THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Bingo Group Holdings Limited (the "**Company**"), you should at once hand this circular to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE REMAINING 30% OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANIES

Independent Financial Adviser to the Independent Board Committee

中毅資本有限公司
Grand Moore Capital Limited

29 April 2020

CHARACTERISTICS OF GEM

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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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In this circular, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

"Acquisition"	the acquisition of the Sale Shares by the Purchaser from the Vendor on and subject to the terms and conditions of the Acquisition Agreement;
"Acquisition Agreement"	the conditional sale and purchase agreement dated 25 February 2020 entered into among the Purchaser and the Vendor in relation to the Acquisition;
"BCIC"	Bingo Cinema Investment Company Limited (比高電影院投資有限公司), a company incorporated in Hong Kong with limited liability, the entire issued share capital of which is owned as to 70% and 30% by the Purchaser and the Vendor, respectively, as at the date of this circular;
"BCIC Group"	BCIC and its subsidiaries;
"BCMC"	Bingo Cinema Management Company Limited (比高電影院管理有限公司), a company incorporated in Hong Kong with limited liability, the entire issued share capital of which is owned as to 70% and 30% by the Purchaser and the Vendor, respectively, as at the date of this circular;
"BCMC Group"	BCMC and its subsidiaries;
"Board"	the board of the Directors;
"Business Day"	a day (other than a Saturday, a Sunday and a public holiday) on which banks are generally open for business in Hong Kong during the usual business hours;
"Company"	Bingo Group Holdings Limited (比高集團控股有限公司), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM (stock code: 8220);
"Completion"	completion of the Acquisition;
"connected person(s)"	has the same meaning as ascribed to it under the GEM Listing Rules;
"Consideration"	consideration payable by the Purchaser under the Acquisition Agreement;
"Directors"	directors of the Company;

"Enlarged Group"	the enlarged Group upon completion of the Acquisition;
"GEM"	GEM of the Stock Exchange;
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM;
"Group"	the Company and its subsidiaries;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent Board Committee"	the independent committee of the Board, comprising all the independent non-executive Directors, namely Ms. Choi Mei Ping, Mr. Tsoi Chiu Yuk and Mr. Ong King Keung, established to advise the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder;
"Independent Financial Adviser"	Grand Moore Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee with regard to the Acquisition;
"Independent Shareholders"	Shareholders other than the Vendor and its associates;
"Latest Practicable Date"	23 April 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information for inclusion of this circular;
"Percentage Ratios"	the applicable percentage ratios under Rule 19.07 of the GEM Listing Rules;
"PRC"	the People's Republic of China, which for the purpose of this circular only, excludes Hong Kong, Macau and Taiwan;
"Purchaser"	Lofty Shine Limited (崴盛有限公司), a company incorporated in the British Virgin Islands with limited liability, which is a direct wholly-owned subsidiary of the Company;
"Sale Shares"	3,000 ordinary shares of BCIC and 3,000 ordinary shares of BCMC, representing 30% of the entire issued share capital of each of BCIC and BCMC, respectively;
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);

"Share(s)"	share(s) of HK$0.01 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of the Share(s);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Target Companies"	BCIC and BCMC;
"Target Group"	collectively, the Target Companies and their subsidiaries;
"Vendor"	CineChina Limited, a company incorporated in Hong Kong with limited liability;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"RMB"	Renminbi, the lawful currency of the PRC; and
"%"	per cent.

In this circular, for illustration purposes only, RMB has been converted to HK$ at the rate of RMB1:HK$1.1. No representation is made that any amounts in RMB or HK$ have been, could have been or could be converted at any of the above rates 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
Ms. Chow Man Ki Kelly
Mr. Lau Man Kit

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

Independent non-executive Directors:
Ms. Choi Mei Ping
Mr. Tsoi Chiu Yuk
Mr. Ong King Keung

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:
Unit 202, 2/F., Chinaweal Centre
414–424 Jaffe Road
Hong Kong

29 April 2020

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE REMAINING 30% OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANIES

INTRODUCTION

Reference is made to the announcement of the Company dated 25 February 2020 in relation to, inter alia, the Acquisition. The Acquisition constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules.

The purpose of this circular is to provide you with further details in relation to, among others, the Acquisition in accordance with the GEM Listing Rules only.

THE ACQUISITION AGREEMENT

Principal terms of the Acquisition Agreement are set forth below:

Date	:	25 February 2020 (after trading hours of the Stock Exchange)
Parties	:	(1) CineChina Limited (as the Vendor); and
		(2) Lofty Shine Limited (崴盛有限公司) (as the Purchaser)
Target Companies	:	(1) BCIC; and
		(2) BCMC

CineChina Limited is a company incorporated in Hong Kong with limited liability. Based on the information available to the Company, CineChina Limited is engaged in the business of cinema investment and owned by Anand Nirmal Parmanand, Yin Gang and Au Kar Man Tony, who holds 52.5%, 17.5% and 30% equity interest of CineChina Limited respectively.

Subject Matter

Subject to the terms and conditions of the Acquisition Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Sale Shares. The Sale Shares represent 30% of the issued share capital of each of the Target Companies.

Consideration

The Consideration, which is subject to the valuation of the Target Group as prepared by the valuer appointed by the Purchaser, with upper limit of RMB4,650,000 (equivalent to approximately HK$5,115,000), shall be satisfied and settled by setting off against the outstanding indebtedness due by the Vendor to the Group (the "**Outstanding Indebtedness**") on a dollar for dollar basis upon Completion. In the event that the Consideration would exceed the Outstanding Indebtedness, the remaining balance of the Consideration shall be satisfied and settled by cash. With reference to the valuation report stated in Appendix V to this circular, the amount of the Consideration is HK$721,000.

As at the Latest Practicable Date, the Vendor owes the Group in the sum of approximately RMB1,985,500 (equivalent to approximately HK$2,184,000).

Reference is made to the announcement of the Company dated 5 February 2020 in relation to the misappropriation of fund of RMB13 million (equivalent to approximately HK$14.5 million) from the Group (the "**Misappropriation**") by Mr. Yin Gang ("**Mr. Yin**"). The Company would like to clarify that the proposed Acquisition is not related to the settlement of the Misappropriation. The Outstanding Indebtedness amount of approximately RMB1,985,500 (equivalent to approximately HK$2,184,000) does not form part of the Misappropriation amount. As at the Latest Practicable Date, the Group has demanded Mr. Yin to return the Misappropriation amount but Mr. Yin yet failed to return the same. As at the

Latest Practicable Date, the Company has instructed its PRC legal advisers to take appropriate legal actions against Mr. Yin. However, with the uncertainty in development of the COVID-19 pandemic and imposition of quarantine measures on travelers in the PRC, such measures inevitably caused delay for the Group to implement such actions against Mr. Yin. For the avoidance of doubt, the Group will continue to exercise its best endeavors to recover the Misappropriation amount.

Basis of Consideration

The Consideration was determined by the Purchaser and the Vendor following arm's length negotiations with reference to, among others, the financial position of the Target Group.

Conditions precedent to Completion

Completion is conditional upon satisfaction of the following conditions:

(a) the Purchaser having obtained all necessary consents, authorisations and approvals in respect of the Acquisition;

(b) there being no situations, facts or circumstances which constitute or may constitute any breach of warranties under the Acquisition Agreement;

(c) the passing of the necessary resolution(s) by the Independent Shareholders at the general meeting of the Company (if any) to approve the Acquisition Agreement and the transactions contemplated thereunder;

(d) the Purchaser being satisfied with the results of the due diligence review on the assets, liabilities, operations and affairs of the Target Group to be carried out by the Company; and

(e) the valuation of the Target Group as prepared by the valuer appointed by the Purchaser in such form and substance satisfactory to the Purchaser.

The Purchaser may at any time waive the conditions set out in (b), (d) and (e) above by notice in writing to the Vendor. No other conditions may be waived by any parties to the Acquisition Agreement.

If any of the above conditions have not been fulfilled or waived by the Purchaser (as the case may be) on or before 31 December 2020 (or such later date as agreed by the parties to the Acquisition Agreement in writing), the Acquisition Agreement shall cease and determine and no party to the Acquisition Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the Acquisition Agreement.

Completion

Completion shall take place on the third (3rd) Business Day after all the conditions precedent under the Acquisition Agreement having been fulfilled or waived by the Purchaser (as the case may be) (or such other date as agreed by the parties to the Acquisition Agreement).

Upon Completion, the Target Companies will become indirect wholly-owned subsidiaries of the Company and the financial results of the Target Group will continue to be consolidated into the financial statements of the Group.

INFORMATION OF THE GROUP AND THE PURCHASER

The Group is principally engaged in movie production, licensing and derivative, crossover marketing and provision of interactive contents and cinema investment and management.

The Purchaser is a direct wholly-owned subsidiary of the Company, which is principally engaged in cinema investment and management in the PRC.

INFORMATION OF THE TARGET GROUP

The Target Companies are companies incorporated in Hong Kong with limited liability, the entire issued share capital of each of which is owned as to 70% and 30% by the Purchaser and the Vendor, respectively, as at the date of this circular.

The Target Group is principally engaged in cinema investment and cinema management in the PRC.

Financial information of the BCIC Group

Set out below is the audited consolidated financial information of the BCIC Group for three financial years ended 31 March 2019 and nine months ended 31 December 2019, which were prepared in accordance with the Hong Kong Financial Reporting Standards:

	Year ended 31 March			Nine months ended 31 December
	2017	**2018**	**2019**	**2019**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
Revenue	44,770	46,929	38,048	21,872
Net profit/(loss) before taxation	1,086	(991)	1,498	(14,174)
Net profit/(loss) after taxation	85	(2,553)	580	(14,304)

The audited consolidated net asset value of the BCIC Group as at 31 December 2019 was approximately HK$5,655,000.

Financial information of the BCMC Group

Set out below is the audited consolidated financial information of the BCMC Group for three financial years ended 31 March 2019 and nine months ended 31 December 2019, which were prepared in accordance with the Hong Kong Financial Reporting Standards:

	Year ended 31 March			Nine months ended 31 December
	2017	**2018**	**2019**	**2019**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
Revenue	2,157	2,290	1,825	1,301
Net profit/(loss) before taxation	(1,759)	(1,220)	(1,142)	(1,066)
Net profit/(loss) after taxation	(1,759)	(1,220)	(1,142)	(1,066)

The audited consolidated negative net asset value of the BCMC Group as at 31 December 2019 was approximately HK$8,410,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

One of the business segments of the Company is cinema investment and management. The Company considers that the Acquisition is a good opportunity for the Group to consolidate its control in the Target Group and increase its investment in cinema investment and management for the following reasons:

(1) in spite of the wide-spreading of coronavirus globally, including the PRC, the Company believes that the cinema industry has promising prospects in light of its growing demand in the PRC in the long run;

(2) since the investments in the Target Companies by the Purchaser in 2011, the Target Group has maintained sound momentum of development and it was expected that there would be greater returns for the Group. The Company is of the view that the poor performance of the Target Group in the past was mainly due to the mismanagement under Mr. Yin. Mr. Yin was known in the cinema industry and was a director and the chief executive officer of the Target Companies as nominated by the Vendor. Whilst the Group as the majority shareholder of the Target Group has control over the Target Group, the Group has still yet to pay respect to the Vendor and its nominated director. In other words, as a substantial shareholder of the Target Companies, the Vendor and Mr. Yin can still exercise a significant influence over the Target Companies. The proposed Acquisition will allow the Group to eliminate such influence.

Further, the Board is of the view that the Acquisition provides a good opportunity for the Company to consolidate its control in the Target Group and is considering engaging a well-established cinema management company to assist the management of the Target Group after completion of the Acquisition. As represented by the said cinema management company, it has over 10 years of cinema management and operation experience and is currently managing more than 30 movie theatres with 199 screens in the PRC. Moreover, the recent incident of Misappropriation casts doubt on Mr. Yin's integrity. As such, the Company wishes to cease the business relationship with Mr. Yin through the Acquisition as far as possible. Having considered the aforesaid, the Company considers that it is fair and reasonable to accept the Acquisition as a way of settling the Outstanding Indebtedness;

(3) upon Completion of the Acquisition, the Target Companies will become indirect wholly-owned subsidiaries of the Company. The Board considers that this would facilitate better implementation of the operating philosophies and strategies of the Company into the Target Companies; and

(4) the Outstanding Indebtedness is unsecured, interest free and have no fixed repayment terms. Given that the Company is interested in acquiring the Sale Shares and there exists an Outstanding Indebtedness owing by the Vendor to the Purchaser, the Company considers that offsetting the Consideration against the Outstanding Indebtedness being a viable mean to satisfy the Consideration. Having considered the repayment ability of the Vendor and the amount of the Outstanding Indebtedness, the Company is of the view that the Acquisition represents one of the viable means for the Group to recover the Outstanding Indebtedness. The Company has considered other settlement methods of the Consideration, such as cash settlement. After taking into account that the Purchaser has an obligation to satisfy the Consideration and there is an Outstanding Indebtedness owing by the Vendor to the Purchaser, the Company considers the current option is a more direct and efficient way to satisfy the Consideration and thus is in the best interests of the Company and its Shareholders as a whole.

The Group has liaised with the Vendor for the returning of the Outstanding Indebtedness. The Group will also consider to take appropriate legal actions against the Vendor in the event that the Vendor fails to settle the Outstanding Indebtedness.

After taking into account factors, such as the independent valuation, the market outlook and the future earning potential of the Target Group, the Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition Agreement are fair and reasonable, the Acquisition is on normal commercial terms and is in the interests of the Company and Shareholders as a whole. None of the Directors has a material interest in the Acquisition or is required to abstain from voting on the board resolutions for approval of the same.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon closing of the Acquisition, the Target Companies will become wholly-owned subsidiaries of the Company and thus the assets, liabilities and the financial results of the Target Companies and their respective subsidiaries will continue to be consolidated into those of the Group. For details of the unaudited pro forma financial information of the Enlarged Group, please refer to the Appendix IV to this circular.

Assets and liabilities

The financial effect of the Acquisition on the assets and liabilities of the Group is illustrated in the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV of the circular. According to the unaudited pro forma financial information of the Enlarged Group in Appendix IV of the circular, there is no material change to the total assets, total liabilities and net assets of the Group as a result of the completion of the Acquisition.

Earnings

As each of the companies in the Target Group has been subsidiaries of the Company and their financial results have been consolidated in to the financial statements of the Group before Completion, it is not expected that there will be any material impact on the total comprehensive income/(loss) of the Group, as a result of the completion of the Acquisition.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable Percentage Ratios in respect of the Acquisition are 25% or more but all of them are less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to, among others, Shareholders' approval by way of poll at the general meeting of the Company under Chapter 19 of the GEM Listing Rules.

The Vendor holds 30% of each of the entire issued share capital of the Target Companies respectively and accordingly is a substantial shareholder of each of the Target Companies. The Vendor is a connected person at the subsidiary level under Chapter 20 of the GEM Listing Rules. Accordingly, the Acquisition constitutes connected transaction of the Company under Chapter 20 of the GEM Listing Rules and is subject to, among others, the Independent Shareholders' approval at the general meeting of the Company.

Due to the imposition of group gathering restrictions in public places as a result of the Hong Kong Government's introduction of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) and the uncertainty in development of the COVID-19 pandemic in Hong Kong, in lieu of holding a general meeting to approve the Acquisition Agreement, written approval on the Acquisition Agreement has been obtained from Beglobal Investments Limited, Golden Treasure Global Investment Limited and Mr. Chiau Sing Chi, the controlling shareholders holding an aggregate of more than 50% of the entire issued share capital of the Company.

Since the Vendor is a connected person at the subsidiary level and the Acquisition is on normal commercial terms or better and (1) the Board has approved the Acquisition and the transactions contemplated thereunder; and (2) the independent non-executive Directors, having considered independent financial advices, have confirmed that the terms of the Acquisition is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Acquisition is exempt from, among others, Independent Shareholders' approval requirements pursuant to Rule 20.99 of the GEM Listing Rules.

Pursuant to Rule 19.41(a) of the GEM Listing Rules, a circular must be despatched to the Shareholders within fifteen (15) Business Days after publication of the Announcement, which shall be on or before 17 March 2020. As additional time is required for the parties to finalise certain information to be contained in the circular, an application for waiver from strict compliance with Rule 19.41(a) of the GEM Listing Rules has been made and granted by the Stock Exchange to despatch the circular on or before 29 April 2020.

RECOMMENDATION

The Board considers that the terms of the Acquisition and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

ADDITIONAL INFORMATION

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

By order of the Board
Bingo Group Holdings Limited
Chow Man Ki Kelly
Executive Director

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)

29 April 2020

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE REMAINING 30% OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANIES

We refer to the circular of the Company dated 29 April 2020 (the "**Circular**") of which this letter forms part. Capitalised terms used herein have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise you as to whether, in our opinion, the Acquisition Agreement is on normal commercial terms and in the ordinary and usual course of business of the Group, the terms of the Acquisition Agreement are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition Agreement are in the interests of the Company and the Shareholders as a whole. Details of their advice, together with the principal factors and reasons they have taken into account, are contained in the letter set out on pages 14 to 35 of the Circular.

Having considered the terms of the Acquisition Agreement, the Acquisition Agreement, although not in the ordinary and usual course of business of the Group, is on normal commercial terms, fair and reasonable so far as the Company and the Shareholders as a whole.

Yours faithfully,
Independent Board Committee of
Bingo Group Holdings Limited

Choi Mei Ping	**Tsoi Chiu Yuk**	**Ong King Keung**

Independent non-executive Directors

The following is the full text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee in respect of the Acquisition, and prepared for the purpose of incorporation into this circular.

中毅資本有限公司
Grand Moore Capital Limited

Unit 1607, 16/F, Silvercord Tower 1
30 Canton Road, Tsim Sha Tsui
Kowloon, Hong Kong

29 April 2020

To the Independent Board Committee of
Bingo Group Holdings Limited

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE REMAINING 30% OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANIES

INTRODUCTION

We refer to our engagement by the Company to advise the Independent Board Committee in respect of the Acquisition, the particulars of which have been set out in a circular to the Shareholders dated 29 April 2020 (the "**Circular**") and in which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

Grand Moore Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee as to whether the Acquisition Agreement is on normal commercial terms and in the ordinary and usual course of business of the Group, the terms of the Acquisition Agreement are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition Agreement is in the interests of the Company and the Shareholders as a whole. Details of the reasons for and benefits of the Acquisition are set out in the "Letter from the Board" in the Circular (the "**Board Letter**").

Reference is made to the announcement of the Company dated 25 February 2020 in relation to, inter alia, the Acquisition. The Board announced that on 25 February 2020 (after trading hours of the Stock Exchange), the Purchaser, a direct wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendor, pursuant to which, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares.

The Consideration, which is subject to the valuation of the Target Group as prepared by the independent valuer appointed by the Purchaser, namely Sino-Infinite Appraisal Limited (the "**Valuer**"), with upper limit of RMB4,650,000 (equivalent to approximately HK$5,115,000), shall be satisfied and settled by setting off against the Outstanding Indebtedness due by the Vendor to the Group on a dollar for dollar basis upon Completion. In the event that the Consideration would exceed the Outstanding Indebtedness, the remaining balance of the Consideration shall be satisfied and settled by cash. With reference to the valuation report stated in Appendix V to the Circular, the amount of the Consideration is HK$721,000.

As at the Latest Practicable Date, the Vendor owes the Group in the sum of approximately RMB1,985,500 (equivalent to approximately HK$2,184,000).

As one or more of the applicable Percentage Ratios in respect of the Acquisition are 25% or more but all of them are less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to, among others, Shareholders' approval by way of poll at a general meeting of the Company under Chapter 19 of the GEM Listing Rules.

The Vendor holds 30% of each of the entire issued share capital of the Target Companies respectively and accordingly is a substantial shareholder of each of the Target Companies. The Vendor is a connected person at the subsidiary level under Chapter 20 of the GEM Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules and is subject to, among others, the Independent Shareholders' approval at a general meeting of the Company.

Due to the imposition of group gathering restrictions in public places as a result of the Hong Kong Government's introduction of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) and the uncertainty in development of the COVID-19 pandemic in Hong Kong, in lieu of holding a general meeting of the Company to approve the Acquisition Agreement, written approval on the Acquisition Agreement has been obtained from Beglobal Investments Limited, Golden Treasure Global Investment Limited and Mr. Chiau Sing Chi, the controlling Shareholders holding an aggregate of more than 50% of the entire issued share capital of the Company.

Since the Vendor is a connected person at the subsidiary level and the Acquisition is on normal commercial terms or better and (i) the Board has approved the Acquisition and the transactions contemplated thereunder; and (ii) the independent non-executive Directors, having considered, our independent financial advices, have confirmed that the terms of the Acquisition is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Acquisition is exempt from, among others, Independent Shareholders' approval requirements pursuant to Rule 20.99 of the GEM Listing Rules.

As such, the Company will not hold a general meeting to approve the Acquisition Agreement and the transactions contemplated thereunder.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were not connected with the Company or any of its respective substantial Shareholders, Directors or chief executives, or any of their respective associates and accordingly, are considered suitable to give independent advice to the Independent Board Committee in respect of the Acquisition. In the past two years, we have not acted as any financial adviser role to the Company. Apart from normal professional fees paid or payable to us in connection with the current appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, its subsidiaries or their respective controlling Shareholders that could reasonably be regarded as relevant to our independence. Also, the aggregate professional fees paid/to be paid to us do not make up a significant portion of our revenue during the relevant period which would affect our independence. Accordingly, we consider that we are independent to act as the Independent Financial Adviser in respect of the Acquisition.

BASIS OF ADVICE

In formulating our opinion to the Independent Board Committee, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the Company's annual report for the year ended 31 March 2019 (the "**2019 Annual Report**"), interim report for the six months ended 30 September 2019 (the "**2019 Interim Report**") and third quarterly report for the nine months ended 31 December 2019 (the "**2019 Third Quarterly Report**"); (iii) other information provided by the Directors and the management of the Company (the "**Management**"); (iv) the opinions expressed by and the representations of the Management; and (v) the valuation report on the Target Group (the "**Valuation Report**") as set out in the section headed "Valuation report on the Target Group" in Appendix V to the Circular. We have assumed that all information and representations that have been provided by the Management, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, the Management (where applicable), which have been provided to us.

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

We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Chapters 17 and 20 of the GEM Listing Rules.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company and the Valuation Report, nor conducted any independent in-depth investigation into the business affairs, assets and liabilities or future prospects of the Company, the Target Group, their respective subsidiaries or associates (if applicable) or any of the other parties involved in the Acquisition, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisition. The Company has been separately advised by its own professional advisers with respect to the Acquisition and the preparation of the Circular (other than this letter).

We have assumed that the Acquisition will be consummated in accordance with the terms and conditions set forth in the Circular without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all necessary consents, authorisations and approvals in respect of the Acquisition, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Acquisition. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion in relation to the Acquisition, we have taken into consideration the following factors:

1. Information on the Group

As stated in the Board Letter, the Group is principally engaged in movie production, licensing and derivative, crossover marketing and provision of interactive contents (collectively, the "**Filmed Entertainment, New Media Exploitations and Licensing Businesses**") and cinema investment and management (the "**Cinema Business**"). Set out below is a summary of the consolidated financial information of the Group for each of the six months ended 30 September 2018 and 2019 ("**1H2018**" and "**1H2019**", respectively) as extracted from the Company's 2019 Interim Report.

	1H2019 *HK$'000* (unaudited)	**1H2018** *HK$'000* (unaudited)
Turnover	15,467	20,284
Loss attributable to owners of the Company	(12,141)	(13,587)

	As at 30 September 2019 *HK$'000* (unaudited)	As at 31 March 2019 *HK$'000* (audited)
Total assets	122,023	115,251
Total liabilities	58,169	37,316
Net assets attributable to owners of the Company	54,292	68,079
Cash and cash equivalents	61,023	60,926

The Group did not record any reportable segmental revenue from the Filmed Entertainment, New Media Exploitations and Licensing Businesses during 1H2018 and 1H2019. During 1H2019, the Company recorded unaudited consolidated turnover, which represents turnover generated from the Cinema Business, of approximately HK$15,467,000, representing a period-on-period decrease of approximately 23.7% when compared to that of approximately HK$20,284,000 recorded during 1H2018. The unaudited consolidated gross profit of the Group decreased from approximately HK$11,867,000 in 1H2018 to approximately HK$9,045,000 in 1H2019. As per the Management, deterioration in the Cinema Business was mainly due to keen competition in the market.

The Group further recorded unaudited consolidated loss attributable to owners of the Company of approximately HK$12,141,000 for 1H2019, representing a period-on-period decrease of approximately 10.6% as compared to that of approximately HK$13,587,000 recorded during 1H2018. Despite the decrease in the consolidated revenue and gross profit, as per the 2019 Interim Report, the decrease in unaudited consolidated loss in 1H2019 was mainly attributable to (i) implementation of tightened cost control measures; and (ii) increase in other revenue attributable to the government grant by the PRC government for the operation of cinema in the PRC.

