertaining certain information contained in this circular
"Loan(s)"	the outstanding principal amount of loan(s), together with unpaid interest accrued thereon up to and including 6 October 2011, in the aggregate amount of HK$51,187,500, owed by the Company to the Creditors
"Messis Capital"	Messis Capital Limited, a licensed corporation under the SFO to carry on Type 6 regulated activity (advising on corporate finance) and the independent financial adviser appointed to advise (i) the GEM Listing Rules IBC and the Independent Shareholders in respect of the Subscription and the Capitalisation; and (ii) the Whitewash IBC and the Independent Shareholders in respect of the Subscription and the Whitewash Waiver
"Mr. Asvaintra"	Mr. Bhanusak Asvaintra, one of the Creditors to whom the Company owes the Loan in the amount of HK$9,450,000.00
"Mr. Chiau"	Mr. Chiau Sing Chi, an executive Director
"Mr. Lee"	Mr. Sherman Lee, one of the Creditors to whom the Company owes the Loan in the amount of HK$11,025,000.00
"Ms. Fung"	Ms. Fung See Mun Catherine, a director of a wholly-owned subsidiary of the Company and one of the Creditors to whom the Company owes the Loan in the amount of HK$25,945.35
"Ms. Wong"	Ms. Wong Ching Kuen, one of the Creditors to whom the Company owes the Loan in the amount of HK$327,456.87
"Other Creditors"	collectively, Ms. Fung, Ms. Wong, Mr. Lee and Mr. Asvaintra
"PRC"	the People's Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
"Relevant Period"	the period from 19 July 2011, being the date falling six months preceding the date of the Announcement, up to and including the Latest Practicable Date

"Service CBs"	the zero-coupon convertible bonds in the aggregate outstanding principal amount of HK$30,000,000 issued by the Company to Mr. Chiau
"Service Options"	the outstanding share options granted by the Company to Mr. Chiau which entitle him to subscribe for 250,000,000 new Shares
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	share(s) of HK$0.02 each in the share capital of the Company
"Share Options"	the outstanding share options granted by the Company pursuant to the share option scheme of the Company adopted on 19 October 2002
"Shareholder(s)"	holder(s) of the Share(s)
"SMP Trustees"	SMP Trustees Limited, the present trustee of the Trust
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription of the Subscription Shares by Beglobal pursuant to the Subscription Agreement
"Subscription Agreement"	the conditional agreement dated 12 January 2012 entered into between the Company and Beglobal in relation to the Subscription
"Subscription Price"	the issue price of HK$0.03 per Subscription Share pursuant to the Subscription Agreement
"Subscription Shares"	the 1,300,000,000 new Shares to be allotted and issued by the Company to Beglobal pursuant to the Subscription Agreement
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Trust"	The Sino Star Trust, a discretionary trust founded by Mr. Chiau, the discretionary objects of which are Mr. Chiau and his family

"Whitewash IBC"	the independent committee of the Board comprising all the non-executive Directors and independent non-executive Directors, namely Mr. Chong Lee Chang, Mrs. Chin Chow Chung Hang, Roberta, Mrs. Chen Chou Mei Mei, Vivien, Mr. Wong Chak Keung and Mr. Chum Kwan Yue, Desmond, established to advise the Independent Shareholders in respect of the Subscription and the Whitewash Waiver
"Whitewash Waiver"	a waiver from the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code to waive the obligation of Beglobal to make a mandatory general offer for all the issued securities of the Company not already owned or agreed to be acquired by Mr. Chiau and his family, the Trust, SMP Trustees, Beglobal, Golden Treasure and parties acting in concert with any of them which obligation would otherwise arise as a result of the issue of the Subscription Shares to Beglobal pursuant to the Subscription Agreement
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent

Throughout this circular, amounts in RMB have been translated, for illustration only, into HK$ at the exchange rate of RMB1.0 = HK$1.232. No representation is made that any amounts in RMB or HK$ have been, could have been or could be converted at the above rate or at any other rates or at all.

BINGO GROUP HOLDINGS LIMITED
比高集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8220)

Executive Directors:
Mr. Chiau Sing Chi
Mr. Chan Cheong Yee
Mr. Yik Chok Man
Mr. Fok Wai Ming, Jackie

Non-executive Directors:
Mr. Chong Lee Chang
Mrs. Chin Chow Chung Hang, Roberta

Independent non-executive Directors:
Mrs. Chen Chou Mei Mei, Vivien
Mr. Wong Chak Keung
Mr. Chum Kwan Yue, Desmond

Registered office:
Cricket Square, Hutchins Drive
P.O. Box 2681,
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Room 1201-1204,
12th Floor, Sea Bird House,
22-28 Wyndham Street, Central,
Hong Kong

24 February 2012

To the Shareholders

Dear Sir or Madam,

(i) CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF NEW SHARES BY A SUBSTANTIAL SHAREHOLDER; (ii) CONNECTED TRANSACTION IN RELATION TO CAPITALISATION OF LOANS; (iii) APPLICATION FOR WHITEWASH WAIVER; AND (iv) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

INTRODUCTION

On 19 January 2012, the Company announced that after the Stock Exchange trading hours on 12 January 2012, the Company and Beglobal entered into the Subscription Agreement pursuant to which Beglobal conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 1,300,000,000 Subscription Shares at the Subscription Price of HK$0.03 per Subscription Share.

After the Stock Exchange trading hours on 12 January 2012, the Company and each of the Creditors entered into the Capitalisation Agreements pursuant to which the Company conditionally agreed to capitalise the Loans in the aggregate amount of HK$51,187,500 owed by the Company to the Creditors by way of allotment and issue of an aggregate of 1,706,249,999 Capitalisation Shares to the Creditors at the Capitalisation Price of HK$0.03 per Capitalisation Share.

As at the Latest Practicable Date, Beglobal together with Golden Treasure were beneficially interested in 905,000,000 Shares, representing approximately 29.28% of the issued share capital of the Company. Immediately after completion of the Subscription, Mr. Chiau and his family, the Trust, SMP Trustees, Beglobal, Golden Treasure and parties acting in concert with any of them will be interested in an aggregate of 2,205,000,000 Shares, representing approximately 50.22% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. Taking into account the 1,011,969,926 Capitalisation Shares to be issued to Beglobal pursuant to the Capitalisation Agreement, Mr. Chiau and his family, the Trust, SMP Trustees, Beglobal, Golden Treasure and parties acting in concert with any of them will be interested in 3,216,969,926 Shares, representing approximately 52.76% of the issued share capital of the Company upon completion of the Subscription and the Capitalisation. In the circumstances, an obligation on the part of Beglobal to make a general offer for all the issued securities in the Company not already owned or agreed to be acquired by Mr. Chiau and his family, the Trust, SMP Trustees, Beglobal, Golden Treasure and parties acting in concert with any of them will arise under Rule 26 of the Takeovers Code as a result of the issue of the Subscription Shares to Beglobal. Beglobal has made an application to the Executive for the Whitewash Waiver and the Executive has indicated that it will grant the Whitewash Waiver subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll.

In order to facilitate the allotment and issue of the Subscription Shares and the Capitalisation Shares and to accommodate the Company's future growth and expansion, the Company proposes to increase its authorised share capital from HK$100,000,000 divided into 5,000,000,000 Shares to HK$200,000,000 divided into 10,000,000,000 Shares by the creation of an additional 5,000,000,000 unissued Shares.

The purpose of this circular is to provide you with, among other things, (i) details of the Subscription, the Capitalisation, the Whitewash Waiver and the proposed increase in authorised share capital of the Company; (ii) the financial information of the Group; (iii) a letter of recommendation from the Whitewash IBC to the Independent Shareholders in respect of the Subscription and the Whitewash Waiver; (iv) a letter of recommendation from the GEM Listing Rules IBC to the Independent Shareholders in respect of the Subscription and the Capitalisation; (v) a letter from Messis Capital to the Whitewash IBC, the GEM Listing Rules IBC and the Independent Shareholders in respect of the Subscription, the Capitalisation and the Whitewash Waiver; (vi) the notice convening the EGM; and (vii) other information as required under the GEM Listing Rules and the Takeovers Code.

THE SUBSCRIPTION AGREEMENT

Date

12 January 2012 (after the Stock Exchange trading hours)

Parties

Issuer: the Company

Subscriber: Beglobal

As at the Latest Practicable Date, Beglobal, which was ultimately owned by the Trust, is a substantial Shareholder and together with Golden Treasure were beneficially interested in 905,000,000 Shares, representing approximately 29.28% of the existing issued share capital of the Company, and is therefore a connected person of the Company. Mr. Chiau, an executive Director, and his family are the discretionary objects of the Trust which was founded by Mr. Chiau. The present trustee of the Trust is SMP Trustees. The principal business activity of Beglobal is investment holding.

The Subscription

Pursuant to the Subscription Agreement, Beglobal conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 1,300,000,000 Subscription Shares at the Subscription Price of HK$0.03 per Subscription Share.

The Subscription Price of HK$0.03 per Subscription Share was determined after arm's length negotiations between the Company and Beglobal taking into account, among other things, (i) the recent market price of the Shares; (ii) the prevailing market condition; and (iii) the unaudited consolidated net asset value of the Group as at 30 September 2011.

As at the Latest Practicable Date, the Company has 3,090,559,126 Shares in issue. Assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares and the Capitalisation Shares since the Latest Practicable Date up to completion of the Subscription Agreement and the Capitalisation Agreements, the 1,300,000,000 Subscription Shares represent (i) approximately 42.06% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 29.61% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares; and (iii) approximately 21.32% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Capitalisation Shares. The aggregate nominal value of the Subscription Shares is HK$26,000,000.

The Subscription Shares, when issued and fully paid, will rank pari passu in all respects with all the Shares in issue as at the date of completion of the Subscription and will be subject to a lock-up period of six months from the date of completion of the Subscription.

The Subscription Shares will be allotted and issued under a specific mandate to be sought for approval from the Independent Shareholders at the EGM.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Conditions precedent

Completion of the Subscription Agreement is conditional upon:

(i) trading in the Shares on GEM not being revoked or withdrawn at any time prior to completion of the Subscription; the Shares continuing to be traded on the Stock Exchange (save for any temporary suspension pending any announcement in connection with the Subscription Agreement and/or the Capitalisation Agreements) at all times up to the date of completion of the Subscription;

(ii) there being no indication from the Stock Exchange or the Securities and Futures Commission of Hong Kong or any other relevant regulatory authorities that listing of the Shares will be revoked or withdrawn at any time after completion of the Subscription, whether in connection with any of the transactions contemplated by the Subscription Agreement or otherwise;

(iii) the warranties set out in the Subscription Agreement remaining true and accurate in all material respects at completion of the Subscription, as if repeated at all times between the date of the Subscription Agreement and up to completion of the Subscription;

(iv) all necessary consents and approvals required to be obtained in respect of the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the Subscription, having been obtained;

(v) the passing by the Independent Shareholders who are entitled to vote and not required to abstain from voting under the GEM Listing Rules and/or the Takeovers Code at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder including, among others, the allotment and issue of the Subscription Shares to Beglobal and the grant of the Whitewash Waiver;

(vi) the Listing Committee of the Stock Exchange granting, and not having withdrawn or revoked up to completion of the Subscription, the listing of and permission to deal in the Subscription Shares on GEM;

(vii) the granting of the Whitewash Waiver by the Executive; and

(viii) the increase in authorised share capital of the Company to facilitate the allotment and issue of the Subscription Shares.

None of the conditions set out above can be waived by the Company or Beglobal.

In the event that not all the conditions set out above are fulfilled by 12:00 noon on 31 March 2012 (or such other date and time as may be agreed between the Company and Beglobal in writing), all rights, obligations and liabilities of the Company and Beglobal under the Subscription Agreement shall cease and terminate and neither of them shall have any claim against the other, save for any antecedent breaches of the terms of the Subscription Agreement.

Completion

Completion of the Subscription Agreement shall take place within three Business Days following the fulfillment of all the conditions set out above (or such other date and time as the Company and Beglobal may agree in writing).

THE CAPITALISATION AGREEMENTS

Date

12 January 2012 (after the Stock Exchange trading hours)

Parties

(i) the Company; and

(ii) each of the Creditors

As at the Latest Practicable Date, as a result of non-redemption of the 2011 CBs, the Company is indebted to the Creditors in the following amounts:

Creditors	Principal amount	Interest accrued up to 6 October 2011	Subtotal
	(HK$)	*(HK$)*	*(HK$)*
Beglobal	28,913,426.46	1,445,671.32	30,359,097.78
Ms. Fung	24,709.86	1,235.49	25,945.35
Ms. Wong	311,863.68	15,593.19	327,456.87
Mr. Lee	10,500,000.00	525,000.00	11,025,000.00
Mr. Asvaintra	9,000,000.00	450,000.00	9,450,000.00
Total	48,750,000.00	2,437,500.00	51,187,500.00

Ms. Fung is a director of a wholly-owned subsidiary of the Company and is therefore a connected person of the Company. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Creditors (other than Beglobal and Ms. Fung) are third parties independent of the Company and its connected persons. As at the Latest Practicable Date, the Other Creditors do not hold any Shares. The Other Creditors are not parties acting in concert with Mr. Chiau and his family, the Trust, SMP Trustees or Beglobal.

The Capitalisation

Pursuant to the Capitalisation Agreements, the Creditors conditionally agreed to capitalise the Loans in the aggregate amount of HK$51,187,500 owed by the Company to the Creditors. The Company shall allot and issue an aggregate of 1,706,249,999 Capitalisation Shares to the Creditors (pro rata to the amount of the Loans owed to each Creditors) at the Capitalisation Price of HK$0.03 per Capitalisation Share as the full and final settlement of the Loans. Each of the Creditors conditionally agreed to waive all its rights in the unpaid interest accrued on the Loans from 7 October 2011 up to the date of completion of the Capitalisation.

The Capitalisation Price of HK$0.03 per Capitalisation Share was determined after arm's length negotiations between the Company and the Creditors taking into account, among other things, (i) the recent market price of the Shares; (ii) the prevailing market condition; and (iii) the unaudited consolidated net asset value of the Group as at 30 September 2011.

Assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares and the Capitalisation Shares since the Latest Practicable Date up to completion of the Subscription Agreement and the Capitalisation Agreements, the 1,706,249,999 Capitalisation Shares represent (i) approximately 55.21% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 35.57% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares; and (iii) approximately 27.99% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Capitalisation Shares. The aggregate nominal value of the Capitalisation Shares is approximately HK$34,125,000.

The Capitalisation Shares, when issued and fully paid, will rank pari passu in all respects with all the Shares in issue as at the date of completion of the Capitalisation and will be subject to a lock-up period of six months from the date of completion of the Capitalisation.

The Capitalisation Shares will be allotted and issued under a specific mandate to be sought for approval from the Independent Shareholders at the EGM.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Capitalisation Shares.

Conditions precedent

Completion of the Capitalisation Agreements is conditional upon:

(i) the passing by the Independent Shareholders at the EGM of the necessary resolution(s) to approve the Capitalisation Agreements and the transactions contemplated thereunder including, among others, the allotment and issue of the Capitalisation Shares to the Creditors;

(ii) the Listing Committee of the Stock Exchange granting, and not having withdrawn or revoked up to completion of the Capitalisation, the listing of and permission to deal in the Capitalisation Shares on GEM;

(iii) all necessary consents and approvals required to be obtained in respect of the Capitalisation Agreements and the transactions contemplated thereby having been obtained;

(iv) the Subscription Agreement having become unconditional; and

(v) the increase in authorised share capital of the Company to facilitate the allotment and issue of the Capitalisation Shares.

None of the conditions set out above can be waived by the Company or any of the Creditors. The Capitalisation Agreements are conditional on the Subscription Agreement. Each of the Capitalisation Agreements is not conditional on each other. Completion of the Capitalisation Agreements will take place as soon as practicable after completion of the Subscription Agreement.

In the event that not all the conditions set out above are fulfilled by 31 March 2012 (or such other date as may be agreed between the Company and the Creditors in writing), all rights, obligations and liabilities of the Company and each of the Creditors under the respective Capitalisation Agreements shall cease and terminate and neither of them shall have any claim against the other, save for any antecedent breaches of the terms of the Capitalisation Agreements.

Completion

Completion of the Capitalisation Agreements shall take place within three Business Days following the satisfaction of all the conditions set out above (or such other date and time as the Company and the Creditors may agree in writing).

COMPARISON OF VALUES

The Subscription Price and the Capitalisation Price of HK$0.03 represents:

(i) a discount of approximately 71.43% to the closing price of HK$0.105 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 59.46% to the closing price of HK$0.074 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 58.90% to the average of the closing prices of the Share as quoted on the Stock Exchange over the last 5 trading days up to and including the Last Trading Day of approximately HK$0.073 per Share;

(iv) a discount of approximately 58.33% to the average of the closing prices of the Share as quoted on the Stock Exchange over the last 10 trading days up to and including the Last Trading Day of approximately HK$0.072 per Share;

(v) a discount of approximately 62.03% to the average of the closing prices of the Share as quoted on the Stock Exchange over the last 30 trading days up to and including the Last Trading Day of approximately HK$0.079 per Share;

(vi) a premium of approximately 36.36% over the unaudited net asset value of approximately HK$0.022 per Share as at 30 September 2011 (based on the unaudited consolidated net assets of the Group of approximately HK$66,449,000 as at 30 September 2011 as shown in the Company's interim report for the six months ended 30 September 2011 and 3,090,559,126 Shares in issue as at the Latest Practicable Date); and

(vii) a premium of 20.0% over the audited net asset value of approximately HK$0.025 per Share as at 31 March 2011 (based on the audited consolidated net assets of the Group of approximately HK$78,725,000 as at 31 March 2011 as shown in the Company's annual report for the year ended 31 March 2011 and 3,090,559,126 Shares in issue as at the Latest Practicable Date).

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below are the shareholding structures of the Company (i) as at the Latest Practicable Date; (ii) immediately after the allotment and issue of the Subscription Shares; (iii) immediately after the allotment and issue of the Subscription Shares and the Capitalisation Shares; and (iv) immediately after the allotment and issue of the Subscription Shares and the Capitalisation Shares, the full conversion of the Service CBs and the full exercise of the Service Options and the Share Options:

Shareholders	**As at the Latest Practicable Date** *(Note 1)*		**Immediately after the allotment and issue of the Subscription Shares**		**Immediately after the allotment and issue of the Subscription Shares and the Capitalisation Shares**		**Immediately after the allotment and issue of the Subscription Shares and the Capitalisation Shares, the full conversion of the Service CBs and the full exercise of the Service Options and the Share Options** *(Note 7)*	
	Number of Shares	*Approx. %*	*Number of Shares*	*Approx. %*	*Number of Shares*	*Approx. %*	*Number of Shares*	*Approx. %*
Beglobal	325,000,000	10.51	1,625,000,000	37.01	2,636,969,926	43.25	2,636,969,926	39.25
Golden Treasure *(Note 2)*	580,000,000	18.77	580,000,000	13.21	580,000,000	9.51	580,000,000	8.63
Mr. Chiau	–	–	–	–	–	–	550,000,000	8.19
Mr. Chiau and his family, the Trust, SMP Trustees, Beglobal, Golden Treasure and parties acting in concert with any of them	**905,000,000**	**29.28**	**2,205,000,000**	**50.22**	**3,216,969,926**	**52.76**	**3,766,969,926**	**56.07**
Mr. Chan Cheong Yee *(Note 3)*	10,000	0.00	10,000	0.00	10,000	0.00	10,010,000	0.15
Mr. Yik Chok Man *(Note 3)*	564,000	0.02	564,000	0.01	564,000	0.01	564,000	0.01
Mr. Chong Lee Chang *(Notes 3 and 4)*	90,631,999	2.93	90,631,999	2.06	90,631,999	1.49	90,631,999	1.35
Mrs. Chen Chou Mei Mei, Vivien *(Note 3)*	5,500,000	0.18	5,500,000	0.13	5,500,000	0.09	5,500,000	0.08
Ms. Fung *(Note 5)*	–	–	–	–	864,845	0.01	864,845	0.01
Public Shareholders *(Note 6)*	2,088,853,127	67.59	2,088,853,127	47.58	2,782,268,355	45.64	2,843,268,355	42.33
Total	3,090,559,126	100.00	4,390,559,126	100.00	6,096,809,125	100.00	6,717,809,125	100.00

Notes:

1. As disclosed in the Announcement, there were 3,087,559,126 Shares in issue as at the date of the Announcement. On 3 February 2012, the Company issued 3,000,000 new Shares to an independent third party pursuant to the exercise of 3,000,000 Share Options granted to such independent third party by the Company on 24 February 2009 under the share option scheme of the Company adopted on 19 October 2002 at an exercise price of HK$0.072 per Share. Save for the aforesaid, the Company had not issued any other new Share since the date of the Announcement up to and including the Latest Practicable Date.

2. Golden Treasure is a wholly-owned subsidiary of Beglobal.

3. Mr. Chan Cheong Yee, Mr. Yik Chok Man, Mr. Chong Lee Chang and Mrs. Chen Chou Mei Mei, Vivien are Directors and thus their shareholdings in the Company are not counted as public.

4. Mr. Chong Lee Chang personally owned 16,131,952 Shares and is deemed to be interested in 74,500,047 Shares through his beneficial interest in 100% of the entire issued share capital of Shieldman Limited.

5. Ms. Fung is a director of a wholly-owned subsidiary of the Company and thus her shareholding in the Company after completion of the Capitalisation will not be counted as public.

6. The shareholdings of the Creditors (other than Beglobal and Ms. Fung) will be counted as public after completion of the Capitalisation as their respective shareholding in the Company will be less than 10% upon completion of the Subscription and the Capitalisation.

7. The shareholdings illustrated under this column is calculated based on the prevailing conversion price of the Service CBs and the prevailing exercise prices of the Service Options and the Share Options. Adjustments to the conversion price of the Service CBs and/or the exercise prices and numbers of the Service Options and the Share Options may have to be made upon completion of the Subscription and the Capitalisation.

FUND RAISING ACTIVITIES OVER THE PAST 12 MONTHS

The Company has not conducted any fund raising activities in the 12 months immediately preceding the date of the Announcement.

REASONS FOR THE SUBSCRIPTION

The Group is principally engaged in sales and trading of coal and palm oil, movie production, licensing and derivatives, crossover marketing, provision of interactive contents and cinema investment and management.

With a view to capitalising on the highly promising prospects of the cinema industry in the PRC, it has been the business strategy of the Group to put more focus on its cinema business since 2011. On 17 May 2011, the Group entered into certain agreements in relation to the acquisition of four cinemas in Chongqing, Chengdu and Shanghai, the PRC at an aggregate consideration of approximately RMB29.9 million (equivalent to approximately HK$36.8 million), of which approximately RMB12.9 million (equivalent to approximately HK$15.9 million) is still outstanding as at the Latest Practicable Date. The aforesaid cinemas have an aggregate operating area of 11,537 square meters and 25 movie screens with nearly 4,000 seats. As at the Latest Practicable Date, completion of the acquisition of one of the two cinema projects in Chongqing and the cinema project in Shanghai had taken place.

The conditions precedent to completion of the acquisition of the remaining two cinema projects in Chongqing and Chengdu have been fulfilled and the Company expects that completion will take place by the end of February 2012. On 9 June 2011, the Group also entered into a formal agreement with CineChina Limited in relation to the formation a joint venture for the purpose of identifying suitable investment opportunities in high-end digital cinemas in the PRC. To further strengthen the Group's portfolio of cinemas in the PRC, on 9 June 2011, Bingo Cinema Investment Company Limited (formerly known as Shine Wisdom Limited), a wholly-owned subsidiary of the Company, entered into a transfer agreement to accept the assignment of certain leasing agreements in relation to the leasing of premises for development into four cinemas located in Linan, Hangzhou, Zhongshan and Tianjin, the PRC. The four cinemas under the aforesaid leasing agreements are all located in central commercial districts in the respective cities with steady stream of people. The development of the cinemas in Linan and Hangzhou have been completed and have commenced commercial operations since December 2011. As at the Latest Practicable Date, completion of the transfer of leasing agreements in respect of the two remaining cinemas in Zhongshan and Tianjin are still subject to due diligence review being conducted by the Group. On 12 July 2011, the Group also entered into two memorandum of understandings in relation to potential development of two cinema projects in Tieling and Dongguan, the PRC. It is the vision of the Group to become one of the leading cinema investment and management companies in the PRC in the future. As at the Latest Practicable Date, the total estimated construction and development costs for the cinema projects in Linan and Hangzhou is approximately RMB33.5 million (equivalent to approximately HK$41.3 million), of which RMB7.5 million (equivalent to approximately HK$9.2 million) remain outstanding. In order to meet the financial obligations of the Group, at the request of the Company, Beglobal agreed to advance a bridging loan of HK$5,000,000 which is unsecured, carries interest at the rate of 5% per annum and shall be repayable on or before 31 March 2012. The interest rate of 5% per annum of the bridging loan was determined after arm's length negotiation between the Company and Beglobal with reference to the prevailing prime rate for Hong Kong dollars quoted by The Hongkong and Shanghai Banking Corporation Limited and taking into account that the loan is unsecured. The bridging loan had been used to settle certain capital expenditures of the Group's aforesaid cinema projects due in January 2012. The Company intends to settle the aforesaid bridging loan by setting off the equivalent amount of payment obligation of Beglobal under the Subscription upon completion of the Subscription with a view to reducing the financing cost of the Company. Since the advance of the aforesaid unsecured bridging loan by Beglobal to the Company is on normal commercial terms and no security over the assets of the Group is granted thereunder, it constitutes an exempt connected transaction of the Company under Chapter 20 of the GEM Listing Rules. The Company may continue to seek short-term financing from Beglobal pending completion of the Subscription and will comply with the relevant GEM Listing Rules when necessary. For the avoidance of doubt, save for the 1,300,000,000 Subscription Shares and the 1,011,969,926 Capitalisation Shares to be issued to Beglobal under the Subscription and the Capitalisation respectively, no new Shares will be issued to Beglobal for the repayment of the aforesaid bridging loan.

In view of the forthcoming capital requirements of the Group, particularly for its capital-intensive cinema and filmed entertainment businesses, the Company has been actively searching for equity fund raising opportunities over the past few months. However, the Company has been unable to secure any interest from financial institutions given the current highly volatile market condition. Apart from equity financing, the Board has also considered other financing options such as debt financing and bank borrowings to finance the capital requirements of the Group. Having considered the interest expenses which would have imposed additional interest burden to the Group and increased the gearing level of the Group, the Board is of the view that such financing means may not be appropriate to the Group given its current financial position.

The Directors are of the view that the Subscription will provide an opportunity to the Group to raise the necessary capital for the ongoing development of its core businesses without imposing additional interest burden to or deteriorating the gearing position of the Group had such capital been funded by borrowings. As such, the Directors consider that the terms of the Subscription Agreement are fair and reasonable and on normal commercial terms and the Subscription is in the interests of the Company and the Shareholders as a whole.

The gross proceeds from the Subscription amounts to HK$39 million and the net proceeds from the Subscription after deducting related fees and expenses is estimated to be approximately HK$37 million. Accordingly, the net subscription price per Subscription Share is estimated to be approximately HK$0.028. The Group intends to apply the net proceeds from the Subscription as to (i) approximately HK$32 million for the aforesaid acquisitions and development of cinema projects; and (ii) the remaining HK$5 million for general working capital of the Group.

REASONS FOR THE CAPITALISATION

On 7 October 2009, the Company issued the 2011 CBs in an aggregate principal amount of HK$78 million, which accrued interest since the first anniversary of its issuance at the rate of 5% per annum. The 2011 CBs entitled the holders thereof to convert the outstanding principal amount into new Shares at the conversion price of HK$0.90 per Share and were redeemable by the Company on 7 October 2011 at its principal amount. As at 7 October 2011, the 2011 CBs in the principal amount of HK$48,750,000 were still outstanding and the Company is obliged to redeem such convertible bonds. As disclosed in the Company's interim report for the six months ended 30 September 2011, the Group had unaudited cash and bank balances of approximately HK$46.6 million. Taking into account the financial position of the Group, the capital expenditures for the Group's cinema project and administrative and overhead costs of the Group, the Group was not able to redeem the 2011 CBs and pay the accrued interest thereon at the maturity date unless the Group obtains new funds from equity fund raising or borrowings. The Company therefore has not redeemed the 2011 CBs at their maturity. The non-redemption of the 2011 CBs upon their maturity technically constituted an event of default on the part of the Company and the Loans become due for repayment if any of the Creditors serves a notice on the Company.

After arm's length negotiations with the Creditors, the Company and the Creditors entered into the Capitalisation Agreements on 12 January 2012 pursuant to which the Loans will be capitalised by way of allotment and issue of the Capitalisation Shares by the Company to the Creditors. The Directors believe that the Capitalisation will enable the Group to (i) remove entirely the repayment pressure of the Loans on the Group; (ii) retain cashflow of the Group for the continuous development of its cinema projects; and (iii) enlarge the capital base of the Company and reduce the gearing level of the Group. The Directors consider that the terms of the Capitalisation Agreements are fair and reasonable and on normal commercial terms and the Capitalisation is in the interests of the Company and the Shareholders as a whole.

TAKEOVERS CODE IMPLICATIONS

Whitewash Waiver

As at the Latest Practicable Date, (i) Beglobal together with Golden Treasure were beneficially interested in 905,000,000 Shares, representing approximately 29.28% of the issued share capital of the Company; and (ii) the Loan owed by the Company to Beglobal amounts to HK$30,359,097.78. As at the Latest Practicable Date, Mr. Chiau holds the Service CBs in the aggregate principal amount of HK$30 million, of which HK$25,000,000 was issued on 1 June 2010 and HK$5,000,000 was issued on 1 June 2011. The Service CBs bear no interest, are convertible into new Shares at the prevailing conversion price of HK$0.10 per Share (subject to adjustments) and shall mature on the day falling the 10th anniversary after the date of their respective issue. Mr. Chiau also holds the Service Options which entitle him to subscribe for 250,000,000 new Shares at an exercise price of HK$0.10 during the exercise period from 1 December 2011 to 30 September 2013. Save for the aforesaid, as at the Latest Practicable Date, Mr. Chiau and his family, the Trust, SMP Trustees, Beglobal, Golden Treasure and parties acting in concert with any of them do not hold any other Shares, warrants, options or other convertible or exchangeable securities of the Company.