The cash and cash equivalents of the Group increased slightly from approximately HK$60,926,000 as at 31 March 2019 by approximately 0.16% to approximately HK$61,023,000 as at 30 September 2019. Furthermore, the Group reported an increase in consolidated total assets from approximately HK$115,251,000 as at 31 March 2019 to approximately HK$122,023,000 as at 30 September 2019, representing an increase of approximately 5.9%. With reference to the 2019 Interim Report and confirmed by the Management, increase in consolidated total assets was primarily attributable to the net effect of (i) the emergence of right-of-use assets of approximately HK$17,843,000 due to the application of Hong Kong Financial Reporting Standard ("**HKFRS**") 16 — Lease ("**HKFRS 16**") since 1 April 2019; (ii) decrease in balance of loan to an associate by approximately HK$16,070,000; and (iii) prepayment to the trustee of approximately HK$5,000,000 for purchase of awarded shares pursuant to share award scheme.

The consolidated total liabilities of the Group increased considerably from approximately HK$37,316,000 as at 31 March 2019 to approximately HK$58,169,000 as at 30 September 2019, representing an increase of approximately 55.9%. Such increase in total liabilities was mainly attributable to, inter alia, emergence of current and non-current lease liability attributable to the application of HKFRS 16 of approximately HK$4,050,000 and HK$14,360,000 respectively as at 30 September 2019.

Due to combined effects of the aforementioned factors, the unaudited consolidated net assets attributable to owners of the Company decreased from approximately HK$68,079,000 as at 31 March 2019 by approximately 20.3% to approximately HK$54,292,000 as at 30 September 2019. Nevertheless, as per the 2019 Interim Report, the Management believed that the strong cash position of the Group was adequate to cover all liabilities of the Group as at 30 September 2019.

2. Information on the Target Group

2.1 Background information on the Target Group

The Target Companies are companies incorporated in Hong Kong with limited liability, the entire issued share capital of each of which is owned as to 70% and 30% by the Purchaser and the Vendor, respectively, as at the date of the Circular.

The Target Group is principally engaged in cinema investment and management in the PRC.

2.2 Financial information on the Target Group

Set out below are the selected consolidated financial information of BCIC Group for the financial years ended 31 March 2017, 2018 and 2019 ("**FY2017**", "**FY2018**" and "**FY2019**", respectively), and nine months ended 31 December 2018 and 2019 ("**9M2018**" and "**9M2019**", respectively), which were prepared in accordance with the HKFRS and were extracted from Appendix IIA in the Circular:

	9M2019 *(HK$'000)* (audited)	**9M2018** *(HK$'000)* (unaudited)	**FY2019** *(HK$'000)* (audited)	**FY2018** *(HK$'000)* (audited)	**FY2017** *(HK$'000)* (audited)
Revenue	21,872	27,354	38,048	46,929	44,770
Net profit/(loss) before taxation	(14,174)	1,059	1,498	(991)	1,086
Net profit/(loss) after taxation	(14,304)	394	580	(2,553)	85

The audited consolidated net asset value of BCIC Group as at 31 March 2019 and 31 December 2019 were approximately HK$21,706,000 and HK$5,655,000 respectively.

As depicted in the table above, the turnover of BCIC Group decreased by approximately HK$8,881,000 from approximately HK$46,929,000 for FY2018 to approximately HK$38,048,000 for FY2019. However, BCIC Group managed to turn around from net loss after taxation of approximately HK$2,553,000 for FY2018 to net profit after taxation of approximately HK$580,000 for FY2019. In addition, the net asset value of BCIC Group decreased considerably from approximately HK$21,706,000 as at 31 March 2019 to approximately HK$5,655,000 as at 31 December 2019, representing a decrease of approximately 73.9%. As advised by the Management, the turnaround from net loss to net profit was mainly attributable to (i) considerable decrease in depreciation of leasehold improvement in FY2019; and (ii) tighten cost control in FY2019 as compared against FY2018, while the considerable decrease in net asset was mainly attributable to the full provision of the Misappropriated Funds (as defined below).

We noted that the BCIC Group recorded a decrease in revenue of approximately HK$5,482,000 from approximately HK$27,354,000 in 9M2018 to approximately HK$21,872,000 in 9M2019, whereas the BCIC Group noted a net loss after taxation of approximately HK$14,304,000 in 9M2019 as compared to a net profit after taxation of approximately HK$394,000 in 9M2018. As confirmed by the Management, the turn around from net profit after taxation to net loss after taxation was mainly caused by the emergence of other expense of approximately HK$14,512,000, which represents the misappropriated funds of approximately RMB13 million (the ''**Misappropriated Funds**'') by Mr. Yin, a director of certain non-wholly owned subsidiaries of the BCIC Group, from two non-wholly owned subsidiaries of the Group established in the PRC for his personal uses. The Misappropriation happened during 9M2019, therefore the Misappropriated Funds were expensed off during the period, resulting in the significant increase in other expense from nil in 9M2018 to approximately HK$14,512,000 in 9M2019. Yet, the Management considers the Misappropriated Funds to be a one-off expense which is not going to occur in the future, and hence, the Misappropriated Funds should not incur any impact on the Group's financial performance going forward.

If the Misappropriated Funds were excluded, other expense would be eliminated and resulting in a hypothetical net profit of approximately HK$208,000 in 9M2019, which represents a decrease of approximately HK$186,000 as compared to 9M2018. Apart from the Misappropriated Funds, decrease in net profit after taxation was mainly attributable to, among other things, increase in finance costs which represent the interest expense on lease liability of approximately HK$1,335,000. As advised the Management, such emergence of interest expense on lease liabilities was originated from the initial application of HKFRS 16 on 1 April 2019. The Management considers, and we concur, that the financial performance of BCIC Group during 9M2019 is not materially different to that during 9M2018 regardless of the impact of the Misappropriated Funds and initial application of HKFRS 16.

Set out below is the selected consolidated financial information of BCMC Group for FY2017, FY2018, FY2019, 9M2018 and 9M2019, which were prepared in accordance with the HKFRS and were extracted from Appendix IIB in the Circular:

	9M2019	**9M2018**	**FY2019**	**FY2018**	**FY2017**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
	(audited)	(unaudited)	(audited)	(audited)	(audited)
Revenue	1,301	1,290	1,825	2,290	2,157
Net loss before taxation	(1,066)	(907)	(1,142)	(1,220)	(1,759)
Net loss after taxation	(1,066)	(907)	(1,142)	(1,220)	(1,759)

The audited consolidated net liabilities of BCMC Group as at 31 March 2019 and 31 December 2019 were approximately HK$7,623,000 and HK$8,410,000, respectively. The amount due to ultimate holding (i.e. the Company) and amount due to fellow subsidiaries in aggregate amounted to approximately HK$8,102,000 as at 31 December 2019.

As shown in the table immediately above, BCMC Group recorded a decrease in turnover from approximately HK$2,290,000 in FY2018 to approximately HK$1,825,000 in FY2019, representing a year-on-year decrease of approximately 20.3%. Yet, BCMC Group managed to reduce net loss after taxation from approximately HK$1,220,000 in FY2018 to approximately HK$1,142,000 in FY2019, representing a reduction of approximately 6.4%. BGMC Group recorded an increase in net liabilities of approximately HK$7,623,000 as at 31 March 2019 to approximately HK$8,410,000 as at 31 December 2019. As advised by the Management, the reduction in net loss was mainly attributable to decrease in salaries expenses during FY2019 as compared against FY2018; and the rise in net liabilities value was mainly attributable to the continued loss-making position of BCMC Group resulted from insufficient business activity (i.e. management income) to cover the administrative expenses (which consist of mainly salary expense and operating lease) since the establishment of BCMC in 2011. Moreover, BCMC Group recorded a slight increase in net loss after taxation from approximately HK$907,000 in 9M2018 to approximately HK$1,066,000 in 9M2019, representing an increase of approximately HK$159,000.

2.3 Valuation on the Target Group

2.3.1 Independence, qualification and scope of work of the Valuer

We have reviewed and enquired into the qualifications and experience of the Valuer in relation to the preparation of the Valuation Report, and noted that the Valuer is composed of a team of appraisal professionals with international exposure including but not limited to Chartered Financial Analyst ("**CFA**"), Certified Public Accountant and Real Estate Appraiser in the PRC. The Valuer has accomplished numerous appraisal assignments for various types of tangible and intangible assets and financial instruments in order to meet a variety of business purposes, including but not limited to, mergers and acquisitions, in previous years. With reference to information provided by the Valuer, the responsible person in charge of the Valuation Report, namely Ms. W. Y. Lam (a charter holder of CFA), has over 9 years of experience in valuation and financial analyses, including business valuation, valuation of intangible assets, financial instruments, natural resources projects and purchase price allocation.

We have also reviewed the Valuer's terms of engagement with the Company in relation to the Valuation Report and having particular regards to the scope of work, and noted that the scope of work is appropriate to the opinion required to be given and there is no limitation on the scope of work which might adversely impact on the degree of assurance given by the Valuer in the Valuation Report.

Besides, we have enquired whether the Valuer has any current or prior relationships with the Company, the Vendor, and core connected persons of either the Company or the Vendor. The Valuer confirmed that it is independent of and not connected with the Group, the Vendor and their respective associates.

2.3.2 Valuation approach

Reference is made to the Valuation Report compiled by the Valuer as set out in Appendix V in the Circular. As per the Valuation Report, commonly used methods to develop approximate indications of value for a business or assets are the income, market, and cost approaches.

However, cost and income approaches were not adopted in this assignment as the former tends to understate the value of an income-generating business, while the latter was not adopted because prospective financial projection is not available. Therefore, the Valuer adopted the market approach which uses direct comparisons to other enterprises and their equity securities to estimate the market value of the common shares of privately issued securities. The market approach bases the market value measurement on what other similar enterprises or comparable transactions indicate the value to be. Not only could market approach reflect the current market's investment preferences or investment habitat, but also provide up-to-date public market information and hence, allowing the Management to make a more informative decision. Under the aforementioned approach, investment by unrelated parties in comparable equity securities of the subject enterprise or transactions in comparable equity securities of comparable enterprises is examined. As per the Valuation Report, the commonly used "market comparables" method is the Guideline Public Company, under which, the Valuer has considered enterprise value to sales ("**EV/Sales**"), price to sales ("**P/S**"), enterprise value to earnings before interest and tax ("**EV/EBIT**"), enterprise value to earnings before interest, tax, depreciation and amortisation ("**EV/EBITDA**"), price to earnings ("**P/E**") and price to book ("**P/B**") multiples. Moreover, adjustments are made to account for differences between the subject business or asset being valued and the comparable businesses or assets used in the analysis.

The Valuation Report further explains that the market multiple of EV/EBIT has been adopted. As per our discussion with the Valuer, the adoption of EV/EBIT is appropriate for the purpose of the Valuation Report in accordance with the applicable valuation standard because (i) EV/Sales and P/S multiples could not take into account of the differences in cost structure between the Target Group and the comparable companies; (ii) P/B multiple does not take into consideration the profitability or the earning potential of the Target Group; (iii) P/E multiple is not applicable as the Target Companies are loss making; and (iv) EV/EBITDA multiple is considered to be more severely affected by the initial adoption of HKFRS 16 on 1 January 2019, under which, leases were no longer classified as either finance leases or operating leases and lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset. Since right-of-use asset amortisation remains to be included as an expense in EBIT derivation, but excluded in the calculation of EBITDA, hence the Valuer considers the income statement impact of HKFRS 16 on EBIT to be less severe than on EBITDA.

Considering (i) the Valuer is composed of a team of appraisal professionals with international exposure and the responsible person in charge of the Valuation Report has over 9 years of experience in valuation and financial analyses; (ii) the Valuer has accomplished numerous appraisal assignments for various types of tangible and intangible assets and financial instruments in previous years; (iii) the inappropriateness of cost approach and income approach as discussed above; and (iv) the Valuer is of the view that, except for the EV/EBIT, other market multiples are unsuitable for the valuation of the Target Group having considered the deficiency of other market multiples mentioned immediately above, we (a) concur with the Valuer that using secondary method applying inappropriate approaches or flawed multiples to cross-check the valuation results as depicted in the Valuation Report will develop an ambiguous conclusion; and (b) consider the Valuer's Valuation Report a fair and reasonable representation in assessing the value of the equity interest of the Target Group.

In order to reach the conclusion of approximately HK$2,404,706 for the 100% equity interest of the Target Group, we were given the understanding that the Valuer searched for listed companies with business scopes and operations similar to those of the Target Group, on best-effort basis, with reference to the selection criteria of (i) significant portion of the assets or businesses of the company involves cinema operation and management in the PRC and/or other southeast Asian developed countries; (ii) company listed in Hong Kong and has pertinent listing and operating histories; and (iii) financial information and relevant multiple of the respective comparable companies are available to the public. The EV/EBIT multiples of the comparable companies were extracted from Bloomberg and are on the basis of pre-HKFRS 16 adoption. With references to the discussion between us and the Valuer, enterprise values of certain comparable companies which did not adopt HKFRS 16 were adjusted by excluding lease liability from total debt, while EBIT was adjusted as if HKFRS 16 has not been adopted. In addition to the selection criteria discussed immediately above, the Valuer has also taken into account the other factors such as discount for lack of marketability.

With regards to the discount for lack of marketability, we note from the Valuation Report that, based on Stout Restricted Stock Study Companion Guide 2019 (the "**Companion Guide**") published by Stout Risius Ross, LLC ("**Stout**"), a marketability discount of approximately 20.6% has been adopted. The Companion Guide determined the marketability discount based on 751 private placement transactions of unregistered common stocks issued by publicly traded companies from July 1980 through June 2018. The Valuer adopted the overall average discount of 20.6% for all 751 transactions in the restricted stock study (as of March 2019) based on the Companion Guide.

The Valuation Report carries on to state that despite there is a possibility that relatively up-to-date transactions might be more relevant samples for the marketability discount study, the Companion Guide did not present any result or analysis on the marketability discount with a different time span of private placement transaction being sampled. Hence, no adjustment was considered on the overall average discount of 20.6% adopted. We consider that, in the absence of different time spans of private placement transaction being sampled, a longer time span which covers the most up-to-date transactions is more appropriate as compared to a short time span which covers less up-to-date transactions. In addition, in view of the fact that the Companion Guide covers recent transactions up to June 2018 and it is not uncommon to see extensive collection and analysis of historical data over an extended period of time are involved in marketability discount empirical studies to arrive at a reliable estimate, the Valuer considers, and we concur, that the average marketability discount derived from a sample of 751 private placement transactions for a period of about 38 years is a fair and representative estimate.

In addition, we note from the Valuation Report that, according to the Companion Guide, the marketability discount (i.e. transaction discount) is the percentage difference between the private placement price per share and the closing market price as of the date prior to the agreement date. Restricted stock study is a widely accepted empirical method for researchers to derive marketability discount, which measures the degree of liquidity between actively trading stocks and restricted stocks placed by publicly traded companies. Private placement transaction is a means for researchers to obtain the purchase price of restricted stocks, which approximates the price of privately held shares of listed issuers, and compare with the market price of the same actively trading stocks. We consider that the difference between the issue price of publicly traded shares and privately held shares of the same underlying listed issuer entirely demonstrates and derives the marketability discount. On the other hand, both listed and unlisted price of the same subject shares might not be necessarily available from transaction price in merger and acquisition. In practice, it is not common for listed issuers to issue both listed and unlisted securities in one single transaction. Therefore, the Valuer considers that the marketability discount derived from private placement transactions is a fair and reasonable estimate for valuing equity interest of privately held company, such as the Target Group in this acquisition.

Furthermore, we note from the Valuation Report that, the Companion Guide did not disclose details such as geographical locations and industry sectors of the subject companies involved in the private placement transactions, however it suggested, and we concur, that a company's industry should not in itself have a significant impact on the discount for lack of marketability. In addition, after thorough searches and review on other marketability discount studies, the Valuer is not aware of any recent cross-country studies or any studies showing a conclusive relationship between marketability discounts derived and geographical location of the subject companies considered. As such, the Valuer has no reason to doubt the comparability and applicability of the marketability discount suggested by the Companion Guide for the valuation of the Target Group, in terms of geographical locations and industry sectors. The overall average discount of 20.6% based on the Companion Guide was adopted in the Valuation without any adjustment.

In connection with the adoption of the Companion Guide in the Valuation Report, we have (i) obtained and reviewed the Companion Guide and did not note anything out of the ordinary in relation to the methodologies adopted therein or the Valuer's extraction of such data from the Companion Guide; and (ii) visited the website of Stout and note that it appears to be a well-established firm based on (a) it is a global advisory firm established in 1991 serving the areas of, amongst others, investment banking, transaction advisory and valuation advisory with 2019 revenue of nearly US$163 million; (b) it is a firm based in the United States which has global presence in 24 locations serving clients in over 80 countries; and (c) it has a client base covering a broad range of organisations such as top law firms and leading publicly traded and private corporations. Based on the above works together with the discussions above, it is noted that (i) the nature of the Companion Guide is empirical research which may place more emphasis on observations made over a pro-longed period of time for such underlying empirical data to become credible versus comparative analysis which may require the use of more recent comparable samples to enhance comparability and accordingly, the extended period of time dating back to July 1980 as adopted in the Companion Guide appears reasonable for the stated purpose; and (ii) although the placement transactions studied in the Companion Guide are different from the Acquisition, it is precisely the placement transactions of non-traded restricted stocks compared against market price of publicly traded stocks of the same company that facilitates the empirical research on an appropriate discount for lack of marketability being properly conducted in an objective manner with an ''apple-to-apple'' comparison in the Companion Guide. Accordingly, we consider the Valuer's adoption of the Companion Guide in assessing the discount for lack of marketability for the purpose of the Valuation Report to be fair and reasonable and with solid basis.

2.3.3 Conclusion on the Valuation Report

With regards to the Valuation Report, we have complied with the requirements under note 1(d) to Rule 17.92 of the GEM Listing Rules and paragraph 5.3 of the Corporate Finance Adviser Code of Conduct by performing, including but not limited to, the following works: (i) discussed with the Valuer regarding the methodology applied and principal bases and assumptions adopted in the Valuation Report; (ii) reviewed the Companion Guide and visited the website of Stout (iii) assessed the experience and expertise of the person responsible for the Valuation Report, namely Ms. W. Y. Lam, and the Valuer's past track record on other business valuations; (iv) enquired on any current or prior relationships with the Company and the Vendor, and core connected persons of either the Company or the Vendor to the Acquisition; and (v) reviewed the terms of engagement in respect of the Valuation Report.

Based on aforementioned works performed by us, we are also of the view that (i) methodology applied and principal bases and assumptions adopted in the Valuation Report are fair and reasonable; (ii) the scope of services as illustrated in the engagement letter is appropriate; (iii) the Valuer and Ms. W. Y. Lam, being the responsible person of the Valuation Report, have adequate qualifications, experience and expertise, and hence are competent to issue the Valuation Report. Nothing has come to our attention that causes us to doubt the fairness and reasonableness of the Valuation Report, and hence the concluded value of the 100% equity interest of the Target Group of approximately HK$2,404,706, resulting in the 30% equity interest of the Target Group of approximately HK$721,000, is indicative to the Consideration. Therefore, the Management considers, and we concur, that the Valuation Report is a fair reference for the Consideration.

2.3.4 Alternative Approach

We note that the Cinema Business segment carried out by the Target Group is the prime revenue driver of the Group which generated literally the Group's entire consolidated revenue for FY2018 and FY2019. In order to assess the fairness and reasonableness of the Valuation Report, we have performed our own assessment by comparing the Consideration against 30% (i.e. the proportion of the Sale Shares out of the entire issued share capital of BCIC and BCMC) of the market capitalisation of the Company which in our opinion is a reasonable benchmark that illustrates the market's valuation of the Cinema Business of the Target Group on (i) the date of the Acquisition Agreement; and (ii) the Latest Practicable Date (the "**Alternative Approach**").

The Consideration of HK$721,000 represents:

1) significant discount of approximately 94.3% to 30% of the market capitalisation of the Company on the date of the Acquisition Agreement (i.e. approximately HK$12.6 million); and

2) significant discount of approximately 90.0% to 30% of the market capitalisation of the Company on the Latest Practicable Date (i.e. approximately HK$7.2 million).

The significant discounts of the Consideration to 30% of the market capitalisation of the Company on the date of the Acquisition Agreement and the Latest Practicable Date as illustrated by the Alternative Approach above are considered favorable to the Group.

We do note that, (i) despite the fact that the Cinema Business accounted for literally the Group's entire consolidated revenue for FY2018 and FY2019, the segmental net assets of the Cinema Business only accounted for approximately 71.3% and 57.3% of the net assets of the Group as at 31 March 2019 and 2018 respectively; and (ii) the Group is a listed entity with its equity publicly and freely tradable while the Target Companies are both private companies with no liquidity of its equity. However, having considered (i) the infeasibility of cross-checking the Valuation Report using other methodologies as discussed in section 2.3.2 of this letter headed "Valuation Approach" above; and (ii) the significant discounts of the Consideration to 30% of the market capitalisation of the Group on the date of the Acquisition Agreement and the Latest Practicable Date as illustrated by the Alternative Approach above with sufficient buffer to account for any potential deviation arising out of the aforementioned factors, we consider the Alternative Approach a meaningful reference to assess the fairness and reasonableness of the Valuation Report and the Consideration.

3. Information on the Purchaser

The Purchaser is a direct wholly-owned subsidiary of the Company, which is principally engaged in cinema investment and management in the PRC.

4. Information on the Vendor

The Vendor is a company incorporated in Hong Kong with limited liability. Based on the information available to the Company, the Vendor is engaged in the business of cinema investment and owned by Anand Nirmal Parmanand, Mr. Yin and Au Kar Man Tony, who holds 52.5%, 17.5% and 30% equity interest of the Vendor respectively.

5. Reasons for and benefits of the Acquisition

As stated in the Board Letter, one of the business segments of the Company is cinema investment and management. The Company considers that the Acquisition is a good opportunity for the Group to consolidate its control in the Target Group and increase its investment in cinema investment and management for the following reasons:

(1) in spite of the wide-spreading of coronavirus globally, including the PRC, the Company believes that the cinema industry has promising prospects in light of its growing demand in the PRC in the long run;

(2) since the investments in the Target Companies by the Purchaser in 2011, the Target Group has maintained sound momentum of development and it was expected that there would be greater returns for the Group. The Company is of the view that the poor performance of the Target Group in the past was mainly due to the mismanagement under Mr. Yin. Mr. Yin was known in the cinema industry and was a director and the chief executive officer of the Target Companies as nominated by

the Vendor. Whilst the Group as the majority shareholder of the Target Group has control over the Target Group, the Group has still yet to pay respect to the Vendor and its nominated director. In other words, as a substantial shareholder of the Target Companies, the Vendor and Mr. Yin can still exercise a significant influence over the Target Companies. The proposed Acquisition will allow the Group to eliminate such influence.

Further, the Board is of the view that the Acquisition provides a good opportunity for the Company to consolidate its control in the Target Group and is considering engaging a well-established cinema management company to assist the management of the Target Group after Completion. As represented by the said cinema management company, it has over 10 years of cinema management and operation experience and is currently managing more than 30 movie theatres with 199 screens in the PRC. Moreover, the recent incident of Misappropriation casts doubt on Mr. Yin's integrity. As such, the Company wishes to cease the business relationship with Mr. Yin through the Acquisition as far as possible. Having considered the aforesaid, the Company considers that it is fair and reasonable to accept the Acquisition as a way of settling the Outstanding Indebtedness;

(3) upon Completion, the Target Companies will become indirect wholly-owned subsidiaries of the Company. The Board considers that this would facilitate better implementation of the operating philosophies and strategies of the Company into the Target Companies; and

(4) the Outstanding Indebtedness is unsecured, interest free and has no fixed repayment terms. Given that the Company is interested in acquiring the Sale Shares and there exists an Outstanding Indebtedness owing by the Vendor to the Purchaser, the Company considers that offsetting the Consideration against the Outstanding Indebtedness being a viable mean to satisfy the Consideration. Having considered the repayment ability of the Vendor and the amount of the Outstanding Indebtedness, the Company is of the view that the Acquisition represents one of the viable means for the Group to recover the Outstanding Indebtedness. The Company has considered other settlement methods of the Consideration, such as cash settlement. After taking into account that the Purchaser has an obligation to satisfy the Consideration and there is an Outstanding Indebtedness owing by the Vendor to the Purchaser, the Company considers the current option is a more direct and efficient way to satisfy the Consideration and thus is in the best interests of the Company and the Shareholders as a whole.

The Group has liaised with the Vendor for the returning of the Outstanding Indebtedness. The Group will also consider to take appropriate legal actions against the Vendor in the event that the Vendor fails to settle the Outstanding Indebtedness.

After taking into account factors, such as the independent valuation, the market outlook and the future earning potential of the Target Group, the Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition Agreement are fair and reasonable, the Acquisition is on normal commercial terms and is in the interests of the Company and Shareholders as a whole.

5.1 Overview of the cinema industry in PRC

The table below shows a summary of the total movie box office revenue in the PRC from 2013 to 2019:

	2013	2014	2015	2016	2017	2018	2019
	RMB' billion	*RMB' billion*	*RMB' billion*	*RMB' billion*	*RMB' billion*	*RMB' billion*	*RMB' billion*
Revenue from domestic movie box office	12.8	16.2	27.1	28.7	30.1	37.9	41.2
Revenue from imported movies box office	9.0	13.5	16.9	20.5	25.8	23.1	23.1
Total movie box office revenue	21.8	29.6	44.1	49.3	55.9	61.0	64.3

Source: 2019 Annual Cinema Box Office Annual Report and National Bureau of Statistics of China

The table below sets out the summary of nationwide disposable income per capital from 2013 to 2019:

	2013	2014	2015	2016	2017	2018	2019
	RMB'	*RMB'*	*RMB'*	*RMB'*	*RMB'*	*RMB'*	*RMB'*
Per capita disposable income nationwide	18,311	20,167	21,966	23,821	25,974	28,228	30,733

Source: National Bureau of Statistics of China

According to website of the National Bureau of Statistics of China and the article named "2019 Annual Cinema Box Office Annual Report" (《2019年度院線電影票房年報》) dated 1 January 2020 published by National Film Industry Development Special Fund Management Commission (國家電影事業發展專項資金管理委員會辦公室), an institution directly affiliated to the State Administration of Press, Publication, Radio, Film and Television (Source: https://mp.weixin.qq.com/s/Rbg52Otf41KbNzXjw1Kzzg), the total revenue from movie box office in the PRC demonstrated an increasing trend. The total movie box office revenue reached approximately RMB64.3 billion for 2019, representing an increase of roughly threefold from approximately RMB21.8 billion recorded in 2013. It is noted that significant portion of the total movie box office revenue was contributed by domestic movie box office. In 2019, revenue from domestic movie box was approximately RMB41.2 billion which represents approximately 64.1% of the total movie box office revenue in the respective year and approximately 8.7% of year-on-year increase compare to that in 2018. In addition, the annual nationwide disposable income per capita in the PRC demonstrated an increasing trend and approximately RMB30,733 was recorded in 2019, which represents a year-on-year increase of approximately 8.9% as compared to approximately RMB28,228 recorded in 2018.

As per a press released by PwC China (Source: https://www.pwccn.com/en/press-room/press-releases/pr-170619.html), data in PwC's Global Entertainment & Media Outlook 2019–2023 indicates that China's cinema segment is growing at a very brisk rate and revenue is predicted to reach approximately US$15.5 billion (equivalent to approximately RMB110.3 billion based on an exchange rate of approximately US$1= RMB7.12) by 2023 at a compound annual growth rates of approximately 9.4%.

Due to the recent outbreak of novel coronavirus in the PRC since around January 2020, cinemas across the PRC were closed and major releases of movies were delayed. Although the cinema industry was immediately hit by the epidemic, the Publicity Department of the Communist Party of China Shanghai Municipal Committee issued several policies and measures to support the development of cultural enterprises under the epidemic on 14 February 2020. As mentioned by the deputy director of the Publicity Department of the Communist Party of China, Mr. Wang Yayuan, the PRC government is planning to provide funds to cinema enterprises to support their operation over the period of closure, ensure appropriate epidemic support funds will be allocated to cinema enterprises within the first half of 2020 so as to assist them in resumption of business operation and stabilise employment. Apart from the policies and measures mentioned above, the Management advised that (i) the rental payment of the Group's two cinemas in Hangzhou and Shanghai for February, March and April 2020 have been waived; and (ii) the Group is in the course of negotiating with the owner of the other cinema in Linan, Hangzhou for a possible waiver of one month rental payment.

Moreover, the 2019 Annual Cinema Box Office Annual Report also stated that the box office revenue for Chinese Lunar New Year slot (being 4 February 2019 to 10 February 2019), summer slot (being 1 June 2019 to 31 August 2019) and National Day slot (being 1 October 2019 to 7 October 2019) were approximately RMB5.9 billion, RMB17.8 billion and RMB4.5 billion, respectively, and represent approximately 9.2%, 27.7% and 6.9% of the total box office revenue in 2019, respectively. The outbreak of novel coronavirus happened in around January 2020, which is the Chinese Lunar New Year period of 2020, however, it is not the highest income generating slot as evidenced by its contribution towards the 2019 total move box office. In conjunction with the policies and measures to be implemented by the PRC government mentioned immediately above, the cinema industry would hopefully recover during the second half of 2020 after the novel coronavirus eventually subsides.

Despite of the outbreak of novel coronavirus, in consideration of (i) increasing trend in movie box office revenue in recent years; (ii) the high contribution of domestic movie, which the Group mainly focuses on, towards total movie box office revenue; (iii) the compound annual growth rates of approximately 9.4% as suggest by research done by PwC China; (iv) other than the Chinese Lunar New Year slot, importance of the summer slot and National Day slot as evidenced by their contribution towards the 2019 box office revenue; (v) provision of epidemic support funds by the PRC government in order to combat coronavirus; and (vi) the rental waivers as mentioned above, we consider that the negative impact arising out of the novel coronavirus on the PRC cinema industry is only temporary in nature and the long term prospects of the Group's Cinema Business remain generally positive over the long run.

5.2 Repayment ability of the Vendor

As per the announcement published by the Company dated 5 February 2020, Mr. Yin would have Misappropriated Funds of approximately RMB13 million from the Target Companies for his personal use. We noted from the 2019 Third Quarterly Report that the Misappropriated Funds were expensed off during 9M2019 and contributed to the increase in loss for 9M2019 as compared to the corresponding period in 2018. With regards to the Misappropriated Funds, the Management confirmed that as at the Latest Practicable Date, Mr. Yin had already resigned as the director of the Target Companies and director/ management of the Group's PRC subsidiaries. The Company is in the course of seeking legal advices and will take appropriate actions against Mr. Yin. However, due to the outbreak of the novel coronavirus in around January 2020, the formal filing to the PRC bureaus and legal actions are delayed and yet to be executed. Apart from the aforementioned actions taken by the Group in relation to the Misappropriated Funds, the Group intends to recover part of the Outstanding Indebtedness owed by Mr. Yin through the Acquisition, which the Consideration can be settled by setting off against part of the Outstanding Indebtedness.

In the event of default and the Vendor fails to repay the Outstanding Indebtedness, the financial performance of the Company will be negatively impacted, as evidenced by the increase in loss of the Group during 9M2019, where the Misappropriated Funds were expensed off. Taking in account that the Consideration shall be satisfied and settled by setting off against the Outstanding Indebtedness on a dollar on dollar basis upon Completion, the Acquisition, although the entering into of which was not for the sole purpose of facilitating the settlement of the Outstanding Indebtedness, allows the Company to recover part of the Outstanding Indebtedness due from the Vendor and mitigates the impact of the potential non-payment of the full amount of the Outstanding Indebtedness on the Group's financial performance. As advised by the Management, the Company does not have any concrete details of the financial position of the Vendor, and hence the repayment ability of the Vendor is uncertain. Therefore, the Management considers the collection of part of the Outstanding Indebtedness by the Acquisition as one of the viable approaches which enables the Company to reduce its exposure to the default risk of the Vendor and collect part of the Outstanding Indebtedness while reaping the benefits of the Acquisition as discussed in section 5 of this letter headed "Reasons for and benefits of the Acquisition".

5.3 Conclusion with regards to the reasons for and benefits of the Acquisition

We note the historical financial performance of the Target Group due to, among other things, the mismanagement of Mr. Yin over the Target Group which had not been satisfactory. However, having considered (i) the long term prospects of the Group's Cinema Business and the cinema industry remain generally positive as discussed in section 5.1 of this letter headed "Overview of the cinema industry in PRC" above; (ii) the settlement method of the Consideration incidentally enables the Group to collect part of the Outstanding Indebtedness and reduces the negative impact caused by the Outstanding Indebtedness on the financial performance of the Group in case of default; (iii) the full consolidation of the Group's interest in the Target Group (which represents the principal operating subsidiaries of the Company that generated literally all of the Group's consolidated revenue for FY2018 and FY2019) and resignation of Mr. Yin as the director of the Target Companies and director/management of the Group's PRC subsidiaries eliminates the negative influence of Mr. Yin, a known person in the cinema industry (who was able to exercise a significant influence over the Target Companies and had mismanaged the business operation of the Target Group and has integrity issue as discussed above), over the Target Group and allows the Group to implement the operating philosophies and strategies and internal control system of the Company into the Target Group at its absolute discretion without any influence from Mr. Yin to whom the Group had to pay respect as a known person in the cinema industry and a then director and the chief executive officer of the Target Companies as nominated by the Vendor; and (iv) the clear-cut of business relationship with Mr. Yin through his resignation and the Acquisition, together with the planned engagement with a well-established cinema management company to assist the management of the Target Group after Completion, are expected to lead the Target Group into greater success under new management, who is competent and experienced, and create better return without the obligation of sharing profit with minority shareholders, we consider the Acquisition on one hand enables the Group to further consolidate its shareholding interest in the Cinema Business, which has generally positive long term prospects, while on the other hand reduces the balance of the Outstanding Indebtedness and the Group's exposure to the default risk of the Vendor, we concur with the view of Directors that the Acquisition is in the interests of the Company and the Shareholders as a whole.

6. Information on the Acquisition

6.1 The Acquisition Agreement

Principal terms of the Acquisition Agreement are set forth below:

Date	:	25 February 2020 (after trading hours of the Stock Exchange)
Parties	:	(1) CineChina Limited (as the Vendor); and
		(2) Lofty Shine Limited (崴盛有限公司) (as the Purchaser)
Target Companies	:	(1) BCIC; and
		(2) BCMC

Subject to the terms and conditions of the Acquisition Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Sale Shares. The Sale Shares represent 30% of the issued share capital of each of the Target Companies.

Upon Completion, the Target Companies will become indirect wholly-owned subsidiaries of the Company.

6.2 Consideration

The Consideration, which is subject to the valuation of the Target Group as prepared by the Valuer appointed by the Purchaser, with upper limit of RMB4,650,000 (equivalent to approximately HK$5,115,000), shall be satisfied and settled by setting off against the Outstanding Indebtedness on a dollar for dollar basis upon Completion. In the event that the Consideration would exceed the Outstanding Indebtedness, the remaining balance of the Consideration shall be satisfied and settled by cash. With reference to the valuation report stated in Appendix V to the Circular, the amount of the Consideration is HK$721,000.

As at the Latest Practicable Date, the Vendor owes the Group in the sum of approximately RMB1,985,500 (equivalent to approximately HK$2,184,000).

Reference is made to the announcement of the Company dated 5 February 2020 in relation to the Misappropriation by Mr. Yin. The Company has clarified in the Board Letter that the proposed Acquisition is not related to the settlement of the Misappropriated Funds. The Outstanding Indebtedness amount of approximately RMB1,985,500 (equivalent to approximately HK$2,184,000) does not form part of the Misappropriation amount. As at the Latest Practicable Date, the Group has demanded Mr. Yin to return the Misappropriated Funds but Mr. Yin has failed to return the same. As at the Latest Practicable Date, the Company has instructed its PRC legal advisers to take appropriate legal actions against Mr. Yin. However, with the uncertainty in development of the COVID-19 pandemic and imposition of quarantine measures on travelers in the PRC, such measures inevitably caused delay for the Group to implement such actions against Mr. Yin. For the avoidance of doubt, the Group will continue to exercise its best endeavors to recover the Misappropriated Funds.

The Consideration was determined by the Purchaser and the Vendor following arm's length negotiations with reference to, among others, the financial position of the Target Group.

As per the Valuation Report, the market value of 100% equity interest of the Target Group is approximately HK$2,404,706, resulting in a market value of the Sale Shares (i.e. 30% equity interest in each of the Target Companies) of approximately HK$721,000 (the "**Sale Shares Valuation**"). The Consideration of HK$721,000 represents the aforementioned Sale Shares Valuation, which is considered favorable to the Group. Furthermore, the Alternative Approach as discussed in section 2.3.4 of this letter illustrates that the Consideration represents discounts of roughly 90% to 30% of the Company's respective market capitalisation as at the date of the Acquisition Agreement and the Latest Practicable Date, which is another factor that indicates the Consideration is favorable to the Group.

7. Financial effects of the Acquisition

Upon Completion, each of the Target Companies will become a wholly owned subsidiary of the Company and their financial results will continue to be consolidated into the Group's consolidated financial statements. The unaudited pro forma statement of assets and liabilities (the "**Pro Forma Financial Information**") of the Enlarged Group set out in Appendix IV to the Circular has been prepared to illustrate the effect of the Acquisition, assuming Completion had been taken place as at 30 September 2019.

7.1 Effect on net assets

Assuming the Acquisition had been completed as at 30 September 2019, the net assets of the Enlarged Group attributable to owners of the Company will be slightly increased from approximately HK$54,292,000 to approximately HK$55,046,000 due to the transfer of non-controlling interesting amounting to approximately HK$1,475,000 partly offset by the estimated cost of the Acquisition of approximately HK$721,000.

7.2 Effect on earnings

As disclosed in the Board Letter, each of the companies in the Target Group has been subsidiaries of the Company and their financial results have been consolidated into the financial statements of the Group before Completion, hence, it is not expected that there will be any material impact on the total comprehensive income/(loss) of the Enlarged Group as a result of Completion. However, profit/(loss) attributable to owners of the Company is expected to be increased after Completion as the non-controlling interests (i.e. the Vendor) will no longer be accounted for in the Group's consolidated accounts.

7.3 Effect on working capital

As mentioned in the Board Letter, the Consideration will be mainly financed by setting off against the Outstanding Indebtedness due by the Vendor to the Group. The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Group including the internally generated funds and the cash and bank balances, the Enlarge Group will have sufficient working capital for at least twelve months from the date of the Circular.

7.4 Effect on gearing

According to the Pro Forma Financial Information, the Group had total debts, which are solely composed of debt component of convertible bonds, of approximately HK$26,794,000 and total equity of approximately HK$63,854,000 as at 30 September 2019, translating into a gearing ratio (total debts/total equity x 100%) of approximately 42.0%. Furthermore, the Enlarged Group's unaudited pro forma total debts remain approximately HK$26,794,000 assuming Completion had already taken place on 30 September 2019. In addition, the Enlarged Group would have unaudited pro forma total equity of approximately HK$63,133,000 assuming Completion had already taken place on 30 September 2019, translating into a gearing ratio of approximately 42.4%. Based on the above, the gearing ratio of the Group is expected to slightly increase from approximately 42.0% to approximately 42.4% as a result of the Acquisition. We consider that the Enlarged Group will be in a healthy situation as the Group has a strong cash position of approximately HK$61,023,000 as at 30 September 2019 (inclusive of the effects of Misappropriated Funds which had been subsequently expensed off during 9M2019) and upon the Acquisition (assuming Completion had already taken place on 30 September 2019) together with unaudited pro forma net current assets of the Enlarged Group of approximately HK$59,198,000, indicating that the Enlarged Group is expected to be able to fulfill its obligations arising out of its short-term liabilities post Completion.

It should be noted that the above-mentioned analyses are for illustrative purpose only and do not purport to represent the future financial position of the Enlarged Group upon the Completion.

CONCLUSION

Having considered the above principal factors, we are of the opinion that (i) the Acquisition is, although not in the ordinary and usual course of business of the Group, on normal commercial terms; and (ii) the terms of the Acquisition Agreement (including the Consideration) are fair and reasonable and in the interest of the Company and the Shareholders as a whole. If a physical general meeting were to be held in connection with the Acquisition, we would have recommended (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favor of the ordinary resolution(s) to approve the Acquisition Agreement (and the transactions contemplated thereunder).

Yours faithfully,
For and on behalf of
Grand Moore Capital Limited
Kevin So
Director — Investment Banking Department

Note: Mr. Kevin So is a licensed person under the SFO to undertake type 6 regulated activity (advising on corporate finance) and is a responsible officer in respect of Grand Moore's type 6 regulated activity (advising on corporate finance). Mr. So has over 16 years of experience in the corporate finance industry in Hong Kong.

1. SUMMARY OF FINANCIAL INFORMATION

Financial information on the Group for each of the three financial years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019 are set out in the following documents respectively and have been published on both the GEM website (www.hkgem.com) and the website of the Company (www.bingogroup.com.hk):

— the interim report of the Group for the six months ended 30 September 2019 (the "**2019 Interim Report**") (pages 8 to 33):

  www1.hkexnews.hk/listedco/listconews/gem/2019/1114/2019111401439.pdf

  doc.irasia.com/listco/hk/bingogroup/interim/2020/intrep.pdf

— the annual report of the Group for the year ended 31 March 2019 (the "**2019 Annual Report**") (pages 45 to 180):

  www1.hkexnews.hk/listedco/listconews/gem/2019/0628/gln20190628457.pdf

  doc.irasia.com/listco/hk/bingogroup/annual/2019/car2019.pdf

— the annual report of the Group for the year ended 31 March 2018 (the "**2018 Annual Report**") (pages 44 to 156):

  www1.hkexnews.hk/listedco/listconews/gem/2018/0629/gln20180629315.pdf

  doc.irasia.com/listco/hk/bingogroup/annual/2018/car2018.pdf

— the annual report of the Group for the year ended 31 March 2017 (the "**2017 Annual Report**") (pages 47 to 148):

  www1.hkexnews.hk/listedco/listconews/gem/2017/0627/gln20170627069.pdf

  doc.irasia.com/listco/hk/bingogroup/annual/2017/car2017.pdf

2. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The coronavirus outbreak has killed hundreds of thousands of people and infected more than 2.4 million globally as it continues to spread beyond China. Millions more people have been ordered to stay indoors as China battles to curb the spread of this new virus. All cinemas in Hangzhou and Shanghai could not open for business since late January 2020, which covered the traditional peak season — Chinese New Year. No schedule of re-opening of cinemas is confirmed as at the Latest Practicable Date. All cinemas of the Group are located in Hangzhou and Shanghai.

In spite of the wide-spreading of coronavirus mentioned above, the Group will continue to grasp other business opportunities in investments in cinemas in the PRC and attractive movies, when appropriate. While the Group continued its existing businesses, the Group will put more focus onto locating other business opportunities with enormous potentials, including provision of consultancy services, online games developing and operating businesses, and investments in China cultural industry.

The VR (Virtual Reality) and MR (Mixed Reality) industry is undergoing rapid development and the Company considers that there will be growth potential in investment of VR and MR projects. On 9 February 2018, the Group entered into an agreement with Lechuang Holdings (HK) Limited ("**Lechuang**") in relation to the formation of the joint venture company ("**JV Company**"). The formation of the JV Company will allow the Group to utilise its experience in provision of interactive contents with the expertise of Lechuang in developing VR and MR projects. The Company is optimistic as to the prospect of the JV Company, and has granted a loan to the JV Company of RMB16 million (equivalent to approximately HK$17.9 million) in September 2019.

The Board believes that the Group's existing businesses can create a synergistic effect with the above-mentioned new businesses and will benefit the Group in the future.

3. INDEBTEDNESS

As at the close of business on 29 February 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had total indebtedness amounted to approximately HK$28,756,000 comprising convertible bonds with zero coupon rate and outstanding carrying amount of approximately HK$28,756,000 (principal amount: HK$30,000,000).

As at the close of business on 29 February 2020, the Enlarged Group had no contingent liabilities.

Save as aforesaid, and apart from the intra-group liabilities and trade payables arised from the normal course of business, as at the close of business on 29 February 2020, the Enlarged Group did not have any debt securities, issued and outstanding or agreed to be issued, bank overdrafts or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

4. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Group including the internally generated funds and the cash and bank balances, the Group will have sufficient working capital for at least twelve months from the date of this circular.

5. MATERIAL ADVERSE CHANGE

Save for the loss of approximately HK$33.26 million and the uncertainty in the outlook of the Group as a result of the coronavirus outbreak as previously disclosed in the Third Quarterly Report 2019/20 of the Company, as at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group as at 31 March 2019, the date to which the latest published audited financial statements of the Group were made up.

ACCOUNTANT'S REPORT ON THE TARGET GROUP

The following is the text of the accountant's report on the Target Group, prepared for the purpose of incorporation in this circular, received from the reporting accountants of the Target Group, Cheng & Cheng Limited, Certified Public Accountants, Hong Kong.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTOR OF BINGO CINEMA INVESTMENT COMPANY LTD

Introduction

We report on the historical financial information of Bingo Cinema Investment Company Ltd (''BCIC'') and its subsidiaries (together with BCIC collectively referred to as the ''BCIC Group'') set out on pages IIA-4 to IIA-54, which comprises the consolidated statements of financial position as at 31 March 2019, 31 March 2018, 31 March 2019 and 31 December 2019, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 March 2019 and nine months ended 31 December 2019 (the ''Relevant Period'') and a summary of significant accounting policies and other explanatory information (together, the ''Historical Financial Information''). The Historical Financial Information set out on pages IIA-4 to IIA-54 forms an integral part of this report, which has been prepared for inclusion in the circular of Bingo Group Holdings Limited (the ''Company'') dated 29 April 2020 in connection with the major transaction in relation to the proposed acquisition of 30% of the issued share capital of BCIC (the ''Acquisition'').

Director's responsibility for the Historical Financial Information

The director of BCIC is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the director of BCIC determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The director of BCIC are responsible for the contents of this Circular in which the Historical Financial Information of the BCIC Group is included, and such information is prepared based on accounting policies materially consistent with those of BCIC.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 ''Accountants' Reports on Historical Financial Information in Investment Circulars'' issued by the Hong Kong Institute of Certified Public Accountants (''HKICPA''). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director of BCIC, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the BCIC Group's financial position as at 31 March 2017, 31 March 2018, 31 March 2019 and 31 December 2019 and of the BCIC Group's financial performance and cash flows for the Relevant Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISION) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IIA-3 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which states that during the Relevant Period, no dividend has been proposed by the director of BCIC.

CHENG & CHENG LIMITED
Certified Public Accountants
Chan Shek Chi
Practising Certificate no. P05540
Hong Kong, 29 April 2020

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the BCIC Group for the Relevant Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards which issued by Hong Kong Institute of Certified Public Accountants (''HKFRS'') and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the ''Underlying Financial Statements'').