Immediately after completion of the Subscription, Mr. Chiau and his family, the Trust, SMP Trustees, Beglobal, Golden Treasure and parties acting in concert with any of them will be interested in an aggregate of 2,205,000,000 Shares, representing approximately 50.22% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. Taking into account the 1,011,969,926 Capitalisation Shares to be issued to Beglobal pursuant to the Capitalisation Agreement, Mr. Chiau and his family, the Trust, SMP Trustees, Beglobal, Golden Treasure and parties acting in concert with any of them will be interested in 3,216,969,926 Shares, representing approximately 52.76% of the issued share capital of the Company upon completion of the Subscription and the Capitalisation. In the circumstances, an obligation on the part of Beglobal to make a general offer for all the issued securities in the Company not already owned or agreed to be acquired by Mr. Chiau and his family, the Trust, SMP Trustees, Beglobal, Golden Treasure and parties acting in concert with any of them will arise under Rule 26 of the Takeovers Code as a result of the issue of the Subscription Shares to Beglobal.

Beglobal has made an application to the Executive for the Whitewash Waiver and the Executive has indicated that it will grant the Whitewash Waiver subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll. It is one of the conditions of the Subscription Agreement that the Whitewash Waiver be granted by the Executive and approved by the Independent Shareholders at the EGM. The aforesaid condition is not capable of being waived. If the Whitewash Waiver is not granted, the Subscription will not proceed. As completion of the Capitalisation is conditional upon, among other things, the Subscription Agreement having become unconditional, if the Subscription does not proceed, completion of the Capitalisation will not take place.

Mr. Chiau and his family, the Trust, SMP Trustees, Beglobal, Golden Treasure and parties acting in concert with any of them, their respective associates, the Other Creditors and those Shareholders who are interested in or are involved in the Subscription and/or the Whitewash Waiver shall abstain from voting on the resolutions approving the Subscription and the Whitewash Waiver at the EGM. Mr.

Chiau, Mr. Chan Cheong Yee and Mr. Yik Chok Man who are the Directors involved in the negotiations of the Subscription and/or the Capitalisation shall also abstain from voting on the resolutions approving the Subscription and the Whitewash Waiver at the EGM.

If the Whitewash Waiver is approved by the Independent Shareholders, the aggregate shareholding of Mr. Chiau and his family, the Trust, SMP Trustees, Beglobal, Golden Treasure and parties acting in concert with any of them in the Company will exceed 50% after completion of the Subscription. Mr. Chiau and his family, the Trust, SMP Trustees, Beglobal, Golden Treasure and parties acting in concert with any of them may further increase their shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

Mr. Chiau and his family, the Trust, SMP Trustees, Beglobal, Golden Treasure and parties acting in concert with any of them have confirmed to the Company that they have not dealt in any securities of the Company for the six months preceding the date of the Announcement. As at the Latest Practicable Date, neither Mr. Chiau and his family, the Trust, SMP Trustees, Beglobal, Golden Treasure nor any parties acting in concert with any of them has received any irrevocable commitment from any Independent Shareholders as to whether they will vote for or against the resolution approving the Subscription and/or the Whitewash Waiver at the EGM.

As at the Latest Practicable Date, the Company has 3,090,559,126 Shares, the Service CBs in the aggregate principal amount of HK$30 million which are convertible into 300,000,000 new Shares at the prevailing conversion price of HK$0.10 per Share, the Service Options which entitle Mr. Chiau to subscribe for 250,000,000 new Shares at the exercise price of HK$0.10 per Share, the 71,000,000 Share Options outstanding which entitle the holders thereof to subscribe for an aggregate of 71,000,000 new Shares at exercise prices of HK$0.1012 per Share (for 45,500,000 Shares) and HK$0.246 per Share (for 25,500,000 Shares). Save for the 10,000,000 Share Options held by Mr. Chan Cheong Yee, an executive Director, the other holders of the Share Options are third parties independent of the Company and its connected persons. Save for the aforesaid, the Company does not have any other outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

INTENTION OF BEGLOBAL

It is the intention of Beglobal to maintain the listing of the Shares on the Stock Exchange. Following completion of the Subscription, Beglobal intends to continue the existing businesses and the employment of the existing employees of the Group. Beglobal does not intend to introduce any major changes to the existing operations and management structure of the Group, including any redeployment of the fixed assets of the Group.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company is HK$100,000,000 divided into 5,000,000,000 Shares, of which 3,090,559,126 Shares are in issue. In order to facilitate the allotment and issue of the Subscription Shares and the Capitalisation Shares and to accommodate the Company's future growth and expansion, the Company proposes to increase its authorised share capital from HK$100,000,000 divided into 5,000,000,000 Shares to HK$200,000,000 divided into 10,000,000,000 Shares by the creation of an additional 5,000,000,000 unissued Shares which will rank pari passu in all respects with the existing Shares. The proposed increase in the authorised share capital of the Company is subject to the approval of the Shareholders by way of an ordinary resolution at the EGM. The Directors consider that the proposed increase in the authorised share capital of the Company is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, Mr. Chiau and his family, the Trust, SMP Trustees, Beglobal, Golden Treasure and parties acting in concert with any of them were interested in (i) 905,000,000 Shares, representing approximately 29.28% of the issued share capital of the Company; (ii) the Service CBs in the aggregate principal amount of HK$30 million which are convertible into new Shares at the prevailing conversion price of HK$0.10 per Share (subject to adjustments); and (iii) the Service Options which entitle Mr. Chiau to subscribe for 250,000,000 new Shares at the exercise price of HK$0.10 per Share during the exercise period. Beglobal is a substantial Shareholder and is therefore a connected person of the Company. Ms. Fung is a director of a wholly-owned subsidiary of the Company and is therefore a connected person of the Company. Accordingly, the Subscription and the Capitalisation both constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules and are subject to the approval of the Independent Shareholders by way of poll. Mr. Chiau and his family, the Trust, SMP Trustees, Beglobal, Golden Treasure, the Other Creditors, their respective associates and parties acting in concert with any of them shall abstain from voting on the resolution approving the Subscription Agreement and the transactions contemplated thereunder at the EGM. Mr. Chan Cheong Yee (who was interested in 10,000 Shares and the Share Options which entitle him to subscribe for 10,000,000 new Shares at the exercise price of HK$0.1012 per Share as at the Latest Practicable Date) and Mr. Yik Chok Man (who was interested in 564,000 Shares as at the Latest Practicable Date) had been involved in the negotiations of the Subscription and/or the Capitalisation and shall also abstain from voting on the resolution approving the Subscription Agreement and the transactions contemplated thereunder at the EGM. Beglobal, Golden Treasure, the Other Creditors (who did not hold any Shares as at the Latest Practicable Date) and their respective associates shall abstain from voting on the resolution approving the Capitalisation Agreements and the transactions contemplated thereunder at the EGM. The proposed increase in the authorised share capital of the Company is also subject to the approval of the Shareholders at the EGM pursuant to the GEM Listing Rules.

ADJUSTMENTS TO THE SERVICE CBs, THE SERVICE OPTIONS AND THE SHARE OPTIONS

The allotment and issue of the Subscription Shares and the Capitalisation Shares may cause adjustment(s) to the exercise price and the number of Shares to be issued under the Service Options and the Share Options and the conversion price and the number of Shares to be issued upon conversion of the Service CBs. The Company will instruct its auditors or financial adviser to review and certify the basis of such adjustments as soon as possible. Further announcement will be made by the Company in respect of such adjustments as and when appropriate.

GENERAL

The Whitewash IBC comprising all the non-executive Directors and independent non-executive Directors, namely Mr. Chong Lee Chang, Mrs. Chin Chow Chung Hang, Roberta, Mrs. Chen Chou Mei Mei, Vivien, Mr. Wong Chak Keung and Mr. Chum Kwan Yue, Desmond, has been established to advise the Independent Shareholders in respect of the Subscription and the Whitewash Waiver. Messis Capital has been appointed by the Company with the approval of the Whitewash IBC as independent financial adviser to advise the Whitewash IBC and the Independent Shareholders in this regard. None of the members of the Whitewash IBC has been involved in, or are interested in (other than as a Shareholder), the Subscription, the Capitalisation and the Whitewash Waiver.

The GEM Listing Rules IBC comprising all the independent non-executive Directors, namely Mrs. Chen Chou Mei Mei, Vivien, Mr. Wong Chak Keung and Mr. Chum Kwan Yue, Desmond, has been established to advise the Independent Shareholders in respect of the Subscription and the Capitalisation. Messis Capital has been appointed by the Company as independent financial adviser to advise the GEM Listing Rules IBC and the Independent Shareholders in this regard.

Mr. Chiau who has a material interest in the Subscription and the Capitalisation has abstained from voting on the Board resolutions approving the Subscription and the Capitalisation.

EGM

A notice convening the EGM to be held at City Garden Hotel, 1st Floor, Yue – Function Room II, 9 City Garden Road, Hong Kong on 12 March 2012 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. Ordinary resolutions will be proposed at the EGM to consider and, if thought fit, to approve the Subscription Agreement, the Capitalisation Agreements and the transactions contemplated thereunder, the Whitewash Waiver and the proposed increase in the authorised share capital of the Company by way of poll.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the proxy shall be deemed to be revoked.

RECOMMENDATIONS

The Directors (excluding members of the Whitewash IBC and the GEM Listing Rules IBC) consider that the terms of the Subscription Agreement and the Capitalisation Agreements are fair and reasonable, and the Subscription Agreement and the transactions contemplated thereunder, the Capitalisation Agreements and the transactions contemplated thereunder, and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole.

You are advised to read carefully the letter from the Whitewash IBC set out on pages 22 to 23 and the letter from the GEM Listing Rules IBC set out on pages 24 to 25 of this circular respectively. You are also advised to read carefully the letter from Messis Capital on pages 26 to 48 of this circular which contains its advice to the Whitewash IBC, the GEM Listing Rules IBC and the Independent Shareholders in respect of the Subscription, the Capitalisation and the Whitewash Waiver.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

By order of the Board
Bingo Group Holdings Limited
Chan Cheong Yee
Executive Director

The following is the text of a letter from the Whitewash IBC setting out its recommendation to the Independent Shareholders in relation to the Subscription Agreement and the Whitewash Waiver:

BINGO GROUP HOLDINGS LIMITED
比高集團控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8220)

24 February 2012

To the Independent Shareholders

Dear Sir or Madam,

(i) CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF NEW SHARES BY A SUBSTANTIAL SHAREHOLDER AND (ii) APPLICATION FOR WHITEWASH WAIVER

We refer to the circular of the Company dated 24 February 2012 (the "Circular"), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as the Whitewash IBC to advise you as to whether, in our opinion, the terms of the Subscription Agreement and the Whitewash Waiver are (i) fair and reasonable so far as the Independent Shareholders are concerned; and (ii) in the interests of the Company and the Shareholders as a whole. Messis Capital has been appointed as the independent financial adviser to advise the Whitewash IBC in this regard. Details of their independent advice, together with the principal factors and reasons they have taken into consideration, are set out on pages 26 to 48 of the Circular.

Having considered the terms of the Subscription Agreement and the independent advice of Messis Capital in relation thereto, we are of the opinion that (i) the terms of the Subscription Agreement and the Whitewash Waiver are conducted on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned; (ii) the Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole; and (iii) the granting of the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Subscription Agreement and the Whitewash Waiver.

Yours faithfully,
Whitewash IBC

Mr. Chong Lee Chang
Non-executive Director

Mrs. Chin Chow Chung Hang, Roberta
Non-executive Director

Mrs. Chen Chou Mei Mei, Vivien
Independent non-executive Director

Mr. Wong Chak Keung
Independent non-executive Director

Mr. Chum Kwan Yue, Desmond
Independent non-executive Director

The following is the text of a letter from the GEM Listing Rules IBC setting out its recommendation to the Independent Shareholders in relation to the Subscription Agreement and the Capitalisation Agreements:

BINGO GROUP HOLDINGS LIMITED
比高集團控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8220)

24 February 2012

To the Independent Shareholders

Dear Sir or Madam,

(i) CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF NEW SHARES BY A SUBSTANTIAL SHAREHOLDER AND (ii) CONNECTED TRANSACTION IN RELATION TO CAPITALISATION OF LOANS

We refer to the circular of the Company dated 24 February 2012 (the "Circular"), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as the GEM Listing Rules IBC to advise you as to whether, in our opinion, the terms of the Subscription Agreement and the Capitalisation Agreements are fair and reasonable so far as the Independent Shareholders are concerned and whether the Subscription Agreement, the Capitalisation Agreements and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Messis Capital has been appointed as the independent financial adviser to advise the GEM Listing Rules IBC and the Independent Shareholders in this regard. Details of their independent advice, together with the principal factors and reasons they have taken into consideration, are set out on pages 26 to 48 of the Circular.

Having considered the terms of the Subscription Agreement and the Capitalisation Agreements and the independent advice of Messis Capital in relation thereto, we are of the opinion that the terms of the Subscription Agreement and the Capitalisation Agreements are conducted on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and the Subscription Agreement and the Capitalisation Agreements and the transactions contemplated under the respective agreements are in the interests of the Company and the Independent Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder, the Capitalisation Agreements and the transactions contemplated thereunder.

Yours faithfully,
GEM Listing Rules IBC

Mrs. Chen Chou Mei Mei, Vivien	**Mr. Wong Chak Keung**	**Mr. Chum Kwan Yue, Desmond**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter from Messis Capital which sets out its advice to the GEM Listing Rules IBC, Whitewash IBC and the Independent Shareholders for inclusion in this circular.

大有融資有限公司
MESSIS CAPITAL LIMITED

24 February 2012

To: The GEM Listing Rules IBC, Whitewash IBC and the Independent Shareholders of Bingo Group Holdings Limited

Dear Sir/Madam,

(i) CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF NEW SHARES BY A SUBSTANTIAL SHAREHOLDER;
(ii) CONNECTED TRANSACTION IN RELATION TO CAPITALISATION OF LOANS; AND
(iii) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the independent financial adviser to the GEM Listing Rules IBC, Whitewash IBC and the Independent Shareholders in connection with (i) the Subscription Agreement and the Capitalisation Agreements, and the transactions contemplated under the respective agreements; and (ii) the Whitewash Waiver, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 24 February 2012 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 12 January 2012 (after trading hours of the Stock Exchange), the Company and Beglobal entered into the Subscription Agreement pursuant to which Beglobal conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 1,300,000,000 Subscription Shares at the Subscription Price of HK$0.03 per Subscription Share.

On 12 January 2012 (after trading hours of the Stock Exchange), the Company and each of the Creditors entered into the Capitalisation Agreements pursuant to which the Company conditionally agreed to capitalise the Loans in the aggregate amount of HK$51,187,500 owed by the Company to the Creditors by way of allotment and issue of an aggregate of 1,706,249,999 Capitalisation Shares to the Creditors at the Capitalisation Price of HK$0.03 per Capitalisation Share.

As at the Latest Practicable Date, Beglobal, which was ultimately owned by the Trust, is a substantial Shareholder and together with Golden Treasure were beneficially interested in 905,000,000 Shares, representing approximately 29.28% of the existing issued share capital of the Company, and is therefore a connected person of the Company. Ms. Fung is a director of a wholly-owned subsidiary of the Company. Accordingly, the Subscription and the Capitalisation both constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules and are subject to the approval of the Independent Shareholders by way of poll. Mr. Chiau and his family, the Trust, SMP Trustees, Beglobal, the Other Creditors, their respective associates and parties acting in concert with any of them shall abstain from voting in respect of the resolution approving the Subscription Agreement and the transactions contemplated thereunder at the EGM. Mr. Chan Cheong Yee (who was interested in 10,000 Shares and the Share Options which entitle him to subscribe for 10,000,000 new Shares at the exercise price of HK$0.1012 per Share as at the Latest Practicable Date) and Mr. Yik Chok Man (who was interested in 564,000 Shares as at the Latest Practicable Date) had been involved in the negotiations of the Subscription and/or the Capitalisation and shall also abstain from voting in respect of the resolution approving the Subscription Agreement and the transactions contemplated thereunder at the EGM. Beglobal, Golden Treasure, the Other Creditors (who did not hold any Shares as at the Latest Practicable Date) and their respective associates shall abstain from voting in respect of the resolution approving the Capitalisation Agreements and the transactions contemplated thereunder at the EGM.

Beglobal has made an application to the Executive for the Whitewash Waiver and the Executive has indicated that it will grant the Whitewash Waiver subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll. Mr. Chiau and his family, the Trust, SMP Trustees, Beglobal, Golden Treasure and parties acting in concert with any of them, their respective associates, the Other Creditors and those Shareholders who are interested in or are involved in the Subscription and/or the Whitewash Waiver shall abstain from voting on the resolutions approving the Subscription and the Whitewash Waiver at the EGM. Mr. Chiau, Mr. Chan Cheong Yee and Mr. Yik Chok Man who are the Directors involved in the negotiations of the Subscription and/or the Capitalisation shall also abstain from voting on the resolutions approving the Subscription and the Whitewash Waiver at the EGM.

The GEM Listing Rules IBC comprising all the independent non-executive Directors, namely Mrs. Chen Chou Mei Mei, Vivien, Mr. Wong Chak Keung and Mr. Chum Kwan Yue, Desmond, has been established to advise the Independent Shareholders in respect of the terms of the Subscription Agreement and the Capitalisation Agreements and the transactions contemplated under the respective agreements. The Whitewash IBC comprising all the non-executive Directors and independent non-executive Directors, namely Mr. Chong Lee Chang, Mrs. Chin Chow Chung Hang, Roberta, Mrs. Chen Chou Mei Mei, Vivien, Mr. Wong Chak Keung and Mr. Chum Kwan Yue, Desmond, has been established to advise the Independent Shareholders in respect of the terms of the Subscription and the Whitewash Waiver. We, Messis Capital, have been appointed by the Company as the independent financial adviser to advise the GEM Listing Rules IBC, Whitewash IBC and the Independent Shareholders in these regards. Our appointment as the independent financial adviser to the GEM Listing Rules IBC, the Whitewash IBC and the Independent Shareholders has been approved by the GEM Listing Rules IBC and the Whitewash IBC respectively.

BASIS OF OUR OPINION AND RECOMMENDATION

In arriving at our recommendation, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Directors and the management of the Company are true and accurate at the time they were made and will continue to be accurate as at the date of the despatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular, including this letter, misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion.

We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group, Beglobal, the Creditors and their respective associates.

This letter is issued for the information for the Board solely in connection with their consideration of (i) the terms of the Subscription Agreement and the Capitalisation Agreements, and the transactions contemplated under the respective agreements; and (ii) the Whitewash Waiver, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice with regard to (i) the terms of the Subscription Agreement and the Capitalisation Agreements, and the transactions contemplated under the respective agreements; and (ii) the Whitewash Waiver, we have taken into consideration the following factors and reasons:

1. Review of historical performance of the Group

The Group is principally engaged in sales and trading of coal and palm oil, movie production, licensing and derivatives, crossover marketing, provision of interactive contents and cinema investment and management.

The table below summaries the consolidated financial results of the Group for each of the three years ended 31 March 2011 as extracted from the Group's annual report for the year ended 31 March 2011 (the "**2011 Annual Report**") and for the year ended 31 March 2010 (the "**2010 Annual Report**") and the Group's third quarterly report for the nine months ended 31 December 2011 (the "**2011 Third Quarterly Report**"):

Table A – Summary of the consolidated financial results of the Group

	For the nine months ended 31 December		For the year ended 31 March		
	2011	2010	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Turnover	177,660	486,919	557,637	687,987	213,195
– Trading	166,875	478,195	547,359	678,730	212,683
– Property holding and management	–	6,965	8,199	9,257	512
– Filmed entertainment, online games and licensing businesses	8,810	1,759	2,079	–	–
– Cinema	1,975	–	–	–	–
Gross profit	9,685	3,465	6,701	3,965	2,606
Loss before taxation	(58,722)	(136,166)	(166,762)	(52,835)	(40,971)
Loss attributable to the Shareholders	(57,731)	(127,105)	(156,921)	(32,916)	(95,531)

For the nine months ended 31 December 2011, the Group recorded a turnover of HK$177,660,000, representing a decrease of approximately 63.5% as compared with HK$486,919,000 for the nine months ended 31 December 2010. As explained in the 2011 Third Quarterly Report, the fall in turnover during the period was mainly attributable to the decrease in trading income by approximately 65.1% to HK$166,875,000 due to intense competition and deteriorating market conditions. In 2011, the Group was shifting business strategy more focus onto the newly developing filmed entertainment, online games and licensing business and cinema business and generated a total income of HK$10,785,000 for the period ended 31 December 2011, representing an increase of approximately 513.1% as compared with HK$1,759,000 for the period ended 31 December 2010. The Group's gross profit for the nine months ended 31 December 2011 increased to HK$9,685,000 from HK$3,465,000 in the previous corresponding period. The Group's loss attributable to the Shareholders for the nine months ended 31 December 2011 was approximately HK$57,731,000 as compared with a loss of HK$127,105,000 for the period ended 31 December 2010. As explained in the 2011 Third Quarterly Report, the improvement on the results of the Group for the period ended 31 December 2011 was mainly attributable to the decrease in shared-based payments recognized during the period.

For the year ended 31 March 2011, the Group recorded a turnover of HK$557,637,000, representing a decrease of approximately 18.9% from HK$687,987,000 in the preceding financial year. The Group's gross profit for the year ended 31 March 2011 increased to HK$6,701,000 from HK$3,965,000 in the previous financial year. The Group's loss attributable to the Shareholders increased by approximately 376.7% from HK$32,916,000 for the year ended 31 March 2010 to HK$156,921,000 for the year ended 31 March 2011. As explained in the 2011 Annual Report, the negative effect on the results of the Group for the year ended 31 March 2011 was mainly attributable to recognition of convertible bonds and shares options at fair values under shared-based payments during the year ended 31 March 2011.

For the year ended 31 March 2010, the Group recorded a turnover of HK$687,987,000, representing a sharp increase of approximately 222.7% as compared to HK$213,195,000 for the year ended 31 March 2009. The Group's gross profit for the year ended 31 March 2010 increased to HK$3,965,000 from HK$2,606,000 in the previous financial year. The Group's loss attributable to the Shareholders for the year ended 31 March 2010 was HK$32,916,000, representing a significant drop of approximately 65.5% from the preceding financial year. According to the 2010 Annual Report, the decrease in the loss for the year ended 31 March 2010 was mainly attributable to the gain arising from the disposal of the entire 100% shareholding interest in Photar International Limited, the Group's manufacturing business which involved the manufacturing and sale of mobile phones and DVD players.

The table below shows the consolidated statement of financial position of the Group as at 30 September 2011, 31 March 2011, 31 March 2010 and 31 March 2009 as extracted from the Group's interim report for the six months ended 30 September 2011 (the "**2011 Interim Report**"), 2011 Annual Report and 2010 Annual Report:

Table B – Consolidated statement of financial position of the Group

	As at 30 September 2011 (Unaudited) *HK$'000*	As at 31 March 2011 (Audited) *HK$'000*	As at 31 March 2010 (Audited) *HK$'000* (restated)	As at 31 March 2009 (Audited) *HK$'000*
Non-Current Assets				
Property, plants and equipment	313	578	2,182	3,039
Interest in the jointly controlled entities	27,886	–	–	–
Goodwill	15,060	15,060	7,556	2,700
Deferred tax assets	803	803	–	–
	44,062	16,441	9,738	5,739
Current Assets				
Inventories	–	24,710	–	15,050
Trade receivables	45,033	322	1,177	5,395
Other receivables, deposits and prepayments	19,300	4,262	54,245	5,307
Security deposit to a related company	–	–	–	800
Pledged bank deposit	–	–	–	150
Film in progress	67,032	8,389	–	–
Bank balances and cash	46,649	116,765	9,796	15,324
	178,014	154,448	65,218	42,026
Assets classified as held for sale	–	–	320,000	578
	178,014	154,448	385,218	42,604
Current Liabilities				
Trade payables	44,497	–	8,236	2,740
Deposits received, other payables and accruals	51,085	34,090	61,589	20,899
Promissory note	–	–	–	900
Amount due to an associate	–	–	147	63
Amount due to non-controlling interests	–	–	483	966
Tax payables	734	736	631	313
Obligation under finance lease	–	–	83	–
Bank loans, secured	–	–	155,000	–
Convertible bonds	51,155	49,182	–	–
	147,471	84,008	226,169	25,881
Liabilities associated with assets classified as held for sale	–	–	–	19,185
	147,471	84,008	226,169	45,066
Net Current Assets/(Liabilities)	30,543	70,440	159,049	(2,462)
Total Assets Less Current Liabilities	74,605	86,881	168,787	3,277

	As at 30 September 2011 (Unaudited) HK$'000	As at 31 March 2011 (Audited) HK$'000	2010 (Audited) HK$'000 (restated)	2009 (Audited) HK$'000
Non-Current Liabilities				
Obligation under finance lease	–	–	111	–
Convertible bonds	8,156	8,156	72,645	–
Deferred tax liability	–	–	9,061	–
	8,156	8,156	81,817	–
Net Assets	66,449	78,725	86,970	3,277
Current ratio (Note 1)	*1.21*	*1.84*	*1.70*	*0.95*
Debt ratio (Note 2)	*0.70*	*0.54*	*0.78*	*0.93*

Notes:

1. The current ratio is calculated by dividing current assets by current liabilities.

2. The debt ratio is calculated by dividing total liabilities by total assets.

As shown in Table B, the non-current assets of the Group increased from HK$16,441,000 as at 31 March 2011 to HK$44,062,000 as at 30 September 2011 mainly due to the recognition of interest in the jointly controlled entity of HK$27,886,000 as at 30 September 2011. We note from the 2011 Interim Report that the Company entered into the memorandum of understanding with CineChina Limited on 13 April 2011 in relation to formation of the joint venture for investment in and management of high-end digital cinemas in the PRC. CineChina Limited undertakes to the Company that it shall introduce not less than 36 cinemas with not less than 260 screens and 30,000 seats in aggregate within 3 years after the formation of the joint venture, subject to the Company being satisfied with the results of its due diligence review on such potential cinema projects. The current assets of the Group amounted to HK$178,014,000 as at 30 September 2011 (HK$154,448,000 as at 31 March 2011). Within current assets, film in progress increased sharply from HK$8,389,000 as at 31 March 2011 to HK$67,032,000 as at 30 September 2011. The current liabilities of the Group increased from HK$84,008,000 as at 31 March 2011 to HK$147,471,000 as at 30 September 2011 mainly due to increase in trade payables, deposits received, other payables and accruals. The net current assets and net assets as at 30 September 2011 amounted to HK$30,543,000 and HK$66,449,000 respectively.

The Group's current assets reduced from HK$385,218,000 as at 31 March 2010 to HK$154,448,000 as at 31 March 2011 mainly due to assets classified as held for sale of HK$320,000,000 recognized in 2010 but not in 2011. The current liabilities of the Group decreased from HK$226,169,000 as at

31 March 2010 to HK$84,008,000 as at 31 March 2011 mainly due to the full settlement of the bank loans during the year ended 31 March 2011. The net current assets and net assets as at 31 March 2011 amounted to HK$70,440,000 and HK$78,725,000 respectively.

The Group's current assets increased from HK$42,604,000 as at 31 March 2009 to HK$385,218,000 as at 31 March 2010 mainly due to increase in assets classified as held for sale, other receivables, deposits and prepayments. The current liabilities of the Group increased from HK$45,066,000 as at 31 March 2009 to HK$226,169,000 as at 31 March 2010 mainly attributable to increase in bank loans of HK$155,000,000 (31 March 2009: nil). Non-current liabilities increased sharply to HK$81,817,000 (31 March 2009: nil). As shown in the 2010 Annual Report, the increase was mainly due to the issue of the 2011 CBs by the Company on 7 October 2009 due on the second anniversary of the date of the issue of the bonds. The net current assets and net assets as at 31 March 2010 amounted to HK$159,049,000 and HK$86,970,000 respectively.

The Group's current ratio (calculated by dividing currents assets over current liabilities) decreased from approximately 1.84 as at 31 March 2011 to approximately 1.21 as at 30 September 2011. The Group's total assets amounted to HK$48,343,000 as at 31 March 2009, HK$394,956,000 as at 31 March 2010, HK$170,889,000 as at 31 March 2011 and HK$222,076,000 as at 30 September 2011. The total liabilities of the Group amounted to HK$45,066,000 as at 31 March 2009, HK$307,986,000 as at 31 March 2010, HK$92,164,000 as at 31 March 2011 and HK$155,627,000 as at 30 September 2011. The Group's debt ratio (calculated by diving total liabilities over total assets) increased from approximately 0.54 as at 31 March 2011 to approximately 0.70 as at 30 September 2011.

The table below summaries the consolidated statement of cash flows of the Group for the six months ended 30 September 2011 and for the three years ended 31 March 2011 as extracted from the 2011 Interim Report, 2011 Annual Report and 2010 Annual Report:

Table C – Summary of the consolidated statement of cash flows of the Group

	For the six months ended 30 September	**For the year ended 31 March**		
	2011	**2011**	**2010**	**2009**
	(Unaudited)	(Audited)	(Audited)	(Audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net cash from/(used in):				
– operating activities	(38,614)	(11,962)	(86,711)	(20,209)
– investing activities	(18,088)	118,193	47,696	(8,478)
– financing activities	(13,128)	791	33,583	5,289
Net increase/(decrease) in cash and cash equivalents	(69,830)	107,022	(5,432)	(23,398)
Cash and cash equivalents at start of period	116,765	9,796	15,403	39,612
Effect of foreign rate exchanges	(286)	(53)	(175)	(811)
Cash and cash equivalents at end of period	46,649	116,765	9,796	15,403

The Group recorded a net cash outflow from operating activities of HK$20,209,000, HK$86,711,000, HK$11,962,000 and HK$38,614,000 for the three years ended 31 March 2011 and for the six months ended 30 September 2011 respectively. Except for the year ended 31 March 2011, the Group recorded net decreases in cash and cash equivalents for the two years ended 31 March 2010 and for the six months ended 30 September 2011. As shown from the 2011 Annual Report, the net increase in cash and cash equivalents for the year ended 31 March 2011 was mainly due to deposit received in respect of sale of investment properties of HK$117,600,000 grouped under net cash from investing activities which is non-recurring in nature. As shown in Tables B and C, bank balances and cash decreased by approximately 60.0% from HK$116,765,000 as at 31 March 2011 to HK$46,649,000 as at 30 September 2011. According to the 2011 Interim Report, the Company has commenced the principal photography of a full length feature movie, working title as "Journey to the West – 除魔傳奇" (formerly known as "Journey to the West – 西遊記") ("**Movie Project**") during the six months ended 30 September 2011. In addition, the Company has been acting as the project manager of the Movie Project and the required funding of the Movie Project will be cash-flowed by internal resources of the Group. The Company intends to cooperate and has been in active negotiation with a number of well-known movie companies to complete the production and distribution of the Movie Project. According to the 2011 Interim Report, the Group believes that the setting up of the joint venture with CineChina Limited allows the Group to expand its operation and cinema business in the PRC and the Group will further explore new opportunities to stretch its reach into the cinema operation and development in various cities in the PRC. Based on the above, we are of the view that the Movie Project and the acquisition and development of cinema projects in the PRC will require the usage of the Group's internal cash resources. According to the 2011 Research Report on Chinese Film Industry published by the China Film Association (中國電影家協會), it is estimated that (i) the total number of cinema screens in the PRC will increase from approximately 6,000 at the end of 2010 to over 12,000 in 2015; and (ii) the total movie box office in the PRC will increase from RMB14.5 billion in 2011 to RMB41.0 billion in 2015. Based on the above, we are of the view that there are growth opportunities in the movie and cinema industries in the PRC in the next few years and the development of the Group's movie and cinema businesses will provide future income to the Group.