The Historical Financial Information is presented in Hong Kong Dollars (''HK$'') and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

A. FINANCIAL INFORMATION

CONSOLIDATION STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March			Nine months ended 31 December	
		2017	**2018**	**2019**	**2018**	**2019**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Turnover	*5*	44,770	46,929	38,048	27,354	21,872
Cost of sales and services		(18,782)	(19,318)	(15,630)	(11,207)	(9,099)
Gross profit		25,988	27,611	22,418	16,147	12,773
Other revenue and other net income	*6*	4,508	2,379	564	1,680	1,529
Selling and distribution expenses		(566)	(573)	(517)	(431)	(396)
Administrative expenses		(28,844)	(30,408)	(20,967)	(16,337)	(12,233)
Finance costs	*7*	—	—	—	—	(1,335)
Other expense	*8*	—	—	—	—	(14,512)
Profit/(loss) before taxation	*9*	1,086	(991)	1,498	1,059	(14,174)
Taxation	*10*	(1,001)	(1,562)	(918)	(665)	(130)
Profit/(loss) for the year/period		85	(2,553)	580	394	(14,304)
Profit/(loss) attributable to:						
— Owners of BCIC		69	(2,499)	333	496	(11,130)
— Non-controlling interests		16	(54)	247	(102)	(3,174)
		85	(2,553)	580	394	(14,304)

	Year ended 31 March			Nine months ended 31 December	
	2017	2018	2019	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Profit/(loss) for the year/period	85	(2,553)	580	394	(14,304)
Other comprehensive (loss)/income					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations					
— Exchange differences arising during the year/period	(2,306)	4,166	(2,892)	(3,725)	(1,747)
Other comprehensive (loss)/income for the year/period, net of tax	(2,306)	4,166	(2,892)	(3,725)	(1,747)
Total comprehensive (loss)/income for the year/period	(2,221)	1,613	(2,312)	(3,331)	(16,051)
Total comprehensive (loss)/income attributable to:					
— Owners of BCIC	(1,661)	626	(1,836)	(2,298)	(12,440)
— Non-controlling interests	(560)	987	(476)	(1,033)	(3,611)
	(2,221)	1,613	(2,312)	(3,331)	(16,051)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March			As at 31 December
		2017	2018	2019	2019
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment	*14*	17,955	11,719	9,709	10,082
Right-of-use assets	*15*	—	—	—	15,711
Goodwill	*16*	950	950	950	950
		18,905	12,669	10,659	26,743
Current assets					
Trade receivables	*17*	900	1,277	969	579
Other receivables, deposits and prepayments	*18*	1,783	2,122	2,244	1,772
Payment to parties for procurement for investment of cinema business	*19*	47,010	5,793	5,412	5,412
Amounts due from fellow subsidiaries	*30*	3,322	4,944	5,575	6,006
Cash and cash equivalents	*20*	58,396	29,884	27,391	12,046
		111,411	44,020	41,591	25,815
Current liabilities					
Trade payables	*21*	965	1,500	909	616
Deposits received, other payables and accruals	*22*	9,687	9,805	859	893
Amount due to an ultimate holding company	*30*	58,823	19,996	19,929	20,020
Amount due to an immediate holding company	*30*	233	233	233	233
Amounts due to fellow subsidiaries	*30*	612	612	612	612
Amounts due to a related party	*30*	37,591	—	—	432
Lease liabilities	*23*	—	—	—	3,098
Contract liabilities	*24*	—	—	7,749	7,584
Tax payables		—	525	253	—
		107,911	32,671	30,544	33,488
Net current assets/(liabilities)		3,500	11,349	11,047	(7,673)
Total assets less current liabilities		22,405	24,018	21,706	19,070
Non-current liability					
Lease liabilities	*23*	—	—	—	13,415
Net assets		22,405	24,018	21,706	5,655
Capital and reserves					
Share capital	*25*	10	10	10	10
Reserves		14,682	15,308	13,472	1,032
Equity attributable to owners of BCIC		14,692	15,318	13,482	1,042
Non-controlling interests	*27*	7,713	8,700	8,224	4,613
Total equity		22,405	24,018	21,706	5,655

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Translation reserve	Retained profits	Sub-total	Non-controlling interest	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2016	10	(1,627)	17,970	16,353	8,273	24,626
Profit for the year	—	—	69	69	16	85
Exchange differences arising during the year	—	(1,730)	—	(1,730)	(576)	(2,306)
At 31 March 2017	10	(3,357)	18,039	14,692	7,713	22,405
Loss for the year	—	—	(2,499)	(2,499)	(54)	(2,553)
Exchange differences arising during the year	—	3,125	—	3,125	1,041	4,166
At 31 March 2018	10	(232)	15,540	15,318	8,700	24,018
Profit for the year	—	—	333	333	247	580
Exchange differences arising during the year	—	(2,169)	—	(2,169)	(723)	(2,892)
At 31 March 2019	10	(2,401)	15,873	13,482	8,224	21,706
Loss for the period	—	—	(11,130)	(11,130)	(3,174)	(14,304)
Exchange differences arising during the period	—	(1,310)	—	(1,310)	(437)	(1,747)
At 31 December 2019	10	(3,711)	4,743	1,042	4,613	5,655

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March			Nine months ended 31 December	
	2017	2018	2019	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
OPERATING ACTIVITIES					
Profit/(loss) for the year/period	1,086	(991)	1,498	1,059	(14,174)
Adjustments for:					
Depreciation of property, plant and equipment	8,321	7,760	2,340	2,463	1,779
Finance costs	—	—	—	—	1,335
Depreciation of right-of-use assess	—	—	—	—	2,004
Allowance for trade receivables	—	—	11	—	—
Property, plant and equipment written off	104	20	55	12	—
Interest income	(393)	(297)	(285)	(210)	(233)
Operating cash flows before movements in working capital	9,118	6,492	3,619	3,324	(9,289)
Decrease in contract liabilities	—	—	(213)	—	(165)
Decrease/(increase) in other receivables, deposits and prepayment	3,129	(339)	(590)	(454)	472
Decrease/(increase) in trade receivables	781	(377)	213	133	390
(Decrease)/increase in trade payables	(931)	535	(494)	(562)	(293)
(Decrease)/increase in deposits received, other payables and accruals	(2,887)	118	(423)	(851)	34
(Decrease)/increase in amount due to a related party	(2,459)	(37,591)	—	—	432
Decrease/(increase) in amounts due from fellow subsidiaries	5,020	(1,622)	(631)	(143)	(431)
(Decrease)/increase in amount due to an ultimate holding company	(8,828)	(38,827)	(67)	(89)	91
Decrease in payment to parties for procurement for investment of cinema business	—	41,217	—	—	—
Cash generated from/(used in) operations	2,943	(30,394)	1,414	1,358	(8,759)
Interest received	393	297	285	210	233
Interest paid	—	—	—	—	(1,335)
Income tax paid	(1,497)	(1,037)	(1,110)	(1,099)	(383)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	1,839	(31,134)	589	469	(10,244)

	Year ended 31 March			Nine months ended 31 December	
	2017	2018	2019	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
INVESTING ACTIVITY					
Purchase of property, plant and equipment	(1,526)	(54)	(1,135)	—	(2,553)
NET CASH USED IN INVESTING ACTIVITY	(1,526)	(54)	(1,135)	—	(2,553)
FINANCING ACTIVITY					
Payment for lease liabilities	—	—	—	—	(1,218)
NET CASH USED IN FINANCING ACTIVITY	—	—	—	—	(1,218)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	313	(31,188)	(546)	469	(14,015)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	58,996	58,396	29,884	29,884	27,391
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(913)	2,676	(1,947)	(4,581)	(1,330)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	58,396	29,884	27,391	25,772	12,046

1. GENERAL INFORMATION

Bingo Cinema Investment Company Limited is a limited liability company incorporated and domiciled in Hong Kong. The address of its registered office and principal place of business is Unit 202, 2/F., Chinaweal Centre, 414–424 Jaffe Road, Hong Kong.

The Financial Information are presented in HK$ which is the same as the functional currency of the BCIC Group.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out as follows:

Basis of preparation

These consolidated 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 consolidated financial statements also comply with the applicable disclosure provisions of GEM Listing Rules and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

A summary of the significant accounting policies adopted by the BCIC Group is set out below. These consolidated financial statements have been prepared under historical cost convention as explained in the accounting policies set out in annual report.

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years/periods presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the BCIC Group's consolidated financial statements, if any, are disclosed in Note 3.

The consolidated financial statements have been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the BCIC Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

Going concern

The financial statements have been prepared on a going concern basis even though the BCIC Group incurred a net loss of HK$14,304,000 for the nine months ended 31 December 2019, as of that date, BCIC's current liabilities exceeded its current assets by HK$7,673,000. The directors are of the opinion that this basis is appropriate because the Company have agreed to provide continuing financial supports, if necessary and after the completion of the Acquisition, to the BCIC Group to meet its obligations as and when they fall due. Accordingly, it is not necessary to include any adjustments that would be required should the BCIC Group fail to continue as a going concern.

Basis of consolidation

The Historical Financial Information incorporate the financial statements of BCIC and entities controlled by BCIC and its subsidiaries. Control is achieved when BCIC:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The BCIC Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the BCIC Group obtains control over the subsidiary and ceases when the BCIC Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Relevant Period are included in the consolidated statement of profit or loss and other comprehensive income from the date when the BCIC Group gains control until the date when the BCIC Group ceases to control the subsidiary.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the BCIC Group are eliminated in full on consolidation.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the BCIC Group's accounting policies.

Profit or loss and each item of other comprehensive income are attributed to the owners of BCIC and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of BCIC and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary'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 recognized 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.

Changes in the BCIC Group's ownership interests in existing subsidiaries

Changes in the BCIC Group's interests in subsidiaries that do not result in the BCIC Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the BCIC Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including reattribution of relevant reserves between the BCIC Group and the non-controlling interests according to the BCIC Group's and the non-controlling interests' proportionate interests.

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 BCIC.

When the BCIC Group loses control of a subsidiary, the assets and liabilities of that subsidiary and noncontrolling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and 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 carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of BCIC. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the BCIC Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). 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 HKFRS 9/HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvement	Over the shorter of the lease terms and 20%
Plant and machinery	10%
Computers	25–33%
Furniture, fixtures and equipment	20%

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and 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 financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income and interest expense are recognised on an effective interest basis.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 on 1 April 2018

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of financial assets (upon application HKFRS 9 as at 1 April 2018)

The BCIC Group estimates a loss allowances for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivables and deposits, amounts due from fellow subsidiaries and payment to parties for procurement for investment of cinema business). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the BCIC Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The BCIC Group always recognises lifetime ECL for trade receivables. The ECL on trade receivables are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the BCIC Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the BCIC Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the BCIC Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the BCIC Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the BCIC Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the BCIC Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the BCIC Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The BCIC Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The BCIC Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iii) Definition of default

For internal credit risk management, the BCIC Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the BCIC Group, in full (without taking into account any collateral held by the BCIC Group).

Irrespective of the above, the BCIC Group considers that default has occurred when a financial asset is more than 90 days past due unless the BCIC Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iv) Write-off policy

The BCIC Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner.

Financial assets written off may still be subject to enforcement activities under the BCIC Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the BCIC Group in accordance with the contract and the cash flows that the BCIC Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped by aging basis.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The BCIC Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018)

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

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, amounts due from subsidiaries 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 BCIC Group's financial assets, objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty;

— default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Loss events in respect of a group of financial assets include observable data indicating that there is a measureable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

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 BCIC 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.

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

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by BCIC are recognised at the proceeds received, net of direct issue costs.

Repurchase of BCIC's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the BCIC's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, deposits received, other payables and accruals, amounts due to fellow subsidiaries, amount due to an ultimate holding company, amount due to a related party and amount due to an immediate holding company 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.

Derecognition

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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 BCIC Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit or any of the cash-generating unit within The BCIC Group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the BCIC Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or The BCIC Group of cash-generating units) retained.

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 asset 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.

If any such indication exists, the asset's recoverable amount is estimated.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal 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 of disposal, 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.

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 consolidated 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.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the BCIC Group or BCIC 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.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in Note 3)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, The BCIC Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The BCIC Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 3)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the BCIC Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate standalone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the BCIC Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The BCIC Group applies the short-term lease recognition exemption to leases of land and building that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;

- any lease payments made at or before the commencement date, less any lease incentives received;

- any initial direct costs incurred by the BCIC Group; and

- an estimate of costs to be incurred by the BCIC Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the BCIC Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The BCIC Group presents right-of-use assets that do not meet the definition of investment property, properties under development or completed properties held for sale as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments (”HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the BCIC Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the BCIC Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable by the BCIC Group under residual value guarantees;

- the exercise price of a purchase option if the BCIC Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the BCIC Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The BCIC Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The BCIC Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The BCIC Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the BCIC Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The BCIC Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the BCIC Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The BCIC Group as lessee (prior to 1 April 2019)

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.

Operating lease payments, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals, if any, arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straightline basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Revenue recognition

Revenue from contracts with customers (upon application of HKFRS 15 as at 1 April 2018)

Under HKFRS 15, the BCIC Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the BCIC Group's performance as the BCIC Group performs;
- the BCIC Group's performance creates and enhances an asset that the customer controls as the BCIC Group performs; or
- the BCIC Group's performance does not create an asset with an alternative use to the BCIC Group and the BCIC Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The performance obligations of the BCIC Group for contracts with customers are summarized as follows:

Cinema investment and management

The BCIC Group sells movies tickets, snacks and accessories to customers both through its own cinema and through internet sales.

Income from box office takings is recognised when the movies have been broadcasted and revenue from selling snacks and accessories is recognised when control of goods have been transferred to the customers. Payment of the transaction price is due immediately at the point the customer purchases the movies tickets, snacks and accessories.

The advertising income represents the display of some advertising materials in the area of the cinema and the airtime right before the start of a movie. The income of the former is recognised on a straight-line basis over the contract terms with a fixed amount. For the latter, the income is recognized over the contract terms and the amount of revenue is correlated to the box office takings of the movie with the airtime.

For others, it mainly represents the services charges for registration of membership and the charges for the re-issuance of membership cards for those lost cases. The income was recognized when the membership cards were issued to the members.

A contract liability is recognised for the prepayment made by the customers in the membership cards. The balance will be recognised as revenue at the point when movies are broadcasted or when the customers purchase snacks and accessories.

Revenue recognition (prior to 1 April 2018)

Revenue is recognised when it is probable that the economic benefits will flow to the BCIC 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) Income from box office takings is recognised when the services have been rendered to the buyers.

Government grants

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

Income tax

Income tax for the year/period 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/period. Taxable profit differs from profit as reported in the profit or loss 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 BCIC 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 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the BCIC 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, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the BCIC Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the BCIC Group intends to settle its current tax assets and liabilities on a net basis.

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.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages, salaries, annual leaves and sick leaves) after deducting any amount already paid.

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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the BCIC Group's interests in associates.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the BCIC Group's foreign operations are translated into the presentation currency of BCIC, that is HK$, 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 exchange reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the BCIC Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of BCIC are reclassified to profit or loss.

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (“reporting entity”).

(a) A person or a close member of that person’s family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entities is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-empolyment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) the entity, or any member of a group of which it is a part, provide key management personnel services to the BCIC Group or to the BCIC Group’s parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the BCIC Group has consistently applied all new and revised HKFRSs, amendments and interpretation issued by the HKICPA which are effective for the accounting periods beginning on 1 April 2018 throughout the Relevant Periods.

New and amendments to HKFRSs that are mandatorily effective for the year ended 31 March 2019

The BCIC Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the year ended 31 March 2019:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKFRS 15	Clarification to HKFRS 15
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new HKFRSs and amendments to HKFRSs in the year ended 31 March 2019 has had no material impact on the BCIC Group's financial performance and positions for the current and prior years and on the disclosures set out in these consolidated financial statements.

The BCIC Group recognises revenue from the business of cinema investment and management.

Information about the BCIC Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in Note 2.

The application of HKFRS 15 has no material impact on the timing of revenue recognition of the BCIC Group and there is no impact of transition to HKFRS 15 on accumulated losses at 1 April 2018.

The following table summarises the impact of transition to HKFRS 15 on deposits received, other payables and accruals and contract liabilities at 1 April 2018.

	note	**Deposits received, other payables and accruals** *HK$'000*	**Contract liabilities** *HK$'000*
Closing balance at 31 March 2018		9,805	—
Effect arising from initial application of HKFRS 15:			
Reclassification	*(a)*	(8,523)	8,523
Opening balance at 1 April 2018		1,282	8,523

note:

(a) As at 1 April 2018, advances from customers of HK$8,523,000 in respect of some contracts previously included in deposits received, other payables and accruals were reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the BCIC Group's consolidated statement of financial position as at 31 March 2019 and consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position as at 31 March 2019 by the application of HKFRS 15

	note	As reported (after the application of HKFRS 15) HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Current liabilities				
Deposits received, other payables and accruals	*(a)*	859	7,749	8,608
Contracts liabilities	*(a)*	7,749	(7,749)	—

note:

(a) As a result of adoption of HKFRS 15, advances from customers of HK$7,749,000 in respect of some contracts previously included in deposits received, accruals and other payables were reclassified to contract liabilities. The above results would be reversal without application of HKFRS 15.

Impact on the consolidated statement of cash flows for the year ended 31 March 2019

	As reported (after the application of HKFRS 15) HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Cash flow from operating activities			
Decrease in deposits received, other payables and accruals	(423)	(212)	(635)
Decrease in contracts liabilities	(212)	212	—

Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current year, the BCIC Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities and 2) expected credit losses ("ECL") for financial assets.

The BCIC Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018, if any, is recognized in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

The application of HKFRS 9 has no material impact on the BCIC Group's financial performance and position on 1 April 2018.

Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the BCIC Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31 March 2018 (Audited)	HKFRS 15	1 April 2018 (Restated)
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property plant and equipment	11,719		11,719
Goodwill	950		950
	12,669		12,669
Current assets			
Trade receivables	1,277		1,277
Other receivables, deposits and prepayments	2,122		2,122
Payment to parties for procurement for investment of Cinema business	5,793		5,793
Amounts due from fellow subsidiaries	4,944		4,944
Cash and cash equivalent	29,884		29,884
	44,020		44,020
Current liabilities			
Trade payables	1,500		1,500
Deposits received, other payables and accruals	9,805	(8,523)	1,282
Amount due to an ultimate holding company	19,996		19,996
Amount due to an immediate holding company	233		233
Amounts due to fellow subsidiaries	612		612
Contract liabilities	—	8,523	8,523
Tax payables	525		525
	32,671		32,671
Net current assets	11,349		11,349
Total assets less current liabilities	24,018		24,018
Net assets	24,018		24,018
Equity			
Share capital	10		10
Reserves	15,308		15,308
Equity attributable to the owners of BCIC	15,318		15,318
Non-controlling interests	8,700		8,700
Total equity	24,018		24,018

New and Amendments to HKFRSs that are mandatorily effective for the nine months period ended 31 December 2019

The BCIC Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time for the nine months period ended 31 December 2019:

HKFRS 16	Leases
HKFRS 17	Insurance Contracts
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new HKFRSs and amendments to HKFRSs in the nine months period ended 31 December 2019 has had no material impact on the BCIC Group's financial performance and positions for the current and prior years and on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The BCIC Group has applied HKFRS 16 for the first time in the nine months period ended 31 December 2019. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

Definition of a lease

The BCIC Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the BCIC Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the BCIC Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The BCIC Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, the BCIC Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition.

When applying the modified retrospective approach under HKFRS 16 at transition, the BCIC Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining term for similar class of underlying assets in similar economic environment;

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the BCIC Group's leases with extension and termination options.

On transition, the BCIC Group has made the following adjustments upon application of HKFRS 16:

The BCIC Group recognised lease liabilities of HK$17,731,000 and right-of-use assets of HK$17,731,000 at 1 April 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the BCIC Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 8%.

	At 1 April 2019 *HK$'000*
Operating lease commitments disclosed as at 31 March 2019 *(Note 29)*	24,534
Lease liabilities discounted at relevant incremental borrowing rates	17,731
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	17,731
Analysed as	
Current	3,098
Non-current	14,633
	17,731

No material impact of transition to HKFRS 16 on accumulated losses at 1 April 2019.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts reported at 31 March 2019	**Adjustments**	**1 April 2019**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Right-of-use assets	—	17,731	17,731
Current liabilities			
Leases liabilities	—	3,098	3,098
Non-current liabilities			
Leases liabilities	—	14,633	14,633

Note: For the purpose of reporting cash flows from operating activities under indirect method for the nine months ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position as at 1 April 2019 as disclosed above.

The application of HKFRS 16 as a lessor has no material impact on the BCIC Group's consolidated statement of financial position as at 31 December 2019 and its consolidated statement of profit or loss and other comprehensive income and cash flows for the current period.

As the date of this report, the BCIC Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its and Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2020

The directors of BCIC anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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 BCIC 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

The BCIC Group's management determines the estimated useful lives and related depreciation and amortization charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment 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 goodwill and property, plant and equipment

Determining whether goodwill and related property, plant and equipment are 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 BCIC Group to estimate the future cash flows expected to arise from the cash generating units 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.

c) Provision of ECL for trade receivables, other receivables, amounts due from fellow subsidiaies and payments to parties for procurement for investment of cinema business

The BCIC Group uses provision matrix to calculate ECL for the trade receivables. The provision matrix is based on aging as groupings of various debtors that have similar loss patterns. The provision rates are based on the BCIC Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes as the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired, if any, are assessed for ECL individually.

The BCIC Group assesses the ECL of other receivables, amounts due from fellow subsidiaries and payments to parties for procurement for investment of cinema business individually based on past repayment record of the counterparties. The provision of ECL is sensitive to changes in estimates. The information about the ECL of trade receivables and other receivables are disclosed in Notes 17, 18 and 28(b)(iii).

5. TURNOVER

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

	Year ended 31 March			Nine months ended 31 December	
	2017	**2018**	**2019**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue from cinema investment	44,770	46,929	38,048	27,354	21,872

Disaggregation of revenue from contracts with customers

	Year ended 31 March 2019	Nine months ended 31 December 2019
	HK$'000	*HK$'000*
Revenue from cinema investment		
— Sales of movie tickets — at a point in time	31,225	18,210
— Sales of snacks — at a point in time	4,238	2,554
— Advertising income — over time	1,655	550
— Others *(note)* — at a point in time	930	558
	38,048	21,872

note: It mainly represents the services charges for registration of membership and the charges for the re-issuance of membership cards for those lost cases.

Contracts for advertising services are typically have a one year to three years non-cancellable term in which the BCIC Group bills a fixed percentage on the box office takings. The BCIC Group elected to apply the practical expedient by recognising revenue in the amount to which the BCIC Group has right to invoice. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

The customer loyalty points have no expiration and can be redeemed anytime at customers' discretion. The management of the BCIC Group expected that the remaining performance obligation as at 31 March 2019 and 31 December 2019 will be materially recognized as income within one to two years after the year end. The prepaid amount in membership card by the customers as disclosed in Note 24 to the consolidated financial statements.

6. OTHER REVENUE AND OTHER NET INCOME

	Year ended 31 March			Nine months ended 31 December	
	2017	2018	2019	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Other income:					
Interest income	393	297	285	210	233
Exchange gain	217	—	—	1,302	668
Government grants *(note)*	3,302	2,082	157	—	600
Others	596	—	122	168	28
	4,508	2,379	564	1,680	1,529

note: The government grants represent the subsidies received by the BCIC Group from the government for the operation of cinemas in PRC. There are no unfulfilled conditions or contingencies relating to these grants.

7. FINANCE COSTS

	Year ended 31 March			Nine months ended 31 December	
	2017	2018	2019	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest expense on lease liabilities	—	—	—	—	1,335

8. OTHER EXPENSE

During the nine months period ended 31 December 2019, BCIC has noted that Mr. Yin Gang ("Mr. Yin"), a director of certain non-wholly owned subsidiaries of the BCIC Group, have misappropriated funds of approximately RMB13 million (equivalent to approximately HK$14.5 million) from two non-wholly owned subsidiaries of BCIC established in the People's Republic of China for his personal uses. This amount was expensed off during the same period.

9. PROFIT/(LOSS) BEFORE TAXATION

	Year ended 31 March			Nine months ended 31 December	
	2017	**2018**	**2019**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit/(loss) before tax has been arrived at after charging (crediting):					
Auditor's remuneration	5	6	23	23	18
Direct expenses of cinema business	18,782	19,318	15,630	11,207	9,099
Depreciation					
— Property, plant and equipment	8,321	7,760	2,340	2,463	1,779
— Right-of-use assets	—	—	—	—	2,004
Property, plant and equipment written off	104	20	55	12	—
Exchange (gain)/loss	(217)	2,787	349	(1,302)	(668)
Allowance for trade receivables	—	—	11	—	—
Operating lease rental in respect of rented premises contract work	3,954	4,325	3,739	2,713	—
Staff costs (including directors' remuneration)					
— Salaries and allowances	6,399	6,107	5,614	4,302	3,287
— Retirement scheme contributions	1,470	1,349	1,397	1,077	799

10. TAXATION

	Year ended 31 March			Nine months ended 31 December	
	2017	**2018**	**2019**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
The taxation charge recognised in profit or loss comprises:					
Current tax					
The PRC	1,001	1,562	744	665	130
Under/(Over) provision in prior years	—	—	174	—	—
	1,001	1,562	918	665	130

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the BCIC Group considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision of Hong Kong Profits Tax has been made there is no assessable profits for the Relevant Period.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for the Relevant Period end.

During the year ended 31 March 2019, the tax authority in the PRC has grant concessionary tax rates to some of the PRC subsidiaries of BCIC because the size and assessable profits of those subsidiaries have fulfilled the condition as small and micro corporations defined by the relevant tax authority.

The taxation for the year/period can be reconciled to the loss before taxation per the consolidated statement of profit or loss as follows:

	Year ended 31 March			Nine months ended 31 December	
	2017	**2018**	**2019**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit/(Loss) before taxation	1,086	(991)	1,498	1,059	(14,174)
Tax at the respective applicable tax rate	408	(111)	405	140	(4,043)
Income not subject to taxation	(33)	(2,417)	(273)	(456)	(439)
Expenses not deductible for tax purpose	616	4,072	745	298	4,167
Tax effect of unrecognised tax loss	10	18	178	683	445
Effect of tax exemptions granted to PRC subsidiaries	—	—	(312)	—	—
Under provision in prior years	—	—	175	—	—
Taxation charged for the year/period	1,001	1,562	918	665	130

Deferred tax assets not recognised

At the end of the reporting period, the BCIC Group had unused tax losses arising in the PRC of approximately HK$5,544,000, HK$5,618,000, HK$6,328,000 and HK$8,108,000 respectively available for offset against future profits for the three years end 31 March 2017, 2018 and 2019 and nine months ended 31 December 2019. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profits stream. Under current tax regulation, tax losses arising in the PRC can be carried forward for five years from the year in which the respective loss arose while the tax losses arising in Hong Kong can be carried forward indefinitely.