Having considered that (i) the Group had net cash outflow from operating activities for the past three years ended 31 March 2011 and for the six months ended 30 September 2011; (ii) the Group recorded net decreases in cash and cash equivalents for the past two years ended 31 March 2010 and for the six months ended 30 September 2011 while the net increase in cash and cash equivalents for the year ended 31 March 2011 was due to cash inflow arising from sale of investment properties which is non-recurring in nature; (iii) the funding of the Movie Project and the acquisition and development of cinema projects in the PRC requires the Group's internal cash resources; (iv) the Group's debt ratio increased while its current ratio decreased during the six months ended 30 September 2011; and (v) there are growth opportunities in the movie and cinema industries in the PRC in the next few years, we are of the view that it is necessary and expedient for the Group to preserve its cash resources and alleviate its present/future liabilities so as to improve the overall liquidity and financial stability position in view of the current uncertain business and economic environment all over the world. Therefore, we consider that the Subscription and the Capitalisation, which enable the Company to raise additional funding to develop the Group's movie and cinema businesses, are in the interests of the Company and the Shareholders as a whole.

2. Background and reasons for the Subscription and the Capitalisation and use of proceeds

As advised by the Directors, it has been the business strategy of the Group to put more focus on its cinema business since 2011 with a view to capitalising on the highly promising prospects of the cinema industry in the PRC and it is the vision of the Group to become one of the leading cinema investment and management companies in the PRC in the future.

As set out in the Letter from the Board, the Group entered into certain agreements on 17 May 2011 in relation to the acquisition of four cinemas in Chongqing, Chengdu and Shanghai, the PRC at an aggregate consideration of approximately RMB29.9 million (equivalent to approximately HK$36.8 million), of which approximately RMB12.9 million (equivalent to approximately HK$15.9 million) was still outstanding as at the Latest Practicable Date. As at the Latest Practicable Date, completion of the acquisition of one of the two cinema projects in Chongqing and the cinema project in Shanghai had taken place. The conditions precedent to completion of the acquisition of the remaining two cinema projects in Chongqing and Chengdu have been fulfilled and the Company expects that completion will take place by the end of February 2012. On 9 June 2011, the Group also entered into a formal agreement with CineChina Limited in relation to the formation of a joint venture for the purpose of identifying suitable investment opportunities in high-end digital cinemas in the PRC. To further strengthen the Group's portfolio of cinemas in the PRC, on 9 June 2011, Bingo Cinema Investment Company Limited (formerly known as Shine Wisdom Limited), a wholly-owned subsidiary of the Company, entered into a transfer agreement to accept the assignment of certain leasing agreements in relation to the leasing of premises for development into four cinemas located in Linan, Hangzhou, Zhongshan and Tianjin, the PRC. The four cinemas under the aforesaid leasing agreements are all located in central commercial districts in the respective cities with steady stream of people. The development of the cinemas in Linan and Hangzhou has been completed and the two cinemas have commenced commercial operations since December 2011. As at the Latest Practicable Date, completion of the transfer of leasing agreements in respect of the two remaining cinemas in Zhongshan and Tianjin are still subject to due diligence review being conducted by the Group. On 12 July 2011, the Group also entered into two memorandum of understandings in relation to potential development of two cinema projects in Tieling and Dongguan, the PRC. According to the 2011 Research Report on Chinese Film Industry published by the China Film Association (中國電影家協會), it is estimated that (i) the total number of cinema screens in the PRC will increase from approximately 6,000 at the end of 2010 to over 12,000 in 2015; and (ii) the total movie box office in the PRC will increase from RMB14.5 billion in 2011 to RMB41.0 billion in 2015. Based on the above, we are of the view that there are growth opportunities in the cinema industry in the PRC in the next few years and the development and acquisitions of the above mentioned cinema projects will provide future income to the Group. As at the Latest Practicable Date, the total estimated construction and development costs for the cinema projects in Linan and Hangzhou was approximately RMB33.5 million (equivalent to approximately HK$41.3 million), of which RMB7.5 million (equivalent to approximately HK$9.2 million) remain outstanding. In order to meet the financial obligations of the Group, at the request of the Company, Beglobal agreed to advance a bridging loan of HK$5,000,000 which is unsecured, carries interest at the rate of 5% per annum and shall be repayable on or before 31 March 2012. The interest rate of 5% per annum of the bridging loan was determined after arm's length negotiation between the Company and Beglobal with reference to the prevailing prime rate for Hong Kong dollars quoted by The Hongkong and Shanghai Banking Corporation Limited and taking into account that the loan is unsecured. The bridging loan had been used to settle certain capital expenditures of the Group's aforesaid cinema projects due in January 2012. The Company intends to settle the aforesaid bridging loan by setting off the equivalent amount of payment obligation of Beglobal under the Subscription upon completion of the Subscription with a view to reducing the financing cost of the Company.

As set out in the Letter from the Board, on 7 October 2009, the Company issued the 2011 CBs in an aggregate principal amount of HK$78 million, which accrued interest since the first anniversary of its issuance at the rate of 5% per annum. The 2011 CBs entitled the holders thereof to convert the outstanding principal amount into new Shares at the conversion price of HK$0.90 per Share and were redeemable by the Company on 7 October 2011 at its principal amount. As at 7 October 2011, the 2011 CBs in the principal amount of HK$48,750,000 were still outstanding and the Company is obliged to redeem such convertible bonds. According to the 2011 Interim Report, the Group had unaudited cash and bank balances of approximately HK$46.6 million. Taking into account the financial position of the Group, the capital expenditures for the Group's cinema project and administrative and overhead costs of the Group, the Group was not able to redeem the 2011 CBs and pay the accrued interest thereon at the maturity date unless the Group obtains new funds from equity fund raising or borrowings. The Company therefore has not redeemed the 2011 CBs at their maturity. The non-redemption of the 2011 CBs upon their maturity technically constituted an event of default on the part of the Company and the Loans become due for repayment if any of the Creditors serves a notice on the Company.

After arm's length negotiations with the Creditors, the Company and the Creditors entered into the Capitalisation Agreements on 12 January 2012 pursuant to which the Loans will be capitalised by way of allotment and issue of the Capitalisation Shares by the Company to the Creditors. The Directors believe that the Capitalisation will enable the Group to (i) remove entirely the repayment pressure of the Loans on the Group; (ii) retain cashflow of the Group for the continuous development of its cinema projects; and (iii) enlarge the capital base of the Company and reduce the gearing level of the Group.

The gross proceeds from the Subscription amounts to HK$39 million and the net proceeds from the Subscription after deducting related fees and expenses is estimated to be approximately HK$37 million. Accordingly, the net subscription price per Subscription Share is estimated to be approximately HK$0.028. The Group intends to apply the net proceeds from the Subscription as to (i) approximately HK$32 million for the aforesaid acquisitions and development of cinema projects; and (ii) the remaining HK$5 million for general working capital of the Group.

The proceeds from the issue of the Capitalisation Shares will be used as full and final settlement of the Loans in the aggregate amount of HK$51,187,500 owed by the Company to the Creditors.

Having considered that (i) the Group needs to preserve its cash resources given that it has generated net cash outflow from operating activities for the past few years and the Subscription allows the Company to raise additional cash for the acquisitions and development of cinema projects; (ii) the Capitalisation allows the Group to reduce its debt ratio and to remove entirely the repayment pressure of the Loans on the Group while at the same time retaining cashflow of the Group for the continuous development of its cinema projects, we are of the view that the Subscription and the Capitalisation are in the interests of the Company and the Shareholders as a whole.

3. Other alternative methods of financing

As stated from the Letter from the Board, the Company has been actively searching for equity fund raising opportunities over the past few months in view of the forthcoming capital requirements of the Group, particularly for its capital-intensive cinema and filmed entertainment businesses. However, the Company has been unable to secure any interest from financial institutions given the current highly volatile market condition. Apart from equity financing, the Board has also considered other financing options such as debt financing and bank borrowings to finance the capital requirements of the Group. Having considered the interest expenses which would have imposed additional interest burden to the Group and increased the gearing level of the Group, the Board is of the view that such financing means may not be appropriate to the Group given its current financial position.

Given that the Group's debt ratio increased during the six months ended 30 September 2011 as analyzed under the section headed "Review of historical performance of the Group" above, we consider that taking on additional debt financing or bank borrowings will increase the Group's total liabilities and hence its debt ratio. Furthermore, the use of new debt or bank loans will inevitably incur additional interest expense and the Company will be required to repay such debt or bank loans upon maturity within a short period of time if the maturity of the debt or loans is short-term. Other forms of equity fund raising such as rights issue or open offer may incur substantial costs to the Company in the form of underwriting commission, as a typical rights issue or open offer would involve the engagement of underwriter(s). As advised by the Company, it is difficult to find an underwriter under the current market conditions and as a measure of support from Beglobal and the Creditors, the Subscription Shares and the Capitalisation Shares, when issued and fully paid, will be subject to a lock-up period of six months from the date of completion of the Subscription and the Capitalisation respectively. According to the website of the Stock Exchange, the total number of rights issues and open offers conducted by listed companies on GEM in the fourth quarter 2010, the first quarter 2011, the second quarter 2011, the third quarter 2011 and the fourth quarter 2011 was 6, 4, 4, 4 and 1 respectively while the total funds raised for rights issues and open offers by listed companies on GEM in the fourth quarter 2011 amounted to approximately HK$32.9 million, representing a decrease of approximately 94.0% compared to approximately HK$545.3 million in the fourth quarter 2010. Having considered the weakening market conditions in relation to rights issues and open offers, we are of the view that it is difficult to find an underwriter under the current market conditions as a typical rights issue or open offer would involve the engagement of underwriter(s). Based on the above, we consider that (i) the Subscription represents the best available option for the Company to obtain additional funding for its working capital and future development of cinema projects in light of the current market conditions; and (ii) the Capitalisation represents the best way to settle the Loans due to the Creditors.

4. Principal terms of the Subscription and the Capitalisation

As stated in the Letter from the Board, the Subscription Price of HK$0.03 per Subscription Share and the Capitalisation Price of HK$0.03 per Capitalisation Share were determined after arm's length negotiations between the Company and Beglobal and between the Company and the Creditors respectively taking into account, among other things, (i) the recent market price of the Shares; (ii) the prevailing market condition; and (iii) the unaudited consolidated net asset value of the Group as at 30 September 2011.

The Subscription Price and the Capitalisation Price of HK$0.03 represents:

(a) a discount of approximately 59.46% to the closing price of HK$0.074 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 58.90% to the average of the closing prices of the Share as quoted on the Stock Exchange over the last 5 trading days up to and including the Last Trading Day of approximately HK$0.073 per Share;

(c) a discount of approximately 58.33% to the average of the closing prices of the Share as quoted on the Stock Exchange over the last 10 trading days up to and including the Last Trading Day of approximately HK$0.072 per Share;

(d) a discount of approximately 62.03% to the average of the closing prices of the Share as quoted on the Stock Exchange over the last 30 trading days up to and including the Last Trading Day of approximately HK$0.079 per Share;

(e) a discount of approximately 71.43% to the closing price of HK$0.105 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(f) a premium of approximately 36.36% over the unaudited net asset value of approximately HK$0.022 per Share as at 30 September 2011 (based on the unaudited consolidated net assets of the Group of approximately HK$66,449,000 as at 30 September 2011 as shown in the Company's interim report for the six months ended 30 September 2011 and 3,090,559,126 Shares in issue as at the Latest Practicable Date); and

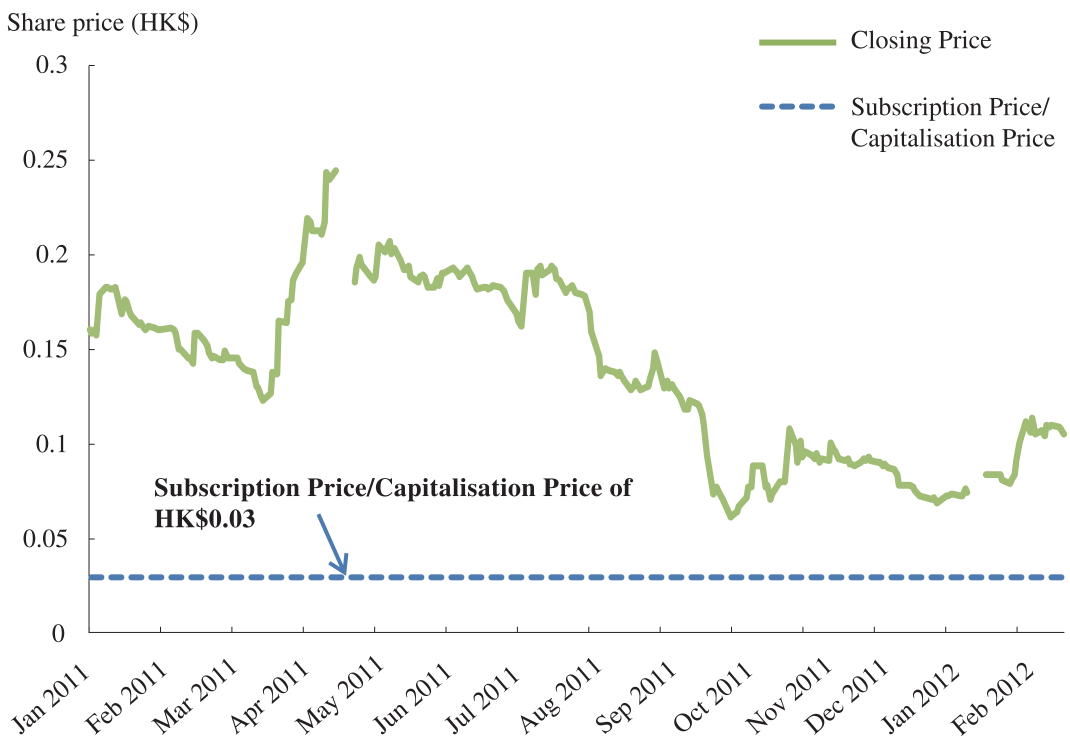
(g) a premium of 20.0% over the audited net asset value of approximately HK$0.025 per Share as at 31 March 2011 (based on the audited consolidated net assets of the Group of approximately HK$78,725,000 as at 31 March 2011 as shown in the Company's annual report for the year ended 31 March 2011 and 3,090,559,126 Shares in issue as at the Latest Practicable Date).

Shareholders are reminded that both the Subscription Shares and the Capitalisation Shares, when issued and fully paid, will be subject to a lock-up period of six months from the date of completion of the Subscription and the Capitalisation respectively.

Historical performance of Share price

Chart A shows the Subscription Price/Capitalisation Price and the closing prices of the Shares as quoted on the Stock Exchange during the period commencing from 3 January 2011 to the Latest Practicable Date (the "**Review Period**"):

Chart A – Share price performance



Source: website of the Stock Exchange (www.hkex.com.hk)

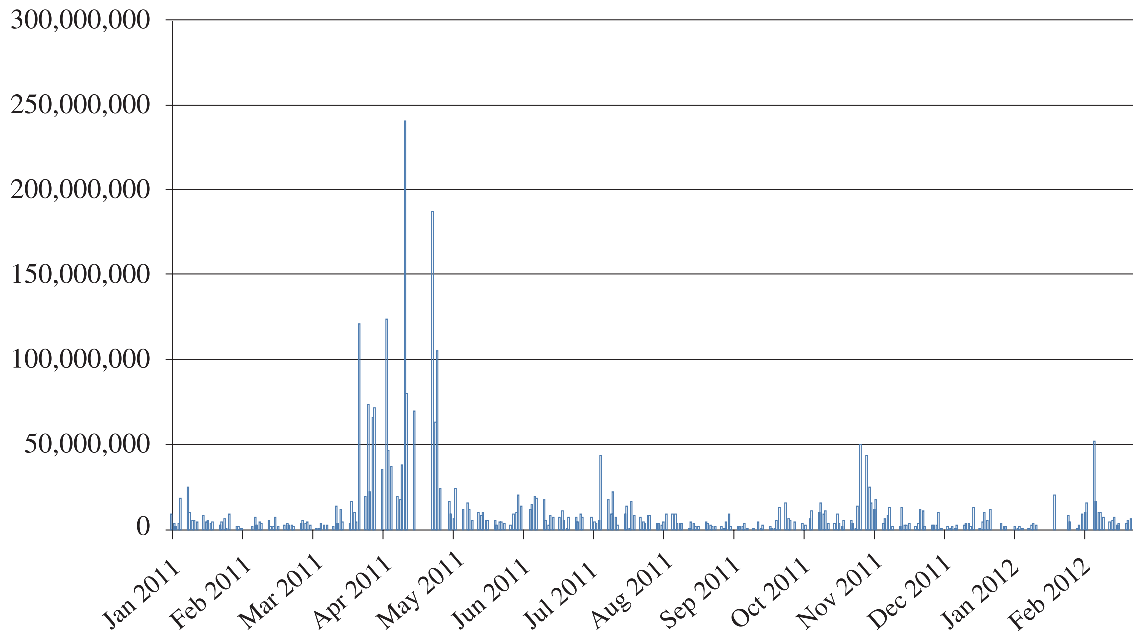
Note: Trading of the Shares was suspended from 19 April 2011 to 21 April 2011 and 13 January 2012 to 19 January 2012, both days inclusive.

From Chart A, the closing price of the Shares showed a general increasing trend at the start of the Review Period when it started to rise from HK$0.123 on 18 March 2011 to HK$0.244 on 18 April 2011 (which is the highest closing price during the Review Period). We note that the increase occurred when (i) the Company announced on 13 April 2011 that it entered into the memorandum of understanding with CineChina Limited in relation to formation of the joint venture for investment in and management of high-end digital cinemas in the PRC; and (ii) the Company published an announcement on 18 April 2011 (after trading hours) in relation to placing of existing Shares and subscription of new Shares. Since then, the closing price of the Shares showed a decreasing trend and reached HK$0.061 on 3 October 2011 which is the lowest closing price during the Review Period. As illustrated in the chart above, the Subscription Price/Capitalisation Price of HK$0.03 was always lower than the closing price of the Shares during the Review Period. As at the Latest Practicable Date, the closing price of the Shares was HK$0.105 which represents a premium of 250% to the Subscription Price/Capitalisation Price.

Trading liquidity of the Shares

Chart B sets out the daily trading volume of the Shares during the Review Period:

Chart B – Trading volume of the Shares



Source: website of the Stock Exchange (www.hkex.com.hk)

Table C below sets out the monthly trading volume, the average daily number of Shares traded per month and the respective percentage daily trading volume compared with the issued share capital and the public float respectively during the Review Period:

Table C – Trading volume of the Shares

Month	Total monthly trading volume *(in number of Shares)*	Average daily trading volume *(in number of Shares)* *(Note 1)*	Percentage of average daily trading volume to total number of Shares in issue *(%)* *(Note 2)*	Percentage of average daily trading volume to total number of Shares held by the public Shareholders *(%)* *(Note 3)*
2011				
January	140,356,250	6,683,631	0.22%	0.32%
February	56,944,000	3,163,556	0.10%	0.15%
March	398,301,000	17,317,435	0.56%	0.83%
April	1,162,868,800	77,524,587	2.51%	3.71%
May	174,724,000	8,736,200	0.28%	0.42%
June	211,494,000	10,071,143	0.33%	0.48%
July	204,130,000	10,206,500	0.33%	0.49%
August	86,141,800	3,745,296	0.12%	0.18%
September	81,956,000	4,097,800	0.13%	0.20%
October	214,620,000	10,731,000	0.35%	0.51%
November	164,852,000	7,493,273	0.24%	0.36%
December	82,368,000	4,118,400	0.13%	0.20%
2012				
January	49,800,000	3,830,769	0.12%	0.18%
February (up to the Latest Practicable Date)	170,920,000	10,682,500	0.35%	0.51%

Source: website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume of the Shares for the month/period by the number of trading days during the month/period.

2. Based on 3,090,559,126 Shares in issue as at the Latest Practicable Date.

3. Based on 2,088,853,127 Shares held by public Shareholders as at the Latest Practicable Date.

As illustrated above, during the Review Period, the average daily trading volume of the Shares as a percentage of the average total number of issued Shares ranged from 0.10% to 2.51% while the average daily trading volume of the Shares as a percentage of the average total number of Shares held by the public Shareholders ranged from 0.15% to 3.71%. The highest average daily trading volume of the Shares occurred in April 2011 when the Company announced on 13 April 2011 that it entered into the memorandum of understanding with CineChina Limited in relation to formation of the joint venture for investment in and management of high-end digital cinemas in the PRC. Since April 2011, the percentage of average daily trading volume of the Shares to the total number of Shares and to the total number of Shares held by the public Shareholders showed a general decreasing trend which coincides with the decreasing trend in the closing price of the Shares as shown in Chart A. Given the low liquidity of the Shares in recent months and the fact that it is difficult to find an underwriter under the current market conditions as analyzed under the section headed "Other alternative methods of financing" above, we consider that it would be difficult for the Company to conduct equity fund raising activities such as placing, rights issue or open offer under the current market condition as a typical rights issue or open offer would involve the engagement of underwriter(s).

Comparison with the Comparable Companies

In assessing the fairness and reasonableness of the Subscription Price and the Capitalisation Price, we have conducted a comparable analysis based on the identification of companies listed on GEM which (i) engage in businesses similar to those of the Group with the majority of assets related to film and entertainment businesses; and (ii) announced subscription or placement of new shares to be issued under specific mandate and represent more than 20% of the issued share capital of the respective GEM listed companies for the period from 1 January 2011 up to 19 January 2012 (being the date of the Announcement). We have excluded open offer or rights issue in our comparison because we consider that the nature of subscription or placement of new shares is different compared to open offer or rights issue as the latters would typically involve the engagement of underwriter(s) and the involvement of the existing shareholders. Therefore, the discounts of the subscription price under open offer or rights issue may not be directly comparable to that under subscription or placement of new shares. In general, in assessing whether a business segment is principal to a company, we consider it is a justifiable basis to make reference to the assets from a business segment which contributes more than half of the total assets of a company. Based on the above, we have thus identified an exhaustive list of 2 companies (the "**Comparable Companies**") by searching through published information on the Stock Exchange's website. We consider that the Comparable Companies represent an exhaustive list and are fair and representative samples for comparison as the principal business of the Comparable Companies is similar to that of the Group. We have excluded GEM listed companies whose principal businesses are not similar to those of the Group since the subscription or placement of new shares announced by these companies may not be directly comparable to the Subscription and Capitalisation due to different nature of businesses. The findings in relation to the Comparable Companies are summarized in the table below:

Table D – The Comparable Companies

Date of announcement	Company name (stock code)	Principal activities	Subscription/ placing price *(HK$)*	Closing price at last trading day *(HK$)*	Average closing price of the last 5 trading days up to and including the last trading day *(HK$)*	Premium over/ (discount to) the closing price on the last trading day *(%)*	Premium over/ (discount to) the average closing price of the last 5 trading days up to and including the last trading day *(%)*
10-Jan-12	China 3D Digital Entertainment Limited (8078)	Artiste management services; film and television programme production, distribution and licensing	0.08	0.158	0.158	(49.37)%	(49.37)%
31-Mar-11	Media Asia Group Holdings Limited (8075) *(Note)*	Event organisation and event management; investment, production, sale and distribution of films; development and licensing of software and technology for use in connection with the provision of value added telecommunications services	(i) 0.016 (ii) 0.02785	0.385 0.385	0.372 0.372	(95.84)% (92.77)%	(95.70)% (92.51)%
					Maximum	**(49.37)%**	**(49.37)%**
					Minimum	**(95.84)%**	**(95.70)%**
					Average	**(79.33)%**	**(79.19)%**
19-Jan-12	The Company (8220)	Sales and trading of coal and palm oil; movie production, licensing and derivatives, crossover marketing, provision of interactive contents and cinema investment and management	0.03	0.074	0.073	(59.46)%	(58.90)%

Source: website of the Stock Exchange (www.hkex.com.hk)

Note: According to the announcement of Media Asia Group Holdings Limited dated 31 March 2011, there are two subscription prices which are HK$0.016 and HK$0.02785 respectively for four tranches of subscription shares to four different share subscribers.

As shown in Table D above, the subscription/placing prices of the Comparable Companies range from (i) a discount of approximately 49.37% to 95.84% to the closing price on the last trading day (the "**Market Range**") with an average discount of approximately 79.33%; and (ii) a discount of approximately 49.37% to 95.70% to the average closing price of the last five trading days up to and including the last trading day (the "**5-day Market Range**") with an average discount of approximately 79.19%. The discounts of the Subscription Price and the Capitalisation Price to the closing price on the Last Trading Day and the average closing price of the last five trading days up to and including the Last Trading Day of 59.46% and 58.90% respectively fall within the corresponding Market Range and 5-day Market Range and are better than the corresponding average discount of the Comparable Companies.

Having considered that (i) the Group incurred losses attributable to the Shareholders in the past few years; (ii) both the Group's current ratio and debt ratio deteriorated during the six months ended 30 September 2011 and the Group recorded net cash outflow from operating activities for the past few years as analysed under the section headed "Review of historical performance of the Group"; (iii) the risk of possible legal actions that may be brought by the Creditors against the Group if the Loans cannot be capitalised by way of allotment and issue of the Capitalisation Shares pursuant to the Capitalisation Agreements, completion of which is conditional upon the Subscription Agreement having become unconditional; (iv) as analyzed under the section headed "Other alternative methods of financing" above, the lock-up of the Subscription Shares and the Capitalisation Shares provides a measure of support from Beglobal and the Creditors to the Company given that it is difficult to find an underwriter under the current market conditions and the lock-up period allows further commitment from Beglobal and the Creditors in relation to the future development of the Company; and (v) the discounts of the Subscription Price and the Capitalisation Price to the closing price on the Last Trading Day and the average closing price of the last five trading days up to and including the Last Trading Day of 59.46% and 58.90% respectively fall within the corresponding Market Range and 5-day Market Range and are better than the corresponding average discount of the Comparable Companies, we consider that the terms of the Subscription and the Capitalisation are fair and reasonable so far as the Independent Shareholders are concerned.

5. Financial effects of the Subscription and the Capitalisation

Working capital

According to the 2011 Interim Report, the unaudited current assets and current liabilities of the Group amounted to HK$178,014,000 and 147,471,000 respectively as at 30 September 2011, translating into a current ratio (current assets/current liabilities) of approximately 1.21 and net current assets of HK$30,543,000. Upon completion of the Subscription, the liquidity and cash position of the Group will be improved as the Subscription will facilitate the Company to raise aggregate net proceeds of approximately HK$37 million. Upon completion of the Capitalisation, the Loans owed by the Company will be fully settled and hence the current liabilities of the Group will be reduced. Accordingly, the net current assets and current ratio of the Group are expected to be improved upon completion of the Subscription and the Capitalisation.

Net asset value

According to the 2011 Interim Report, the Group's unaudited consolidated net assets as at 30 September 2011 amounted to approximately HK$66,449,000 translating into an unaudited net asset value per Share of approximately HK$0.022 (based on 3,090,559,126 Shares in issue as at the Latest Practicable Date). Upon completion of the Subscription and the Capitalisation, the net asset value of the Group will be improved as the Subscription and the Capitalisation would increase the share capital of the Group. Accordingly, the completion of the Subscription and the Capitalisation will have a positive impact on the net asset value of the Group. Furthermore, since the Subscription Price and the Capitalisation Price represent a premium of approximately 36.36% over the unaudited net asset value per Share of approximately HK$0.022, the net asset value per Share of the Group will be increased upon completion of the Subscription and the Capitalisation.

Earnings

Save for the expenses relating to the Subscription, the Subscription and the Capitalisation will not have any immediate material impact on the earnings of the Company since the Subscription and the Capitalisation are equity transactions in nature. Hence, there will be no material effect on the earnings of the Company upon completion of the Subscription and the Capitalisation. Since 1,300,000,000 Subscription Shares and 1,706,249,999 Capitalisation Shares will be issued upon completion of the Subscription and the Capitalisation, there will be dilution effect on the earnings per Share of the Group.

Gearing and current ratio

The debt ratio of the Group, being the ratio of total liabilities to total assets increased from approximately 0.54 as at 31 March 2011 to 0.70 as at 30 September 2011. Meanwhile, the Group's current ratio decreased from approximately 1.84 as at 31 March 2011 to approximately 1.21 as at 30 September 2011. Upon completion of the Subscription and the Capitalisation, the Company's current assets and thus total assets will be increased while current liabilities and thus total liabilities will be decreased. Therefore, both the Group's current ratio and debt ratio are expected to improve upon completion of the Subscription and the Capitalisation.

Based on the above, the Subscription and the Capitalisation would have an overall positive effect on the financial position of the Group in terms of net asset value, working capital, current ratio and gearing upon completion of the Subscription and the Capitalisation. Meanwhile, the Subscription and the Capitalisation will not have any material impact on earnings of the Group. In spite of the dilution effect on the earnings per Share, the Group's overall financial position will be strengthened upon completion of the Subscription and the Capitalisation. Taken into account that the additional funds raised from the Subscription can allow the Company to acquire and develop cinema projects in the PRC which may provide future earnings to the Group, we are of the view that the dilution in earnings per Share of the Group upon completion of the Subscription and the Capitalisation to be acceptable. Accordingly, we are of the view that the Subscription and the Capitalisation are in the interests of the Company and the Shareholders as a whole.

6. Effect on the shareholding structure of the Company

As shown in the Letter from the Board under the sub-section headed "Shareholding structure of the Company", the shareholding in the Company held by the existing public Shareholders will be diluted from approximately 67.59% as at the Latest Practicable Date to approximately 45.64% immediately after the allotment and issue of the Subscription Shares and the the Capitalisation Shares. Notwithstanding the dilution of the existing public Shareholders, having taken into account (i) the need for the Group to preserve its cash resources and alleviate its present/future liabilities so as to improve the overall liquidity and financial stability position in view of the current uncertain business and economic environment; and (ii) the issue of the Subscription Shares and the Capitalisation Shares will strengthen the capital base of the Company and enhance the net asset value, working capital, current ratio and gearing of the Group, we are of the view that the dilution to the shareholding of the existing public Shareholders is acceptable so far as the Independent Shareholders are concerned.

7. Whitewash Waiver

As set out in the Letter from the Board, Mr. Chiau and his family, the Trust, SMP Trustees, Beglobal, Golden Treasure and parties acting in concert with any of them will be interested in an aggregate of 2,205,000,000 Shares, representing approximately 50.22% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares immediately after completion of the Subscription. Taking into account the 1,011,969,926 Capitalisation Shares to be issued to Beglobal pursuant to the Capitalisation Agreement, Mr. Chiau and his family, the Trust, SMP Trustees, Beglobal, Golden Treasure and parties acting in concert with any of them will be interested in 3,216,969,926 Shares, representing approximately 52.76% of the issued share capital of the Company upon completion of the Subscription and the Capitalisation. Under Rule 26 of the Takeovers Code, Beglobal is required to make a general offer for all the issued securities in the Company not already owned or agreed to be acquired by Mr. Chiau and his family, the Trust, SMP Trustees, Beglobal, Golden Treasure and parties acting in concert with any of them as a result of the issue of the Subscription Shares to Beglobal. In this regard, Beglobal has made an application to the Executive for the Whitewash Waiver and the Executive has indicated that it will grant the Whitewash Waiver subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll.

The Subscription is conditional upon, among other things, the granting of the Whitewash Waiver by the Executive and the approval of the Whitewash Waiver by the Independent Shareholders at the EGM. The aforesaid condition is not capable of being waived. If the Whitewash Waiver is not granted, the Subscription will not proceed. As completion of the Capitalisation is conditional upon, among other things, the Subscription Agreement having become unconditional, if the Subscription does not proceed, completion of the Capitalisation will not take place.

If the Whitewash Waiver is approved by the Independent Shareholders, the aggregate shareholding of Mr. Chiau and his family, the Trust, SMP Trustees, Beglobal, Golden Treasure and parties acting in concert with any of them in the Company will exceed 50% after completion of the Subscription. Mr. Chiau and his family, the Trust, SMP Trustees, Beglobal, Golden Treasure and parties acting in concert with any of them may further increase their shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

Having considered the benefits of the Subscription and the Capitalisation as mentioned in the previous sections in this letter, in particular, (i) the Subscription allows the Company to raise additional cash given that the Group generated net cash outflow from operating activities for the past few years and the funding of the Movie Project requires the Group's internal cash resources; (ii) the Capitalisation allows the Group to reduce its debt ratio and to remove entirely the repayment pressure of the Loans on the Group and to mitigate the risk of possible legal actions that may be brought by the Creditors against the Group; (iii) the Subscription represents the best available option for the Company to obtain additional funding for its working capital and future development of cinema projects in light of the current market conditions and the Capitalisation represents the best way to settle the Loans due to the Creditors; and (iv) the Subscription and the Capitalisation would have an overall positive effect on the financial position of the Group in terms of net asset value, working capital, current ratio and gearing upon completion of the Subscription and the Capitalisation, and that the lock-up of the Subscription Shares and the Capitalisation Shares provides a measure of support from Beglobal and the Creditors to the Company, we are of the view that the granting of the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having taken into account the above principal factors and reasons, in particular,

(i) the Group recorded net decreases in cash and cash equivalents for the past two years ended 31 March 2010 and for the six months ended 30 September 2011 while the net increase in cash and cash equivalents for the year ended 31 March 2011 was due to cash inflow arising from sale of investment properties which is non-recurring in nature;

(ii) the Group incurred losses attributable to Shareholders in the past few years and the development and acquisitions of cinema projects will provide future income to the Group in light of the growth opportunities in the cinema industry in the PRC in the next few years;

(iii) the Subscription allows the Company to raise additional funding for the acquisition and development of cinema projects including but not limited to the Movie Project;

(iv) the Capitalisation allows the Group to reduce the debt ratio and to remove entirely the repayment pressure of the Loans on the Group as well as mitigating the risk of possible legal actions that may be brought by the Creditors against the Group;

(v) the Group's difficulty in obtaining alternative methods of financing in view of the current volatile market conditions;

(vi) the Subscription represents the best available options for the Company to obtain additional funding for its working capital and future development of cinema projects whereas the Capitalisation represents the best way to settle the Loans due to the Creditors;

(vii) the discounts of the Subscription Price and the Capitalisation Price to the closing price on the Last Trading Day and the average closing price of the last five trading days up to and including the Last Trading Day of 59.46% and 58.90% respectively fall within the corresponding Market Range and 5-day Market Range and are better than the corresponding average discount of the Comparable Companies;

(viii) the Subscription/Capitalisation Price represents a premium over the unaudited net asset value per Share of the Company as at 30 September 2011; and

(ix) the Group's current ratio and debt ratio deteriorated during the six months ended 30 September 2011 and the Subscription and the Capitalisation would have an overall positive effect on the financial position of the Group in terms of net asset value, working capital, current ratio and gearing upon completion of the Subscription and the Capitalisation,

we consider that the terms of the Subscription Agreement, the Capitalisation Agreements and the Whitewash Waiver are conducted on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and the Subscription Agreement, the Capitalisation Agreements and the transactions contemplated under the respective agreements are in the interests of the Company and the Independent Shareholders as a whole. We also consider that the granting of the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the GEM Listing Rules IBC to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Subscription Agreement, the Capitalisation Agreements and the transactions contemplated thereunder. We also advise the Whitewash IBC to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Subscription Agreement and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Messis Capital Limited
Robert Siu
Executive Director

1. FINANCIAL SUMMARY

The following is a summary of (i) the audited financial results of the Group for each of the three financial years ended 31 March 2009, 2010 and 2011; (ii) the audited assets and liabilities as at 31 March 2009, 2010 and 2011; (iii) the unaudited financial results of the Group for the six months ended 30 September 2011; and (iv) the unaudited assets and liabilities of the Group as at 30 September 2011 as extracted from the published financial statements of the Group for the relevant years/period. The auditors of the Company did not issue any qualified opinion on the financial statements of the Group for each of the three years ended 31 March 2009, 2010 and 2011. The Company had no items which are exceptional or extraordinary because of size, nature or incidence, and no dividend had been paid or declared by the Company for each of the three years ended 31 March 2009, 2010 and 2011 and the six months ended 30 September 2011.

(i) Consolidated income statement

	For the year ended 31 March			For the six months ended 30 September
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)
Continuing operations				
Turnover	213,195	687,987	557,637	120,972
Gross profit	2,606	3,965	6,701	8,900
Loss before taxation	(40,971)	(52,835)	(166,762)	(39,221)
Taxation	(313)	(2,719)	9,841	–
Loss for the year/period from continuing operations	(41,284)	(55,554)	(156,921)	(39,221)
Discontinued operations				
(Loss)/profit for the year/period from discontinued operations	(54,637)	22,042	–	–
Loss for the year/period	(95,921)	(33,512)	(156,921)	(39,221)
Loss attributable to:				
– Owners of the Company	(95,531)	(32,916)	(156,921)	(38,608)
– Non-controlling interests	(390)	(596)	–	(613)
	(95,921)	(33,512)	(156,921)	(39,221)

	For the year ended 31 March			For the six months ended 30 September
	2009	2010	2011	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)
Loss per Share (cents)				
From continuing and discontinued operations				
– Basic	(6.74)	(1.50)	(5.34)	(1.27)
– Diluted	N/A	N/A	N/A	N/A
From continuing operations				
– Basic	(2.88)	(2.51)	(5.34)	(1.27)
– Diluted	N/A	N/A	N/A	N/A
Dividend	–	–	–	–
Dividend per Share	–	–	–	–

(ii) Consolidated statement of financial position

	As at 31 March			As at 30 September
	2009	2010	2011	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)
Total assets	48,343	394,956	170,889	222,076
Total liabilities	45,066	307,986	92,164	155,627
Net assets	3,277	86,970	78,725	66,449
Equity attributable to owners of the Company	3,045	87,212	78,725	67,054
Non-controlling interests	232	(242)	–	(605)
Total equity	3,277	86,970	78,725	66,449

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is the full text of the audited financial statements of the Group for the year ended 31 March 2011 as extracted from the annual report of the Company for the year ended 31 March 2011:

"**Consolidated income statement**
For the Year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Continuing operations			
Turnover	6	557,637	687,987
Cost of sales		(546,373)	(676,631)
Operating cost		(4,563)	(7,391)
Gross profit		6,701	3,965
Reimbursement from licensor		–	3,347
Gain arising on change in fair value of investment properties		–	20,000
Gain on disposal of subsidiaries	37	15,540	–
Other revenue and other net income	7	334	48
Selling expenses		(5,608)	(33)
Administrative expenses		(50,536)	(41,986)
Share-based payments	45	(124,202)	(8,950)
Other losses	11	(1,368)	(24,322)
Share of loss of associates	21	(13)	(84)
Finance costs	8	(7,610)	(4,820)
Loss before taxation		(166,762)	(52,835)
Taxation	14	9,841	(2,719)
Loss for the year from continuing operations	11	(156,921)	(55,554)
Discontinued operations			
Profit for the year from discontinued operations	9	–	22,042
Loss for the year		(156,921)	(33,512)
Loss attributable to:			
Owners of the Company	15	(156,921)	(32,916)
Non-controlling interests		–	(596)
		(156,921)	(33,512)
Loss per share (cents per share)	17		
From continuing and discontinued operations			
Basic:		(5.34)	(1.50)
Diluted		N/A	N/A
From continuing operations			
Basic:		(5.34)	(2.51)
Diluted		N/A	N/A

Details of dividend payable to owners of the Company are set out in note 16.

Consolidated statement of comprehensive income
For The Year ended 31 March 2011

	2011	2010
	HK$'000	*HK$'000*
Loss for the year	(156,921)	(33,512)
Other comprehensive loss		
Exchange differences on translating foreign operations		
– Exchange differences arising during the year	(53)	(290)
– Reclassification adjustment relating to foreign operations disposed during the year	(58)	(3,366)
Other comprehensive loss for the year, net of tax	(111)	(3,656)
Total comprehensive loss for the year	(157,032)	(37,168)
Total comprehensive loss attributable to:		
Owners of the Company	(157,032)	(36,572)
Non-controlling interests	–	(596)
	(157,032)	(37,168)

Consolidated statement of financial position

At 31 March 2011

	Notes	As at 31 March 2011 HK$'000	As at 31 March 2010 HK$'000 (restated)	As at 1 April 2009 HK$'000 (restated)
NON-CURRENT ASSETS				
Property, plant and equipment	18	578	2,182	3,039
Goodwill	19	15,060	7,556	2,700
Deferred tax assets	33	803	–	–
		16,441	9,738	5,739
CURRENT ASSETS				
Inventories	22	24,710	–	15,050
Trade receivables	23	322	1,177	5,395
Other receivables, deposits and prepayments	24	4,262	54,245	5,307
Security deposit to a related company		–	–	800
Pledged bank deposit		–	–	150
Film in progress	25	8,389	–	–
Bank balances and cash	26	116,765	9,796	15,324
		154,448	65,218	42,026
Assets classified as held for sale	10	–	320,000	578
		154,448	385,218	42,604
CURRENT LIABILITIES				
Trade payables	27	–	8,236	2,740
Deposits received, other payables and accruals	28	34,090	61,589	20,899
Promissory note		–	–	900
Amount due to an associate	21	–	147	63
Amount due to non-controlling interests	29	–	483	966
Tax payables		736	631	313
Obligation under finance lease	30	–	83	–
Bank loans, secured	31	–	155,000	–
Convertible bonds	32	49,182	–	–
		84,008	226,169	25,881
Liabilities associated with assets classified as held for sale	10	–	–	19,185
		84,008	226,169	45,066
NET CURRENT ASSETS/(LIABILITIES)		70,440	159,049	(2,462)
TOTAL ASSETS LESS CURRENT LIABILITIES		86,881	168,787	3,277

	Notes	As at 31 March 2011 HK$'000	As at 31 March 2010 HK$'000 (restated)	As at 1 April 2009 HK$'000 (restated)
NON-CURRENT LIABILITIES				
Obligation under finance lease	*30*	–	111	–
Convertible bonds	*32*	8,156	72,645	–
Deferred tax liability	*33*	–	9,061	–
		8,156	81,817	–
NET ASSETS		78,725	86,970	3,277
CAPITAL AND RESERVES				
Share capital	*34*	61,431	54,231	32,590
Reserves	*35*	17,294	32,981	(29,545)
		78,725	87,212	3,045
Non-controlling interests		–	(242)	232
TOTAL EQUITY		78,725	86,970	3,277

Statement of financial position

At 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	136	–
Interests in subsidiaries	20	173,219	157,038
		173,355	157,038
CURRENT ASSETS			
Other receivables, deposits and prepayments	24	2,203	443
Bank balances and cash		114,069	2
		116,272	445
CURRENT LIABILITIES			
Other payables and accruals	28	4,321	3,504
Amounts due to subsidiaries	20	147,069	1,649
Convertible bonds	32	49,182	–
		200,572	5,153
NET CURRENT LIABILITIES		(84,300)	(4,708)
TOTAL ASSETS LESS CURRENT LIABILITIES		89,055	152,330
NON CURRENT LIABILITIES			
Convertible bonds	32	8,156	72,645
NET ASSETS		80,899	79,685
CAPITAL AND RESERVES			
Share capital	34	61,431	54,231
Reserves	35	19,468	25,454
TOTAL EQUITY		80,899	79,685

Consolidated statement of changes in equity
For the Year ended 31 March 2011

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Equity component of convertible note HK$'000	Share options reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2009	32,590	132,897	3,930	–	2,644	3,714	(172,730)	3,045	232	3,277
Loss for the year	–	–	–	–	–	–	(32,916)	(32,916)	(596)	(33,512)
Other comprehensive loss for the year	–	–	–	–	–	(3,656)	–	(3,656)	–	(3,656)
Total comprehensive loss for the year	–	–	–	–	–	(3,656)	(32,916)	(36,572)	(596)	(37,168)
Share consideration of HK$0.02 each for acquisition of subsidiary	15,000	60,000	–	–	–	–	–	75,000	–	75,000
Issue of new shares of HK$0.02 each completed on 14 October 2009	3,000	12,000	–	–	–	–	–	15,000	–	15,000
Issue of ordinary shares under share option scheme	3,641	16,895	–	–	(6,669)	–	–	13,867	–	13,867
Issuing expenses	–	(280)	–	–	–	–	–	(280)	–	(280)
Issue of convertible bonds on 7 October 2009	–	–	–	8,202	–	–	–	8,202	–	8,202
Equity-settled share option arrangement	–	–	–	–	8,950	–	–	8,950	–	8,950
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	122	122
At 31 March 2010	54,231	221,512	3,930	8,202	4,925	58	(205,646)	87,212	(242)	86,970
Loss for the year	–	–	–	–	–	–	(156,921)	(156,921)	–	(156,921)
Other comprehensive loss for the year	–	–	–	–	–	(111)	–	(111)	–	(111)
Total comprehensive loss for the year	–	–	–	–	–	(111)	(156,921)	(157,032)	–	(157,032)
Issue of convertible bonds on 1 June 2010	–	–	–	85,910	–	–	–	85,910	–	85,910
Issue of ordinary shares under convertible bonds	6,500	24,662	–	(3,076)	–	–	–	28,086	–	28,086
Issue of new shares of HK$0.02 each under share option scheme	700	4,467	–	–	(1,741)	–	–	3,426	–	3,426
Equity settled share option arrangement	–	–	–	–	31,123	–	–	31,123	–	31,123
Disposal of subsidiaries	–	–	–	–	–	–	–	–	242	242
At 31 March 2011	61,431	250,641	3,930	91,036	34,307	(53)	(362,567)	78,725	–	78,725

Consolidated statement of cash flows
For the Year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year:		(156,921)	(33,512)
Adjustments for:			
Income tax (credit)/expenses		(9,841)	2,719
Finance costs recognised in profit or loss		7,610	4,820
Interest income		(152)	(4)
Share of loss of an associate		13	84
Gain on disposal of a subsidiary		(15,540)	(22,439)
Gain arising on change in fair value of investment properties		–	(20,000)
Depreciation and amortisation		1,102	1,225
Write off of property, plant and equipment		–	381
Impairment loss in respect of property, plant and equipment		–	1,033
Impairment loss in respect of goodwill		–	5,465
Write down of inventory		–	14,402
Impairment loss in respect of trade and other receivables, deposits and prepayments		–	2,577
Loss on disposal of property, plant and equipment		12	867
Share-based payments		124,202	8,950
Operating cash flows before working capital changes		(49,515)	(33,432)
(Increase)/Decrease in inventories		(24,710)	648
Decrease in trade receivables		393	4,538
Decrease/(Increase) in other receivables, deposits and prepayments		48,761	(50,321)
Increase in film in progress		(8,389)	–
Decrease in security deposit to a related company		–	800
(Decrease)/Increase in trade payables		(2,748)	3,115
Increase/(Decrease) in other payables, accruals and deposit received		24,301	(11,354)
Decrease in amount due to non-controlling interests		–	(483)
CASH USED IN OPERATION		(11,907)	(86,489)
Tax paid		(55)	(222)
NET CASH USED IN OPERATING ACTIVITIES		(11,962)	(86,711)

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	*36*	195	52
Refund of investment costs		791	–
Decrease in pledged bank deposit		–	150
Purchase of property, plant and equipment		(382)	(525)
Proceeds from disposal of property, plant and equipment		40	94
Deposit received in respect of sale of investment properties		117,600	48,000
Net cash outflow from disposal of subsidiaries	*37*	(203)	(79)
Interests received		152	4
NET CASH FROM INVESTING ACTIVITIES		118,193	47,696
CASH FLOWS FROM FINANCIAL ACTIVITIES			
Net proceeds from placement of new shares		–	14,720
Proceeds from shares issued under share option scheme		3,426	13,867
Repayment of promissory notes		–	(900)
Bank loans arised		–	7,925
Repayment of bank loan		(600)	–
Repayment of finance lease		(35)	(56)
Interest on finance lease paid		(4)	(6)
Bank interest paid		(1,996)	(1,967)
NET CASH GENERATED FROM FINANCING ACTIVITIES		791	33,583
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		107,022	(5,432)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		9,796	15,403
Effect of foreign exchange rate changes		(53)	(175)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	*26*	116,765	9,796

Notes to financial statements

For the Year ended 31 March 2011

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 20 to the financial statements.

The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the head office and principal place of business of the Company in Hong Kong is located at Room 1201-1204, 12th Floor, Sea Bird House, 22-28 Wyndham Street, Central, Hong Kong. The Company has its primary listing on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure provisions of The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and the disclosure requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Group is set out below. These financial statements have been prepared under historical cost convention except for certain financial instruments and investment properties which are measured at fair value, as explained in the accounting policies set out below.

In the current year, the Group has applied, for the first time, the following new standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the company's financial year beginning on 1 April 2010.

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

HKAS 27 (as revised in 2008) "Consolidated and Separate Financial Statements" and HKFRS 3 (as revised in 2008) "Business Combinations"

The Group applies HKFRS 3 (as revised in 2008) prospectively to business combinations for which the acquisition date is on or after 1st April, 2010. The requirements in HKAS 27 (as revised in 2008) in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st April, 2010.

The impact of the application of HKFRS 3 (as revised in 2008) is as follows:

- HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree.

- HKFRS 3 (as revised in 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

- HKFRS 3 (as revised in 2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.

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

The application of HKFRS 3 (as revised in 2008) has no material effect on the financial statements of the Group for the current year.

As a result of the amendments to HKAS 27, as from 1st April, 2010, any losses incurred by a non wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated. The application of this new accounting policy does not have any effect on the allocation of losses to the non-controlling interests in the current period as none of the non controlling interests have a deficit balance.

Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause"

Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" ("HK Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities irrespective of the probability that the lender will invoke the clause without cause. The Group has applied HK Int 5 for the first time in the current year. HK Int 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. Under the new policy, term loans with a repayment on demand clause are classified as current liabilities in the statement of financial position. Previously, such term loans were classified in accordance with the agreed scheduled repayment dates set out in the loan agreements unless the Group had breached any of the loan covenants set out in the agreements as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1st April, 2009, with consequential reclassification adjustments to comparatives for the year ended 31st March, 2010. The reclassification has had no effect on reported profit or loss, total comprehensive income or equity for any period presented.

	At 31st Match 2011	**At 31st March 2010**	**At 31st March 2009**
	HK$'000	*HK$'000*	*HK$'000*
Increase (decrease) in			
Current liabilities			
Bank loans, secured	–	76,800	–
Non-current liabilities			
Bank loans, secured	–	(76,800)	–
	–	–	–

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities that reflects the remaining contractual maturities (see note 3).

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First– time Adopters[6]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[2]
HKFRS 9	Financial Instruments[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 24 (as revised in 2009)	Related party Disclosures[5]
HK (IFRIC) – Int 14 (Amendments)	Prepayments of Minimum Funding Requirement[5]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

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

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

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

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

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. It is required to be applied retrospectively, but if adopted prior to 1 January 2012, an entity will be exempt from the requirement to restate prior period comparative information. The Group is presently studying the implications of applying HKFRS 9. It is impracticable to quantify the impact of HKFRS 9 as at the date of publication of these financial statements.

The Group anticipates that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved 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 year are included in the consolidated income statement from the effective date of acquisition or 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 into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests in the net assets of consolidated subsidiaries are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the net assets of consolidated subsidiaries consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination.

Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1st January, 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1st April, 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Changes in the Group's ownership interests in existing subsidiaries prior to 1st January, 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less any impairment losses, unless the investment is classified as held for sale or included in a disposal group that is classified as held for sale.

c) Business combinations

Business combinations that took place on or after 1st April, 2010

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, except that:

i) 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;

ii) 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

iii) assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Noncurrent Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

Business combinations that took place prior to 1st April, 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

d) Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

e) Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the jointly controlled entity's net assets, unless it is classified as held for sale. The Group's share of the post-acquisition, post-tax results of the jointly controlled entities and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity. For this purpose, the Group's interest in the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

f) Investment in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. 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. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit and loss.

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

Where a Group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except to the extent that unrealized losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

In the Company's statement of financial position, investment in an associate is stated at cost less provision for impairment loss. The result of associate is accounted for by the Company on the basis of dividends received and receivable.

g) Non-current assets held for sale and discontinued operations

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Except for certain assets as explained below, non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and jointly controlled entity) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent re-measurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

i) the post-tax profit or loss of the discontinued operation; and

ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

h) Property, plant and equipment

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

Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to profit or loss. Improvements are capitalised and depreciated over their expected useful lives.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

The gain or loss on disposal of property, plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Depreciation is calculated on the straight-line basis to write-off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Computers	25%
Leasehold improvement	Over the shorter of the lease terms and 20%
Motor vehicles	20%
Furniture, fixtures and equipment	20%
Plant and machinery	10%
Moulds	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

i) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property. Investment properties are stated in the consolidated statements of financial position at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease, and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases.

j) Intangible assets

Intangible assets acquired separately

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

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

Research and development expenditures

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

– the technical feasibility of completing the intangible asset so that it will be available for use or sale;

– the intention to complete the intangible asset and use or sell it;

– the ability to use or sell the intangible asset;

– how the intangible asset will generate probable future economic benefits;

– the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

– the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on a first-in, first-out basis, comprises all costs of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

l) 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 (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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.

Interest 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. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a jointly controlled entity, security deposit to a related company, pledged bank deposits and cash and cash equivalents) 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), unless the effect of discounting would be immaterial, in which case they are stated at cost less provision for impairment.

Impairment loss on financial assets

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

For all the Group's financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other 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 credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and amounts due from group companies, 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 trade receivables or amounts due from group companies are 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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

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

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

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss and other financial liabilities. The Group classifies its financial liabilities into other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expenses 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, when appropriate, a short period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and bills payables, other payables and accruals, amounts due to group companies and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Convertible note

Convertible notes issued by the Company that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

An initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of the fair value of the compound instrument over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible loan notes equity reserve until either the note is converted or redeemed.

If the note is converted, the convertible loan note equity reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible loan notes equity reserve is released directly to retained profits.

Equity instruments

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

Financial guarantee

A financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within other payables and accruals. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(o) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in other payables and accruals in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

Derecognition

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

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

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

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– intangible assets;

– investments in subsidiaries;

– investment in an associate; and

– investment in a jointly controlled entity.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

Reversal of impairment losses

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Interim financial reporting and impairment

Under the GEM Listing Rules, the Company is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill and available-for-sale financial asset carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

n) Cash and cash equivalents

Cash and cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. Cash and cash equivalents include investments and advances denominated in foreign currencies provide that they fulfill the above criteria.

For the purposes of the statement of cash flows, cash and cash equivalents would also include bank overdrafts and advances from banks repayable within three months from the date of the advance.

o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

p) Leases

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

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance costs and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs.

Lease where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to profit or loss on the straight-line basis over the lease terms. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

q) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and these benefits can be measured reliably.

(i) Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(ii) Income in respect of management services is recognised when the services are rendered.

(iii) Royalty income from the sub-licensing of programme right and intellectual property right is recognised on an accrual basis evenly over the contract period.

(iv) Rental income from counter sales is recognised when the goods are sold.

(v) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

r) Reimbursement from licensor

Pursuant to the agreement between the licensor of the shopping mall and the Group, the licensor will reimburse the Group all actual and renewable costs and expenses paid by the Group in connection with fulfillment of the obligation of the Group on the condition that the prior written approval of the licensor is obtained. Reimbursement from licensor is recognised when the relevant expenses incurred are certain to be reimbursable by the licensor and is presented as a separate item in the consolidated income statement.

s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case they are recognised in other comprehensive income or directly in equity, respectively.

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. 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 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 profits 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. The measurement of deferred tax assets and liabilities 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 or deferred tax for the year 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 is 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.

t) Films in progress

Films in progress represents films and televisions drama series under production and is stated at cost incurred to date, less any identified impairment loss. Cost is transferred to film rights upon completion.

u) Retirement benefit costs

Payments to Mandatory Provident Fund Scheme and state-managed retirement benefit schemes which are defined contribution schemes are charged as an expense when employees have rendered service entitling them to the contributions.

v) Share-based payment arrangement

Share options granted to directors and employees in an equity-settled share-based payment arrangement

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss. When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

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

Share options granted to advisers

For share options granted to advisers in exchange for services, they are measured at the fair value of the services received. If the entity cannot estimate reliably the fair value of the services received, the entity shall measure their value, indirectly, by reference to the fair value of the equity instruments granted. The fair values of the services are recognised as expenses immediately, unless the services qualify for recognition as assets, with corresponding increase in equity (share options reserve).

w) Borrowing costs

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

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

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. HKD) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

From 1st January, 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

y) Related parties

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

(i) directly, or indirectly through one or more intermediaries, the party:

- control, is controlled by, or is under common control with, the Group;
- has an interest in the Company that gives it significant influence over the Group; or
- has joint control over the Group

(ii) the party is a member of key management personnel of the Company;

(iii) the party is a close member of the family of any individual referred to in (i) and (ii);

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

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

z) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

3. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The carrying amounts of each of the categories of the Group and the Company's financial assets and liabilities as at the end of the reporting period are as follows:

	The Group		The Company	
	2011	2010	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)				
Trade receivables	322	1,177	–	–
Financial assets included in other receivables, deposits and prepayments	3,629	49,400	1,946	285
Amounts due from subsidiaries	–	–	132,060	115,087
Bank balance and cash	116,765	9,796	114,069	2
	120,716	60,373	248,075	115,374
Financial liabilities				
Financial liabilities measured at amortised cost				
Trade payables	–	8,236	–	–
Financial liabilities included in deposits received, other payables and accruals	8,743	8,126	3,952	3,037
Amounts due to subsidiaries	–	–	147,069	1,649
Amount due to associates	–	147	–	–
Amount due to non-controlling interests	–	483	–	–
Obligation under finance lease	–	194	–	–
Bank loan, secured	–	155,000	–	–
Convertible bonds	57,338	72,645	57,338	72,645
	66,081	244,831	208,359	77,331

(b) Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales, purchases and recognised assets and liabilities that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars and Renminbi.

The Group currently does not expect any significiant movements in the exchange rate of USD to HKD and it is mainly exposed to the effects of fluctuation in RMB. The Group currently does not have a foreign currency hedging policy, however, the management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	2011		**2010**	
	USD'000	*RMB'000*	*USD'000*	*RMB'000*
Assets	113	53,089	2,290	629
Liabilities	–	(3,467)	–	(7,607)

The following table details the Group sensitivity to a 3% increase and decrease in HKD dollars against RMB. The sensitivity analysis includes outstanding foreign currency denominated monetary items. A positive number below indicates an increase in profit where HKD weaken 3%. For a 3% strengthening of the HKD against RMB, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	Impact of RMB
Sensitivity rate	3%
Profit after tax and retained earnings	1,268

This is mainly attributable to the exposure to cash and cash equivalents denominated in RMB.

It is assumed that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to the Group's exposure to foreign exchange risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. It is also assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. There was no significant effect on the Group's result for 2010 in response to reasonably possible changes in the foreign exchange rates to which the Group had exposure at the end of the reporting period.

(ii) Interest rate risk

The Group is exposed to the cash flow interest rate risk and fair value interest rate risk due to its bank deposits and borrowings, respectively, carrying interest at variable and fixed rates which are disclosed in notes 26, 30, 31 and 32 to the financial statements respectively. The Group currently does not have an interest rate hedging policy and does not use any derivative instruments to reduce its economic exposure to the changes in interest rates.

The sensitivity analysis below has been determined based on the exposure to interest rates for the Group's variable-rate bank deposits and borrowings. The analysis is prepared assuming these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point increase or decrease is used when reporting period interest rate risk internally to key management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2011 would increase/decrease by HK$613,000 (2010: decrease/increase by HK$1,469,000). This mainly attributable to the Group's exposure to interest rates on its variable rate bank deposits and borrowings.

(iii) Credit risk

The Group's credit risk is primarily attributable to cash at bank, trade and other receivables and deposits. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash at bank are placed with high-credit-quality institutions and directors of the Group consider that the credit risk for such is minimal.