Deferred tax liabilities not recognised

At the end of the reporting period, undistributed profits of subsidiaries amounted to approximately HK$36,728,000, HK$34,494,000, HK$34,525,000 and HK$34,501,000 for the three years end 31 March 2017, 2018 and 2019 and nine months ended 31 December 2018 and 2019. Withholding tax resulting from the distribution of such profits would amount approximately to HK$3,673,000, HK$3,449,000, HK$3,453,000 and HK$3,450,000 for the three years end 31 March 2017, 2018 and 2019 and nine months ended 31 December 2019 if they are distributed to holding companies/shareholders outside of PRC. However, no deferred tax liabilities have been recognised in this respect as BCIC controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

11. DIRECTOR' EMOLUMENTS

No emolument were paid or are payable to any director for the three years ended 31 March 2017, 2018 and 2019 and nine months ended 31 December 2018 and 2019.

12. EMPLOYEES' REMUNERATION

Of the five individuals with the highest emoluments in the BCIC Group, none of them were director of BCIC. Their aggregate emoluments for the three years ended 31 March 2017, 2018 and 2019 and nine months ended 31 December 2018 and 2019 were as follows:

	Year ended 31 March			Nine months ended 31 December	
	2017	**2018**	**2019**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Salaries and other benefits	615	627	617	461	512
Retirement benefit scheme contributions	92	94	110	80	83
	707	721	727	541	595

The emoluments were within the following bands:

	Year ended 31 March			Nine months ended 31 December	
	2017	**2018**	**2019**	**2018**	**2019**
	No. of employees	*No. of employees*	*No. of employees*	*No. of employees*	*No. of employees*
Not exceeding HK$1,000,000	5	5	5	5	5

During the Relevant Periods, no emoluments were paid by the BCIC Group to the director and the five highest paid individuals as an inducement to join or upon joining the BCIC Group or as compensation for loss of office. None of the director and the employees waived or agreed to waive any emoluments paid by the BCIC Group during the three years ended 31 March 2017, 2018 and 2019 and for the nine months ended 31 December 2018 and 2019.

13. DIVIDEND

During the Relevant Period, no dividend has been proposed and paid for the years ended 31 March 2017, 2018 and 2019 and for the nine months ended 31 December 2018 and 2019.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK$'000	Plant and machinery HK$'000	Computers HK$'000	Furniture, fixtures and office equipment HK$'000	Total HK$'000
COST					
At 1 April 2016	26,368	19,882	109	6,178	52,537
Additions	—	1,423	—	103	1,526
Disposals	—	(129)	—	(69)	(198)
Currency realignment	(1,619)	(1,221)	(7)	(354)	(3,201)
At 31 March 2017	24,749	19,955	102	5,858	50,664
Additions	—	—	—	54	54
Disposal	—	(27)	—	(15)	(42)
Currency realignment	2,672	2,154	11	632	5,469
At 31 March 2018	27,421	22,082	113	6,529	56,145
Additions	589	18	—	528	1,135
Disposals	—	(100)	—	(471)	(571)
Currency realignment	(1,789)	(1,455)	(8)	(431)	(3,683)
At 31 March 2019	26,221	20,545	105	6,155	53,026
Additions	446	2,107	—	—	2,553
Currency realignment	(1,113)	(880)	(4)	(262)	(2,259)
At 31 December 2019	25,554	21,772	101	5,893	53,320
ACCUMULATED DEPRECIATION					
At 1 April 2016	16,449	6,070	92	3,680	26,291
Charge for the year	5,069	2,050	11	1,191	8,321
Eliminated on disposals/written off	—	(54)	—	(40)	(94)
Currency realignment	(1,130)	(420)	(6)	(253)	(1,809)
At 31 March 2017	20,388	7,646	97	4,578	32,709
Charge for the year	4,567	2,087	—	1,106	7,760
Eliminated on disposals/written off	—	(10)	—	(12)	(22)
Currency realignment	2,466	946	10	557	3,979
At 31 March 2018	27,421	10,669	107	6,229	44,426
Charge for the year	76	2,068	—	196	2,340
Eliminated on disposals/written off	—	(50)	—	(466)	(516)
Currency realignment	(1,806)	(710)	(7)	(410)	(2,933)
At 31 March 2019	25,691	11,977	100	5,549	43,317
Charge for the period	133	1,528	—	118	1,779
Currency realignment	(1,091)	(519)	(4)	(244)	(1,858)
At 31 December 2019	24,733	12,986	96	5,423	43,238
CARRYING VALUE					
At 31 March 2017	4,361	12,309	5	1,280	17,955
At 31 March 2018	—	11,413	6	300	11,719
At 31 March 2019	530	8,568	5	606	9,709
At 31 December 2019	821	8,786	5	470	10,082

15. RIGHT-OF-USE ASSETS

	Leased properties *HK$'000*
As at 1 April 2019	
Carrying amount	17,731
For the nine months ended 31 December 2019	
Depreciation charge	(2,004)
Currently realignment	(16)
	15,711
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	—
Total cash outflow for leases	2,553

16. GOODWILL

	As at 31 March			As at 31 December
	2017	**2018**	**2019**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
At the beginning of the year/period	20,718	20,718	12,423	12,423
Disposal of subsidiaries	—	(8,295)	—	—
At the end of the year/period	20,718	12,423	12,423	12,423
Accumulated impairment losses				
At the beginning of the year/period	(19,768)	(19,768)	(11,473)	(11,473)
Eliminated upon disposal of subsidiaries	—	8,295	—	—
At the end of the year/period	(19,768)	(11,473)	(11,473)	(11,473)
Carrying amount				
At the end of the year/period	950	950	950	950

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

	As at 31 March			As at 31 December
	2017	**2018**	**2019**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cinema investment	950	950	950	950

The goodwill arose from the acquisition of Bingo Cinema (Shanghai) Company Limited (比高電影院(上海)有限公司) ("Shanghai Bingo") together with its subsidiaries during the year ended 31 March 2013, which was engaged in cinema business.

During the Relevant Period, the BCIC Group assessed the recoverable amount of goodwill associated with BCIC Group by reference to value-in-use. The calculations used cash flow projections based on financial budgets approved by the management of BCIC covering a five-year period. For the BCIC Group, management believes that the recoverable amount would exceed its carrying amount as at the Relevant Period end and therefore, no impairment is necessary.

Key assumptions used for value-in-use calculations:

	As at 31 March			As at 31 December
	2017	**2018**	**2019**	**2019**
Growth rate	3%	3%	2%–4%	3%
Discount rate	15%	15%	15%	15%

Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

Cash flows beyond the 5-year period are extrapolated using a steady 2% growth rate for the Relevant Period. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

17. TRADE RECEIVABLES

	As at 31 March			As at 31 December
	2017	**2018**	**2019**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	900	1,277	980	579
Less: Allowance for bad and doubtful debts	—	—	(11)	—
	900	1,277	969	579

The aging of the BCIC Group's trade receivables based on the invoice date is analysed as follows:

	As at 31 March			As at 31 December
	2017	**2018**	**2019**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within days	894	1,058	786	201
31 to 60 days	6	107	142	7
61 to 90 days	—	50	4	3
Over 90 days	—	62	37	368
	900	1,277	969	579

The credit terms granted by the BCIC Group to its customers normally ranged from COD (cash-on-delivery) to 120 days. The BCIC Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. All trade receivables are expected to be recovered within one year.

The aging analysis of trade receivables which are past due but not impaired are as follows:

	As at 31 March			As at 31 December
	2017	**2018**	**2019**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Past due but not impaired:				
Less than 1 month past due	6	107	142	7
1 to 3 months past due	—	50	4	3
More than 3 months past due	—	62	37	368
	6	219	183	378

Receivables at 31 March 2017, 2018 and 2019 and at 31 December 2019 that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables at 31 March 2017, 2018 and 2019 and at 31 December 2019 that were past due but not impaired related to customers that had a good track record with the BCIC Group or with appropriate impairment allowance accounted for. Based on past experience, management believes that no further impairment allowance was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable. The BCIC Group did not hold any collateral over these balances.

18. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 March			As at 31 December
	2017	**2018**	**2019**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other receivables	1,123	465	327	827
Deposits and prepayments	660	1,657	1,917	945
	1,783	2,122	2,244	1,772

19. PAYMENTS TO PARTIES FOR PROCUREMENT FOR INVESTMENT OF CINEMA BUSINESS

Pursuant to the announcement for the joint venture agreement ("JV agreement") dated 9 June 2011, a subsidiary of BCIC entered into a JV agreement with CineChina Limited ("CineChina") for the investment of cinema business in the PRC.

The payments were made to CineChina and to an independent third party, for the purpose of materialising the JV agreement:

	As at 31 March			As at 31 December
	2017	**2018**	**2019**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts paid to a director of a subsidiary	16,979	—	—	—
Amount paid to CineChina	26,786	2,478	2,315	2,315
Amount paid to an independent third party	3,245	3,315	3,097	3,097
	47,010	5,793	5,412	5,412

Under the prevailing legal requirements in the PRC, certain restrictions are imposed on foreign investors for taking up majority stake in cinema business in the PRC. In accordance with legal opinion from PRC lawyer, the approval for engaging in the foregoing business by the subsidiaries of BCIC has not been obtained from the respective PRC authorities during the year ended 31 March 2012 and the organising of the above cinema business had not been completed at 31 March 2012. CineChina and an independent third party (collectively, "these parties") held the fund for the BCIC Group and would settle the cost incurred in procurement of the investment of cinema business in the PRC.

By an internal group reorganization the capital of Shanghai Bingo was transferred from a domestic enterprise to a sino-foreign joint venture enterprise to comply with the relevant regulatory requirement for foreign investors to operate cinema business in the PRC during the year ended 31 March 2013. The BCIC Group legally owned 75% equity interests in Shanghai Bingo to operate the cinema business by mid-February 2013. The results of the cinema projects, including Linan and Hangzhou cinema projects, legally owned by Shanghai Bingo are consolidated into that of the BCIC Group after completion of the internal group reorganization. Pursuant to the agreement entered into between the BCIC Group and these parties on 6 December 2012, these parties in principle agreed to act as a conduit of payment on behalf of the BCIC Group for the development of the cinema business in the PRC. These parties have substantially utilized the funds for the cinema business through their connection in the PRC.

The management of BCIC has taken into account the past repayment record, adjusted for forward-looking information that is available without undue cost or effort, of these parties and estimated that the expected credit loss rate was insignificant and no expected credit loss was recognized upon adoption of HKFRS 9 as at 1 April 2018 and during the year ended 31 March 2019 and nine months ended 31 December 2019.

20. CASH AND CASH EQUIVALENTS

	As at 31 March			As at 31 December
	2017	**2018**	**2019**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at banks and in hand	58,396	29,884	27,391	12,046

Cash at banks earns interest at floating rate based on daily bank deposit rates. The fair value of the BCIC Group's bank balance and cash at 31 March 2017, 2018 and 2019 and 31 December 2019 approximate their corresponding carrying amounts.

The bank balances carry interest at market rates which range from 0.01% to 0.25% per annum.

For the Relevant Period ended, the BCIC Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks and financial institution are insignificant and accordingly, no allowance for expected credit losses is provided.

21. TRADE PAYABLES

The aging of the BCIC Group's trade payables based on the invoice date is analysed as follows:

	As at 31 March			As at 31 December
	2017	2018	2019	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 — 30 days	965	1,500	899	613
31 — 60 days	—	—	2	2
61 — 90 days	—	—	3	—
Over 90 days	—	—	5	1
	965	1,500	909	616

Payment terms with suppliers are generally within 30 days.

All amounts are short term and hence the carrying value of trade payables are considered to be a reasonable approximation of fair value.

22. DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUALS

	As at 31 March			As at 31 December
	2017	2018	2019	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Customer's deposits and receipts in advance *(note 1)*	7,464	8,523	—	—
Other payables and accruals	2,223	1,282	859	893
	9,687	9,805	859	893

notes:

1. As at 31 March 2018, the balance was a prepaid amount in the membership card by the customers. The balance will be recognized as income when it is probable that the economic benefits will flow to the BCIC Group and these benefits can be measured reliably. The balances were classified as contract liabilities at the initial application of HKFRS 15 as detailed in Note 24 at 1 April 2018.

2. All of the other payables and accruals are expected to be settled within one year or are repayable on demand.

23. LEASES LIABILITIES

	As at 31 December 2019
	HK$'000
Lease liabilities payable:	
Within one year	3,098
Within a period of more than one year but not more than two years	13,415
	16,513
Less: Amount due for settlement with 12 months shown under current liabilities	(3,098)
Amount due for settlement after 12 months shown under non-current liabilities	13,415

24. CONTRACT LIABILITIES

	HK$'000
As at 31 March 2018	—
Effect arising from initial application of HKFRS 15	8,523
As at 1 April 2018	8,523
Revenue recognized during the year in relation to carried-forward contract liabilities	(4,842)
Receipt in advance from customers for the year	4,629
Currency realignment	(561)
As at 31 March 2019	7,749
Revenue recognized during the year in relation to carried-forward contract liabilities	(5,156)
Receipt in advance from customers for the period	5,320
Currency realignment	(329)
As at 31 December 2019	7,584

Cinema investment

The balance was a prepaid amount in the membership card by the customers. The balance will be recognized as income when the customers buy the movies tickets, and the corresponding movie was broadcasted, and snacks by utilizing the prepaid amount in the membership card.

The timing of the transfer of the movies tickets and snacks are at the discretion of the customers and the management considers that the contract liabilities would not have significant financing component.

All the contract liabilities are expected to be settled within the BCIC Group's normal operating cycle in respect of cinema investment and management segment and the whole balances are classified as current.

No revenue was recognized in the current year relates to performance obligations that were satisfied in prior periods.

25. SHARE CAPITAL

	Number of shares	*HK$*
Ordinary shares of HK$1 each		
Authorised:		
At 1 April 2016, 31 March 2017, 31 March 2018, 31 March 2019 and 31 December 2019	10,000	10,000
Issued and fully paid		
At 1 April 2016, 31 March 2017, 31 March 2018, 31 March 2019 and 31 December 2019	10,000	10,000

BCIC's statement of changes in equity:

	Share capital *HK$*	Accumulated losses *HK$*	Total *HK$*
Balance at 1 April 2016	10,000	(7,774,273)	(7,764,273)
Total comprehensive income	—	125,012	125,012
Balance at 31 March 2017 and 1 April 2017	10,000	(7,649,261)	(7,639,261)
Total comprehensive loss	—	(2,208,458)	(2,208,458)
Balance at 31 March 2018 and 1 April 2018	10,000	(9,857,719)	(9,847,719)
Total comprehensive loss	—	(388,591)	(388,591)
Balance at 31 March 2019 and 1 April 2019	10,000	(10,246,310)	(10,236,310)
Total comprehensive loss	—	(3,589)	(3,589)
Balance at 31 December 2019	10,000	(10,249,899)	(10,239,899)

26. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of subsidiaries	Place of incorporation/ operation	Type of legal entity	Issued and fully paid share capital	Attributable equity interests held by BCIC Directly	Attributable equity interests held by BCIC Indirectly	Principal activities
Bingo Cinema (Shanghai) Company Limited (比高電影院(上海)有限公司)	PRC	Limited liability company	RMB6,000,000	75%	—	Cinema business
Hangzhou Linan Bingo Cinema Company Limited (杭州臨安比高電影院有限公司)	PRC	Limited liability company	RMB500,000	—	75%	Cinema business
Hangzhou Bingo Cinema Company Limited (杭州比高電影院有限公司)	PRC	Limited liability company	RMB500,000	—	75%	Cinema business
Huichi (Shanghai) Consultancy Limited (輝馳（上海）投資咨詢有限公司)	PRC	Limited liability company	US$500,000	100%	—	Cinema investment
Shanghai Huichi Management and Consultancy Co., Ltd. (上海輝馳管理咨詢有限公司)	PRC	Limited liability company	RMB100,000	—	100%	Cinema investment

27. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiaries of the BCIC Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests
As at 31 March 2017, 2018 and 2019 and 31 December 2019		
Bingo Cinema (Shanghai) Company Limited (比高電影院(上海)有限公司)	PRC	25%

Summarised financial information in respect of the BCIC Group's subsidiaries that have material non-controlling interests is set out below:

	As at 31 March			As at 31 December
	2017	2018	2019	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current assets	62,397	35,868	34,034	18,248
Non-current assets	17,950	11,713	9,704	25,788
Current liabilities	(48,330)	(11,830)	(9,770)	(12,622)
Non-current liabilities	—	—	—	(13,415)
Equity attributable to owners of the subsidiary	24,304	27,051	25,744	13,386
Non-controlling interests	7,713	8,700	8,224	4,613
Revenue	44,770	46,929	38,048	21,872
(Loss)/profit and total comprehensive (expense)/income attributable to owners of the subsidiary	(40)	(237)	763	(11,104)
(Loss)/profit and total comprehensive (loss)/income attributable to the non-controlling interests	(16)	(54)	247	(3,174)
(Loss)/profit for the year/period	(56)	(291)	1,010	(14,278)
Net cash from/(used in) operating activities	1,867	(31,240)	877	(10,322)
Net cash used in investing activities	(1,212)	(54)	(1,135)	(2,553)
Net cash used in financing activities	—	—	—	(1,218)
Dividend paid to non-controlling interests	—	—	—	—

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 March			As at 31 December
	2017	2018	2019	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Financial assets measured at amortized costs				
Trade receivables	—	—	969	579
Financial assets included in other receivables and deposits	—	—	1,100	828
Payments to parties for procurement for investment of cinema business	—	—	5,412	5,412
Amounts due from fellow subsidiaries	—	—	5,575	6,006
Cash and cash equivalents	—	—	27,391	12,046
	—	—	40,447	24,871
Loan and receivables (including cash and cash equivalents)				
Trade receivables	900	1,277	—	—
Financial assets included in other receivables and deposits	1,126	467	—	—
Payments to parties for procurement for investment of cinema business	47,010	5,793	—	—
Amounts due from fellow subsidiaries	3,322	4,944	—	—
Cash and cash equivalents	58,396	29,884	—	—
	110,754	42,365	—	—
Financial liabilities at amortised cost				
Trade payables	965	1,500	909	616
Financial liabilities included in other payables and accruals	2,224	1,282	859	893
Amounts due to fellow subsidiaries	612	612	612	612
Amount due to an ultimate holding company	58,823	19,996	19,929	20,020
Amount due to an immediate holding company	233	233	233	233
Amount due to a related party	37,591	—	—	432
	100,448	23,623	22,542	22,806

(b) Financial risk management objectives and policies

The BCIC 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 BCIC Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the BCIC Group's financial performance.

(i) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency.

The BCIC 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 ("USD") and Renminbi ("RMB").

The BCIC Group currently does not expect any significant movements in the exchange rate of USD to HKD and it is mainly exposed to the effects of fluctuation in RMB. The BCIC 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 policies to manage foreign currency risk have been followed by the BCIC Group since prior years and are considered to be effective.

The carrying amounts of RMB denominated monetary assets at the end of the reporting period are as follows:

	As at 31 March			As at 31 December
	2017	**2018**	**2019**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Payments to parties for procurement for investment of cinema business	47,010	5,793	5,412	5,412
Cash and cash equivalents	24	64	60	102

Sensitivity analysis

The following table indicates the instantaneous change in the BCIC Group's loss after tax (and accumulated losses) that would arise if foreign exchange rates to which the group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is 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.

	As at 31 March						As at 31 December	
	2017		**2018**		**2019**		**2019**	
	Increase/ (decrease) in foreign exchange rates	**Loss after tax and accumulated losses**	**Increase/ (decrease) in foreign exchange rates**	**Loss after tax and accumulated losses**	**Increase/ (decrease) in foreign exchange rates**	**Loss after tax and accumulated losses**	**Increase/ (decrease) in foreign exchange rates**	**Loss after tax and accumulated losses**
		HK$'000		*HK$'000*		*HK$'000*		*HK$'000*
Renminbi	5%	(1,964)	5%	(245)	5%	(229)	5%	(230)
	(5%)	1,964	(5%)	245	5%	229	5%	230

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' loss after tax and equity measured in the respective functional currencies, translated into Hong Kong Dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the BCIC Group which expose the BCIC Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the BCIC Group's presentation currency. The analysis is performed on the same basis for the Relevant Period.

(ii) Interest rate risk

As at the Relevant Period end, the BCIC Group's lease liabilities and bank deposits are carrying minimal interest rates. Management considers the exposure to the changes in market interest rate should not be materially enough to cause adverse financial effect on the BCIC Group's position.

The policies to manage interest rate risk have been followed by the BCIC Group since prior years and are considered to be effective.

(iii) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the BCIC Group. The BCIC Group's exposure to credit risk mainly arises from the ordinary course of its operations.

The BCIC Group's credit risk is primarily attributable to cash and cash equivalents, trade receivables, other receivables and deposits, payment to parties for procurement for investment of cinema business and amounts due from fellow subsidiaries. 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 BCIC 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 BCIC Group does not obtain collateral from customers.

In order to minimise the credit risk in respect of trade receivables, other receivables, payment to parties for procurement for investment of cinema business and amounts due from fellow subsidiaries, the BCIC Group reviews the recoverable amount at the end of each reporting period to ensure that adequate allowances are made for irrecoverable amounts. The BCIC Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017 and 2018: incurred loss model) on trade receivables balances individually or based on provision matrix. In this regard, the directors of the BCIC Group consider that the BCIC Group's credit risk is significantly reduced.

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 consolidated statement of financial position after deducting any impairment allowance. The BCIC Group does not provide any guarantees which would expose the BCIC Group to credit risk.

Cash and cash equivalents are considered to have low credit risk and therefore the loss allowances are measured at an amount equal to 12-month ECL.

The BCIC Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which permits the use of the lifetime ECL provision for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics. The BCIC Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL. It considers available reasonable and supportive forwarding-looking information.

As at 31 March and 31 December 2019, trade receivables that are individually significant and credit impaired have been separately assessed for impairment. The BCIC Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience.

Majority of the BCIC Group's revenue is received from debtors in relation to cinema investment and management operation. The BCIC Group's trade receivables arise from revenue of these business. In view of the history of business dealings with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the BCIC Group's outstanding receivable balance due from these debtors saved for the debtor related to the impaired trade receivable disclosed below. Management makes periodic assessment on the recoverability of the trade receivables based on historical payment records, the length of overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. The directors consider the BCIC Group's credit risk of these receivables to be low except for the impaired trade receivable disclosed below.

Receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. As at 31 March 2019, the balance of loss allowance in respect of these individually assessed receivables was HK$11,000.

The following table presents the balances of gross carrying amount and the loss allowance in respect of the individually assessed receivables as at 31 March 2019 and 2018 and as at 31 December 2019:

	As at 31 March		**As at 31 December**
	2018	**2019**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
Gross carrying amount	—	11	—
Loss allowance	—	(11)	—
Net carrying amount	—	—	—

The credit quality of other receivables, payment to parties for procurement for investment of cinema business and amounts due from fellow subsidiaries have been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. The directors are of the opinion that the credit risk of these debtors is low due to the sound collection history of the receivables due from them. Therefore, expected credit loss rate of these debtors is assessed to be close to zero and no provision was made as of the Relevant Period.

The following tables show the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach:

	Lifetime ECL (not credit-impaired) *HK$'000*	Lifetime ECL (credit-impaired) *HK$'000*	Total *HK$'000*
As at 1 April 2018 — As restated	—	—	—
Impairment losses recognised	—	11	11
As at 31 March 2019	—	11	11
Impairment losses recognised	—	—	—
As at 31 December 2019	—	11	11

Concentration risk

The BCIC Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and sundry debtor rather than the industry or country in which the customers and sundry debtors operate and therefore significant concentrations of credit risk primarily arise when the BCIC Group has significant exposure to individual customers or sundry debtors. As at the Relevant Periods end, 25%, 74%, 50% and 26% of the total trade receivables was due from the BCIC Group's largest trade debtor as at 31 March 2017, 2018, 2019 and 31 December 2019 respectively.

(iv) Liquidity risk

Liquidity risk relates to the risk that the BCIC Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The BCIC Group is exposed to liquidity risk in respect of settlement of trade payables, other payables, accruals, amount due to an ultimate holding company, amount due to a related party and amount due to an immediate holding company and amounts due to fellow subsidiaries and also in respect of its cash flow management. The BCIC Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

Individual operating entities within the BCIC 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 BCIC 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 liquidity policies have been followed by the BCIC Group since prior years and are considered to be effective in managing liquidity risks.