In respect of trade receivables, credit evaluations are performed on all customers requiring credit over a certain amount. Debtors with overdue balances, which will be reviewed on a case-by-case basis, are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

In order to minimise the credit risk in respect of deposit, trade and other receivables, the Group reviews the recoverable amount at the end of each reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At 31 March 2011, the Group has a certain concentration of credit risk as 55% of the total trade and other receivables was due from a major customer of the Group. (2010: 24% of the trade receivables was due from the Group's five largest customers and 88% of the total other receivables, deposits and prepayments was deposit held by the legal adviser of the Company on behalf of the Group).

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk from trade and other receivables are set out in notes 23 and 24 to the financial statements.

(iv) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the board of directors when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates current at the end of the reporting period) and the earliest date the company can be required to pay.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

The Group

	2011					
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	–	–	–	–	–	–
Financial liabilities included in other payables and accruals	8,743	8,743	8,743	–	–	–
Convertible notes	57,338	96,188	51,188	–	–	45,000
Amount due to an associate	–	–	–	–	–	–
Amount due to non-controlling interest	–	–	–	–	–	–
Obligation under finance lease	–	–	–	–	–	–
Bank loans	–	–	–	–	–	–
	66,081	104,931	59,931	–	–	45,000

	2010					
	Carrying amount (Restated)	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	8,236	8,236	8,236	–	–	–
Financial liabilities included in other payables and accruals	8,126	8,126	8,126	–	–	–
Convertible notes	72,645	81,900	–	81,900	–	–
Amount due to an associate	147	147	147	–	–	–
Amount due to non-controlling interest	483	483	483	–	–	–
Obligation under finance lease	194	216	93	92	31	–
Bank loans	155,000	156,874	156,874	–	–	–
	244,831	255,982	173,959	81,992	31	–

The Company

	2011					2010				
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 5 years	More than 5 years	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 5 years	More than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities included in other payables and accruals	3,952	3,952	3,952	–	–	3,037	3,037	3,037	–	–
Convertible notes	57,338	96,188	51,188	–	45,000	72,645	81,900	–	81,900	–
Amounts due to subsidiaries	147,069	147,069	147,069	–	–	1,649	1,649	1,649	–	–
	208,359	247,209	202,209	–	45,000	77,331	86,586	4,686	81,900	–

(c) Fair values

The fair values of debt elements of convertible notes is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as inputs.

The carrying amounts of the group's and the company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2011 and 2010.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) Useful lives of property, plant and equipment and intangible assets (other than goodwill)

The Group's management determines the estimated useful lives and related depreciation and amortization charges for its property, plant and equipment and intangible assets (other than goodwill). This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry activities. Management will increase the depreciation and amortization charges where useful lives are less than previously estimated lives or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Periodic review could result in a change in depreciable and amortization lives and therefore depreciation and amortization expense in future periods.

b) Impairment of trade and other receivables

The Group makes impairment loss on doubtful debts based on an assessment of the recoverability of trade receivables and other receivables. Impairment is applied to trade receivables and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed.

c) Estimated net realisable value of inventories

The Group determines the write-down for slow-moving or obsolete inventories based on an assessment of the net realisable value of the inventories. Write-down is applied to the inventories where events or changes in circumstances indicate that the net realisable value is less than cost. The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of the inventories and inventory expenses in the period in which such estimate has been changed.

d) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

e) Valuation of share options and convertible bonds granted

The fair value of share option granted and convertible bonds were calculated using the binomial pricing model based on the Group's management's significant inputs into calculation the volatility of share price, weighted average share prices and exercise price of the share options granted. Furthermore, the calculation assumes nil future dividends.

f) Realisation of deferred tax assets

Deferred tax assets relating to tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred taxation assets and taxation in the periods in which such estimate is changed.

5. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions. The Group's operating business are structured and managed separately according to the nature of their operations.

For management purposes, the Group is organised into three operating segments:

Trading – Sales and trading of coal and crude oil

Property holding and management – Property holding and provision of property management services

Filmed entertainment, online games and licensing businesses – Movie production, licensing and derivatives, crossover marketing, provision of interactive contents, artist development and last miles engagement

The revenue from external customers reported to the management is measured in a manner consistent with that in the income statement. Revenue between segments are carried out on terms equivalent to those that prevail in arm's length transactions.

Segment result represents the profit or loss by each segment without allocation of central administration costs including directors' salaries, share of loss of associates, investment and other income, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The following is an analysis of the Group's revenue, results, assets and liabilities by reportable segment. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

	Year ended 31 March 2011				Year ended 31 March 2010		
	Trading	Property Holding and Management	Filmed Entertainment, Online Games and Licensing Businesses	Total	Trading	Property Holding and Management	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment Revenue							
Reportable segment revenue	547,359	8,199	2,079	557,637	678,730	9,257	687,987
Inter-segment revenue	–	–	–	–	–	–	–
Revenue from external customers (continuing operations)	547,359	8,199	2,079	557,637	678,730	9,257	687,987
Segment Result							
Reportable segment result	986	3,790	1,925	6,701	(18,181)	(16,937)	(35,118)
Interest income				152			4
Gain an disposal of subsidiaries				15,540			–
Gain arising on change in fair value of investment properties				–			20,000
Unallocated corporate expenses				(57,330)			(23,867)
Share of loss of an associate				(13)			(84)
Share-based payments				(124,202)			(8,950)
Finance cost				(7,610)			(4,820)
Loss before taxation (continuing operations)				(166,762)			(52,835)
Segment Assets							
Reportable segment assets	25,563	8,083	9,344	42,990	8,255	380,161	388,416
Deferred tax assets				803			–
Unallocated corporate assets				127,096			6,540
Consolidated total assets				170,889			394,956
Segment Liabilities							
Reportable segment liabilities	24,837	1,625	719	27,181	5,599	60,142	65,741
Amount due to an associate				–			147
Amount due to non-controlling interests				–			483
Tax payables				736			632
Obligation under finance lease				–			194
Deferred tax liabilities				–			9,061
Convertible bonds				57,338			72,645
Bank loan, secured				–			155,000
Unallocated corporate liabilities				6,909			4,083
Consolidated total liabilities				92,164			307,986

For the purposes of monitoring segment information and allocating resources between segment:

– all assets are allocated to reportable segments other than interest in an associate, deferred tax assets and unallocated corporate assets. Goodwill is allocated to reportable segments as described in note 19.

– all liabilities are allocated to reportable segments other than current and deferred tax liabilities, amount due to an associate and non-controlling interests, borrowings and unallocated corporate liabilities.

Other segment information:

	Year ended 31 March 2011				Year ended 31 March 2010		
	Trading	Property Holding and Management	Filmed Entertainment, Online Games and Licensing Businesses	Total	Trading	Property Holding and Management	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Additions to non-current assets	–	–	–	–	55	698	753
Interest income	–	16	–	16	–	1	1
Finance costs	–	2,000	–	2,000	–	1,786	1,786
Depreciation and amortisation	–	999	77	1,076	288	413	701
Loss on disposal of property, plant and equipment	–	12	–	12	778	–	778
Write down of inventory	–	–	–	–	14,402	–	14,402
Impairment on goodwill	–	–	–	–	–	5,465	5,465

Revenue from major products and services:

The Group's revenue from continuing operations from its major products and services were as follows:

	2011	2010
	HK$'000	*HK$'000*
Sales of palm oil and coal	547,359	668,628
Sales of computer hardware and relevant peripherals	–	10,102
Property management fee income	3,673	2,619
Rental income	4,526	6,638
Royalty income	2,079	–
	557,637	687,987

Geographical information:

The Group is domiciled in Hong Kong. The geographical location of customers is based on the location of the customers, irrespective of the origin of the goods or services. The geographical location of the non-current assets is based on the physical location of assets in the case of property, plant and equipment, and the location of the operation to which they are allocated in the case of Goodwill. Revenue from continuing operations from external customers and information about non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2011	**2010**	**2011**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
PRC (including Hong Kong)	10,278	18,565	15,638	9,738
Taiwan	–	761	–	–
Singapore	244,429	387,760	–	–
Indonesia	213,668	280,901	–	–
Others	89,262	–	–	–
	557,637	687,987	15,638	9,738

Information about major customers:

Included in revenues arising from sales of palm oil and coal of HK$547 million (2010: HK$669 million) are revenues of approximately HK$214 million (2010: HK$281 million) which arose from sales to the Group's largest customer.

Revenue from major customers:

The group's sales to customers which accounted for 10% or more of its total revenue are as follows:

	2011	**2010**
	HK'000	*HK'000*
Customer A	213,668	280,901
Customer B	179,871	197,132
Customer C	89,262	N/A
Customer D	N/A	179,850
	482,801	657,883

The sales to customer A, B, C and D are included in the segment of trading.

6. TURNOVER

An analysis of Group's turnover for the year from operations, is as follows:

	2011	**2010**
	HK$'000	*HK$'000*
Revenue from sales of goods	547,359	678,730
Revenue from rendering of services	8,199	9,257
Royalty income	2,079	–
	557,637	687,987

7. OTHER REVENUE AND OTHER NET INCOME

	2011	2010
	HK$'000	*HK$'000*
Interest income	152	44
Others	182	4
	334	48

8. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Bank loan interest	1,996	1,967
Effective interest on convertible bonds	5,610	2,847
Finance lease charges	4	6
	7,610	4,820

9. DISCONTINUED OPERATIONS

In 2010, the Group had discontinued its business of manufacturing and telecommunication. The disposal is consistent with the Group's long term policy to reallocate and consolidate scarce financial resources and management time to other business segments.

On 30 June 2009, the Board of Directors agreed to dispose the entire 100% shareholding interest in Photar International Limited, the Group's manufacturing business which involved the manufacturing and sale of Mobile phones and DVD players. The gain on disposal of the manufacturing business for the year amounted to HK$22,439,000. Details of the assets and liabilities disposed of are disclosed in note 37.

The combined results and cash flows of the discontinued operations (i.e. manufacturing business and telecommunication service) included in the consolidated income statement and the consolidated statement of cash flows are set out below.

	2011	2010
	HK$'000	*HK$'000*
Profit for the year from discontinued operations		
Revenue	–	–
Expenses	–	(25)
Gain on disposal of property, plant and equipment	–	9
Write off of property, plant and equipment	–	(381)
Loss before taxation	–	(397)
Taxation *(note 14)*	–	–
	–	(397)
Gain on disposal of subsidiaries	–	22,439
	–	22,042
Cash flows from discontinued operations		
Net cash used in operating activities	–	(25)
Net cash used in investing activities	–	(79)
Net cash used in financing activities	–	–
Net cash flows	–	(104)

10. NON-CURRENT ASSETS HELD FOR SALE

	HK$'000
Investment property held for sale	
Fair value as at 31 March 2010 and 1 April 2010	320,000
Disposal	(320,000)
Fair value as at 31 March 2011	–

Note i: During the year, the Group disposed of the property located in Kowloon at consideration of HK$320,000,000, to Success Build Limited. This transaction constituted a very substantial disposal and was approved by the shareholders at an extraordinary general meeting held on 16 August 2010, pursuant to Rules 19.06 of the GEM Listing Rules.

11. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

Loss for the year from continuing operations is arrived at after charging/(crediting):

	2011	**2010**
	HK$'000	*HK$'000*
Auditor's remuneration	366	479
Cost of inventories sold	546,373	676,631
Direct operating expenses from investment properties that generated rental income during the year	4,409	7,391
Direct expenses of licensing business	154	–
Depreciation	1,102	1,225
– Owned assets	1,057	1,186
– Assets held under finance leases	45	39
Exchange loss	(98)	(311)
Other losses	1,368	24,322
– Impairment on property, plant and machinery	–	1,033
– Write down of inventory	–	14,402
– Impairment on goodwill	–	5,465
– Loss on acquisition of non-controlling interests	–	121
– Impairment on accounts receivables	344	–
– Impairment on other receivables, deposits and prepayments	–	2,425
– Write off of receivables and deposits	1,012	–
– Loss on disposal of property, plant and equipment	12	876
Operating lease rental in respect of rented premises	3,913	2,622
Research and development costs	–	204
Staff costs (including directors' remuneration)		
– Salaries and allowances	14,046	10,686
– Equity-settled share based payment	123,119	1,088
– Termination benefits	–	–
– Retirement scheme contributions	350	306

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to the Company's directors for the year ended 31 March 2011 and 2010 were as follows:

	Year ended 31 March 2011			
	Directors' fee	Salaries, allowances and other benefits	Share based payment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Mr. Chiau Sing Chi *(note i)*	–	–	121,797	121,797
Mr. Chan Cheong Yee	180	–	–	180
Mr. Yik Chok Man	108	–	–	108
Mr. Keung Kwok Hung *(note ii)*	–	375	–	375
Non-executive director				
Mr. Chong Lee Chang	108	–	–	108
Mrs. Chin Chow Chung Hang, Roberta *(note iii)*	102	–	–	102
Independent non-executive directors				
Mrs. Chen Chou Mei Mei Vivien	108	–	–	108
Mr. Chum Kwan Yue, Desmond *(note iv)*	77	–	–	77
Mr. Wong Chak Keung *(note iv)*	77	–	–	77
Ms. Tsang Fung Chu *(note v)*	29	–	–	29
Mr. Wong Chi Keung Patrick *(note v)*	29	–	–	29
Mr. Leung Ka Kui Johnny *(note vi)*	42	–	–	42
	860	375	121,797	123,032

	Year ended 31 March 2010			
	Directors' fee	Salaries, allowances and other benefits	Share based payment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Mr. Chan Cheong Yee	177	–	544	721
Mr. Keung Kwok Hung	–	630	435	1,065
Mr. Yik Chok Man	40	–	–	40
Mr. Yong Wai Hong	–	95	–	95
Mr. Lam Kwok Ho	27	–	–	27
Non-executive director				
Mr. Chong Lee Chang	84	–	–	84
Independent non-executive directors				
Ms. Tsang Fung Chu	84	–	–	84
Mr. Wong Chi Keung Patrick	84	–	–	84
Mr. Leung Ka Kui Johnny	47	–	–	47
Ms. Chen Chou Mei Mei Vivien	40	–	–	40
Mr. Tsang Zee Ho Paul	40	–	–	40
	623	725	979	2,327

Note:

(i) Appointed on 1 June 2010

(ii) Resigned on 23 July 2010

(iii) Appointed on 27 May 2010

(iv) Appointed on 9 August 2010

(v) Resigned on 6 August 2010

(vi) Resigned on 30 September 2010

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals in the Group with the highest emoluments, two (2010: two) are directors of the Company whose emoluments are disclosed above. The emoluments of the remaining three individuals (2010: three), are as follows:

	2011	2010
	HK$'000	*HK$'000*
Salaries and other benefits	2,737	1,166
Retirement scheme contributions	30	20
Staff Share based payment expenses	1,322	–
	4,089	1,186

Analysis of emoluments of the five highest paid individuals (including directors and other employees) by emolument range is as follows:

	Number of employees	
	2011	2010
Not exceeding HK$1,000,000	3	4
Exceeding HK$1,000,000 but not exceeding HK$1,500,000	–	1
Exceeding HK$2,500,000 but not exceeding HK$3,000,000	1	–
Exceeding HK$121,500,000 but not exceeding HK$122,000,000	1	–

During the years ended 31 March 2010 and 2011, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join the Group or as compensation for loss of office. In addition, during the years ended 31 March 2010 and 2011, no directors waived any emoluments.

14. TAXATION

	2011	2010
	HK$'000	*HK$'000*
The taxation (credit)/charge comprises:		
Current tax		
Hong Kong	–	540
Overseas	23	–
Deferred tax *(note 33)*		
Current year	(9,864)	2,179
Tax recognised in profit or loss	(9,841)	2,719
Attributable to:		
Continuing operations	(9,841)	2,719
Discontinued operations	–	–
	(9,841)	2,719

No provision for Hong Kong profits tax has been made in the financial statements for the year ended 31 March 2011 since there is no assessable profit derived from Hong Kong for the year. Hong Kong profits tax was calculated at 16.5% of the estimated assessable profit for year ended 31 March 2010.

Taxes on profits assessable other than in Hong Kong are calculated at the rates of tax prevailing in the places in which the Group operates based on existing legislation, practices and interpretations thereof.

The taxation for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2011	2010
	HK$'000	*HK$'000*
Loss before taxation		
Continuing operations	(166,762)	(52,835)
Discontinued operations	–	22,042
	(166,762)	(30,793)
Tax at the statutory tax rate	(27,501)	(6,011)
Income not subject to taxation	(19,723)	(10,330)
Expenses not deductible for tax purpose	45,035	12,367
Effect of different tax rates of subsidiaries operating in other jurisdictions	169	(359)
Tax effect of unrecognised temporary difference	15	894
Tax effect of unrecognised tax loss	588	6,158
Tax effect of utilization of fair losses previously not recognised	(47)	–
Tax effect for reversal of deferred tax liability due to disposal of investment property	(8,377)	–
Taxation charge for the year	(9,841)	2,719

The tax charge relating to components of other comprehensive loss is as follows:

	2011			2010		
	Before tax	**Tax charge**	**After tax**	**Before tax**	**Tax charge**	**After tax**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Exchange difference on translating foreign operations:						
– Exchange differences arising during the year	53	–	53	290	–	290
– Reclassification adjustments relating to foreign operations disposed during the year	58	–	58	3,366	–	3,366
	111	–	111	3,656	–	3,656

15. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company for the year dealt with in the financial statements of the Company is a net loss of HK$147,331,000 (2010: HK$64,449,000).

16. DIVIDEND

The directors do not recommend the payment of a dividend for the year ended 31 March 2011 (2010: Nil).

17. LOSS PER SHARE

(i) Basic loss per share

	2011	**2010**
	HK Cent	*HK Cent*
Basic loss per share		
From continuing operations	(5.34)	(2.51)
From discontinued operations	–	1.01
Total basic loss per share	(5.34)	(1.50)

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	2011 *HK$'000*	2010 *HK$'000*
Loss for the year attributable to owners of the Company	(156,921)	(32,916)
Less: Profit/(loss) for the year from discontinued operations used in the calculation of basic loss per share from discontinued operation	–	22,042
Loss used in the calculation of basic loss per share from continuing operations	(156,921)	(54,958)

	2011	2010
Weighted average number of ordinary shares for the purpose of basic loss per share	2,936,887,893	2,189,949,797

(ii) Diluted loss per share

Diluted loss per share for the year ended 31 March 2011 and 2010 are not presented as the effect of share option and convertible notes are anti-dilutive and are not included in the calculation of diluted loss per share for the years ended 31 March 2011 and 2010.

18. PROPERTY, PLANT AND EQUIPMENT

The Group	Leasehold improvement	Mould	Plant and machinery	Computers	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost							
At 1 April 2009	2,224	754	581	718	168	–	4,445
Additions	442	–	6	–	32	295	775
Acquired on acquisition of subsidiaries *(Note 36)*	1,680	–	–	266	705	–	2,651
Disposal	(2,229)	–	–	(117)	(190)	–	(2,536)
Exchange difference	5	–	2	2	–	–	9
At 31 March 2010 and 1 April 2010	2,122	754	589	869	715	295	5,344
Additions	38	–	–	328	16	–	382
Acquired on acquisition of subsidiaries *(Note 36)*	–	–	–	341	–	–	341
Disposal	–	–	–	–	–	(295)	(295)
Disposal of subsidiaries *(Note 37)*	(2,160)	(754)	(589)	(806)	(93)	–	(4,402)
At 31 March 2011	–	–	–	732	638	–	1,370
Accumulated depreciation and impairment							
At 1 April 2009	1,095	50	38	180	43	–	1,406
Acquired on acquisition of subsidiaries *(Note 36)*	607	–	–	35	513	–	1,155
Charge for the year	691	151	61	168	115	39	1,225
Written back on disposal	(1,451)	–	–	(103)	(106)	–	(1,660)
Impairment loss	–	553	480	–	–	–	1,033
Exchange difference	2	–	1	–	–	–	3
At 31 March 2010 and 1 April 2010	944	754	580	280	565	39	3,162
Charge for the year	766	–	–	191	100	45	1,102
Eliminated upon disposal	–	–	–	–	–	(84)	(84)
Disposal of subsidiaries *(Note 37)*	(1,710)	(754)	(580)	(317)	(27)	–	(3,388)
At 31 March 2011	–	–	–	154	638	–	792
Net book value							
At 31 March 2011	–	–	–	578	–	–	578
At 31 March 2010	1,178	–	9	589	150	256	2,182

The Company	Computers, Furniture, fixtures and equipment
	HK$'000
Cost	
At 1 April 2009, 31 March 2010 and 1 April 2010	–
Additions	162
At 31 March 2011	162
Accumulated depreciation and impairment	
At 1 April 2009, 31 March 2010 and 1 April 2010	–
Charge for the year	26
At 31 March 2011	26
Net book value	
At 31 March 2011	136
At 31 March 2010	–

19. GOODWILL

	The Group	
	2011	**2010**
	HK$'000	***HK$'000***
Cost		
At beginning of the year	16,780	6,459
Acquired on acquisition of subsidiaries *(Note 36)*	8,295	10,321
Refund of investment cost	(791)	–
Disposal of subsidiaries	(4,516)	–
At end of the year	19,768	16,780
Accumulated impairment losses		
At beginning of the year	(9,224)	(3,759)
Impairment loss recognised	–	(5,465)
Eliminated upon disposal	4,516	–
At end of the year	(4,708)	(9,224)
Carrying amount		
At 31 March	15,060	7,556

The carrying amount of goodwill (net of accumulated impairment losses) was allocated to cash-generating units as follows:

	2011	2010
	HK$'000	*HK$'000*
Licensing business – Raxco	8,295	–
Property investment – Harvest Yield	6,765	7,556
	15,060	7,556

Property management

The goodwill associated with property management arose when Gi Space Limited, Gi Space (Canton) Limited and ISpace Investment Limited were acquired by the Group. Gi Space Limited is the retail facility manager for the investment properties of the Group. The goodwill related to property management was fully impaired in prior years. During the Year, the Group disposed its interests in Gi Space (Canton) Limited and ISpace Investment Limited that the goodwill associated with these subsidiaries are disposed.

Property investment

The goodwill arose from the acquisition of Harvest Yield Investments Limited ("Harvest Yield"), which is engaged in property investment. For the purpose of impairment testing, goodwill has been allocated to one cash generating unit.

Subsequent to the disposal of Property Held for Sales during the Year, Harvest Yield will redesign its business model from property management to cinema investment/operations.

During the Year, the Group assessed the recoverable amount of goodwill associated with the Harvest Yield by reference to value in use. The calculations use post-tax cash flow projections based on financial budgets. Taking into account the business plan in respect of the cinema projects, management believe that the recoverable amount would exceed its carrying amount and therefore, no impairment is necessary.

Licensing business

The goodwill arose from the acquisition of Raxco Assets Corp. ("Raxco") during the year, which is engaged in online game business. After acquisition, Raxco diversified to licensing and other related business. For the purpose of impairment testing, goodwill has been allocated to one cash generating unit.

During the Year, the Group assessed the recoverable amount of goodwill associated with the Raxco by reference to value in use. The calculations use post-tax cash flow projections based on financial budgets. Taking into account the potential of licensing business, management believe that the recoverable amount would exceed its carrying amount and therefore, no impairment is necessary.

20. INTERESTS IN SUBSIDIARIES

	The Company	
	2011	**2010**
	HK$'000	*HK$'000*
Unlisted shares, at cost	41,159	41,951
Amount due from subsidiaries	213,327	201,731
Less: impairment loss	(81,267)	(86,644)
	173,219	157,038
Amount due to subsidiaries	(147,069)	(1,649)

The amounts due from/(to) subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

The movement in the allowance for impairment is as follows:

	The Company	
	2011	**2010**
	HK$'000	*HK$'000*
Balance at beginning of the year	86,644	87,246
Impairment losses recognised	–	38,665
Amounts written off as uncollectible	(5,377)	(39,267)
Balance at end of the year	81,267	86,644

Included in the allowance are individually impaired amount due from subsidiaries which have significant loss for the year.

Particulars regarding the subsidiaries at 31 March 2011 are as follows:

Name of subsidiary	Place of incorporation/ operation	Type of legal entity	Issued and fully paid share capital	Attributable equity interest held by the Company Directly	Attributable equity interest held by the Company Indirectly	Principal activities
				%	%	
Art Champ Limited	Hong Kong	Limited liability company	HK$1	100	–	Movie production
Billion Success Limited	Hong Kong	Limited liability company	HK$1	100	–	Dormant
Bingo Management Services Limited	Hong Kong	Limited liability company	HK$1	100	–	Management services
Bingo Trademark Limited	Hong Kong	Limited liability company	HK$1	100	–	Dormant
Easybuild Assets Management Limited	BVI	Limited liability company	US$1	100	–	Investment holding
Emcom (HK) Pte Limited	Hong Kong	Limited liability company	HK$10	100	–	Investment holding
Faith Pro Trading Limited	BVI	Limited liability company	US$100	100	–	Dormant
Harvest Yield Investments Limited	BVI	Limited liability company	US$2	100	–	Investment holding
High Amuse Limited	BVI	Limited liability company	US$1	100	–	Investment holding
Huge Art Limited	Hong Kong	Limited liability company	HK$1	100	–	Cartoon production
Shine Wisdom Limited	Hong Kong	Limited liability company	HK$1	100	–	Cinema business
Sinotrans Resources Limited	BVI	Limited liability company	US$1	100	–	Trading of palm oil and coal
Art Aim Limited	Hong Kong	Limited liability company	HK$1	–	100	Movie production
Brillant Tech Limited	Hong Kong	Limited liability company	HK$1	–	100	Online game business

Particulars regarding the subsidiaries at 31 March 2011 are as follows:

Name of subsidiary	Place of incorporation/ operation	Type of legal entity	Issued and fully paid share capital	Attributable equity interest held by the Company Directly	Indirectly	Principal activities
				%	%	
EmCall Pte Limited	Hong Kong	Limited liability company	HK$10	–	100	Dormant
Gi Space Limited	Hong Kong	Limited liability company	HK$1	–	100	Marketing and management of a shopping mall
Power Alliance Investment Limited	Hong Kong	Limited liability company	HK$1	–	100	Property investment
Raxco Assets Corp	BVI	Limited liability company	US$1	–	100	Licensing business
Shanghai Bingo Interactive Information Technology Co. Ltd	PRC	Limited liability company	US$2.642m	–	100	Online game business

The Group acquired 100% equity interest of Raxco Assets Corp ("Raxco") and the Shareholder's loan in sum of HK$56,637,748 (the "Sale Loan") (representing the entire shareholders' loan due from Raxco) from Teamgreat Investments Limited ("Teamgreat"), which is a connected party of the Company, at the consideration of HK$10 payable in cash. Teamgreat is beneficially owned by the discretionary trust founded by Mr. Chiau Shing Chi, thus a connected person of the Company. The net assets of the subsidiaries acquired of are disclosed in note 36.

During the year 31 March 2011, the Company disposed the entire 100% shareholding interest in (i) GI Space (Hunghom), GI Space (Canton) Limited and ISpace Investment Limited, which engaged in provision of property management services; (ii) Sparkle Success Investment Limited, Sinoeye Limited and Emcom International (China) Investment Limited which were dormant companies. The net assets of the subsidiary disposed of are disclosed in note 37.

Note: The entire issued capital in Harvest Yield Limited and Power Alliance Investment Limited are pledged to secure the convertible bonds issued by the Company.

21. INTERESTS IN AN ASSOCIATE

	The Group 2011	2010
	HK$'000	*HK$'000*
Cost of investment in unlisted associate	–	–
Share of post – acquisition results	–	(147)
Amount due to an associate	–	(147)

Amount due to an associate was unsecured, non-interest bearing and has no fixed terms of repayment. During the year, the Group disposed its interest in an associate.

As at 31 March 2010, the Group had interest in the following associate:

Name of associate	Form of business structure	Place of incorporation/ operations	Class of shares held	Nominal value of issued capital	Percentage of equity attributable to the Group	Principal activities
Boss Education Limited	Limited liability company	Hong Kong	Ordinary	HK$1,000	49%	Promoting multimedia training, job training and consultation services

The Group's share of loss of associate amounted to HK$13,000 for the year ended 31 March 2011 (2010: HK$84,000).

22. INVENTORIES

	The Group 2011 HK$'000	2010 HK$'000
Palm oil and Coal	24,710	–

23. TRADE RECEIVABLES

The aging of the Group's trade receivables is analysed as follows:

	The Group 2011 HK$'000	2010 HK$'000
Within 30 days	127	56
31 – 60 days	–	298
61 – 90 days	147	25
Over 90 days	48	950
	322	1,329
Provision	–	(152)
	322	1,177

For property holding and management segment, no credit period was granted to the sub-licensees according to the Group's policies. For trading and licensing segment, the credit terms granted by the Group to its customers normally ranged from COD (cash-on-delivery) to 120 days. For The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. All trade receivable are expected to be recovered within one year.

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. As at 31 March 2011, no impairment loss has been made (2010: HK$152,000). The movement in the allowance is as follows:

	The Group	
	2011	**2010**
	HK$'000	*HK$'000*
Balance at beginning of the year	152	–
Impairment loss recognised	–	152
Amounts written off as uncollectible	(152)	–
	–	152

The aging analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2011	**2010**
	HK$'000	*HK$'000*
Neither past due nor impaired	127	53
Past due but not impaired:		
Less than 1 month past due	–	31
1 to 3 months past due	147	306
More than 3 months past due	48	787
	322	1,177

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other receivables	3,629	49,472	1,946	288
Deposits and prepayments	633	4,773	257	155
	4,262	54,245	2,203	443

Included in other receivables at 31 March 2010 were deposits amounted of HK$48 million in respect of disposal of properties of the Group held by legal adviser of the Company. Such deposits have been released to the Group during the year.

25. FILM IN PROGRESS

	The Group	
	2011	**2010**
	HK$'000	*HK$'000*
Film in progress	8,389	–

The film in progress were measured at cost less any identifiable impairment loss.

26. CASH AND CASH EQUIVALENTS

	The Group	
	2011	**2010**
	HK$'000	*HK$'000*
Cash at bank and in hand	116,765	9,796

Cash at banks earns interest at floating rate based on daily bank deposit rates. The fair values of the company's bank balance and cash at 31 March 2011 and 2010 approximate their corresponding carrying amounts.