The following table details the remaining contractual maturities at the end of the Relevant Period of the BCIC Group'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 BCIC can be required to pay:

	As at 31 March 2017						
	Effective interest rate	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	—	965	965	965	—	—	—
Financial liabilities included in other payables and accruals	—	2,224	2,224	2,224	—	—	—
Amounts due to fellow subsidiaries	—	612	612	612	—	—	—
Amount due to an ultimate holding company	—	58,823	58,823	58,823	—	—	—
Amount due to an immediate holding company	—	233	233	233	—	—	—
Amount due to a related party	—	37,591	37,591	37,591	—	—	—
		100,448	100,448	100,448	—	—	—

	As at 31 March 2018						
	Effective interest rate	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	—	1,500	1,500	1,500	—	—	—
Financial liabilities included in other payables and accruals	—	1,282	1,282	1,282	—	—	—
Amounts due to fellow subsidiaries	—	612	612	612	—	—	—
Amount due to an ultimate holding company	—	19,996	19,996	19,996	—	—	—
Amount due to an immediate holding company	—	233	233	233	—	—	—
		23,623	23,623	23,623	—	—	—

	As at 31 March 2019						
	Effective interest rate	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	—	909	909	909	—	—	—
Financial liabilities included in other payables and accruals	—	859	859	859	—	—	—
Amounts due to fellow subsidiaries	—	612	612	612	—	—	—
Amount due to an ultimate holding company	—	19,929	19,929	19,929	—	—	—
Amount due to an immediate holding company	—	233	233	233	—	—	—
		22,542	22,542	22,542	—	—	—

	As at 31 December 2019						
	Effective interest rate	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	—	616	616	616	—	—	—
Financial liabilities included in other payables and accruals	—	893	893	893	—	—	—
Amounts due to fellow subsidiaries	—	612	612	612	—	—	—
Amount due to an ultimate holding company	—	20,020	20,020	20,020	—	—	—
Amount due to an immediate holding company	—	233	233	233	—	—	—
Amount due to a related party	—	432	432	432	—	—	—
Lease liabilities	8%	16,513	17,985	3,009	3,074	7,755	4,147
		39,319	40,791	25,815	3,074	7,755	4,147

(c) Fair value

The carrying amounts of the BCIC Group's financial instruments carried at amortised cost are not materially different from their fair value as at the Relevant Period end.

29. OPERATING LEASE COMMITMENTS

The BCIC Group as lessee

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

	As at 31 March			As at 31 December
	2017	**2018**	**2019**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	3,481	3,577	3,281	—
In the second to fifth years inclusive	15,212	16,072	14,078	—
More than five years	13,149	10,552	7,175	—
	31,842	30,201	24,534	—

The BCIC Group leases a number of properties under operating leases. The leases run for an initial period of two to fifteen years for the Relevant Periods, with an option to renew the lease and renegotiated the terms at the expiry date as mutually agreed between the BCIC Group and respective landlords. None of the leases include contingent rental.

30. RELATED PARTY AND CONNECTED TRANSACTIONS

In addition to the balances disclosed elsewhere in these consolidated financial statements, the BCIC 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 BCIC's directors as disclosed in Note 11 is as follows:

	Year ended 31 March			Nine months ended 31 December	
	2017	**2018**	**2019**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Directors' fee, salaries, allowances and other benefits	—	—	—	—	—

(b) Material related party transaction

	Year ended 31 March			Nine months ended 31 December	
	2017	**2018**	**2019**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Management fee expense to a fellow subsidiary	2,157	2,290	1,825	1,290	1,087

(c) Outstanding balances with related parties

Name of related parties	As at 31 March 2017	2018	2019	As at 31 December 2019
	HK$'000	HK$'000	HK$'000	HK$'000
Bingo Cinema Management Company Ltd	11	11	11	11
Shanghai Caike Cinema Management and Consultancy Limited (上海采科影院管理咨詢有限公司)	3,311	4,933	5,564	5,995
Bingo Group Holdings Limited	(58,823)	(19,996)	(19,929)	(20,020)
Bingo Management Service Ltd	(585)	(585)	(585)	(585)
Lofty Shine Limited	(233)	(233)	(233)	(233)
EmCall Pte Limited	(7)	(7)	(7)	(7)
Power Alliance Investment Limited	(20)	(20)	(20)	(20)
上海龍影投資咨詢服務有限公司	(37,591)	—	—	—
鄭州築影電影院公司	—	—	—	(432)

note: The outstanding balances with these related parties were unsecured, interest free and had no fixed repayment terms.

31. STATEMENT OF FINANCIAL POSITION OF BCIC

The following is the statement of financial position of BCIC as at ended of the Relevant Period:

	As at 31 March 2017	2018	2019	As at 31 December 2019
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current asset				
Investment in subsidiary	4,212	4,212	4,212	4,212
Current assets				
Amount due from a director of a subsidiary	16,979	—	—	—
Amount due from fellow subsidiaries	29,750	5,513	5,131	5,131
Cash and cash equivalent	126	203	199	329
	46,855	5,716	5,330	5,460
Current liabilities				
Amount due to an ultimate holding company	57,861	18,931	18,933	19,067
Amount due to an immediate holding company	233	233	233	233
Amount due to fellow subsidiaries	612	612	612	612
	58,706	19,776	19,778	19,912
Net current liabilities	(11,851)	(14,060)	(14,448)	(14,452)
Net liabilities	(7,639)	(9,848)	(10,236)	(10,240)
Equity				
Share capital	10	10	10	10
Accumulated losses	(7,649)	(9,858)	(10,246)	(10,250)
	(7,639)	(9,848)	(10,236)	(10,240)

ACCOUNTANT'S REPORT ON THE TARGET GROUP

The following is the text of the accountant's report on the Target Group, prepared for the purpose of incorporation in this circular, received from the reporting accountants of the Target Group, Cheng & Cheng Limited, Certified Public Accountants, Hong Kong.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTOR OF BINGO CINEMA MANAGEMENT COMPANY LTD

Introduction

We report on the historical financial information of Bingo Cinema Management Company Ltd ("BCMC") and its subsidiaries (together with BCMC collectively referred to as the "BCMC Group") set out on pages IIB-4 to IIB-36, which comprises the consolidated statements of financial position as at 31 March 2019, 31 March 2018, 31 March 2019 and 31 December 2019, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 March 2019 and nine months ended 31 December 2019 (the "Relevant Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IIB-4 to IIB-36 forms an integral part of this report, which has been prepared for inclusion in the circular of Bingo Group Holdings Limited (the "Company") dated 29 April 2020 in connection with the major transaction in relation to the proposed acquisition of 30% of the issued share capital of BCMC (the "Acquisition").

Director's responsibility for the Historical Financial Information

The director of BCMC is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the director of BCMC determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The director of BCMC are responsible for the contents of this Circular in which the Historical Financial Information of the BCMC Group is included, and such information is prepared based on accounting policies materially consistent with those of BCMC.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director of BCMC, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the BCMC Group's financial position as at 31 March 2019, 31 March 2018, 31 March 2019 and 31 December 2019 and of the BCMC Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISION) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IIB-3 have been made.

Dividends

We refer to Note 11 to the Historical Financial Information which states that during the Relevant Periods end, no dividend has been proposed by the director of BCMC.

CHENG & CHENG LIMITED
Certified Public Accountants
Chan Shek Chi
Practising Certificate no. P05540
Hong Kong, 29 April 2020

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the BCMC Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards which issued by Hong Kong Institute of Certified Public Accountants (''HKFRS'') and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the ''Underlying Financial Statements'').

The Historical Financial Information is presented in Hong Kong Dollars (''HK$'') and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

A. FINANCIAL INFORMATION

CONSOLIDATION STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March			Nine months ended 31 December	
		2017	**2018**	**2019**	**2018**	**2019**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Turnover	*5*	2,157	2,290	1,825	1,290	1,301
Cost of services		(6)	(7)	(4)	(3)	(2)
Gross profit		2,151	2,283	1,821	1,287	1,299
Other revenue	*6*	1	—	—	—	—
Administrative expenses		(3,911)	(3,503)	(2,963)	(2,194)	(2,365)
Loss before taxation	*7*	(1,759)	(1,220)	(1,142)	(907)	(1,066)
Taxation	*8*	—	—	—	—	—
Loss for the year/period		(1,759)	(1,220)	(1,142)	(907)	(1,066)

	Year ended 31 March			Nine months ended 31 December	
	2017	**2018**	**2019**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Loss for the year/period	(1,759)	(1,220)	(1,142)	(907)	(1,066)
Other comprehensive income/(loss)					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations					
— Exchange differences arising during the year	179	(481)	367	496	279
Other comprehensive income/(loss) for the year/period, net of tax	179	(481)	367	496	279
Total comprehensive loss for the year/period	(1,580)	(1,701)	(775)	(411)	(787)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March			As at 31 December
		2017	2018	2019	2019
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current asset					
Property, plant and equipment	*12*	15	14	13	9
Current assets					
Trade receivables	*13*	—	—	—	18
Other receivables, deposits and prepayments	*14*	126	287	257	29
Amount due from an immediate holding company	*21*	7	7	7	7
Amounts due from a fellow subsidiary	*21*	86	—	—	16
Amount due from a related party	*21*	3	3	3	3
Cash and cash equivalents	*15*	120	94	133	33
		342	391	400	106
Current liabilities					
Deposits received, other payables and accruals	*16*	132	149	349	423
Amount due to an ultimate holding company	*21*	2,080	2,163	2,115	2,083
Amount due to fellow subsidiaries	*21*	3,292	4,941	5,572	6,019
		5,504	7,253	8,036	8,525
Net current liabilities		(5,162)	(6,862)	(7,636)	(8,419)
Net liabilities		(5,147)	(6,848)	(7,623)	(8,410)
Capital and reserves					
Share capital	*17*	10	10	10	10
Reserves		(5,157)	(6,858)	(7,633)	(8,420)
Total equity		(5,147)	(6,848)	(7,623)	(8,410)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Translation reserve	Accumulated loss	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2016	10	68	(3,645)	(3,567)
Loss for the year	—	—	(1,759)	(1,759)
Exchange differences arising during the year	—	179	—	179
At 31 March 2017	10	247	(5,404)	(5,147)
Loss for the year	—	—	(1,220)	(1,220)
Exchange differences arising during the year	—	(481)	—	(481)
At 31 March 2018	10	(234)	(6,624)	(6,848)
Loss for the year	—	—	(1,142)	(1,142)
Exchange differences arising during the year	—	367	—	367
At 31 March 2019	10	133	(7,766)	(7,623)
Loss for the period	—	—	(1,066)	(1,066)
Exchange differences arising during the period	—	279	—	279
At 31 December 2019	10	412	(8,832)	(8,410)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March			Nine months ended 31 December	
	2017	**2018**	**2019**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
OPERATING ACTIVITIES					
Loss for the year/period	(1,759)	(1,220)	(1,142)	(907)	(1,066)
Adjustments for:					
Depreciation of property, plant and equipment	25	2	1	1	1
Property, plant and equipment written off	—	—	—	—	2
Interest income	(1)	—	—	—	—
Operating cash flows before movements in working capital	(1,735)	(1,218)	(1,141)	(906)	(1,063)
Increase in trade receivables	—	—	—	—	(18)
Decrease/(increase) in other receivables	29	(161)	30	147	228
(Increase)/decrease in amount due from fellow subsidiaries	(86)	86	—	149	(16)
Increase in amount due from related parties	(3)	—	—	—	—
(Decrease)/increase in amount due to an ultimate holdings company	(47)	83	(48)	(67)	(32)
Increase in amount due to fellow subsidiaries	1,327	1,649	631	—	447
Increase in deposits received, other payables and accruals	100	17	200	269	74
Cash (used in)/generated from operations	(415)	456	(328)	(408)	(380)
Interest received	1	—	—	—	—
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(414)	456	(328)	(408)	(380)

	Year ended 31 March			Nine months ended 31 December	
	2017	2018	2019	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
NET CASH FROM INVESTING ACTIVITIES	—	—	—	—	—
NET CASH FROM FINANCING ACTIVITIES	—	—	—	—	—
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(414)	456	(328)	(408)	(380)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	352	120	94	94	133
EFFECT OF FOREIGN EXCHANGE CHARGES	182	(482)	367	496	280
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	120	94	133	182	33

1. GENERAL INFORMATION

Bingo Cinema Management Company Limited is a limited liability company incorporated and domiciled in Hong Kong. The address of its registered office and principal place of business is Unit 202, 2/F., Chinaweal Centre, 414–424 Jaffe Road, Hong Kong.

The Financial Information are presented in HK$ which is the same as the functional currency of the BCMC Group.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out as follows:

Basis of preparation

These consolidated 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 consolidated financial statements also comply with the applicable disclosure provisions of GEM Listing Rules and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

A summary of the significant accounting policies adopted by the BCMC Group is set out below. These consolidated financial statements have been prepared under historical cost convention as explained in the accounting policies set out in annual report.

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years/periods presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the BCMC Group's consolidated financial statements, if any, are disclosed in Note 3.

The consolidated financial statements have been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the BCMC Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

Going concern

The financial statements have been prepared on a going concern basis even though the BCMC Group incurred a net loss of HK$1,759,000, HK$1,220,000, HK$1,142,000 for the three years ended 31 December 2017, 2018 and 2019 respectively and HK$907,000 and HK$1,066,000 for the nine months ended 31 December 2018 and 2019, as of these dates, the BCMC Group 's current liabilities exceeded its current assets by HK$5,162,000, HK$6,862,000, HK$7,636,000 and HK$8,419,000 as at 31 March 2017, 2018 and 2019 and as at 31 December 2019. The directors are of the opinion that this basis is appropriate because the Company have agreed to provide continuing financial supports, if necessary and after the completion of the Acquisition, to the BCMC Group to meet its obligations as and when they fall due. Accordingly, it is not necessary to include any adjustments that would be required should the BCMC Group fail to continue as a going concern.

Basis of consolidation

The Historical Financial Information incorporate the financial statements of BCMC and entities controlled by BCMC and its subsidiaries. Control is achieved when BCMC:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The BCMC Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the BCMC Group obtains control over the subsidiary and ceases when the BCMC Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Relevant Periods are included in the consolidated statement of profit or loss and other comprehensive income from the date the BCMC Group gains control until the date when the BCMC Group ceases to control the subsidiary.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the BCMC Group are eliminated in full on consolidation.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the BCMC Group's accounting policies.

Profit or loss and each item of other comprehensive income are attributed to the owners of BCMC and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of BCMC and to the non-controlling interests even if this results in the noncontrolling interests having a deficit balance.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary'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 recognized 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.

Changes in the BCMC Group's ownership interests in existing subsidiaries

Changes in the BCMC Group's interests in subsidiaries that do not result in the BCMC Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the BCMC Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including reattribution of relevant reserves between the BCMC Group and the non-controlling interests according to the BCMC Group's and the non-controlling interests' proportionate interests.

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 BCMC.

When the BCMC Group loses control of a subsidiary, the assets and liabilities of that subsidiary and noncontrolling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and 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 carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of BCMC. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the BCMC Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). 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 HKFRS 9/HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Computers	25–33%

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and 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 financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income and interest expense are recognised on an effective interest basis.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 on 1 April 2018)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of financial assets (upon application HKFRS 9 on 1 April 2018)

The BCMC Group estimates a loss allowances for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivables and deposits, amounts due from immediate holding company, amounts due from a fellow subsidiary and amounts due from related party). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the BCMC Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The BCMC Group always recognises lifetime ECL for trade receivables. The ECL on trade receivables are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the BCMC Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the BCMC Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the BCMC Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the BCMC Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the BCMC Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the BCMC Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the BCMC Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The BCMC Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The BCMC Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iii) Definition of default

For internal credit risk management, the BCMC Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the BCMC Group, in full (without taking into account any collateral held by the BCMC Group).

Irrespective of the above, the BCMC Group considers that default has occurred when a financial asset is more than 90 days past due unless the BCMC Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iv) Write-off policy

The BCMC Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner.

Financial assets written off may still be subject to enforcement activities under the BCMC Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the BCMC Group in accordance with the contract and the cash flows that the BCMC Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped by aging basis.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The BCMC Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018)

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

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, amounts due from immediate holding company, amounts due from related party and amounts due from a fellow subsidiary 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 BCMC Group's financial assets, objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty;

— default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Loss events in respect of a group of financial assets include observable data indicating that there is a measureable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

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 BCMC 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.

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

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by BCMC are recognised at the proceeds received, net of direct issue costs.

Repurchase of BCMC's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of BCMC's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, other payables and accruals, amount due to an ultimate holding company and amounts due to fellow subsidiaries 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.

Derecognition

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal 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 of disposal, 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.

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 consolidated 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.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the BCMC Group or BCMC 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.

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.

The BCMC Group as lessee (before and after application of HKFRS 16)

Operating lease payments, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals, if any, arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straightline basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Revenue recognition

Revenue from contracts with customers (upon application of HKFRS 15 on 1 April 2018)

Under HKFRS 15, the BCMC Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the BCMC Group's performance as the BCMC Group performs;
- the BCMC Group's performance creates and enhances an asset that the customer controls as the BCMC Group performs; or
- the BCMC Group's performance does not create an asset with an alternative use to the BCMC Group and the BCMC Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The performance obligations of the BCMC Group for contracts with customers are summarized as follows:

(i) Cinema management

The BCMC Group sells movies tickets, snacks and accessories to customers both through its own cinema and through internet sales.

Income from box office takings is recognised when the movies have been broadcasted and revenue from selling snacks and accessories is recognised when control of goods have been transferred to the customers. Payment of the transaction price is due immediately at the point the customer purchases the movies tickets, snacks and accessories.

The advertising income represents the display of some advertising materials in the area of the cinema and the airtime right before the start of a movie. The income of the former is recognised on a straight-line basis over the contract terms with a fixed amount. For the latter, the income is recognized over the contract terms and the amount of revenue is correlated to the box office takings of the movie with the airtime.

For others, it mainly represents the services charges for registration of membership and the charges for the re-issuance of membership cards for those lost cases. The income was recognized when the membership cards were issued to the members.

A contract liability is recognised for the prepayment made by the customers in the membership cards. The balance will be recognised as revenue at the point when movies are broadcasted or when the customers purchase snacks and accessories.

Revenue recognition (prior to 1 April 2018)

Revenue is recognised when it is probable that the economic benefits will flow to the BCMC 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) Income from box office takings is recognised when the services have been rendered to the buyers.

Income tax

Income tax for the year/period 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/period. Taxable profit differs from profit as reported in the profit or loss 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 BCMC 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 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the BCMC 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, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the Relevant Periods.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the BCMC Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the BCMC Group intends to settle its current tax assets and liabilities on a net basis.

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.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages, salaries, annual leaves and sick leaves) after deducting any amount already paid.

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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the BCMC Group's interests in associates.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the BCMC Group's foreign operations are translated into the presentation currency of BCMC, that is HK$, 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 exchange reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the BCMC Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of BCMC are reclassified to profit or loss.

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements ("reporting entity").

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entities is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-empolyment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) the entity, or any member of a group of which it is a part, provide key management personnel services to the BCMC Group or to the BCMC Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

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

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, The BCMC Group has consistently applied all new and revised HKFRSs, amendments and interpretation issued by the HKICPA which are effective for the accounting periods beginning on 1 April 2019 throughout the Relevant Periods.

As the date of this report, the BCMC Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its and Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2020

The directors of the BCMC Group anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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 BCMC 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:

Useful lives of property, plant and equipment

The BCMC Group's management determines the estimated useful lives and related depreciation and amortization charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment 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.

5. TURNOVER

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

	Year ended 31 March			Nine months ended 31 December	
	2017	**2018**	**2019**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Management income	2,157	2,290	1,825	1,290	1,301

6. OTHER REVENUE

	Year ended 31 March			Nine months ended 31 December	
	2017	**2018**	**2019**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Interest income	1	—	—	—	—

7. LOSS BEFORE TAXATION

	Year ended 31 March			Nine months ended 31 December	
	2017	**2018**	**2019**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Profit before tax has been arrived at after charging (crediting):					
Auditor's remuneration	6	6	6	6	6
Direct expenses of cinema business	6	7	4	3	2
Depreciation for property, plant and equipment	25	2	1	1	1
Property, plant and equipment written off	—	—	—	—	2
Operating lease rental in respect of rented premises contract work	471	460	466	496	349
Staff costs (including directors' remuneration)					
— Salaries and allowances	2,677	2,382	1,862	1,332	1,620
— Retirement scheme contributions	528	581	418	303	331

8. TAXATION

	Year ended 31 March			Nine months ended 31 December	
	2017	2018	2019	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
The taxation charge recognised in profit or loss comprises:					
Current tax					
The PRC	—	—	—	—	—
Under/(Over) provision in prior years	—	—	—	—	—
	—	—	—	—	—

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of BCMC considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision of Hong Kong Profits Tax has been made there is no assessable profits for the Relevant Period.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for the Relevant Period.

The taxation for the year/period can be reconciled to the loss before taxation per the consolidated statement of profit or loss as follows:

	Year ended 31 March			Nine months ended 31 December	
	2017	2018	2019	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Loss before taxation	(1,759)	(1,220)	(1,142)	(907)	(1,066)
Tax at the respective applicable tax rate	(440)	(304)	(285)	(226)	(267)
Income not subject to taxation	—	(79)	—	—	—
Expenses not deductible for tax purpose	440	1	62	—	—
Tax effect of unrecognised tax loss	—	382	223	226	267
Taxation charged for the year/period	—	—	—	—	—

Deferred tax assets not recognised

At the end of the reporting period, the BCMC Group had unused tax losses arising in the PRC and Hong Kong of approximately HK$5,842,000, HK$6,473,000, HK$6,513,000 and HK$7,417,000 were available for offset against future profits for the three years ended 31 March 2019 and nine months ended 31 December 2019. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profits stream. Under current tax regulation, tax losses arising in the PRC can be carried forward for five years from the year in which the respective loss arose while the tax losses arising in Hong Kong can be carried forward indefinitely.

9. DIRECTOR' EMOLUMENTS

No emolument were paid or are payable to any director for the three years ended 31 March 2017, 2018 and 2019 and nine months ended 31 December 2018 and 2019.

10. EMPLOYEES' REMUNERATION

Of the five individuals with the highest emoluments in the BCMC Group, one of them was director of BCMC for the Relevant Period. Their aggregate emoluments for the three years ended 31 March 2017, 2018 and 2019 and nine months ended 31 December 2018 and 2019 were as follows:

	Year ended 31 March			**Nine months ended 31 December**	
	2017	**2018**	**2019**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Salaries and other benefits	1,969	2,109	1,748	1,269	1,434
Retirement benefit scheme contributions	330	368	333	234	284
	2,299	2,477	2,081	1,503	1,718

The emoluments were within the following bands:

	Year ended 31 March			**Nine months ended 31 December**	
	2017	**2018**	**2019**	**2018**	**2019**
	No. of employees	*No. of employees*	*No. of employees*	*No. of employees*	*No. of employees*
Not exceeding HK$1,000,000	5	5	5	5	5

During the Relevant Period, no emoluments were paid by the BCMC Group to the director and the five highest paid individuals as an inducement to join or upon joining the BCMC Group or as compensation for loss of office. None of the director and the employees waived or agreed to waive any emoluments paid by the BCMC Group during the three years ended 31 March 2017, 2018 and 2019 and for the nine months ended 31 December 2018 and 2019.

11. DIVIDEND

No dividend has been proposed and paid for the three years ended 31 March 2017, 2018 and 2019 and for the nine months ended 31 December 2018 and 2019.

12. PROPERTY, PLANT AND EQUIPMENT

	Computers *HK$'000*
COST	
At 1 April 2016	407
Disposals	(145)
Currency realignment	(23)
At 31 March 2017	239
Currency realignment	25
At 31 March 2018	264
Currency realignment	(17)
At 31 March 2019	247
Disposal	(67)
Currency realignment	(10)
At 31 December 2019	170
ACCUMULATED DEPRECIATION	
At 1 April 2016	364
Charge for the year	25
Eliminated on disposals/written off	(145)
Currency realignment	(20)
At 31 March 2017	224
Charge for the year	2
Currency realignment	24
At 31 March 2018	250
Charge for the year	1
Currency realignment	(17)
At 31 March 2019	234
Charge for the period	1
Eliminated on disposals/written off	(65)
Currency realignment	(9)
At 31 December 2019	161
CARRYING VALUE	
At 31 March 2017	15
At 31 March 2018	14
At 31 March 2019	13
At 31 December 2019	9

13. TRADE RECEIVABLES

	As at 31 March			As at 31 December
	2017	**2018**	**2019**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	—	—	—	18
Less: Allowance for bad and doubtful debts	—	—	—	—
	—	—	—	18

The aging of the BCMC Group's trade receivables based on the invoice date is analysed as follows:

	As at 31 March			As at 31 December
	2017	**2018**	**2019**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 30 days	—	—	—	18
31 to 60 days	—	—	—	—
61 to 90 days	—	—	—	—
Over 90 days	—	—	—	—
	—	—	—	18

Receivables at 31 December 2019 were neither past due nor impaired which were relate to customers for whom there was no recent history of default.