27. TRADE PAYABLES

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

	The Group	
	2011	**2010**
	HK$'000	*HK$'000*
Within 30 days	–	2,706
31-60 days	–	201
61-90 days	–	31
Over 90 days	–	5,298
	–	8,236

28. DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Sales deposits received	25,230	222	–	–
Deposits received in respect of sale of investment properties	–	48,000	–	–
Security deposits received	–	660	–	–
Other payables and accruals	8,860	12,707	4,321	3,504
	34,090	61,589	4,321	3,504

29. AMOUNT DUE TO NON-CONTROLLING INTERESTS

The amount is unsecured, non-interest-bearing and has no fixed terms of repayments.

30. OBLIGATION UNDER FINANCE LEASE

The motor vehicle under finance lease has been disposed at consideration of HK$200,000 during the year.

The Group leased a motor vehicle under finance lease. The lease term was 3 years. Interest rate underlying the finance lease was fixed at contract date at 7.15% per annum. No arrangement had been entered into for contingent rental payments.

At 31 March 2011, the Group had obligation under finance lease repayable as follows:

	The Group			
	2011		2010	
	Present value of the minimum lease payments *HK$'000*	Total minimum lease payments *HK$'000*	Present value of the minimum lease payments *HK$'000*	Total minimum lease payments *HK$'000*
Within 1 year	–	–	83	93
After 1 year but within 2 years	–	–	83	93
After 2 years but within 5 years	–	–	28	31
	–	–	111	124
	–	–	194	217
Less total future interest expenses		–		(23)
Present value of lease obligation		–		194

The Group's obligation under finance lease was secured by the charge over the leased assets.

31. BANK LOANS, SECUREDS

The bank loans have been fully settled during the year.

At 31 March 2010, the bank loans were repayable as follows, which were based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause:

	The Group *HK$'000*
Repayable on demand or within one year	78,200
After one year but within two years	1,200
After two years but within five years	19,200
After five years	56,400
	155,000

The bank loans included variable-rate borrowings repayable within one to ten years which carry interest rates of prevailing market rate plus 2.25% or HIBOR plus 2.25% per annum, whichever is higher. The effective interest rate on the bank loan is 2.45% per annum at 31 March 2010.

At 31 March 2010, the bank loans of the Group were secured by pledge of investment properties of the Group and corporate guarantee executed by the Company.

32. CONVERTIBLE BONDS

(a) On 7 October 2009, the Company issued HK$78 million convertible bonds due on the second anniversary of the date of the issue of the bonds for the acquisition of the entire interests in Harvest Yield. For the period commencing on the date of the issue of the convertible bonds and expiring on the first anniversary of such date of issue, the convertible bonds shall accrue no interest. Following the passing of the said first anniversary, the convertible bonds shall accrue interest at the rate of 5% per annum of the outstanding principal amount of the convertible bonds. Interest is payable on the maturity date or such earlier date of redemption of the convertible bonds. The convertible bonds are secured by (i) first charge over the entire issued share capital in Harvest Yield; (ii) first charge over the entire issued capital in Power Alliance; and (iii) second charge over the investment properties of the Group.

The bondholders have the right at any time up to maturity date to convert the whole or any part of the principal amount of the convertible bonds into ordinary share at the initial conversion price of HK$0.10 per share (subject to adjustments). If the convertible bonds have not been converted on the maturity date, they will be redeemed at the principal amount.

The convertible bonds contain two components, liability and equity components. The fair value of the liability component, which was determined by independent professional valuers, DTZ Debenham Tie Leung Limited and Roma Appraisals Limited on the date of issue, is the present value of the contractually determined stream of future cash flows discounted at the effective interest rate of 8.29% and providing substantially the same cash flows, on the same terms, but without the conversion option. The residual amount is assigned as the equity component and is included in equity.

(b) On 22 February 2010, the Company entered into the Service Agreement with Mr. Chiau whereby the Company appointed Mr. Chiau as an executive director of the Company and Mr. Chiau accepted the appointment with prescribed duties for an initial term of five year from 1 June 2010. In consideration of the performance by Mr. Chiau of his duties for the Company, the Company shall, as a remuneration package to issue the convertible bonds to Mr. Chiau with an aggregate principal amount of HK$45 million. Details of share-based payment as described in note 45.

The movement of the liability component and equity component of the convertible bonds for the year is set out below:

	Liability component *HK$'000*	**Equity component** *HK$'000*
Convertible bonds issued on 7 October 2009	69,798	8,202
Interest expenses charged	2,847	–
As at 1 April 2010	72,645	8,202
Convertible band issued on 1 June 2010	7,170	85,910
Interest expenses charged	5,610	–
Conversion of convertible note into share	(28,087)	(3,076)
At 31 March 2011	57,338	91,036

	2011	2010
	HK$'000	*HK$'000*
Mature with 1 year	49,182	–
Mature later than 1 year	8,156	72,645
	57,338	72,645

33. DEFERRED TAXATION

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Accelerated tax depreciation	Revaluation of investment property	Unused tax loss	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2009	–	–	–	–
Acquired on acquisition of subsidiaries *(Note 36)*	1,613	10,149	(4,880)	6,882
Charged/(credited) to profit of loss	45	3,300	(1,166)	2,179
At 1 April 2010	1,658	13,449	(6,046)	9,061
Charged/(credited) to profit or loss	(684)	(13,449)	4,269	(9,864)
At 31 March 2011	974	–	(1,777)	(803)

In accordance with the accounting policy set out in note 2(s), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$38,385,000 (2010: HK$33,708,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

As at 31 March 2010 and 2011, the Group and the Company has no material unprovided deferred tax.

34. SHARE CAPITAL

	2011		2010	
	Number of shares	Nominal value	Number of shares	Nominal value
	'000	*HK$'000*	*'000*	*HK$'000*
Ordinary shares of HK$0.02 each				
Authorised:				
At the beginning of the year	5,000,000	100,000	10,000,000	100,000
Consolidation of share from 2 shares into one consolidated share *(note 3)*	–	–	(5,000,000)	–
At the end of the year	5,000,000	100,000	5,000,000	100,000

	2011		2010	
	Number of shares	**Nominal value**	**Number of shares**	**Nominal value**
	'000	*HK$'000*	*'000*	*HK$'000*
Ordinary shares of HK$0.02 each				
Issued and fully paid:				
At the beginning of the year	2,711,559	54,231	3,258,980	32,590
Conversion of convertible note *(note 1)*	325,000	6,500	–	–
Share allotment under share option scheme before share consolidation *(note 5)*	–	–	66,898	669
Share consolidation *(note 2)*	–	–	(1,662,939)	–
Share consideration for acquisition of subsidiary *(note 3)*	–	–	750,000	15,000
Placing of new shares *(note 4)*	–	–	150,000	3,000
Share allotment under share option scheme after share consolidation *(note 5)*	35,000	700	148,620	2,972
At the end of year	3,071,559	61,431	2,711,559	54,231

Note 1: The Company issued 325,000,000 ordinary shares of HK$0.02 each as a result of the exercise of the conversion rights attached to the convertible note of entire principal amount of HK$29,250,000 at a conversion price of HK$0.09 each on 24 August 2010.

Note 2: Pursuant to an ordinary resolution passed on 5 August 2009, a capital reorganization was undertaken that the issued and unissued ordinary share of HK$0.01 each in the capital of the Company was consolidated on the basis of every 2 shares being consolidated into 1 share of HK$0.02 each ("Consolidated share").

Note 3: 750,000,000 Consolidated shares were issued at a price of HK$0.1 per share to satisfy part of the consideration pursuant to the sale and purchase agreement dated 27 May 2009 entered into between the Company and the vendors for the acquisition of Harvest Yield.

Note 4: The Company placed 150,000,000 Consolidated shares at a placing price of HK$0.1 per share on 14 October 2009 for the purpose of increase the working capital of the Company and enhance the liquidity strength of the Group.

Note 5: During the year, 35,000,000 ordinary shares of HK$0.02 each pursuant to the share option scheme of the Company at consideration of HK$3,426,000.

Capital management

Capital comprises of share capital and reserves stated on the consolidated statement of financial position. The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for owners of the Company and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively regularly reviews and manages its capital structure to maintain a balance between the higher owners' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

As in prior year, the Group monitors its capital structure on the basis of a net debt to adjusted capital ratio. For this purpose the Group defines net debts as total debt (which includes interest-bearing loans and borrowings, trade and other payables, obligation under finance lease and convertible bonds) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity, other than amounts recognised in equity relating to cash flow hedges, less unaccrued proposed dividends.

During the year ended 31 March 2011, the Group changed to net asset position due to cash consideration received from the disposal of the property during the year.

The net debt-to-equity ratio at 31 March 2011 and 2010 was as follows:

		The Group		**The Company**	
		2011	**2010**	**2011**	**2010**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities					
Trade payables		–	8,236	–	–
Deposits received, other payables and accruals		34,090	61,589	4,321	3,504
Amount due to an associate		–	147	–	–
Amount due to non-controlling interests		–	483	–	–
Amounts due to subsidiaries		–	–	147,069	1,649
Tax payables		736	631	–	–
Obligation under finance lease		–	83	–	–
Bank loans, secured		–	155,000	–	–
Convertible bonds		49,182	–	49,182	–
		84,008	226,169	200,572	5,153
Non-current liabilities:					
Obligation under finance lease		–	111	–	–
Convertible bonds		8,156	72,645	8,156	72,645
		8,156	72,756	8,156	72,645
Total debt		92,164	298,925	208,728	77,798
Less: Cash and cash equivalents	26	(116,765)	(9,796)	(114,069)	(2)
Net (asset)/debt		(24,601)	289,129	94,659	77,796
Total equity		78,725	86,970	80,899	79,685
Net debt-to-equity ratio		N/A	332%	117%	97%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirement.

35. RESERVES

The Company

	Share premium	Contributed surplus	Equity component of convertible note	Share option reserve	Exchange reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2009	132,897	1,988	–	2,644	–	(146,724)	(9,195)
Share consideration of HK$0.02 each for acquisition of subsidiary	60,000	–	–	–	–	–	60,000
Issue of ordinary shares of HK$0.02 each completed on 14 October 2009	12,000	–	–	–	–	–	12,000
Issue of ordinary shares under share option scheme	16,895	–	–	(6,669)	–	–	10,226
Issuing expenses	(280)	–	–	–	–	–	(280)
Issue of convertible bonds on 7 October 2009	–	–	8,202	–	–	–	8,202
Equity-settled share option arrangement	–	–	–	8,950	–	–	8,950
Loss for the year	–	–	–	–	–	(64,449)	(64,449)
At 31 March 2010	221,512	1,988	8,202	4,925	–	(211,173)	25,454
At 1 April 2010	221,512	1,988	8,202	4,925	–	(211,173)	25,454
Conversion of convertible note into shares	24,662	–	(3,076)	–	–	–	21,586
Issue of convertible note on 1 June 2010	–	–	85,910	–	–	–	85,910
Issue of ordinary shares under share option scheme	4,467	–	–	(1,741)	–	–	2,726
Equity-settled share option arrangement	–	–	–	31,123	–	–	31,123
Loss for the year	–	–	–	–	–	(147,331)	(147,331)
At 31 March 2011	250,641	1,988	91,036	34,307	–	(358,504)	19,468

At 31 March 2011, no reserves is available for distribution to owners of the Company (2010: HK$12,327,000).

The share premium is arising from the issue of shares of the Company.

The contributed surplus represents the difference between the combined net assets of the subsidiaries acquired by the Company and the nominal value of the shares of the Company at the time of the Group reorganisation.

36. ACQUISITION OF SUBSIDIARIES

Acquisition in 2011

On 22 February 2010, the Company acquired (i) the entire issued share capital of Raxco Assets Corp. ("Raxco") free from rights of mortgage, charge. Pledge, pre-emption, option, lien and any other third party right, equity security interest or other encumbrances ("Raxco Sale Shares); and (ii) the shareholder's loan in the sum of HK$56,637,748 (representing the entire shareholders' loan from Raxco) ("Sale Loan"). Raxco is a company incorporated in BVI in 2004 and has started operation since January 2005. Raxco is in the establishment stage of operating its online software and game development business through its wholly owned subsidiary in the PRC, Shanghai Bingo Interactive Information Technology Co. Ltd ("Shanghai Bingo") (previously named as Shanghai NorthStar Software Co., Ltd.)., a wholly owned foreign enterprise of Raxco established in the PRC for the purpose of online software development, online game development, technical consultancy services and information technology support for online software and online game.

On 1 June 2010, the Company acquired Raxco Sale Shares and the Sale Loan at consideration of HK$10, payable in cash.

The fair value of net assets acquired in the transactions approximate to their carrying amounts at the date of acquisition and the goodwill arising are as follows:

	Raxco
	HK$'000
Net assets/(liabilities) acquired:	
Property, plant and equipment	341
Bank balances and cash	195
Trade and other payables	(8)
Other payables and accruals	(8,801)
Provision of taxation	(22)
	(8,295)
Goodwill *(note 19)*	8,295
Total consideration satisfied by:	
Cash	–
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	195

The goodwill arising on the acquisition was attributable to the anticipated profitability of Raxco Assets Corp, and its subsidiary ("Raxco Sub Group").

Raxco Sub Group contributed profit of HK$1,292,000 to the Group's loss for the period between the date of acquisition and 31 March 2011.

If the acquisition had been completed on 1 April 2010, total group revenue and loss for the year ended 31 March 2011 would have been HK$557,750,000 and HK$158,281,000 respectively. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2010, nor is it intended to be a projection of future results.

Acquisition in 2010

On 7 October 2009, the Company acquired the entire issued share capital of Harvest Yield and the sale debts, being the amounts equal to the entirety of the face value of the loans outstanding at 7 October 2009 made by the vendors to Harvest Yield. Harvest Yield is the sole beneficial owner of the entire issued share capital of Power Alliance, a company incorporated in Hong Kong, who is the owner of the shopping mall located in Tsimshatsui which was managed by Gi Space Limited, a wholly owned subsidiary of the Company.

On 1 January 2010, the Company acquired the entire issued share capital of ISpace Investment Limited at consideration of HK$1.

The fair value of net assets acquired in the transactions approximate to their carrying amounts at the date of acquisition and the goodwill arising are as follows:

	Harvest Yield	**ISpace**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Net assets/(liabilities) acquired:			
Investment properties	300,000	–	300,000
Property, plant and equipment	192	1,304	1,496
Trade and other receivables	1,375	132	1,507
Bank and cash balance	51	1	52
Trade and other payables	(2,217)	(4,202)	(6,419)
Bank loan, secured	(147,075)	–	(147,075)
Deferred tax liabilities	(6,882)	–	(6,882)
	145,444	(2,765)	142,679
Goodwill	7,556	2,765	10,321
	153,000	–	153,000
Total consideration satisfied by:			
Issue of shares	75,000	–	75,000
Issue of convertible bonds	78,000	–	78,000
	153,000	–	153,000
Net cash inflow arising on acquisition:			
Bank balances and cash acquired	51	1	52

The fair value of the consideration shares was based on the published share price. The basis of fair value calculation of convertible bonds is set out in note 32.

The goodwill arising on the acquisition was attributable to the anticipated profitability of Harvest Yield and ISpace.

Harvest Yield and ISpace contributed profit of HK$11,026,000 and loss of HK$3,074,000 respectively to the Group' loss for the period between the date of acquisition and 31 March 2010.

If the acquisition had been completed on 1 April 2009, total group revenue and loss for the year ended 31 March 2010 would have been HK$693,512,000 and HK$29,016,000 respectively. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2009, nor is it intended to be a projection of future results.

37. DISPOSAL OF SUBSIDIARIES

For year ended 31 March 2011

During the year, the Board of Director agreed to dispose the entire 100% shareholding interest in (i) GI Space (Hunghom) Limited, GI Space (Canton) Limited and Ispace Investment Limited, which engaged in provision of property management services and; (ii) Sparkle Success Investment Limited, and its subsidiaries which engaged in trading business and (iii) Sinoeye Limited, E-leaming iTech Service (Shanghai) Company Limited and Emcom International (China) Investment Ltd which were dormant companies. Details of the net liabilities disposed of are as follows:

	Trading	**Property management**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net liabilities disposed of:				
Plant and equipment	401	613	–	1,014
Tax recoverable	115	–	–	115
Trade and other receivables	1,109	540	35	1,684
Bank and cash balances	44	136	23	203
Trade and other payables	(5,599)	(12,428)	(70)	(18,097)
Amount due to an associate	–	–	(160)	(160)
Amount due to non-controlling interest	–	–	(483)	(483)
	(3,930)	(11,139)	(655)	(15,724)
Gain on disposal of subsidiaries:				
Consideration received and receivable	–	–	–	–
Net liabilities disposed of	3,930	11,139	655	15,724
Non controlling interest	–	–	(242)	(242)
Release of exchange reserve	155	–	(97)	58
Gain on disposal	4,085	11,139	316	15,540
Net cash outflow arising on disposal:				
Cash consideration	–	–	–	–
Bank balances and cash disposed of	(44)	(136)	(23)	(203)
	(44)	(136)	(23)	(203)

For year ended 31 March 2010

On 30 June 2009, the Group disposed of the entire equity interests in Photar International Limited at a consideration of HK$1 to an independent third party. Details of the net liabilities disposed of are as follows:

	HK$'000
Net liabilities disposed of:	
Interests in a jointly controlled entity	–
Other receivables, deposits and prepayments	2
Amount due from a jointly controlled entity	31
Bank and cash balances	79
Trade and other payables	(19,185)
	(19,073)
Gain on disposal of subsidiaries:	
Consideration received and receivable	–
Net liabilities disposed of	19,073
Release of exchange reserve	3,366
Gain on disposal	22,439
Net cash outflow arising on disposal:	
Cash consideration	–
Bank balances and cash disposed of	(79)
	(79)

38. SHARE OPTION SCHEME

The Company's share option scheme was adopted pursuant to written resolutions passed on 19 October 2002 (the "Scheme") for the primary purpose of providing incentives to directors, eligible employees and participants who have contributed to the Group, and will expire in 12 November 2012. Under the Scheme, the board of directors of the Company may grant options to full-time or part-time employees including directors (executive and non-executive) and any advisor, consultant, supplier, distributor, contractor, agent, business partner, promoter, service provider or customer of the Company or any of its subsidiaries, to subscribe for share in the Company.

Subject to the condition that the total number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time, the total number of shares in respect of which options may be granted under the Scheme when aggregated with any shares subject to any other schemes is not permitted to exceed 10% of the shares of the Company immediately upon the listing of the shares on the Stock Exchange ("Scheme Mandate Limit"), without prior approval from the Company's shareholders. Options lapsed in accordance with the terms of the share option scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. The number of shares in respect of which options may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors or any of his, her or its associates in the 12-month period up to and including the date of offer of the option exceeding the higher of 0.1% of the Company's shares in issue and with a value in excess of HK$5 million must be approved by the Company's shareholders.

Options granted must be taken up within 21 days of the date of grant, upon payment of HK$1 per option. Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the board of directors of the Company and will not be less than the highest of the closing price of the Company's shares on the date of grant, the average closing prices of the shares for the five business days immediately preceding the date of grant and the nominal value of the Company's shares.

Details of specific categories of options are as follows:

Option type	**Date of grant**	**Exercise period**	**Exercise price** *HK$*	**Adjusted exercise price** *HK$*
2009A	30/12/2008	30/12/2008 – 29/12/2011	0.027	0.054
2009B	24/2/2009	24/2/2009 – 23/2/2012	0.036	0.072
2010	26/8/2009	26/8/2009 – 25/8/2012	0.1012	–
2011A	1/6/2010	1/12/2011 – 30/9/2013	0.1000	–
2011B	20/8/2010	15/6/2011 – 19/8/2016	0.2460	–

Note 1: For 2009A, the options are exercisable in part or in full during the 3-year period from the offer date to the expiry of the third anniversary of the offer date (i.e., from 30 December 2008 to 29 December 2011).

For 2009B, the options are exercisable in part or in full during the 3-year period from the offer date to the expiry of the third anniversary of the offer date (i.e., from 24 February 2009 to 23 February 2012).

For 2010, the options are exercisable in part or in full during the 3-year period from the offer date to the expiry of the third anniversary of the offer date (i.e. from 26 August 2009 to 25 August 2012).

For 2011A, the options are exercisable in part or in full from the date of expiry of the eighteenth months from the date of grant of options to the date falling on the expiry of the fortieth month from the date of grant of the options (i.e., from 1 December 2011 to 30 September 2013).

For 2011B, the options are exercisable in part or in full from 15 June 2011 to 19 August 2016.

Note 2: The exercise price and number of options outstanding as at 5 August 2009 of option type 2009A and 2009B have been adjusted in accordance with share consolidation of two shares into one consolidated share.

The following share options were outstanding under the Scheme during the year:

Category	Share option type	Balance at 1 April 2010	Granted	Exercised	Balance at 31 March 2011
		Number of shares issuable under options held			
		’000	’000	’000	’000
Directors	2010	15,000	–	(5,000)	10,000
	2011A	–	250,000	–	250,000
Employees	2009A	1	–	–	1
	2010	1,500	–	(1,000)	500
	2011B		24,000		24,000
Advisor	2009B	18,000	–	(4,000)	14,000
	2010	65,000	–	(25,000)	40,000
	2011B	–	18,000	–	18,000
		99,501	292,000	(35,000)	356,501

The weighted average share price during the year was HK$0.2135.

The following share options were outstanding under the Scheme during the prior year:

Category	Share option type	Balance at 1 April 2009	Exercised before share consolidation	Balance before share consolidation	Adjusted balance upon share consolidation	Granted	Exercised after share consolidation	Lapsed	Balance at 31 March 2010
		Number of shares issuable under options held							
		’000	’000	’000	’000	’000	’000	’000	’000
Directors	2009A	13,500	(10,800)	2,700	1,350	–	(1,350)	–	–
	2010	–	–	–	–	18,000	(3,000)	–	15,000
Employees	2009A	640	(598)	42	21	–	(20)	–	1
	2010	–	–	–	–	2,000	(500)	–	1,500
Advisor	2009A	171,000	(55,500)	115,500	57,750	–	(57,750)	–	–
	2009B	49,000	–	49,000	24,500	–	(6,500)	–	18,000
	2010	–	–	–	–	144,500	(79,500)	–	65,000
		234,140	(66,898)	167,242	83,621	164,500	(148,620)	–	99,501

The fair value of the share options of 2011 A and 2011B granted for 2011 during the year ended 31 March 2011 were approximately to HK$51,692,000 and HK$5,324,000 respectively (2010: HK$8,950,000) and the Company recognised total expenses of approximately HK$31,123,000 for the year. (2010: HK$8,950,000)

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using a Binomial Option Pricing Model, taking into the account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Share option type	
	2011A	**2011B**
Option pricing model	Binomial	Binomial
Grant date share price	HK$0.270	HK$0.240
Exercise price	HK$0.100	HK$0.246
Volatility	94.74%	91.85%
Risk-free interest rate	1.08%	1.28%
Life of options	40 months	6 years
Expected dividend yield	0%	0%

At the date of approval of these financial statements, the Company had 326,501,000 share options outstanding under the Scheme, which represented approximately 11% of the Company's shares in issue as at that date.

39. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2011	**2010**
	HK$'000	*HK$'000*
Within one year	702	445
In the second to fifth year, inclusive	225	195
	927	640

Other than as disclosed above, the Group and the Company had no material lease commitments outstanding at the end of reporting period.

40. CAPITAL COMMITMENTS

The Group

	2011	**2010**
	HK$'000	*HK$'000*
Contracted but not provided for		
– Additional cost to be incurred for animation under production	11,462	–
– Additional capital injection in an associate, Boss Education Limited	–	2,450
– Additional capital injection in a subsidiary, E-Learning i Tech Service (Shanghai) Company Limited	–	1,206
	11,462	3,656

Other than as disclosed above, the Group and the Company had no material capital commitments outstanding at the end of the report period.

41. CONTINGENT LIABILITIES

At 31 March 2010, the Company had issued a corporate guarantee for an amount of not less than HK$155,000,000 to a bank in respect of banking facilities granted to a wholly owned subsidiary. The directors of the Company did not consider it probable that a claim will be made against the Company under the corporate guarantee. The maximum liability of the Company at the end of the reporting period under the corporate guarantee issued was the outstanding amount of the bank loans of HK$155,000,000. The Company had not recognised any deferred income in respect of the corporate guarantee as its fair value is nominal.

Saved as disclosed above, the Group and the Company did not have any significant contingent liabilities as at 31 March 2010 and 2011.

42. PLEDGE OF ASSETS

As at 31 March 2011, the convertible bond issued on 7th October 2009 are secured by first charges over the entire issued share capital in Harvest Yield Investments Limited and Power Alliance Investment Limited.

As at 31 March 2010, the investment properties (which is classified as held for sale) with carrying amount of HK$320,000,000 have been pledged to secure general banking facilities granted to the Group and convertible bonds. In addition, the convertible bonds are also secured by first charges over the entire issued share capital in Harvest Yield Investments Limited and Power Alliance Investment Limited.

As at 31 March 2010, the Group's obligation under finance lease is secured by the lessor's charge over the leased asset, which has a carrying amount of HK$256,000.

43. NON-CASH TRANSACTIONS

The Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statement of cash flows for year ended 31 March 2010:

– During the year, the Group acquired a motor vehicle with a capital value of HK$295,000 under a finance lease.

– As detailed in note 36, the Group acquired Harvest Yield at the consideration of HK$153 million during the year. The amount was settled in the way of issue of consideration shares and convertible bonds by the Company during the year.

44. RELATED PARTY TRANSACTIONS

In addition to the balances disclosed elsewhere in these financial statements, the Group entered into the following material related party and connected transactions.

(a) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 12 is as follows:

	2011	2010
	HK$'000	*HK$'000*
Salaries, allowances and other benefits	1,235	1,348
Share-based payment	121,797	979
	123,032	2,327

(b) Connected party transactions

Name of connected persons	Nature of transactions	2011	2010
		HK$'000	*HK$'000*
Ngai Wah Associates Limited *(Note 1)*	Transferring all profits generated from intellectual property rights in relation to the production of the animation film	–	–
Entrance Gate Limited *(Note 2)*	Royalty fee in relation to the royalty income generated from sub-licensing of intellectual property right	87	–

Note 1: Ngai Wah is beneficially owned by Kelly Chow, a sister of Mr. Chiau Sing Chi, director of the Company and it is defined as connected person under Gem Listing Rules.

Note 2: Entrance Gate is an independent third party of the Company. However, the Licence Agreement between Entrance Gate and High Amuse are inter-conditional with the following connected transaction/continuing connected transaction including (i) Service agreement for the appointment of Mr. Chiau Sing Chi, director of the Company, (ii) the Profit Transfer Deed between Ngai Wah and High Amuse and (iii) acquisition agreement between High Amuse and the shareholders of Raxco assets corp. before the effective of the acquisition agreement. Royalty fee payable to Entrance Gate in relation to the licence agreement is disclosed as continuing connected transaction.

During the Year, High Amuse Limited ("High Amuse"), a wholly-owned subsidiary of the Company, has entered into acquisition agreement to acquire (i) Sales Shares of Raxco Assets Corp. ("Raxco") (representing 100% equity interest of Raxco); and (ii) the shareholder's loan in the sum of HK$56,638,000 (the "Sale Loan") (representing the entire shareholder's loan due from Raxco) from Teamgreat Investments Limited ("Teamgreat"). Teamgreat is pontifically owned by the discretionary trust founded by Mr. Chiau Sing Chi, a director of the Company, thus a connected person of the Company.

45. SHARE-BASED PAYMENTS

The Company has the convertible bonds and share option scheme for a director, an employee and advisers of the Group. Details of the convertible bonds and share options are as follows:

Convertible bonds

Issuer:	The Company
Principal amount:	HK$45 million in aggregate. The Convertible Bonds in the amount of HK$25 million issued on 1 June 2010 ("commencement date") and the remaining four tranches (each worth HK$5 million, and HK$20 million in aggregate) of the Convertible Bonds issued on the date being the first, second, third and fourth anniversary of the date of commencement date.
Issue date:	1 June 2010
Maturity date:	Ten years from the date of issue
Interest:	Zero coupon
Conversion price:	HK$0.10 per share

Share Option Scheme

(i) Grant date:	1 June 2010
Maturity date:	the date falling on the expiry of the fortieth month from the date of grant of the Options
Number of Options granted:	250,000,000
Exercise price:	HK$0.10 per share
Exercisable period:	Any time during the period commencing from the date of expiry of the eighteenth months from the date of grant of Options to the date falling on the expiry of the fortieth month from the date of grant of the Options.
(ii) Grant Date:	20 August 2010
Maturity Date:	19 August 2016
Number of Options Granted:	42,000,000
Exercise Price:	HK$0.246 per share

The fair values of the HK$45 million convertible bonds and 250,000,000 share options determined on 1 June 2010 using binomial option pricing model were HK$124,360,000 and HK$51,691,000 respectively.

The fair value of the 42,000,000 share options determined on 20 August 2010 using binomial option pricing model was HK$5,324,000.

The followings assumptions were used to calculate the fair value of HK$45 million convertible bonds:

Principle amount:	HK$45 million
Expected life:	10 years
Interest:	Nil
Redemption price:	100% of the principal amount
Conversion price:	HK$0.10
Risk-free rate:	2.47%
Effective interest rate:	16.73%
Share price:	HK$0.27
Expected dividend yield:	0%
Expected volatility:	84.09%

The followings assumptions were used to calculate the fair value of 250,000,000 share options:

Share price:	HK$0.27
Exercise price:	HK$0.10
Nature of the options:	Call
Risk-free rate:	1.08%
Expected life of the options:	40 months
Expected volatility:	94.74%
Expected dividend yield:	0%
Early exercise behavior:	280%

The following assumptions were used to calculate the fair value of 42,000,000 share option:

Share price:	HK$0.240
Exercise price:	HK$0.246
Nature of the option:	Call
Risk-free rate:	1.28%
Expected life of the option:	6 years
Expected volatility:	91.85%
Expected dividend yield:	0%
Early exercise behavior:	220%

In the current period, HK$25 million convertible bonds, 250,000,000 and 42,000,000 share options were granted/ issued and the Company recognized the total expense of HK$124,202,000 as share-based payments for year ended 31 March 2011.

46. EVENTS AFTER THE REPORTING PERIOD

(i) On 13 April 2011, the Company entered into the Memorandum of Understanding ("MOU") with CineChina Limited ("CineChina") in relation to formation of the Joint Venture ("JV") for investment in and management of high- end digital cinemas in the PRC. CineChina undertakes to the Company that it shall introduce not less than 36 cinemas with not less than 260 screens and 30,000 seats in aggregate within 3 years after the formation of the JV.

(ii) On 17 May 2011, pursuant to the MOU dated 13 April 2011, Shine Wisdom Limited ("Shine Wisdom"), a wholly-owned subsidiary of the Company, entered into (i) the First Acquisition Agreement with 重慶越界影院投資有限公司 (transliterated as Chongqing Yuejie Media Investment Company Limited) ("the First Vendor") for the proposed acquisition of 51% interest in the tangible assets of Cinema Project A1 at a cash consideration of RMB6,611,000 (equivalent to approximately HK$7,900,000) and the proposed acquisition of 51% interest in the tangible assets of Cinema Project A2 at a cash consideration of RMB6,316,000 (equivalent to approximately HK$7,548,000), (ii) the Second Acquisition Agreement with 重慶嘉裕影院管理有限公司 (transliterated as Chongqing Jiayu Cinema Management Company Limited) ("the Second Vendor") for the proposed acquisition of 51% interest in the tangible assets of Cinema Project B at a cash consideration of RMB6,093,000 (equivalent to approximately HK$7,281,000); and (iii) the Third Acquisition Agreement with Mr. Yingang ("the Third Vendor") for the proposed acquisition of 75% equity interest in a Target Company at a cash consideration of RMB10,903,000 (equivalent to approximately HK$13,029,000).

(iii) On 9 June 2011, Lofty Shine Limited, a wholly-owned subsidiary of the Company, entered into the JV Agreement with CineChina in connection with the cooperation between the Group and CineChina pursuant to the MOU dated 13 April 2011.

(iv) On 9 June 2011, Shine Wisdom and 上海龍影投資諮詢服務有限公司 ("Shanghai Longying") entered into the Transfer Agreement for the transfer of the Leasing Agreements at nil consideration in relation to the leasing of premises for development into 4 cinemas with an initial planning of 29 screens with 4,719 seats in total in Linan, Hangzhou, Zhongshan and Tianjin respectively in the PRC.

(v) Mr. Fok Wai Ming Jackie has been appointed as a Executive Director with effect from 9 May 2011.

47. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation."

3. UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The following is the full text of the unaudited financial statements of the Group for the six months ended 30 September 2011 as extracted from the interim report of the Company for the six months ended 30 September 2011:

"**Condensed consolidated statement of comprehensive income**

		For the six months ended 30 September	
		2011	**2010**
	Notes	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*2*	120,972	439,489
Cost of sales		(112,072)	(437,716)
Gross Profit		8,900	1,773
Reimbursement from licensor		–	3,828
Other revenue and other net income		133	39
Gain on disposal of subsidiaries	*3(a)*	714	3,535
Administrative and operating expenses		(20,084)	(35,574)
Share-based payments	*4*	(27,293)	(90,173)
Share of results of jointly-controlled entities		(373)	–
Share of results of associates		–	(13)
Finance cost	*5*	(1,218)	(2,000)
Loss before taxation	*3*	(39,221)	(118,585)
Taxation credit		–	9,061
Loss for the period		(39,221)	(109,524)
Loss attributable to:			
Equity holders of the Company		(38,608)	(109,524)
Non-controlling interests		(613)	–
		(39,221)	(109,524)

	Notes	For the six months ended 30 September 2011 HK$'000 (Unaudited)	2010 HK$'000 (Unaudited)
Dividend	6	–	–
Loss per share (cents per share)			
Basic	7	(1.27)	(3.57)
Diluted	7	N/A	N/A
Other comprehensive loss			
Exchange differences on translating foreign operations			
– Exchange differences arising during the period		(286)	(58)
– Adjustment relating to foreign operations disposed during the period		–	(32)
Other comprehensive loss for the period, net of tax		(286)	(90)
Loss for the period		(39,221)	(109,524)
Total comprehensive loss for the period		(39,507)	(109,614)

Condensed consolidated statement of financial position

	Notes	As at 30 September 2011 HK$'000 (Unaudited)	As at 31 March 2011 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		313	578
Interest in the jointly controlled entities	8	27,886	–
Goodwill		15,060	15,060
Deferred tax assets		803	803
		44,062	16,441
CURRENT ASSETS			
Inventories		–	24,710
Trade receivables	9	45,033	322
Other receivables, deposits and prepayments		19,300	4,262
Film in progress		67,032	8,389
Bank balance and cash		46,649	116,765
		178,014	154,448
CURRENT LIABILITIES			
Trade payables	10	44,497	–
Deposits received, other payables and accruals		51,085	34,090
Tax payables		734	736
Convertible bonds		51,155	49,182
		147,471	84,008
NET CURRENT ASSETS		30,543	70,440
NET ASSETS LESS CURRENT LIABILITIES		74,605	86,881
NON-CURRENT LIABILITIES			
Convertible bonds		8,156	8,156
NET ASSETS		66,449	78,725

Condensed consolidated statement of financial position

	Notes	As at 30 September 2011 HK$'000 (Unaudited)	As at 31 March 2011 HK$'000 (Audited)
CAPITAL AND RESERVES			
Share capital	11	61,751	61,431
Reserves		5,303	17,294
		67,054	78,725
Non-controlling interests		(605)	–
TOTAL EQUITY		66,449	78,725

Condensed consolidated statement of changes in equity

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Equity component of convertible bonds HK$'000	Share option reserve HK$'000	Exchange reserve HK$'000	Accumulated Loss HK$'000	Total HK$'000	Non controlling interests HK$'000	Total HK$'000
At 1 April 2010	54,231	221,512	3,930	8,202	4,925	58	(205,646)	87,212	(242)	86,970
Issue of ordinary shares under Convertible bonds	6,500	23,817	–	(3,076)	–	–	–	27,241	–	27,241
Issue of new shares of HK$0.02 each under share option scheme	680	4,401	–	–	(1,728)	–	–	3,353	–	3,353
Share-based payments	–	–	–	72,625	11,487	–	–	84,112	–	84,112
Disposal of foreign operations	–	–	–	–	–	(58)	–	(58)	242	184
Exchange different arising from translation of financial Statements	–	–	–	–	–	(32)	–	(32)	–	(32)
Loss for the period	–	–	–	–	–	–	(109,524)	(109,524)	–	(109,524)
At 30 September 2010	61,411	249,730	3,930	77,751	14,684	(32)	(315,170)	92,304	–	92,304

	Share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000*	Equity component of convertible bonds *HK$'000*	Share option reserve *HK$'000*	Exchange reserve *HK$'000*	Accumulated Loss *HK$'000*	Total *HK$'000*	Non controlling interests *HK$'000*	Total *HK$'000*
At 1 April 2011	61,431	250,641	3,930	91,036	34,307	(53)	(362,567)	78,725	–	78,725
Issue of ordinary shares under convertible bonds	–	–	–	9,034	–	–	–	9,034	–	9,034
Issue of new shares of HK$0.02 each under share option scheme	320	1,399	–	–	(422)	–	–	1,297	–	1,297
Non-controlling interest	–	–	–	–	–	–	–	–	(605)	(605)
Exchange difference arising from translation of financial statements	–	–	–	–	–	(286)	–	(286)	–	(286)
Equity settled share option arrangement	–	–	–	–	17,505	–	–	17,505	–	17,505
Loss for the period	–	–	–	–	–	–	(39,221)	(39,221)	–	(39,221)
At 30 September 2011	61,751	252,040	3,930	100,070	51,390	(339)	(401,788)	67,054	(605)	66,449

Condensed consolidated statement of cash flows

	For the six months ended 30 September	
	2011	**2010**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(38,614)	(28,363)
Net cash used in investing activities	(18,088)	320,709
Net cash used in financing activities	(13,128)	(153,647)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(69,830)	138,699
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	116,765	9,796
EFFECT OF FOREIGN RATE EXCHANGES	(286)	(90)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	46,649	148,405
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	46,649	148,405

Notes:

1. BASIS OF PREPARATION

The Group's unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosures requirements of the GEM Listing Rules and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an investment property, derivative financial instruments and equity investments, which have been measured at fair value. The unaudited consolidated results are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

The principal accounting policies applied in the preparation of the unaudited consolidated results are consistent with those adopted in the preparation of the annual consolidated financial statements of the Group for the year ended 31 March 2011.

In the current period, the Group has adopted a number of new and revised HKFRSs, which are effective for accounting periods beginning on or after 1 April 2011. The adoption of these new and revised HKFRSs had no material effect on the results or financial position of the Group for the current and/or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not applied the new and revised HKFRSs, which have been issued but are not yet effective, in the unaudited consolidated results. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has anticipated that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

The interim results are unaudited but have been reviewed by the audit committee of the Company.

2. TURNOVER AND SEGMENT INFORMATION

Turnover represents amount receivable for goods sold and services provided and royalty income generated in the normal course of business, net of sales related taxes.

Share of jointly controlled entity represents the net amount receivable shared from jointly controlled entity for cinema investment and management business.

Turnover and results

For the six months ended 30 September 2011

	Trading	**Filmed entertainment, online games and licensing business**	**Cinema business**	**Consolidation**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover				
External	112,162	8,810	–	120,972
Share of results of jointly controlled entities	–	–	(373)	(373)
Segment result	(686)	1,406	(373)	347
Interest income				133
Gain from disposal of subsidiary				714
Share-based payments				(27,293)
Unallocated corporate expenses				(11,904)
Loss from operation				(38,003)
Finance cost				(1,218)
Loss before taxation				(39,221)
Taxation				–
Loss for the period				(39,221)

For the six months ended 30 September 2010

	Trading	**Property management**	**Filmed entertainment, Online games and licensing business**	**Consolidation**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover				
External	432,578	5,464	1,447	439,489
Segment result	(6,033)	(13,806)	(267)	(20,106)
Interest income				13
Gain from disposal of subsidiary				3,535
Unallocated corporate expenses				(100,014)
Loss from operation				(116,572)
Finance cost				(2,000)
Share of loss of an associate				(13)
Loss before taxation				(118,585)
Taxation Credit				9,061
Loss for the period				(109,524)

Consolidated Assets and Liabilities
At 30 September 2011

	Trading	Filmed entertainment, Online games and licensing business	Cinema business	Consolidation
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Segment assets	45,651	90,886	42,926	179,463
Unallocated corporate assets				42,613
				222,076
Consolidated total assets				
LIABILITIES				
Segment liabilities	45,162	37,399	10,171	92,732
Unallocated corporate liabilities				62,895
Consolidated total liabilities				155,627
OTHER INFORMATION				
Segment depreciation and amortization		24	39	63
Unallocated corporate depreciation				29

At 30 September 2010

	Trading	Property management	Filmed entertainment, Online games and licensing business	Other	Consolidation
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Segment assets	193	149,159	2,399	–	151,751
Unallocated corporate assets					22,209
Consolidated total assets					173,960
LIABILITIES					
Segment liabilities	993	16,364	8,968	–	26,325
Unallocated corporate liabilities					55,331
Consolidated total liabilities					81,656
OTHER INFORMATION					
Segment depreciation and amortization	–	670	46	–	716
Gain on disposal of subsidiary	–	–	–	(3,535)	(3,535)

3. LOSS BEFORE TAXATION

Loss before taxation is stated after charging/(crediting) the following:

	For the six months ended 30 September 2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation and amortization	92	716
Operating leases rental in respect of rented premises	270	270
Staff costs (including directors' remuneration)	7,105	7,357
Gain on disposal of subsidiary *(Note a)*	(714)	(3,535)

(a) Gain on Disposal of Subsidiaries

On 30 September 2011, the Board of Directors agreed to dispose the entire 100% shareholding interest in Shanghai Bingo Interactive Information Technology Co. Ltd. (Beijing Branch), at a gain on disposal of HK$714,000.

4. SHARE-BASED PAYMENTS

(i) The Company has the convertible bonds and share option scheme for Mr. Chiau Sing Chi as his remuneration package to the services provided by him. Details of the convertible bonds and share options are as follows:

Convertible bonds

Issuer:	The Company
Principal amount:	HK$45 million in aggregate. The Convertible Bonds in the amount of HK$25 million issued on 1 June 2010 ("commencement date") and the remaining four tranches (each worth HK$5 million, and HK$20 million in aggregate) of the Convertible Bonds issued on the date being the first, second, third and fourth anniversary of the date of commencement date.
Issue date:	1 June 2010
Maturity date:	Ten years from the date of issue
Interest:	Zero coupon
Conversion price:	HK$0.10 per share

Share Option Scheme

Grant date:	1 June 2010
Maturity date:	the date falling on the expiry of the fortieth month from the date of grant of the Options
Number of Options granted:	250,000,000
Exercise price:	HK$0.10 per share
Exercisable period:	Any time during the period commencing from the date of expiry of the eighteenth months from the date of grant of Options to the date falling on the expiry of the fortieth month from the date of grant of the Options.

The fair values of the HK$45 million convertible bonds and 250,000,000 share options determined on 1 June 2010 using binomial option pricing model were HK$124,360,048 and HK$51,691,784 respectively.

The followings assumptions were made by DTZ Debenham Tie Leung Limited, independent qualified professional valuers are not connected with the Group and have appropriate qualification, to calculate the fair value of HK$45 million convertible bonds:

Principle amount:	HK$45 million
Expected life:	10 years
Interest:	Nil
Redemption price:	100% of the principal amount
Conversion price:	HK$0.10
Risk-free rate:	2.47%
Effective interest rate:	16.73%
Share price:	HK$0.27
Expected dividend yield:	0%
Expected volatility:	84.09%

The followings assumptions were made by DTZ Debenham Tie Leung Limited, independent qualified professional valuers are not connected with the Group and have appropriate qualification, to calculate the fair value of 250,000,000 share options:

Share price:	HK$0.27
Exercise price:	HK$0.10
Nature of the options:	Call
Risk-free rate:	1.08%
Expected life of the options:	40 months
Expected volatility:	94.74%
Expected dividend yield:	0%
Early exercise behavior:	280%

(ii) The Company has share option scheme for employees and advisors of the Group. 42,000,000 share options were granted to an employee and advisors on 20 August 2010 with fair value of HK$5,324,000 using binomial option pricing model. 7,500,000 share options were granted to another employee on 14 April 2011 with fair value of HK$947,185 using binomial option pricing model.

During the period, 24,000,000 share options out of 42, 000,000 share options were lapsed and the outstanding balance is 18,000,000 share options.

Regarding of HK$30 million convertible bonds, 250,000,000, 18,000,000 and 7,500,000 share options disclosed above, the Company recognised the total share-based payments of HK$27,293,000 during the period.

5. FINANCE COST

	For the six months ended 30 September 2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Finance cost		
Continuing operations		
Interest on Bank loan	–	1,996
Effective interest on convertible bonds	1,218	–
Finance lease charge	–	4
	1,218	2,000

6. DIVIDEND

The Directors do not recommend the payment of any dividend for the six months ended 30 September 2011 (six months ended 30 September 2010: Nil).

7. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

Basic loss per share is calculated as follows:

	For the six months ended 30 September 2011	2010
	HK Cent	*HK Cent*
	(Unaudited)	(Unaudited)
Basic loss per share from operation	(1.27)	(3.57)

Weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	For the six months ended 30 September 2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period attributable to equity holders of the Company	(39,221)	(109,524)

	2011	2010
Weighted average number of ordinary shares for the purpose of basic loss per share	3,087,559,126	3,070,559,126

(b) Diluted

No diluted loss per share has been presented by the Company for the six months ended 30 September 2011 as the exercise of the share options and convertible bonds will give rise to an anti-dilutive effect.

8. INTEREST IN THE JOINTLY CONTROLLED ENTITIES

	As at 30 September 2011 *HK$'000* (Unaudited)	As at 31 March 2011 *HK$'000* (Audited)
Cost of investment, unlisted	28,259	–
Share of post-acquisition loss and reserves	(373)	–
	27,886	–

9. TRADE RECEIVABLES

The credit period granted by the Group to its customers is normally 60-90 days.

The aging of the Group's trade receivables in analysed as follows:

	As at 30 September 2011 *HK$'000* (Unaudited)	As at 31 March 2011 *HK$'000* (Audited)
Within 30 days	406	127
31-60 days	44,627	–
61-90 days	–	147
Over 90 days	–	48
	45,033	322

10. TRADE PAYABLES

The aging of the Group's trade payables in analysed as follows:

	As at 30 September 2011 *HK$'000* (Unaudited)	**As at 31 March 2011** *HK$'000* (Audited)
Within 30 days	62	–
31-60 days	44,435	–
61-90 days	–	–
Over 90 days	–	–
	44,497	–

11. SHARE CAPITAL

	As at 30 September 2011 (Unaudited)		**As at 31 March 2011 (Audited)**	
	No of shares *'000*	**Amount** *HK$'000*	**No of shares** *'000*	**Amount** *HK$'000*
Authorised:				
Beginning of the period/year				
Shares of HK$0.02 each	5,000,000	100,000	5,000,000	100,000
End of the period/year				
Shares of HK$0.02 each	5,000,000	100,000	5,000,000	100,000
Issued and fully paid:				
At the beginning of the period/year	3,071,559	61,431	2,711,559	54,231
Issue of ordinary shares under convertible bonds	–	–	325,000	6,500
Share allotment under share option scheme				
After share consolidation	16,000	320	35,000	700
At the end of the period/year	3,087,559	61,751	3,071,559	61,431

12. OPERATING LEASE COMMITMENTS

	As at 30 September 2011 *HK$'000* (Unaudited)	As at 31 March 2011 *HK$'000* (Audited)
Within one year	495	702
In the second to fifth year, inclusive	–	225
	495	927

13. CAPITAL COMMITMENTS

	As at 30 September 2011 *HK$'000* (Unaudited)	As at 31 March 2011 *HK$'000* (Audited)
Contracted but not provided for		
– Additional cost to be incurred for animation under production	3,116	11,462

14. EVENTS AFTER THE REPORTING PERIOD

The convertible bonds issued on 7 October 2009, with outstanding principal amount of HK$48,750,000 has been expired on 6 October 2011. The Company is currently negotiating with the bondholders for possible extension of the convertible bonds and other possible alteration of terms of the convertible bonds. During the negotiations between the Company and the bondholders, the bondholders have agreed not to redeem the convertible bonds until the possible alteration is confirmed. And the interest on the convertible bonds will continue to be payable by the Company until the date of redemption pursuant to the terms of the convertible bonds."

4. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2011

The following is the full text of the unaudited financial statements of the Group for the nine months ended 31 December 2011 as extracted from the quarterly report of the Company for the nine months ended 31 December 2011:

"Condensed consolidated statement of comprehensive income

		For the three months ended 31 December		For the nine months ended 31 December	
		2011	2010	**2011**	2010
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Turnover	2	**56,688**	47,430	**177,660**	486,919
Cost of sales		**(55,903)**	(45,738)	**(167,975)**	(483,454)
Gross profit		**785**	1,692	**9,685**	3,465
Reimbursement from licensor		**–**	271	**–**	4,099
Other income		**17**	72	**150**	111
Gain on disposal of a subsidiary	3	**–**	12,717	**714**	16,252
Selling and marketing expenses		**–**	(3,645)	**–**	(3,667)
Administrative and operating expenses		**(9,868)**	(10,461)	**(29,952)**	(46,013)
Share-based payments	4	**(9,623)**	(15,812)	**(36,916)**	(105,985)
Share of results of jointly controlled entities		**(573)**	–	**(946)**	–
Share of loss of associate		**–**	–	**–**	(13)
Finance cost	5	**(152)**	(613)	**(1,457)**	(4,415)
Loss before taxation		**(19,414)**	(15,779)	**(58,722)**	(136,166)
Taxation credit		**–**	–	**–**	9,061
Loss for the period		**(19,414)**	(15,779)	**(58,722)**	(127,105)
Loss attributable to:					
Equity holders of the Company		**(19,036)**	(15,779)	**(57,731)**	(127,105)
Non-controlling interests		**(378)**	–	**(991)**	–
Loss for the period		**(19,414)**	(15,779)	**(58,722)**	(127,105)

		For the three months ended 31 December		For the nine months ended 31 December	
		2011	2010	**2011**	2010
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Dividend	6	**–**	–	**–**	–
Loss for the period (cents per share):					
Basic	7	**(0.62)**	(0.51)	**(1.9)**	(4.14)
Diluted	7	**N/A**	N/A	**N/A**	N/A
Other comprehensive profit/(loss):					
Exchange differences on translating foreign operations					
– Exchange difference arising during the period		**(59)**	10	**(345)**	(22)
– Adjustment relating to foreign operations disposed during the period		**–**	–	**–**	(58)
Other comprehensive profit/(loss) for the period, net of tax		**(59)**	10	**(345)**	(80)
Loss for the period		**(19,414)**	(15,779)	**(58,722)**	(127,105)
Total comprehensive loss for the period		**(19,473)**	(15,769)	**(59,067)**	(127,185)

Notes:

1. BASIS OF PREPARATION

The Group's unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosures requirements of the GEM Listing Rules and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an investment property, derivative financial instruments and equity investments, which have been measured at fair value. The unaudited consolidated results are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

The principal accounting policies applied in the preparation of the unaudited consolidated results are consistent with those adopted in the preparation of the annual consolidated financial statements of the Group for the year ended 31 March 2011.

In the current period, the Group has adopted a number of new and revised HKFRSs, which are effective for accounting periods beginning on or after 1 January 2011. The adoption of these new and revised HKFRSs had no material effect on the results of financial position of the Group for the current and/or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not applied the new and revised HKFRSs, which have been issued but are not yet effective, in the unaudited consolidated results. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has anticipated that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

The third quarterly results are unaudited but have been reviewed by the audit committee of the Company.

2. TURNOVER

Turnover represents amount receivable for goods sold, services provided and royalty income generated in the normal course of business, net of sales related taxes.

	Three months ended 31 December		**Nine months ended 31 December**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Turnover				
Trading	**54,713**	45,617	**166,875**	478,195
Property management	**–**	1,501	**–**	6,965
Filmed entertainment, online games and licensing business	**–**	312	**8,810**	1,759
Cinema	**1,975**	–	**1,975**	–
	56,688	47,430	**177,660**	486,919

3. GAIN ON DISPOSAL OF SUBSIDIARY

In September 2011, the Group closed and disposed of the entire 100% shareholding interest in Shanghai Bingo Interactive Information Technology Co. Ltd. (Beijing Branch), which was in dormant nature, at a gain on disposal of HK$714,000.

4. SHARE-BASED PAYMENTS

(i) The Company has the convertible bonds and share option scheme for Mr. Chiau Sing Chi as his remuneration package to the services provided by him. Details of the convertible bonds and share options are as follows:

Convertible bonds

Issuer:	The Company
Principal amount:	HK$45 million in aggregate. The Convertible Bonds in the amount of HK$25 million issued on 1 June 2010 ("commencement date") and the remaining four tranches (each worth HK$5 million, and HK$20 million in aggregate) of the Convertible Bonds issued on the date being the first, second, third and fourth anniversary of the date of commencement date.
Issue date:	1 June 2010
Maturity date:	Ten years from the date of issue
Interest:	Zero coupon
Conversion price:	HK$0.10 per share

Share Option Scheme

Grant date:	1 June 2010
Maturity date:	the date falling on the expiry of the fortieth month from the date of grant of the Options
Number of Options granted:	250,000,000
Exercise price:	HK$0.10 per share
Exercisable period:	Any time during the period commencing from the date of expiry of the eighteenth months from the date of grant of Options to the date falling on the expiry of the fortieth month from the date of grant of the Options.

The fair values of the HK$45 million convertible bonds and 250,000,000 share options determined on 1 June 2010 using binomial option pricing model were HK$124,360,048 and HK$51,691,784 respectively.

The following assumptions were made by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group and have appropriate qualification, to calculate the fair value of HK$45 million convertible bonds:

Principle amount:	HK$45 million
Expected life:	10 years
Interest:	Nil
Redemption price:	100% of the principal amount
Conversion price:	HK$0.10
Risk-free rate:	2.47%
Effective interest rate:	16.73%
Share price:	HK$0.27
Expected dividend yield:	0%
Expected volatility:	84.09%

The following assumptions were made by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group and have appropriate qualification, to calculate the fair value of 250,000,000 share options:

Share price:	HK$0.27
Exercise price:	HK$0.10
Nature of the options:	Call
Risk-free rate:	1.08%
Expected life of the options:	40 months
Expected volatility:	94.74%
Expected dividend yield:	0%
Early exercise behavior:	280%

(ii) The Company has share option scheme for employees and advisors of the Group. 42,000,000 share options were granted to an employee and advisors on 20 August 2010 with fair value of HK$5,324,000 using binomial option pricing model. 7,500,000 share options were granted to another employee on 14 April 2011 with fair value of HK$947,185 using binomial option pricing model.

During the Period, 24,000,000 share options out of 42,000,000 share options were lapsed and the outstanding balance is 18,000,000 share options.

During the Period, 1,000 share options granted to an ex-employee on 30 December 2008 were lapsed.

During the Period, the Company recognised the total share-base payment of HK$36,916,000. in relation to the HK$30 million convertible bonds, 250,000,000, 18,000,000 and 7,500,000 share options disclosed in items (i) and (ii) above.

5. FINANCE COST

	Three months ended 31 December		Nine months ended 31 December	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Finance cost				
Interest on convertible notes	**152**	613	**1,370**	2,415
Interest on bank loan	**–**	–	**–**	1,996
Finance lease charge	**–**	–	**–**	4
	152	613	**1,370**	4,415

6. DIVIDEND

The Directors do not recommend the payment of any dividend for the nine months ended 31 December 2011 (2010: Nil).

7. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

Basic loss per share is calculated as follows:

	Three months ended 31 December		Nine months ended 31 December	
	2011	2010	**2011**	2010
	HK Cent	*HK Cent*	***HK Cent***	*HK Cent*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Basic loss per share	**(0.62)**	(0.51)	**(1.9)**	(4.14)

The weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	Three months ended 31 December		Nine months ended 31 December	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Loss for the period attributable to equity Holders of the Company	**(19,036)**	(15,779)	**(57,731)**	(127,105)
	2011	2010	**2011**	2010
Weighted average number of ordinary shares for the purpose of basic loss per share	**3,087,559,126**	3,070,559,126	**3,087,559,126**	3,070,559,126

(b) Diluted

No diluted loss per share has been presented by the Company for the nine months ended 31 December 2011 as the exercise of the share options and convertible bonds will give rise to an anti-dilutive effect.

8. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the Company									
	Share capital	**Share premium**	**Contributed surplus**	**Equity component capital of convertible bonds**	**Share option reserve**	**Exchange reserve**	**Accumulated loss before MI**	**Total**	**Non Controlling interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2010	54,231	221,512	3,930	8,202	4,925	58	(205,646)	87,212	(242)	86,970
Issue of ordinary shares under convertible bonds	6,500	23,817	–	(3,076)	–	–	–	27,241	–	27,241
Issue of new share of HK$0.02 under share option scheme	680	4,401	–	–	(1,728)	–	–	3,353	–	3,353
Share-based payments	–	–	–	79,267	20,102	–	–	99,369	–	99,369
Disposal of foreign operations	–	–	–	–	–	(58)	–	(58)	242	184
Exchange difference arising from translation of financial statement	–	–	–	–	–	(22)	–	(22)	–	(22)
Loss for the period	–	–	–	–	–	–	(124,690)	(124,690)	–	(124,690)
At 31 December 2010	61,411	249,730	3,930	84,393	23,299	(22)	(330,336)	92,405	–	92,405

	Attributable to the equity holders of the Company									
	Share capital	Share premium	Contributed surplus	Equity component capital of convertible bonds	Share option reserve	Exchange reserve	Accumulated loss before MI	Total	Non Controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2011	61,431	250,641	3,930	91,036	34,307	(53)	(362,567)	78,725	–	78,725
Issue of ordinary shares under convertible bonds	–	–	–	12,487	–	–	–	12,487	–	12,487
Issue of new share of HK$0.02 under share option scheme	320	1,399	–	–	(422)	–	–	1,297	–	1,297
Non-controlling interest	–	–	–	–	–	–	–	–	(991)	(991)
Exchange difference arising from translation of financial statement	–	–	–	–	–	(345)	–	(345)	–	(345)
Equity settled share option arrangement	–	–	–	–	23,386	–	–	23,386	–	23,386
Loss for the period	–	–	–	–	–	–	(57,731)	(57,731)	–	(57,731)
At 31 December 2011	61,751	252,040	3,930	103,523	57,271	(398)	(420,298)	57,819	(991)	56,828 ”

5. STATEMENT OF INDEBTEDNESS

Indebtedness

At the close of business on 31 December 2011, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding indebtedness comprising the unsecured and unguaranteed Service CBs with total outstanding principal amount of approximately HK$30,000,000 and the secured and unguaranteed Loans in the aggregate amount of HK$51,875,000.

Mortgages and charges

As at close of business on 31 December 2011, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Loans in the aggregate amount of HK$51,875,000 are secured by first charges over the entire issued share capital in Harvest Yield Investments Limited and Power Alliance Investment Limited, wholly-owned subsidiaries of the Group.

Contingent liabilities

As at close of business on 31 December 2011, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had no other material contingent liabilities outstanding.

Disclaimer

Save as disclosed above and apart from intra-group liabilities and normal trade payables arising in the ordinary course of business, as at the close of business on 31 December 2011, the Group did not have any outstanding debt securities, bank loans and overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credit, hire purchase or finance lease commitments, mortgages, charges, guarantees or other material contingent liabilities.

Save as disclosed above and the bridging loan obtained from Beglobal of HK$5,000,000 as disclosed in the section headed "Reasons for the Subscription" in the letter from the Board in this circular, the Directors were not aware of any material changes in the Group's indebtedness and contingent liabilities since 31 December 2011 up to and including the Latest Practicable Date.