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 March			As at 31 December
	2017	**2018**	**2019**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposits and prepayments	126	287	257	29

15. CASH AND CASH EQUIVALENTS

	As at 31 March			As at 31 December
	2017	**2018**	**2019**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at banks and in hand	120	94	133	33

Cash at banks earns interest at floating rate based on daily bank deposit rates. The fair value of the BCMC Group's bank balance and cash at 31 March 2017, 2018 and 2019 and 31 December 2019 approximate their corresponding carrying amounts.

The bank balances carry interest at market rates which range from 0.01% to 0.25% per annum.

For the Relevant Period ended, the BCMC Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks and financial institution are insignificant and accordingly, no allowance for expected credit losses is provided.

16. DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUALS

	As at 31 March			As at 31 December
	2017	**2018**	**2019**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other payables and accruals	132	149	349	423

All of the other payables and accruals are expected to be settled within one year or are repayable on demand.

17. SHARE CAPITAL

	Number of shares	*HK$*
Ordinary shares of HK$1 each		
Authorised:		
At 1 April 2016, 31 March 2017, 31 March 2018, 31 March 2019 and 31 December 2019	10,000	10,000
Issued and fully paid		
At 1 April 2016, 31 March 2017, 31 March 2018, 31 March 2019 and 31 December 2019	10,000	10,000

BCMC's statement of changes in equity:

	Share capital	**Accumulated loss**	**Total**
	HK$	*HK$*	*HK$*
Balance at 1 April 2016	10,000	(27,405)	(17,405)
Total comprehensive loss	—	(355)	(355)
Balance at 31 March 2017 and 1 April 2017	10,000	(27,760)	(17,760)
Total comprehensive loss	—	(2,355)	(2,355)
Balance at 31 March 2018 and 1 April 2018	10,000	(30,115)	(20,115)
Total comprehensive loss	—	(2,355)	(2,355)
Balance at 31 March 2019 and 1 April 2019	10,000	(32,470)	(22,470)
Total comprehensive loss	—	(355)	(355)
Balance at 31 December 2019	10,000	(32,825)	(22,825)

18. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of subsidiaries	Place of incorporation/ operation	Type of legal entity	Issued and fully paid share capital	Attributable equity interests held by BCMC Directly	Attributable equity interests held by BCMC Indirectly	Principal activities
Brillant Tech Limited	Hong Kong	Limited liability company	HK$1	100%	—	Cinema management
Shanghai Caike Cinema Management and Consultancy Limited (上海采科影院管理咨詢有限公司)	PRC	Limited liability company	US$100,000	—	100%	Cinema management

19. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 March 2017	As at 31 March 2018	As at 31 March 2019	As at 31 December 2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Financial assets measured at amortized costs				
Trade receivables	—	—	—	18
Financial assets included in other receivables and deposits	—	—	34	—
Amount due from an immediate holding company	—	—	7	7
Amount due from a fellow subsidiary	—	—	—	16
Amount due from a related party	—	—	3	3
Cash and cash equivalents	—	—	133	33
	—	—	177	77
Loan and receivables (including cash and cash equivalents)				
Financial assets included in other receivables and deposits	43	149	—	—
Amount due from an immediate holding company	7	7	—	—
Amount due from a fellow subsidiary	86	—	—	—
Amount due from a related party	3	3	—	—
Cash and cash equivalents	120	94	—	—
	259	253	—	—
Financial liabilities at amortised cost				
Financial liabilities included in other payables and accruals	132	149	349	423
Amount due to an ultimate holding company	2,080	2,163	2,115	2,083
Amount due to fellow subsidiaries	3,292	4,941	5,572	6,019
	5,504	7,253	8,036	8,525

(b) Financial risk management objectives and policies

The BCMC 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 BCMC Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the BCMC Group's financial performance.

(i) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency.

The BCMC 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 ("USD") and Renminbi ("RMB").

The BCMC Group currently does not expect any significant movements in the exchange rate of USD to HKD and it is mainly exposed to the effects of fluctuation in RMB and the management. The BCMC 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.

(ii) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market rates.

The BCMC Group is exposed to the cash flow interest rate risk due to its bank deposits, carrying interest at variable rates which is disclosed in Note 15 to the consolidated financial statements. The BCMC 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 policies to manage interest rate risk have been followed by the BCMC Group since prior years and are considered to be effective.

(iii) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the BCMC Group. The BCMC Group's exposure to credit risk mainly arises from the ordinary course of its operations.

The BCMC Group's credit risk is primarily attributable to cash at bank, trade receivables other receivables and deposits, amounts due from immediate holding company and amounts due from a fellow subsidiary. 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 BCMC 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 BCMC Group does not obtain collateral from customers.

In order to minimise the credit risk in respect of trade and other receivables, the BCMC Group reviews the recoverable amount at the end of each reporting period to ensure that adequate allowances are made for irrecoverable amounts. The BCMC Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017 and 2018: incurred loss model) on trade balances individually or based on provision matrix. In this regard, the directors of the BCMC Group consider that the BCMC Group's credit risk is significantly reduced.

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 consolidated statement of financial position after deducting any impairment allowance. The BCMC Group does not provide any guarantees which would expose the BCMC Group to credit risk.

Cash and cash equivalents are considered to have low credit risk and therefore the loss allowances are measured at an amount equal to 12-month ECL.

The BCMC Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which permits the use of the lifetime ECL provision for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics. The BCMC Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL. It considers available reasonable and supportive forwarding-looking information.

As at 31 March 2019 and 31 December 2019, trade receivables that are individually significant and credit impaired have been separately assessed for impairment. The BCMC Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience.

Management considers the exposure to concentration risk is insignificant to the BCMC Group.

(iv) Liquidity risk

Liquidity risk relates to the risk that the BCMC Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The BCMC Group is exposed to liquidity risk in respect of settlement of trade payables, other payables and accruals and also in respect of its cash flow management. The BCMC Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

Individual operating entities within the BCMC 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 BCMC 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 liquidity policies have been followed by the BCMC Group since prior years and are considered to be effective in managing liquidity risks.

The following table details the remaining contractual maturities at the end of the reporting period of the BCMC Group'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 BCMC can be required to pay:

	As at 31 March 2017						
	Effective interest rate	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*
Financial liabilities included in other payables and accruals	—	132	132	132	—	—	—
Amount due to an ultimate holding company	—	2,080	2,080	2,080	—	—	—
Amount due to fellow subsidiaries	—	3,292	3,292	3,292	—	—	—
		5,504	5,504	5,504	—	—	—

	As at 31 March 2018						
	Effective interest rate	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*
Financial liabilities included in other payables and accruals	—	149	149	149	—	—	—
Amount due to an ultimate holding company	—	2,163	2,163	2,163	—	—	—
Amount due to fellow subsidiaries	—	4,941	4,941	4,941	—	—	—
		7,253	7,253	7,253	—	—	—

	As at 31 March 2019						
	Effective interest rate	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*
Financial liabilities included in other payables and accruals	—	349	349	349	—	—	—
Amount due to an ultimate holding company	—	2,115	2,115	2,115	—	—	—
Amount due to fellow subsidiaries	—	5,572	5,572	5,572	—	—	—
		8,036	8,036	8,036	—	—	—

	As at 31 December 2019						
	Effective interest rate	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*
Financial liabilities included in other payables and accruals	—	423	423	423	—	—	—
Amount due to an ultimate holding company	—	2,083	2,083	2,083	—	—	—
Amount due to fellow subsidiaries	—	6,019	6,019	6,019	—	—	—
		8,525	8,525	8,525	—	—	—

(c) Fair values

The carrying amounts of the BCMC Group's financial instruments carried at amortised cost are not materially different from their fair values as at the three years ended 31 March 2017, 2018 and 2019 and as at the nine months ended 31 December 2019.

20. OPERATING LEASE COMMITMENTS

The BCMC Group as lessee

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

	As at 31 March			As at 31 December
	2017	2018	2019	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	488	312	78	—
In the second to fifth years inclusive	765	78	—	—
More than five years	—	—	—	—
	1,253	390	78	—

The BCMC Group leases a number of properties under operating leases. The leases run for an initial period of one to two years for the Relevant Period, with an option to renew the lease and renegotiated the terms at the expiry date as mutually agreed between the BCMC Group and respective landlords. None of the leases include contingent rental.

21. RELATED PARTY AND CONNECTED TRANSACTIONS

In addition to the balances disclosed elsewhere in these consolidated financial statements, the BCMC 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 BCMC's directors as disclosed in Note 9 is as follows:

	Year ended 31 March			Nine months ended 31 December	
	2017	**2018**	**2019**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Directors' fee, salaries, allowances and other benefits	—	—	—	—	—

(b) Material related party transactions

	Year ended 31 March			Nine months ended 31 December	
	2017	**2018**	**2019**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Management fee income from fellow subsidiaries	2,157	2,290	1,825	1,290	1,087

(c) Outstanding balances with related parties

Name of connected parties	As at 31 March			As at 31 December
	2017	**2018**	**2019**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Lofty Shine Limited	7	7	7	7
CineChina Limited	3	3	3	3
Bingo Cinema Investment Company Ltd	(11)	(11)	(11)	(11)
Bingo Group Holdings Limited	(2,080)	(2,163)	(2,115)	(2,083)
Hangzhou Linan Bingo Cinema Company Limited (杭州臨安比高電影院有限公司)	—	—	—	(69)
Hangzhou Bingo Cinema Company Limited (杭州比高電影院有限公司)	(3,281)	(4,930)	(5,561)	(5,939)
Bingo Cinema (Shanghai) Company Limited (比高電影院(上海)有限公司)	86	—	—	16

note: The outstanding balances with these related parties were unsecured, interest free and had no fixed repayment terms.

22. STATEMENT OF FINANCIAL POSITION OF BCMC

The following is the statement of financial position of BCMC as at ended of the Relevant Periods:

	As at 31 March			As at 31 December
	2017	**2018**	**2019**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current asset				
Investment in subsidiary	—	—	—	—
Current assets				
Amount due from an immediate holding company	7	7	7	7
Amounts due from fellow subsidiaries	3	3	3	3
	10	10	10	10
Current liabilities				
Amount due to an ultimate holding company	20	19	21	22
Amounts due to fellow subsidiaries	11	11	11	11
	31	30	32	33
Net current liability	(21)	(20)	(22)	(23)
Net liabilities	(21)	(20)	(22)	(23)
Equity				
Share capital	10	10	10	10
Accumulated losses	(31)	(30)	(32)	(33)
	(21)	(20)	(22)	(23)

Set out below is the management discussion and analysis on the Target Group for the three years ended 31 March 2019 and the nine months ended 31 December 2019:

Unless stated otherwise, terms used herein shall have the same meanings as those defined in the circular.

BUSINESS AND FINANCIAL REVIEW

During three years ended 31 March 2019 and nine months ended 31 December 2019, BCIC Group focused on cinema investment. The business of BCMC Group is cinema management (mainly provision of management support services for BCIC Group).

(a) For the year ended 31 March 2017 ("FY 2017")

Cinema investment was the only business segment of BCIC Group during FY 2017. Approximately revenue of HK$44.8 million and gross profit of HK$26.0 million were generated during FY 2017. Gross profit margin of approximately 58.0% for FY 2017 was recorded. In view of challenging business environment, BCIC Group only recorded a slight net profit after tax of approximately HK$0.1 million in FY 2017.

As mentioned above, the business of BCMC Group is cinema management (mainly provision of management support services for BCIC Group). The revenue of approximately HK$2.2 million for FY 2017 included that received from BCIC Group of approximately HK$2.2 million.

As BCMC Group principally carried out a supportive management function for BCIC Group, limited service fee was charged against BCIC Group. Accordingly, net loss of approximately HK$1.8 million was recorded in FY 2017.

(b) For the year ended 31 March 2018 ("FY 2018")

Cinema investment was the only business segment of BCIC Group during FY 2018. Approximately revenue of HK$46.9 million and gross profit of HK$27.6 million were generated during FY 2018. BCIC Group's revenue and gross profit for FY 2018 increased as compared to revenue of HK$44.8 million and gross profit of HK$26.0 million generated in FY 2017. Steady gross profit margin of approximately 58.8% for FY 2018 was maintained (FY 2017: 58.0%).

Although BCIC Group generated more revenue slightly in FY 2018 as compared to that in FY 2017, there was change to net loss after tax of approximately HK$2.6 million in the books of BCIC Group for FY 2018 from profit after tax of approximately HK$0.1 million for FY 2017. It was mainly attributable to the decrease in other revenue and other net income, which principally represented government grants received, from approximately HK$4.5 million in FY 2017 to approximately HK$2.4 million in FY 2018.

As mentioned above, the business of BCMC Group is cinema management (mainly provision of management support services for BCIC Group). The revenue of approximately HK$2.3 million for FY 2018 (FY 2017: approximately HK$2.2 million) included that received from BCIC Group of approximately HK$2.3 million (FY 2017: approximately HK$2.2 million).

Net loss of approximately HK$1.2 million was incurred for FY 2018. Less net loss of BCMC Group for FY 2018 was incurred as compared to that of FY2017 of approximately HK$1.8 million. It was principally attributable to tightened cost control measures implantation. Staff costs decreased from approximately HK$3.2 million for FY 2017 to approximately HK$3.0 million for FY 2018.

(c) For the year ended 31 March 2019 ("FY 2019")

Cinema investment was the only business segment of BCIC Group during FY 2019. Approximately revenue of HK$38.0 million and gross profit of HK$22.4 million were generated during FY 2019. BCIC Group's revenue and gross profit for FY 2019 declined as compared to revenue of HK$46.9 million and gross profit of HK$27.6 million generated in FY 2018. Steady gross profit margin of approximately 58.9% for FY 2019 was maintained (FY 2018: 58.8%).

Although BCIC Group generated less revenue in FY 2019 as compared to that in FY 2018, there was change to net profit in the books of BCIC Group for FY 2019 from loss for FY 2018. It was because significant amounts of cinemas' leasehold improvements fully depreciated in FY 2019 and depreciation decreased from approximately HK$7.8 million during FY 2018 to approximately HK$2.3 million during FY 2019. In addition, tightened cost control measures were implemented to respond the decrease in BCIC Group's turnover. Staff costs of BCIC Group decreased from approximately HK$7.5 million in FY 2018 to approximately HK$7.0 million in FY 2019.

As mentioned above, the business of BCMC Group is cinema management (mainly provision of management support services for BCIC Group). The revenue of approximately HK$1.8 million for FY 2019 (FY 2018: approximately HK$2.3 million) included that received from BCIC Group of approximately HK$1.8 million (FY 2018: approximately HK$2.3 million).

There was not material difference on the net loss of BCMC Group for FY 2019 of approximately HK$1.1 million, as compared that of approximately HK$1.2 million for FY 2018.

(d) For the nine months ended 31 December 2019 ("Period 12/2019")

Cinema investment was the only business segment of BCIC Group during Period 12/2019. Approximately revenue of HK$21.9 million and gross profit of HK$12.8 million were generated by BCIC Group during Period 12/2019. The overall atmosphere of the film industry in China in 2019 was not as good as that in 2018. BCIC Group's revenue and gross profit from the for the Period 12/2019 declined as compared to revenue of HK$27.4 million and gross profit of HK$16.1 million generated in the nine months ended 31 December 2018 (the ''Corresponding Period''). Steady gross profit margin of approximately 58.4% for Period 12/2019 was maintained (nine months ended 31 December 2018: 58.8%).

The increase in loss for the Period 12/2019 as compared with the Corresponding Period was principally resulted from the amount of approximately RMB13 million (equivalent to approximately HK$14.5 million) which would have been misappropriated by Mr. Yin Gang, who resigned as a director of BCIC in January 2020, and expensed off during the Period 12/2019. Please refer to the Company's announcement dated 5 February 2020 for further details. The loss for the Period 12/2019 was adjusted to approximately HK$0.2 million, which is adjusted for non-operating expense of RMB13 million (equivalent to HK$14.5 million), as mentioned above. There was change to the adjusted loss for Period 12/2019 from net profit after tax of approximately HK$0.4 million for the Corresponding Period. The change in financial results from Corresponding Period to Period 12/2019 was principally attributable to the net effect of decline in revenue from cinema business and decrease in administrative expenses from approximately HK$16.3 million for the nine months ended 31 December 2018 to approximately HK$12.2 million for Period 12/2019, which is resulted from tighten cost control implementation.

As mentioned above, the principal business of BCMC Group is cinema management (mainly provision of management support services for BCIC Group). BCMC Group's revenue of approximately HK$1.3 million for Period 12/2019 (nine months ended 31 December 2018: approximately HK$1.3 million) included that received from BCIC Group of approximately HK$1.1 million (nine months ended 31 December 2018: approximately HK$1.3 million).

There is no material change in the net loss of BCMC Group, which changed from approximately HK$0.9 million for the Corresponding Period to approximately HK$1.1 million for Period 12/2019.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2017, 2018 and 2019, BCIC Group recorded net current assets of approximately HK$3.5 million, HK$11.3 million and HK$11.0 million respectively. Although BCIC Group recorded net current liabilities of approximately HK$7.7 million as at 31 December 2019, BCIC Group's financial situation was still considered liquid, as its current liabilities included amounts due to the Group of approximately HK$20.9 million in aggregate and the Company would continue to support BCIC Group's business operations. BCIC Group had not third-party borrowings as at 31 March 2017, 2018, 2019 and 31 December 2019.

As at 31 March 2017, 2018 and 2019, and 31 December 2019, BCMC Group recorded net current liabilities of approximately HK$5.2 million, HK$6.9 million, HK$7.6 million and HK$8.4 million respectively. In spite of net current liabilities recorded, its current liabilities included amounts due to the Group of approximately HK$5.4 million, HK$7.1 million, HK$7.7 million and HK$8.1 million in aggregate as at 31 March 2017, 2018 and 2019, and 31 December 2019 respectively. As the Company would continue to support BCMC Group's business operations, BCMC Group's financial situation was still considered liquid. BCMC Group had no third-party borrowings as at 31 March 2017, 2018, 2019 and 31 December 2019.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS, MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no other significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies, and other plans for material investments or capital assets during FY2017, FY2018, FY 2019 and Period 12/2019.

GEARING RATIO

The gearing ratio was defined as the ratio of debts (including amounts due to the Group) over the sum of debts and equity.

The gearing ratios of BCIC Group at 31 March 2017, 2018 and 2019, and 31 December 2019 were 72.7%, 46.5%, 48.9% and 78.7% respectively. As significantly amounts were repaid by BCIC Group to the Group during FY 2018, the gearing ratio decreased significantly in that year. There was no material fluctuation in gearing ratio at 31 March 2019 as compared to that at 31 March 2018. Owing to the misappropriation of amount of RMB13 million, equivalent to approximately HK$14.5 million, expensed off during Period 12/2019, the gearing ratio increased significantly to 79.0% at 31 December 2019.

As BCMC Group recorded net liabilities as at 31 March 2017, 2018 and 2019, and 31 December 2019, no gearing ratio was applicable.

CONTINGENT LIABILITIES

As at 31 March 2017, 2018 and 2019, and 31 December 2019, Target Group did not have significant contingent liabilities.

CAPITAL COMMITMENT

As at 31 March 2017, 2018 and 2019, and 31 December 2019, Target Group did not have significant capital commitments.

PLEDGE OF ASSETS

As at 31 March 2017, 2018 and 2019, and 31 December 2019, Target Group did not pledge any of their assets.

FOREIGN CURRENCY RISK

During FY2017, FY2018, FY 2019 and Period 12/2019, the Target Group's monetary assets and liabilities and transactions are principally denominated in HK$ and RMB.

The Target Group did not enter into any foreign exchange contract as hedging measures during FY2017, FY2018, FY 2019 and Period 12/2019. The Target Group manages its foreign currency risk against RMB and HK$ by closely monitoring its movement and the management may consider using hedging derivative, to manage its foreign currency risk in future should the need arises.

EMPLOYEES AND REMUNERATION POLICIES

The primary goal of our policy for remuneration packages is to ensure that the employees are fairly rewarded and that they receive appropriate incentives to maintain high standards of performance.

Details of the staff costs and the five highest paid individuals of Target Group for the FY 2017, FY 2018, FY 2019 and Period 12/2109 are set out in Note 12 to Appendix IIA and Note 10 to Appendix IIB of this circular.

1. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

(A) INTRODUCTION

The unaudited pro forma statement of assets and liabilities (the ''Unaudited Pro Forma Financial Information'') of the Enlarged Group has been prepared to illustrate the effect of the acquisition of 30% of the issued share capital of Bingo Cinema lnvestment Company Ltd. (''BCIC'') and the effect of the acquisition of 30% of the issued share capital of Bingo Cinema Management Company Ltd. (''BCMC'') (the ''Acquisition''), assuming the Acquisition had been completed as at 30 September 2019 (''Completion''), might have affected the financial position of the Group.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2019 as extracted from the interim report of the Group for the six months period ended 30 September 2019, the audited consolidated statement of financial position of BCIC and BCMC as at 31 December 2019 as extracted from the Accountants' Report set out in Appendix IIA and IIB respectively, of this Circular after making certain pro forma adjustments resulting from the Acquisition. The Group also confirm with its auditors that they will audit and opine on the consolidated financial statements of the Group in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 30 September 2019 or at any future date. The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this Circular.

(B) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group	**Pro forma adjustments**	**Enlarged Group**
	Note 1	*Note 2,3*	
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	8,536		8,536
Right-of-use assets	17,843		17,843
Goodwill	950		950
Interest in an associate	22		22
Loan to an associate	17,738		17,738
	45,089		45,089
Current assets			
Trade receivables	1,236		1,236
Other receivables, deposits and prepayments	9,263		9,263
Payments to parties for procurement for investment of cinema business	5,412	(721)	4,691
Cash and cash equivalents	61,023		61,023
	76,934		76,213

	The Group	Pro forma adjustments	Enlarged Group
	Note 1	*Note 2,3*	
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Trade payables	550		550
Deposits received, other payables and accruals	3,238		3,238
Lease liabilities	4,050		4,050
Contract liabilities	8,290		8,290
Taxation payable	887		887
	17,015		17,015
Net current assets	59,919		59,198
Total assets less current liabilities	105,008		104,287
Non-current liabilities			
Convertible bonds	26,794		26,794
Lease liabilities	14,360		14,360
	41,154		41,154
Net assets	63,854		63,133

	The Group	Pro forma adjustments	Enlarged Group
	Note 1	*Note 2,3*	
	HK$'000	*HK$'000*	*HK$'000*
Capital and reserves			
Share capital	8,554		8,554
Reserves	45,738	754	46,492
	54,292		55,046
Non-controlling interests	9,562	(1,475)	8,087
	63,854		63,133

Notes to the Unaudited Pro Forma Financial Information

1. The assets and liabilities of the Group are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2019 as set out in the published interim report of the Group for the six months period ended 30 September 2019.

2. Pursuant to the Acquisition Agreement, the total consideration shall be satisfied and settled by setting off against the outstanding indebtedness due by CineChina Limited to the Group (the "Outstanding Indebtedness"), which has been recognised in payments to parties for procurement for investment of cinema business, on a dollar for dollar basis.

   An analysis of the total estimated cost of the Acquisition had been taken place on 30 September 2019 is set out as follows:

	Fair value at 30 September 2019
	HK$'000
Setting off of Outstanding Indebtedness	721

3. The adjustment represents the effect that as if the Proposed Acquisition had been completed on 30 September 2019, the non-controlling interest amounting to HK$1,475,000 is transferred to equity attributable to owners of the Company. The difference between the consideration and the non-controlling interest is adjusted in equity attributable to owners of the Company.

CHENG & CHENG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
鄭鄭會計師事務所有限公司

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Bingo Group Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Bingo Group Holdings Limited (the ''Company'') and its subsidiaries (collectively the ''Group'') by the directors of the Company (the ''Directors'') for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities of the Group as at 30 September 2019 and related notes (the ''Unaudited Pro Forma Financial Information'') as set out on pages IV-2 to IV-4 of the Company's circular dated 29 April 2020, in connection with the proposed Acquisition of 30% equity interests of Bingo Cinema Investment Company Ltd. and Bingo Cinema Management Company Ltd. (the ''Transaction'') by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-2 to IV-4.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Group's financial position as at 30 September 2019 as if the Transaction had taken place at 30 September 2019. As part of this process, information about the Group's financial position has been extracted by the directors from the audited consolidated balance sheets of the Group as at 30 September 2019 extracted from the 2019/20 interim report of the Group.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the ''Listing Rules'') and with reference to Accounting Guideline 7 ''Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars'' (''AG 7'') issued by the Hong Kong Institute of Certified Public Accountants (''HKICPA'').