6. MATERIAL CHANGE

(i) As disclosed in the announcement of the Company dated 13 April 2010, the Company entered into a memorandum of understanding with CineChina Limited ("CineChina") on 13 April 2011 in relation to the formation of a joint venture company for the investment in and management of high-end digital cinemas in the PRC. As announced by the Company on 9 June 2011, Lofty Shine Limited ("Lofty Shine"), a wholly-owned subsidiary of the Company, entered into a joint venture agreement with CineChina in relation to the establishment of two wholly foreign-owned enterprises in the PRC owned as to 70% by Lofty Shine and 30% by CineChina. The joint venture companies are principally engaged in the investment of high-end digital cinemas in the PRC and operation and management of high-end digital cinemas in the PRC respectively;

(ii) as disclosed in the announcement of the Company dated 17 May 2011, the Group entered into three agreements in relation to the acquisition of four cinemas in Chongqing, Chengdu and Shanghai, the PRC at an aggregate consideration of approximately RMB29.9 million. The aforesaid cinemas have an aggregate operating area of 11,537 square meters and 25 movie screens with nearly 4,000 seats. The acquisition of one of the cinema projects in Chongqing and the cinema project in Shanghai were completed in December 2011 and the Directors expect that the acquisition of the remaining two cinema projects in Chongqing and Chengdu will be completed by February 2012;

(iii) as disclosed in the announcement of the Company dated 9 June 2011, Bingo Cinema Investment Company Limited ("BCIC") (formerly known as Shine Wisdom Limited), a wholly-owned subsidiary of the Company, entered into a transfer agreement dated 9 June 2011 with 上海龍影投資咨詢服務有限公司 (Shanghai Longying Investment Consulting Services Company Limited*) in relation to the transfer of four leasing agreements to BCIC at nil consideration for the development of premises into four cinemas with an initial planning of 29 screens with 4,719 seats in total in Linan, Hangzhou, Zhongshan and Tianjin respectively in the PRC. Transfer of the leasing agreements in respect of the premises in Linan and Hangzhou was completed in January 2012. Completion of the transfer of the leasing agreements in respect of the premises in Zhongshan and Tianjin is still subject to the due diligence review being conducted by the Group;

(iv) as disclosed in the announcement of the Company dated 6 October 2011, the 2011 CBs issued by the Company on 7 October 2009 matured on 7 October 2011 as disclosed in the section headed "Reasons for the Capitalisation" in the letter from the Board in this circular. Taking into account the financial position of the Group, the capital expenditures for the Group's cinema projects and administrative and overhead costs of the Group, the Group was not able to redeem the 2011 CBs and pay the accrued interest thereon at the maturity date of 7 October 2011;

(v) as disclosed in the third quarterly results announcement of the Group dated 13 February 2012 (the "Results Announcement"), the Group recorded unaudited revenue of approximately HK$177.7 million for the nine months ended 31 December 2011, representing a decrease of approximately 63.5% as compared to the unaudited turnover of approximately HK$486.9 recorded for the corresponding period in 2010. Such decrease was primarily attributable to the shift of business focus from sales and trading of coal and palm oil business onto movie production, licensing and derivatives, crossover marketing and provision of interactive contents and cinema investment and management business with a view to capitalising on the highly promising prospects of the cinema industry in the PRC;

(vi) as disclosed in the Results Announcement, the Group recorded unaudited loss attributable to the Shareholders of approximately HK$57.7 million for the nine months ended 31 December 2011, representing a decrease of approximately 54.6% as compared to that of approximately HK$127.1 million for the corresponding period in 2010. Such improvement was primarily attributable to a decrease in administrative and operating expenses and share-based payment;

(vii) as the Group has allocated most of its financial resources to its movie production and cinema investment and development business as described in (i) to (iii) above, based on the unaudited management accounts of the Group for the nine months ended 31 December 2011, there was a decrease in current assets and increase in current liabilities and the Group had a net current liability position. The Directors expect that upon completion of the Subscription and the Capitalisation, the net current liability position would be restored to a net current asset position;

(viii) as disclosed in the section headed "Reasons for the Subscription" in the letter from the Board in this circular, the Group obtained a bridging loan of HK$5,000,000 from Beglobal pursuant to a letter dated 12 January 2012 entered into between the Company and Beglobal. Such bridging loan is unsecured, carries interest at the rate of 5% per annum and shall be repayable on or before 31 March 2012; and

(ix) the Subscription and the Capitalisation.

Save for the information disclosed in paragraph (vii) above, details of the other paragraphs have been disclosed by the Company by way of issue of announcements at the respective material time. Save and except for the above, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 March 2011, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE SECURITIES

(i) Share capital

Set out below are the authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the proposed increase in the share capital of the Company becoming effective and upon completion of the Subscription and the Capitalisation:

Authorised		*HK$*
5,000,000,000	Shares as at the Latest Practicable Date	100,000,000
5,000,000,000	Increase in the authorised share capital of the Company	100,000,000
10,000,000,000		200,000,000

Issued and fully paid or credited as fully paid		*HK$*
3,090,559,126	Shares in issue as at the Latest Practicable Date	61,811,182.52
1,300,000,000	Allotment and issue of the Subscription Shares	26,000,000.00
1,706,249,999	Allotment and issue of the Capitalisation Shares	34,124,999.98
6,096,809,125	Upon completion of the Subscription and the Capitalisation	121,936,182.50

All the issued Shares rank pari passu with each other in all respects including the rights in respect of capital, dividends and voting.

Save for the issue of an aggregate of 19,000,000 new Shares pursuant to the exercise of 19,000,000 Share Options under the share option scheme of the Company, the Company had not issued any Shares since 31 March 2011, being the end of the last financial year of the Company.

(ii) Share options

As at the Latest Practicable Date, the Company had 250,000,000 Service Options outstanding which entitle Mr. Chiau to subscribe for 250,000,000 new Shares at the exercise price of HK$0.10 per Share and 71,000,000 Share Options outstanding which entitle the holders thereof to subscribe for an aggregate of 71,000,000 new Shares at exercise prices of HK$0.1012 per Share (for 45,500,000 Shares) and HK$0.246 per Share (for 25,500,000 Shares).

(iii) Convertible securities

As at the Latest Practicable Date, the Company had the Service CBs in the aggregate principal amount of HK$30 million which are convertible into 300,000,000 new Shares at the prevailing conversion price of HK$0.10 per Share.

Save as disclosed above, the Company had no other outstanding options, warrants or conversion rights affecting the Shares as at the Latest Practicable Date.

3. MARKET PRICES

The table below shows the closing prices of the Share on the Stock Exchange on (i) the Latest Practicable Date; (ii) 12 January 2012, being the Last Trading Day; and (iii) the last trading day of each of the calendar months during the Relevant Period:

Date	**Closing price per Share**
	HK$
29 July 2011	0.18
31 August 2011	0.14
30 September 2011	0.07
31 October 2011	0.099
30 November 2011	0.091
30 December 2011	0.069
12 January 2012, being the Last Trading Day	0.074
31 January 2012	0.081
22 February 2012, being the Latest Practicable Date	0.105

The highest and lowest closing price per Share as quoted on the Stock Exchange during the Relevant Period were HK$0.194 per Share on 19 July 2011 and HK$0.061 per Share on 3 October 2011 respectively.

4. DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the following Director(s) had or was/were deemed to have interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange:

(i) Long positions in the Shares

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of issued share capital of the Company
Mr. Chan Cheong Yee	Beneficial owner	10,000	0.00%
Mr. Yik Chok Man	Beneficial owner	564,000	0.02%
Mr. Chong Lee Chang *(Note 1)*	Beneficial owner	90,631,999	2.93%
Mrs. Chen Chou Mei Mei, Vivien	Beneficial owner	5,500,000	0.18%
Mr. Chiau *(Note 2)*	Held by trust	905,000,000	29.28%

Notes:

1. Mr. Chong Lee Chang, a non-executive Director, personally owned 16,131,952 Shares and is deemed to be interested in 74,500,047 Shares through his beneficial interest in 100% of the entire issued share capital of Shieldman Limited.

2. Beglobal, a company indirectly owned by the Trust the discretionary objects of which are Mr. Chiau and his family, is beneficially interested in 905,000,000 Shares, of which 325,000,000 Shares are held by Beglobal and 580,000,000 Shares are held by Golden Treasure, a wholly-owned subsidiary of Beglobal. Beglobal is also interested in 1,300,000,000 Subscription Shares and 1,011,969,926 Capitalisation Shares to be allotted and issued under the Subscription Agreement and the Capitalisation Agreement respectively.

(ii) Long positions in the underlying Shares

Share Options

Name of Director	Date of grant	Number of Share Options held	Exercise price
			HK$
Mr. Chan Cheong Yee	26 Aug 2009	10,000,000	0.1012

The Company adopted the share option scheme on 19 October 2002, pursuant to which the Board may, at their discretion, offer employees, non-executive Directors, independent non-executive Directors or any other persons who have contributed to the Group to take up Share Options to subscribe for new Shares subject to the terms and conditions stipulated in the share option scheme.

Service Options

Name of Director	Date of grant	Number of Service Options held	Exercise price
			HK$
Mr. Chiau	1 June 2010	250,000,000	0.1

The Company issued the Service Options to Mr. Chiau which entitle him to subscribe for 250,000,000 new Shares at the exercise price of HK$0.10 per Share during the exercise period. For details of the Service Options, please refer to the service agreement mentioned in the circular of the Company dated 3 May 2010.

Convertible bonds

The Service CBs in the principal amounts of HK$25 million and $5 million were issued to Mr. Chiau on 1 June 2010 and 1 June 2011 respectively. The remaining three tranches (each worth HK$5 million, and HK$15 million in aggregate) of the convertible bonds will be issued on the date being the second, third and fourth anniversary of the date of 1 June 2010. For details of the Service CBs, please refer to the service agreement mentioned in the circular of the Company dated on 3 May 2010.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

(b) Persons who have an interest or short position which is discloseable under Division 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as are known to the Directors, as at the Latest Practicable Date, the following person (not being Directors or chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of Shareholder	Number of Shares held	Approximate percentage of issued share capital of the Company
Beglobal *(Note)*	905,000,000	29.28%

Note:

Beglobal, a company indirectly owned by the Trust the discretionary objects of which are Mr. Chiau and his family, is beneficially interested in 905,000,000 Shares, of which 325,000,000 Shares are held by Beglobal and 580,000,000 Shares are held by Golden Treasure, a wholly-owned subsidiary of Beglobal. Beglobal is also interested in 1,300,000,000 Subscription Shares and 1,011,969,926 Capitalisation Shares to be allotted and issued under the Subscription Agreement and the Capitalisation Agreement respectively.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

5. ADDITIONAL DISCLOSURE OF INTERESTS

(i) As at the Latest Practicable Date, save for Beglobal's beneficial interest in 905,000,000 Shares, neither Mr. Chiau and his family, the Trust, SMP Trustees, Beglobal, Golden Treasure nor any parties acting in concert with any of them owns or has control or direction over any Shares or voting rights of the Company.

(ii) As at the Latest Practicable Date, save for the Loan in the amount of HK$30,359,097.78 owed by the Company to Beglobal, Mr. Chiau's holding of the Service CBs with an aggregate principal amount of HK$30,000,000 and the Service Options, neither Mr. Chiau and his family, the Trust, SMP Trustees, Beglobal, Golden Treasure nor any parties acting in concert with any of them holds any convertible securities, warrants or options of the Company nor has entered into any outstanding derivative in respect of the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

(iii) As at the Latest Practicable Date, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or the shares of Beglobal and which might be material to the Subscription, the Capitalisation or the Whitewash Waiver.

(iv) As at the Latest Practicable Date, save for the Subscription Agreement and the Capitalisation Agreement, there is no other agreement or arrangement to which Mr. Chiau and his family, the Trust, SMP Trustees, Beglobal, Golden Treasure or any of the parties acting in concert with any of them is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription, the Capitalisation or the Whitewash Waiver.

(v) As at the Latest Practicable Date, neither Mr. Chiau and his family, the Trust, SMP Trustees, Beglobal, Golden Treasure nor any parties acting in concert with any of them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

(vi) As at the Latest Practicable Date, there was no agreement, arrangement or understanding pursuant to which the Subscription Shares will be transferred, charged or pledged to any other persons.

(vii) As at the Latest Practicable Date, the director of Beglobal does not hold any Share or any convertible securities, warrants, options and derivatives in respect thereof.

(viii) As at the Latest Practicable Date, no person had irrevocably committed themselves to vote in favour of or against the resolutions approving the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the EGM.

(ix) As at the Latest Practicable Date, Mr. Chiau and his family, the Trust, SMP Trustees, Beglobal, Golden Treasure and parties acting in concert with any of them had not entered into any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person.

(x) As at the Latest Practicable Date, Mr. Chiau and his family, the Trust, SMP Trustees, Beglobal, Golden Treasure and parties acting in concert with any of them had not borrowed or lent any Shares or any convertible securities, warrants, options and derivatives in respect thereof.

(xi) None of Mr. Chiau and his family, the Trust, SMP Trustees, Beglobal, Golden Treasure and parties acting in concert with any of them and the Directors had dealt for value in any Shares or any convertible securities, warrants, options and derivatives in respect thereof during the Relevant Period.

(xii) As at the Latest Practicable Date, no agreement, arrangement or understanding (including any compensation arrangement) existed between Mr. Chiau and his family, the Trust, SMP Trustees, Beglobal, Golden Treasure and parties acting in concert with any of them and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Whitewash Waiver.

(xiii) As at the Latest Practicable Date, save for Mr. Chiau and his family being the discretionary objects of the Trust which ultimately owned the entire issued share capital of Beglobal, the Company and the Directors did not hold any shares of Beglobal or any convertible securities, warrants, options and derivatives in respect thereof.

(xiv) As at the Latest Practicable Date, no subsidiary of the Company, pension fund of the Company or any subsidiary of the Company, or any adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code owned or controlled any Shares or any convertible securities, warrants, options and derivatives in respect thereof.

(xv) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code.

(xvi) As at the Latest Practicable Date, no fund which was managed on a discretionary basis by fund managers connected with the Company had any interest in any Shares or any convertible securities, warrants, options and derivatives in respect thereof.

(xvii) As at the Latest Practicable Date, Mr. Chong Lee Chang and Mrs. Chen Chou Mei Mei, Vivien intended to vote in favour of the resolutions approving the Subscription Agreement and transactions contemplated thereunder and the Whitewash Waiver at the EGM in respect of their shareholdings in the Company. Mr. Chiau, Mr. Chan Cheong Yee and Mr. Yik Chok Man shall abstain from voting on the resolutions approving the Subscription and the Whitewash Waiver at the EGM pursuant to the Takeovers Code. The other Directors (being Mr. Fok Wai Ming, Jackie, Mrs. Chin Chow Chung Hang, Roberta, Mr. Wong Chak Keung and Mr. Chum Kwan Yue, Desmond) did not hold any Shares as at the Latest Practicable Date.

(xviii) As at the Latest Practicable Date, the Company and the Directors had not borrowed or lent any Shares or any convertible securities, warrants, options and derivatives in respect thereof.

(xix) As at the Latest Practicable Date, no benefit has been or would be given to any Director as compensation for loss of office or otherwise in connection with the Whitewash Waiver (other than statutory compensation).

(xx) As at the Latest Practicable Date, no agreement or arrangement existed between any Director and any other person which is conditional on or dependent upon the outcome of the Whitewash Waiver or otherwise connected therewith.

(xxi) As at the Latest Practicable Date, save as disclosed in the paragraphs headed "Directors' Service Contracts" and "Interests in Contracts and Assets" below, no material contract had been entered into by Mr. Chiau and his family, the Trust, SMP Trustees, Beglobal, Golden Treasure and parties acting in concert with any of them in which any Director has a material personal interest.

6. DIRECTORS' SERVICE CONTRACTS

Mr. Chiau entered into a service agreement with the Company on 22 February 2010, pursuant to which Mr. Chiau shall accept the appointment as a Director with prescribed duties for an initial term of five years commencing from 1 June 2010 (the "Commencement Date") to 31 May 2015, for a remuneration package comprising the Service CBs in the principal amount of HK$45 million and the Service Options which entitle him to subscribe for 250,000,000 new Shares at the exercise price of HK$0.10 per Share. The Service CBs shall be issued by the Company to Mr. Chiau in five tranches, as to HK$25 million of which has been issued on the Commencement Date and HK$5 million annually on the anniversary of the Commencement Date in the next four years during the term of the said service agreement. The Services Options has been granted to Mr. Chiau on the Commencement Date.

There is no fixed monthly payment under the service agreement although Mr. Chiau may be entitled to a cash bonus in respect of each financial year of the Company in an amount to be determined by the Board. The Board will take into account of the performance of the Group for that financial year in determining the bonus, if any. Mr. Chiau may also at the discretion of the Board be granted Share Options under the Company's share option scheme entitling him to subscribe for Shares.

For further details of the service agreement, please refer to the circular of the Company dated 3 May 2010.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the Company, or any of its subsidiaries or associated companies which:

(i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the date of the Announcement;

(ii) was a continuous contract with a notice period of 12 months or more;

(iii) was a fixed term contract with more than 12 months to run irrespective of the notice period; or

(iv) was not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or the substantial Shareholders (as defined in the GEM Listing Rules) or any of their respective associates had any interest in business which competes or may compete with the business of the Group or had any other conflict of interests which has or may have with the Group.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

9. INTERESTS IN CONTRACTS AND ASSETS

On 22 February 2010, Ngai Wah Associates Limited ("Ngai Wah") entered into a profit transfer deed (the "Transfer Deed") with High Amuse Limited ("High Amuse"), a wholly-owned subsidiary of the Company. Ngai Wah is beneficially owned by Ms. Kelly Chow, a sister of Mr. Chiau. Pursuant to the Transfer Deed, Ngai Wah agreed to transfer all profits generated from the intellectual property rights in relation to the production of the film entitled "CJ 7" to High Amuse at nil consideration.

On the same day, by a sub-licence agreement (the "Sub-Licence Agreement") entered into between Entrance Gate Limited ("Entrance Gate") as licensor and High Amuse as sub-licensee, High Amuse agreed to pay 10% royalty to Entrance Gate on the use, application or exploitation of the intellectual property rights in relation to the animation figure in "CJ 7". Entrance Gate is an independent third party and the licensee under a licence agreement entered into with Ngai Wah, the head licensor. For the financial year ended 31 March 2011, royalty payable to Entrance Gate amounted to approximately HK$87,000.

Details of the Transfer Deed and the Sub-Licence Agreement have been disclosed in the circular of the Company dated 3 May 2010.

On 12 January 2012, a loan letter has been entered into between the Company and Beglobal, pursuant to which Beglobal advanced an unsecured loan of HK$5,000,000 in cash to the Company which bears interest at the rate of 5% per annum and shall be repayable on or before 31 March 2012.

Save as disclosed above, no contract or arrangement in which any of the Directors had a material interest and is significant in relation to the business of the Group subsisted as at the Latest Practicable Date.

As at the Latest Practicable Date, none of the Directors has any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 March 2011, being the date to which the latest published audited financial statements of the Group were made up.

10. MATERIAL CONTRACTS

Set out below are the material contracts entered into after the date falling two years before the date of the Announcement, not being a contract entered into in the ordinary course of business carried on or intended to be carried on by the Group:

(i) a sale and purchase agreement dated 22 February 2010 and entered into between Teamgreat Investments Limited as vendor and High Amuse as purchaser pursuant to which High Amuse has agreed to purchase the entire equity interests in Raxco Assets Corp for a consideration of HK$10;

(ii) a sub-licence agreement dated 22 February 2010 entered into between Entrance Gate as licensor and High Amuse as licensee for the consideration of royalty of 10% of the sales revenue on the use of the intellectual property rights licensed;

(iii) a service agreement dated 22 February 2010 entered into between Mr. Chiau and the Company, pursuant to which Mr. Chiau shall accept the appointment as a Director with prescribed duties for an initial term of five year, for a remuneration package comprising the Service CBs in the principal amount of HK$45 million and the Service Options which entitle him to subscribe for 250,000,000 new Shares;

(iv) a profit transfer deed dated 22 February 2010 entered into between Ngai Wah as transferor and High Amuse as transferee at nil consideration;

(v) a provisional sale and purchase agreement dated 9 March 2010 entered into between Power Alliance Investment Limited (a wholly-owned subsidiary of the Company) as vendor and Success Build Limited as purchaser in relation to the disposal (the "Disposal") of a property comprising the whole of ground floor, upper ground floor, first and second floors of Lising Court situated at Nos. 34 & 36 Granville Road, Kowloon, Hong Kong at a consideration of HK$320,000,000;

(vi) the formal sale and purchase agreement dated 23 April 2010 in respect of the Disposal;

(vii) the memorandum of understanding dated 13 April 2011 entered into between the Company and CineChina Limited in relation to the cooperation in the investment and management of high-end digital cinema projects and related business in the PRC;

(viii) the placing agreement (the "Placing Agreement") dated 18 April 2011 entered into between Golden Treasure as vendor, the Company and China Everbright Securities (HK) Limited (the "Placing Agent") as placing agent in relation to the placing of up to 548,900,000 Shares (the "Placing Shares") at a placing price to be finalized by the Company and the Placing Agent on or before 29 April 2011;

(ix) the subscription agreement (the "Top-up Subscription Agreement") entered into between the Company and Golden Treasure dated 18 April 2011 in relation to the subscription by Golden Treasure for new Shares equivalent to the number of the Placing Shares at the subscription price to be finalized by the Company and the Placing Agent on or before 29 April 2011;

(x) the deed of termination dated 25 April 2011 entered into between the Company, Golden Treasure and the Placing Agent for termination of the Placing Agreement with effect from 25 April 2011;

(xi) the deed of termination dated 25 April 2011 entered into between the Company and Golden Treasure for termination of the Top-up Subscription Agreement with effect from 25 April 2011;

(xii) the acquisition agreement dated 17 May 2011 entered into between Shine Wisdom Limited ("Shine Wisdom") as purchaser and 重慶越界影院投資有限公司 (Chongqing Yuejie Media Investment Company Limited) as vendor in relation to the acquisition of 51% interest in the tangible assets of each of 重慶雄風百貨電影城 (Chongqing Xiongfeng Department Store Movie City) and 重慶中央大街電影城 (Chongqing Central Avenue Movie City) in Chongqing, the PRC, at an aggregate consideration of RMB12,927,000 (equivalent to approximately HK$15,448,000);

(xiii) the acquisition agreement dated 17 May 2011 entered into between Shine Wisdom as purchaser and 重慶嘉裕影院管理有限公司 (Chongqing Jiayu Cinema Management Company Limited) as vendor in relation to the acquisition of 51% interest in the tangible assets of 成都郫縣電影城 (Chengdu Pixian Movie City) in Chengdu, the PRC, at the consideration of RMB6,093,000 (equivalent to approximately HK$7,281,000);

(xiv) the acquisition agreement dated 17 May 2011 entered into between Shine Wisdom as purchaser and Mr. Yingang as vendor in relation to the acquisition of 75% equity interest in the tangible assets of 比高電影院（上海）有限公司 (Bingo Cinema (Shanghai) Company Limited) which includes 南翔智地廣場電影城 (Nanxiang Zhidi Plaza Movie City) in Shanghai, the PRC, at the consideration of RMB10,903,000 (equivalent to approximately HK$13,029,000);

(xv) the joint venture agreement dated 9 June 2011 (the "JV Agreement") relating to the formation of Shine Wisdom and another joint venture company ("JV") (both are to be owned as to 70% by Lofty Shine Limited, a wholly-owned subsidiary of the Company and as to 30% by CineChina Limited respectively), pursuant to which US$420,000 (approximately HK$3,276,000), being 70% of the total registered capital of the two wholly-owned foreign enterprises which are intended to be established in the PRC according to the JV Agreement, shall be contributed by Lofty Shine Limited in accordance with its shareholding in Shine Wisdom and JV;

(xvi) the transfer agreement dated 9 June 2011 and entered into between Shine Wisdom and 上海龍影投資咨詢服務有限公司 (Shanghai Longying Investment Consulting Services Company Limited) in relation to the transfer of the four leasing agreements to Shine Wisdom in respect of certain premises located in Linan, Hangzhou, Zhongshan, Tianjin in the PRC respectively for development and use as cinemas;

(xvii) the loan letter dated 12 January 2012 entered into between the Company and Beglobal pursuant to which Beglobal advanced an unsecured loan of HK$5,000,000 in cash to the Company at the interest rate of 5% per annum;

(xviii) the Subscription Agreement; and

(xix) the Capitalisation Agreements.

11. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular.

Name	Qualification
Messis Capital	a licensed corporation under the SFO to carry on Type 6 regulated activity (advising on corporate finance)

Messis Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the reference to its name in the form and context in which they appear.

As at the Latest Practicable Date, Messis Capital did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Messis Capital did not have any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 March 2011, being the date to which the latest published audited financial statements of the Group were made up.

12. MISCELLANEOUS

(i) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(ii) The head office and principal place of business of the Company in Hong Kong is at Room 1201-1204, 12th Floor, Sea Bird House, 22-28 Wyndham Street, Central, Hong Kong.

(iii) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(iv) The company secretary of the Company is Mr. Yik Chok Man, who is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and also an executive Director.

(v) The compliance officer of the Company is Mr. Chan Cheong Yee, who is also an executive Director.

(vi) The correspondence address of Mr. Chiau, the Trust, SMP Trustees, Beglobal and Golden Treasure is at Units 4-5A, 4/F, Wing Tuck Commercial Centre, 177-183 Wing Lok Street, Sheung Wan, Hong Kong. The director of Beglobal is Hurste Limited.

(vii) The principal place of business of Messis Capital is at Room 2002, 20th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong.

(viii) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text in case of any inconsistency.

13. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any Business Day from the date of this circular up to and including the date of the EGM (i) at the head office and principal place of business of the Company in Hong Kong at Room 1201-1204, 12th Floor, Sea Bird House, 22-28 Wyndham Street, Central, Hong Kong; (ii) on the website of the Securities and Futures Commission of Hong Kong at www.sfc.hk; and (iii) on the website of the Company at www.bingogroup.com.hk:

(i) the memorandum and articles of association of the Company;

(ii) the memorandum and articles of association of Beglobal;

(iii) the letter referred to in the section headed "Letter from the Board" in this circular;

(iv) the letter referred to in the section headed "Letter from the Whitewash IBC" in this circular;

(v) the letter referred to in the section headed "Letter from the GEM Listing Rules IBC" in this circular;

(vi) the letter referred to in the section headed "Letter from Messis Capital" in this circular;

(vii) the annual reports of the Company each of the two financial years ended 31 March 2010 and 2011;

(viii) the interim report of the Company for the six months ended 30 September 2011;

(ix) the quarterly report of the Company for the nine months ended 31 December 2011;

(x) the service contract referred to under the paragraph headed "Directors' service contracts" in this appendix;

(xi) the material contracts referred to under the paragraph headed "Material contracts" in this appendix; and

(xii) the written consent referred to under the paragraph headed "Expert and consent" in this appendix.

BINGO GROUP HOLDINGS LIMITED
比高集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8220)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of Bingo Group Holdings Limited (the "**Company**") will be held at City Garden Hotel, 1st Floor, Yue – Function Room II, 9 City Garden Road, Hong Kong on 12 March 2012 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions with or without amendments as ordinary resolutions:

ORDINARY RESOLUTIONS

1. "**THAT**

   (i) the increase in the authorised share capital of the Company from HK$100,000,000 divided into 5,000,000,000 shares of HK$0.02 each (each a "**Share**") to HK$200,000,000 divided into 10,000,000,000 Shares by creating an additional 5,000,000,000 unissued Shares (the "**Proposed Increase in Authorised Share Capital**") be and is hereby approved; and

   (ii) any one or more of the directors of the Company (the "**Directors**") be and is/are hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by him/her/them to be incidental to, ancillary to or in connection with the matters contemplated in and for completion of the Proposed Increase in Authorised Share Capital."

2. "**THAT**

   (a) the conditional subscription agreement (the "**Subscription Agreement**") dated 12 January 2012 and entered into between the Company as issuer and Beglobal Investments Limited ("**Beglobal**") as subscriber in relation to the subscription of the 1,300,000,000 new Shares (the "**Subscription Shares**") at the subscription price of HK$0.03 per Subscription Share (a copy of which is produced to the Meeting marked "A" and signed by the Chairman of the Meeting for the purpose of identification), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) conditional upon, among others, the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Subscription Shares to be issued and allotted to Beglobal under the Subscription Agreement, the allotment and issue of the Subscription Shares to Beglobal be and is hereby approved; and

(c) any one Director be and is hereby authorised to do all such things and acts as he/she may in his/her discretion consider as necessary, expedient or desirable for the purpose of or in connection with the implementation of the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the execution all such documents under seal where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the allotment and issue of Subscription Shares."

3. "**THAT**

(a) the conditional capitalisation agreements (the "**Capitalisation Agreements**") dated 12 January 2012 and entered into between the Company and each of Beglobal, Ms. Fung See Mun Catherine, Ms. Wong Ching Kuen, Mr. Sherman Lee and Mr. Bhanusak Asvaintra (together as the "**Creditors**") respectively in relation to the capitalisation of the outstanding principal amount of loans, together with unpaid interest accrued thereon up to and including 6 October 2011, in the aggregate amount of HK$51,187,500 owed by the Company to the Creditors by way of allotment and issue of 1,706,249,999 new Shares (the "**Capitalisation Shares**") to the Creditors at the capitalisation price of HK$0.03 per Capitalisation Share (copies of which are produced to the Meeting marked "B" and signed by the Chairman of the Meeting for the purpose of identification), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) conditional upon, among others, the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Capitalisation Shares to be issued and allotted to each of the Creditors under the Capitalisation Agreements, the allotment and issue of the Capitalisation Shares to the Creditors be and is hereby approved; and

(c) any one Director be and is hereby authorised to do all such things and acts as he/she may in his/her discretion consider as necessary, expedient or desirable for the purpose of or in connection with the implementation of the Capitalisation Agreements and the transactions contemplated thereunder, including but not limited to the execution all such documents under seal where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the allotment and issue of Capitalisation Shares."

4. "**THAT**, subject to the granting of the Whitewash Waiver (as defined below) by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong (or any delegate of the Executive Director) and any conditions that may be imposed thereon, the waiver of the obligation on the part of Beglobal and parties acting in concert with it to make a mandatory general offer to shareholders of the Company for all the issued securities of the Company not already owned or agreed to be acquired by Mr. Chiau Sing Chi, his family, The Sino Star Trust, SMP Trustees Limited, Beglobal, Golden Treasure Global Investment Limited and parties acting in concert with any of them which might otherwise arise as a result of Beglobal subscribing for the Subscription Shares under the Subscription Agreement pursuant to Note 1 on Dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (the "**Whitewash Waiver**") be and is hereby approved, and that any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents as he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to any of the matters relating to, or incidental to, the Whitewash Waiver."

By order of the Board
Bingo Group Holdings Limited
Chan Cheong Yee
Executive Director

Hong Kong, 24 February 2012

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Room 1201 – 1204
12th Floor, Sea Bird House
22 – 28 Wyndham Street, Central
Hong Kong

Notes:

1. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, in the event of a poll, vote in his/her stead. A proxy needs not be a member of the Company.

2. In order to be valid, the form of proxy must be duly lodged at the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, together with a power of attorney or other authority, if any, under which it is duly signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the meeting or any adjourned meeting.

3. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the above meeting or any adjournment thereof should he so wish, and in such event, the form of proxy shall be deemed to be revoked.