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 30 September 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) The Unaudited Pro Forma Financial Information has been properly complied by the directors of the Company on the basis stated;

(b) Such basis is consistent with the accounting policies of the Group; and

(c) The adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

CHENG & CHENG LIMITED
Certified Public Accountants
Hong Kong
29 April 2020

Sino-Infinite Appraisal Limited
中源評估有限公司

April 29, 2020

The Board of Directors
Bingo Group Holdings Limited
Unit 202, 2/F,
Chinaweal Centre,
414–424 Jaffe Road,
Hong Kong

Dear Sir and Madam,

Sino-Infinite Appraisal Limited (''SIAL'') has concluded its analysis on the 30% equity interest in Bingo Cinema Investment Company Limited (BCIC) and Bingo Cinema Management Company Limited (BCMC) and their subsidiaries (the ''Target Group''). The purpose of this engagement is to estimate the market value of the 30% equity interest in the Target Group as of December 31, 2019 (the ''Valuation Date'').

Our work is designed solely to assist the management (the ''Management'') of Bingo Group Holdings Limited (the ''Company'') and its subsidiaries (together as the ''Group'') to determine the market value of the 30% equity interest in the Target Group as of the Valuation Date for transaction reference purpose.

This report states our scope of work and purpose of appraisal, identifies the business appraised, economic and industry overview, describes the basis and methodology of our appraisal, investigation and analysis, major assumptions and limiting conditions, and presents our opinion of value.

PURPOSE OF APPRAISAL

SIAL acknowledges that this report is being prepared solely to assist the Management to determine the market value of the 30% equity interest in the Target Group as of the Valuation Date. We understand that this report would be made available for transaction reference purpose only. No other use of our valuation report is intended or should be inferred.

We assume no responsibility whatsoever to any person other than the Group in respect of, or arising out of, the contents of this report. If others chose to rely in any way on the contents of this report they do so entirely on their own risk.

DEFINITION OF VALUE

The report was prepared in accordance with International Valuation Standards 2017. In estimating the market value of the equity appraised under this engagement, our efforts will be based on the following description of Market Value: "*Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.*" Unless otherwise noted, the market value of the 30% equity interest in the Target Group is determined on minority share basis and going concern basis.

SCOPE OF THE ENGAGEMENT

Our services included performing valuation on the equity interest of the Target Group as of the Valuation Date.

In the process of the valuation under this engagement, we relied on financial information of the Target Group provided by the Management or obtained from public sources, if any. The procedures used in our analysis included such substantive steps, as we considered necessary, including, but not necessarily limited to, the following:

- Discussions with the Management concerning the history and future operations of the Target Group;
- Discussions with the Management to obtain an explanation and clarification of data provided;
- Development of valuation model to value the Target Group, including gathering market and industry information in support of various assumptions;
- Discussions with the Management to:
  - — Understand in more detail of the Target Group;
  - — Gain a more thorough understanding of the nature and operations of the Target Group including the estimated market trends;
- Analysis of conditions in, and the economic outlook for, the industry in the territory in which the Target Group operates; and
- Analysis of other facts and data considered pertinent to this valuation to arrive at a conclusion of the equity value of the Target Group.

In the course of our valuation, we used financial and other information provided by the Management. We also used financial and other information obtained from private and public sources we considered reliable, and our conclusions are dependent on such information as being complete and accurate in all material respects.

This valuation report comprises:

A. This letter, which describes the nature and extent of the valuation investigation, and presents the conclusion of value; and

B. A narrative report, which sets forth the history and nature of the operations, a description of valuation theory, and a presentation and correlation of the valuation techniques employed, and the conclusion of value.

SOURCES OF INFORMATION

As part of our due diligence, we relied upon information and documents furnished to us by the Management, including the following:

- General descriptions and background of the Target Group;
- Business licenses and certificates of the Target Group;
- Samples of lease contracts of the Target Group;
- Draft sale and purchase agreement related to the Target Group;
- Audited financial statements of the Target Group for the years ended March 31, 2018 and March 31, 2019; and
- Unaudited management accounts of the Target Group for the 3-month period from January 1, 2019 to March 31, 2019 and 9-month period from April 1, 2019 to December 31, 2019.

Other information regarding the industry and economic outlook, as well as additional financial data was obtained from sources deemed to be reliable. In addition, we conversed with the Management concerning the financial and general outlook of the Target Group.

In the course of our valuation, we relied on the financial and other information provided by the Management, and have considered such information and data as attainable and reasonable. We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all of the matters, which an audit or more extensive examination might disclose.

We do not provide assurance on the long-term sustainability of the historical financial results recorded by the Target Group because events and circumstances frequently do not occur as expected; differences between historical and future results may be material; and achievement of the future results is dependent on actions, plans, and assumptions of management.

We also used financial and other information obtained from private and public sources we considered reliable, and our conclusions are dependent on such information as being complete and accurate in all material respects.

CONCLUSION

Based on the information provided and the analysis conducted, and subject to the Major Assumptions and Statement of Limiting Conditions, our opinion of the market value of the 30% equity interest in the Target Group as of December 31, 2019 is reasonably represented in the amount of approximately, **HONG KONG DOLLARS SEVEN HUNDRED AND TWENTY ONE THOUSAND ONLY (HKD721,000)**.

We appreciate the opportunity to provide our valuation services. Please do not hesitate to contact us if you have any questions or if we can be of further assistance concerning this engagement. A copy of this report is retained in our files together with the data from which it was prepared.

Respectfully submitted,
Sino-Infinite Appraisal Limited

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INTRODUCTION

Description of the Assignment

Sino-Infinite Appraisal Limited (''SIAL'') has concluded its analysis on the 30% equity interest in Bingo Cinema Investment Company Limited (BCIC) and Bingo Cinema Management Company Limited (BCMC) and their subsidiaries (the ''Target Group''). The purpose of this engagement is to estimate the market value of the 30% equity interest in the Target Group as of December 31, 2019 (the ''Valuation Date'').

Our work is designed solely to assist the management (the ''Management'') of Bingo Group Holdings Limited (the ''Company'') to determine the market value of the 30% equity interest in the Target Group as of the Valuation Date for transaction reference purpose.

The report was prepared in accordance with International Valuation Standards 2017. In estimating the market value of the equity appraised under this engagement, our efforts will be based on the following description of Market Value: ''*Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.*'' Unless otherwise noted, the market value of the 30% equity interest in the Target Group is determined on minority shares basis and going concern basis.

The procedures used in our analysis included such substantive steps, as we considered necessary, including, but not necessarily limited to, the following:

- Discussions with the Management concerning the history, development and prospect of the Target Group;

- Discussions with the Management to obtain an explanation and clarification of data provided;

- Analysis of conditions in, and the economic outlook for the territory which the Target Group operates and conducts its businesses;

- Analysis of general market data, including economic, governmental, and environmental forces, that may affect the value of the Target Group;

- Development of valuation models used to value the Target Group, including gathering market and industry information in support of various assumptions; and

- Analysis of other facts and data considered pertinent to this valuation to arrive at a conclusion of the market value of the 30% equity interest in the Target Group.

In the course of our valuation, we used financial and other information provided by the Management. We also used financial and other information obtained from private and public sources we considered reliable, and our conclusions are dependent on such information as being complete and accurate in all material respects.

Sources of Information

As part of our due diligence, we relied upon information and documents furnished to us by the Management, including the following:

- General descriptions and background of the Target Group;
- Business licenses and certificates of the Target Group;
- Samples of lease contracts of the Target Group;
- Draft sale and purchase agreement related to the Target Group;
- Audited financial statements of the Target Group for the years ended March 31, 2018 and March 31, 2019; and
- Unaudited management accounts of the Target Group for the 3-month period from January 1, 2019 to March 31, 2019 and 9-month period from April 1, 2019 to December 31, 2019.

Other information regarding the industry and economic outlook, as well as additional financial data was obtained from sources deemed to be reliable. In addition, we conversed with the Management concerning the financial and general outlook of the Target Group.

In the course of our valuation, we relied on the financial and other information provided by the Management, and have considered such information and data as attainable and reasonable. We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all of the matters, which an audit or more extensive examination might disclose.

We do not provide assurance on the long-term sustainability of the historical financial results recorded by the Target Group because events and circumstances frequently do not occur as expected; differences between historical and future results may be material; and achievement of the future results is dependent on actions, plans, and assumptions of management.

We also used financial and other information obtained from private and public sources we considered reliable, and our conclusions are dependent on such information as being complete and accurate in all material respects.

PURPOSE OF APPRAISAL

SIAL acknowledges that this report is being prepared solely to assist the Management to determine the market value of the 30% equity interest in the Target Group as of the Valuation Date. We understand that this report would be made available for transaction reference purpose only. No other use of our valuation report is intended or should be inferred.

We assume no responsibility whatsoever to any person other than the Group in respect of, or arising out of, the contents of this report. If others chose to rely in any way on the contents of this report they do so entirely on their own risk.

OVERVIEW OF THE TARGET GROUP

Business Descriptions

The Group is principally engaged in movie production, licensing and derivative, crossover, marketing and provision of interactive contents and cinema investment and management.

Lofty Shine Limited (the "Purchaser") is a direct wholly-owned subsidiary of the Company, which is principally engaged in cinema investment and management in the People's Republic of China (the "PRC").

The Target Group, consists of Bingo Cinema Investment Company Limited (BCIC) and Bingo Cinema Management Company Limited (BCMC), are companies incorporated in Hong Kong with limited liability, the entire issued share capital of each of which is owned as to 70% and 30% by the Purchaser and CineChina Limited, respectively, as of the Valuation Date. The Target Group is principally engaged in cinema investment and management in the PRC.

ECONOMIC OVERVIEW

Overview of the Chinese Economy

POLITICAL STABILITY: The 19th national congress of the Chinese Communist Party ("CCP"), which took place in October 2017, confirmed the political dominance of the CCP general secretary and state president, Xi Jinping. The unusually early incorporation into the CCP constitution of Mr. Xi's eponymous political ideology on a "new era" for Chinese socialism elevated him to the same status as two former paramount leaders, Mao Zedong and Deng Xiaoping. In his speech to the party congress, Mr. Xi set out an ambitious vision of establishing China as a "leading global power", making clear that he envisages himself as a transformative leader set to remain on the political scene for years to come.

ELECTION WATCH: Mr. Xi was reappointed as CCP general secretary and first-ranked member of the seven-member politburo standing committee (PSC, the CCP's top decision-making body) at the 19th national congress of the CCP in October 2017. He was confirmed as state president for a second five-year term at the annual plenary session of the National People's Congress (NPC, the legislature) in March 2018. As The Economist Intelligence Unit had expected, Li Keqiang was also reappointed as the second-ranked PSC member, suggesting that he will receive another term as premier.

POLICY TRENDS: The annual Central Economic Work Conference in December 2018 brought up that China should speed up the optimization and upgrading of its economic structure, enhance the capability of technological innovation, deepen reform and opening-up, accelerate green development, and participate in the reform of the global economic governance system. Reforms in various fields including state-owned enterprises, taxation and financing, land, market access as well as social management will be pushed forward, while the institutional environment will be improved to encourage fair competition and facilitate the accelerated development of small and medium enterprises. The prudent monetary policy will be kept ‘‘neither too tight nor too loose’’ while maintaining market liquidity at a reasonably ample level, according to the statement, and the monetary policy transmission mechanisms will be further smoothed out while the proportion of direct financing will be increased to make financing more accessible and affordable for the private sector and small businesses.

ECONOMIC GROWTH: The pace of economic growth is forecast to moderate from 6.6% in 2018 to 6.2% in 2019, with tighter credit conditions in 2017 having a lagged impact on investment, and consumption growth set to soften as regulators tighten controls over household loans. A US-China trade war, although not our core forecast, represents a sizeable downside risk to China's growth forecast for 2019.

INFLATION: We expect consumer prices to rise by 2.2% a year on average in 2019–21. In 2018 the actual inflation reached 2.1%, with food price inflation accelerating from the low levels seen in 2017. A relatively fast pace of economic growth and still fairly loose monetary policy will push the inflation rate up to 2.8% in 2019. However, an easing in inflationary pressure is expected thereafter, amid a slowdown in domestic economic growth and weaker global oil price pressures.

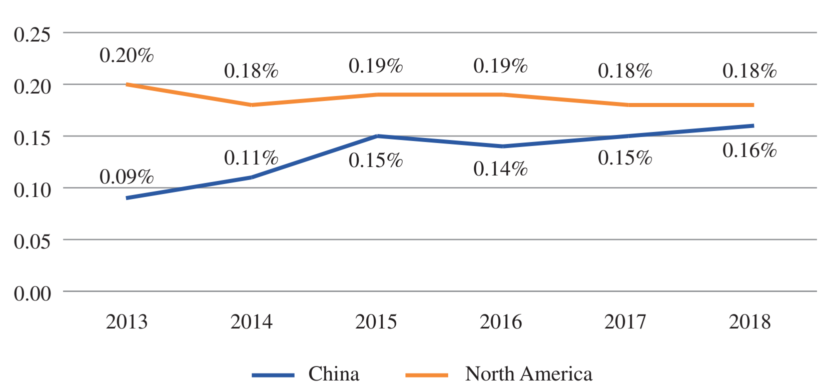
INDUSTRY OVERVIEW

The Target Group mainly engaged in the cinema management industry in the PRC in the past years.

Revenue from Cinema

China is the region with the second largest movie ticket revenue worldwide, and the potential growth of box office income remains large, based on the percentage of total social retail. In 2018, box office income of China was USD9.2 billion, compared with USD11.9 billion of North America. The percentage of box office income to total social retail climbed from 2013 to 2018, peaking at 0.16% in 2018, lower than 0.18% in North America.

Percentage of Box Office Income to Total Social Retail



Source: Wind

Nowadays, revenue percentage of non-ticket income of the cinema in China is far less than the one of the overseas cinema. Average level of non-ticket income percentage in North America reaches 30% to 35%, while only 5% to 14% achieved in China. Furthermore, sales per person ("SSP") of cinema in China is also lower than the one overseas, which shows the development potential of Chinese cinema.

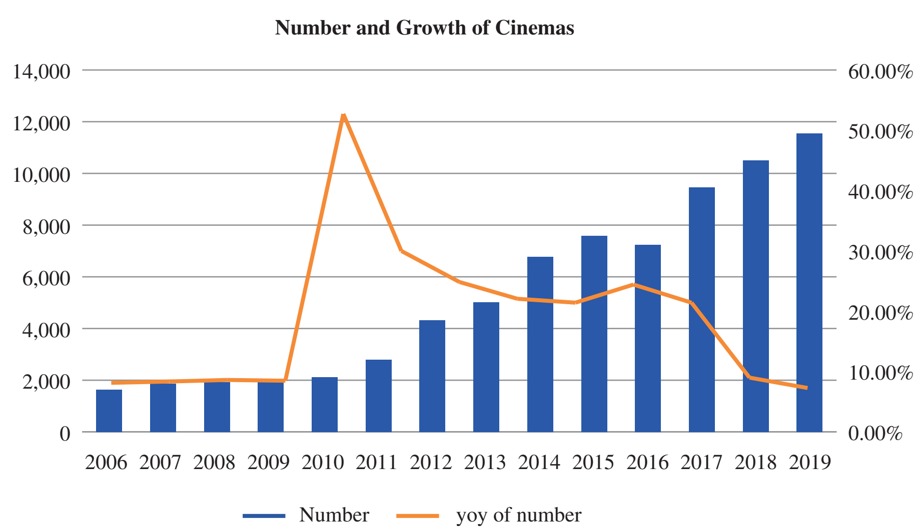
Market Size of the Cinema in China

Based on the support of policy and capital investment, the industry of cinema experienced a high growth period from 2002, and the number of the cinema in China has increased rapidly in recent years.

From 2002 onwards, cinema reformation began and more and more private capital entered into Chinese market. Movies were published from administration region to uniform publishing and arrangement. China started to encourage the private capital to invest cinemas. Wanda Cinema were founded as the first private cinema in 2005, followed by Hengdian and Jinyi Cinema. Compound annual growth rate ("CAGR") of Chinese cinema from 2006 to 2010 were 8.3% and the number of cinemas reached 1,820 at the end of 2010 while the screens of the cinema increased to 62,560,000 with CAGR of 18.6%.

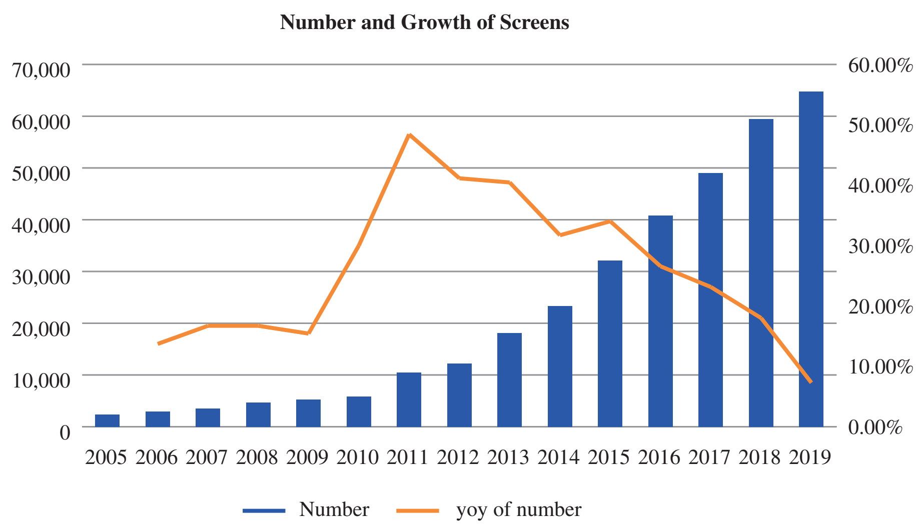
During year 2006 to 2010, the number of audience and ticket price also increased at the same time with CAGR of 30% and 7.9% respectively, which led to the growth of box office income.

After year 2010, movie industry experience another high growth period because of the supporting of policy. "Culture Industry Revitalize Plan" 《文化產業振興規劃》 published in 2009 and "Comment on pushing development of movie industry" 《促進電影產業繁榮發展的指導意見》 in 2010 benefited the cinema industry. Both the number of cinemas and screens increased with CAGR of 21.8% and 30.6 % respectively from 2011 to 2018.



Source: wind

However, there is an intense competition within the industry along with the expansion of cinema market, which results in a lower revenue per screen. In terms of box office income and number of audience, both of them increased by CAGR of 24.5% from 2011; however, the number of audience per screen and revenue per screen decreased since 2011. Revenue per screen decreased to RMB921,000 and reached the lowest level in 2019. Intensive competition caused lower operating efficiency and longer payback period for cinema investment.



Source: wind

Along with market expansion and fierce competition, cinema operation in China is not very optimistic, especially for cinemas in lower-tier cities, as most cinemas in these cities are start-ups without stable target audience. Therefore, decrease in audience has a negative impact to those cinemas. Location and operation ability are key determinants on the success of a cinema.

In general, cinema investment industry is asset-intensive with high operating leverage, hence a deterioration of income may lead to significant decrease in net profit. Many cinema investment companies in China recorded a decline in profit margin in the first half of year 2019 due to decrease in revenue, high staff cost and high rental expense especially in downtown areas.

Referring to page V-16 of this valuation report, under the Market Approach, the EV/EBIT multiples of the comparable companies were estimated using market data as of the Valuation Date, in which the enterprise values (derived from market capitalization) of the actively trading listed comparable companies have already reflected the prevailing market conditions and industry prospects/expectation of the cinema industry as of the Valuation Date.

DEFINITION OF VALUE

The report was prepared in accordance with International Valuation Standards 2017. In estimating the market value of the equity interest appraised under this engagement, our efforts will be based on the following description of Market Value: "*Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.*" Unless otherwise noted, the market value of the 30% equity interest in the Target Group is determined on minority share basis and going concern basis.

GENERAL VALUATION OVERVIEW

The methods commonly used to develop approximate indications of value for a business or assets are the Income, Market, and Cost Approaches.

Income Approach

The Income Approach focuses on the income-producing capability of a business or asset. The Income Approach measures the current value of a business or asset by calculating the present value of its future economic benefits such as cash earnings, cost savings, tax deductions, and proceeds from disposition. Value indications are developed by discounting expected cash flows to their present value at a rate of return that incorporates the risk-free rate for the use of funds, the expected rate of inflation, and risks associated with the particular investment. The discount rate selected is generally based on rates of return available from alternative investments of similar type and quality as of the valuation date.

Market Approach

The Market Approach measures the value of a business or asset through an analysis of recent sales or offerings of comparable businesses or assets. Adjustments are made to account for differences between the subject business or asset being valued and the comparable businesses or assets used in the analysis.

It is employed in the valuation of the asset for which there is a known used market. Under the premise of continued use assuming adequate earnings, consideration is given to the cost to acquire similar items in the second-hand market; an allowance then is made to reflect the costs for freight and installation.

Cost Approach

The Cost Approach measures the value of a business or asset by the cost to reconstruct or replace it with another of like utility. To the extent that the assets being valued provide less utility than new assets, the reproduction or replacement cost new would be adjusted to reflect appropriate physical deterioration, functional obsolescence, and economic obsolescence. The Cost Approach recognizes that a prudent investor would not ordinarily pay more for property or an asset than the cost to replace them new.

Selected Approach

In developing our opinions, we considered all three approaches to value for the asset types and chose the most appropriate approach or approaches for each. Our conclusions rely on the approaches judged to be most appropriate for the purpose and scope of our analysis, as well as the nature and reliability of the data available to us.

In estimating the market value of the equity interest in the Target Group, we relied primarily on the Market Approach. The Cost Approach was not adopted as it tends to understate the value of an income-generating business. The Income Approach is also not adopted since prospective financial projection is not available.

Under the Market Approach, we relied on the trading multiples of publicly traded guideline companies of the Target Group. Market Approach benchmarked the Target Group's equity value to the publicly trading entities by looking into their financial performances. Not only could Market Approach reflect the current market's investment preferences or investment habitat, but also provide up-to-date public market information allowing the Management to make a more informative decision.

ESTIMATION OF THE MARKET VALUE OF THE 30% EQUITY INTEREST IN THE TARGET GROUP

Introduction

In this section of our report, we describe our valuation analysis utilized to arrive at a concluded market value of the 30% equity interest in the Target Group.

Valuation Approach

The Market Approach uses direct comparisons to other enterprises and their equity securities to estimate the market value of the common shares of privately issued securities. The Market Approach bases the market value measurement on what other similar enterprises or comparable transactions indicate the value to be. Under this approach, investment by unrelated parties in comparable equity securities of the subject enterprise or transactions in comparable equity securities of comparable enterprises is examined. One commonly used "market comparables" method is the Guideline Public Company.

To adopt the guideline public company method under the Market Approach, we have to determine the appropriate valuation multiples of comparable companies, in which we have considered enterprise-value-to-sales ("EV/Sales"), price-to-sales ("P/S"), enterprise-value-to-earnings-before-interest-and-tax ("EV/EBIT"), enterprise-value-to-earnings-before-interest-tax-depreciation-and-amortization ("EV/EBITDA"), price-to-earnings ("P/E") and price-to-book ("P/B") multiples. EV/Sales and P/S multiples were not adopted since these multiples could not take into account of the differences in cost structure between the Target Group and the comparable companies. P/E was not adopted as the Target Group recorded net losses in the latest financial statements. P/B multiple was not adopted because it could not consider the profitability or the earning potential of the Target Group. EV/EBIT multiple is considered more preferred than EV/EBITDA multiple since EV/EBIT multiple is considered less severely affected by the initial adoption of Hong Kong Financial Reporting Standard 16 — Leases (''HKFRS 16'') on January 1, 2019.

Following the adoption of the HKFRS 16 from annual financial reporting periods beginning on or after January 1, 2019 (early adoption allowed), recognitions of lease liabilities and corresponding right of use assets (''ROU assets'') on balance sheets are required. Subject to timing of recognitions, previous operating lease expenses prior to the adoption of HKFRS 16, including rental expenses, are replaced by amortization of ROU assets and interest expenses of lease liabilities on the income statement. During this transition period, depending on their respective financial year end dates, the comparable companies' trailing 12-month EBIT and EBITDA may comprise different periods of reported earnings before or after HKFRS 16 adoption. Since ROU amortization is still included as an expense in EBIT derivation, but excluded in the calculation of EBITDA, the income statement impact of HKFRS 16 on EBIT is considered less severely than on EBITDA.

In order to avoid double counting of lease related expense obligations for equity valuation, deduction of total debts from enterprise value using EV/EBITDA should be considered with due care. In particular, total debts should include lease liabilities when EV/EBITDA multiple is used, but should exclude lease liabilities if EV/EBIT multiple is adopted. Since the amount of lease liabilities on the balance sheet represents a present value of committed lease payments in the contracted lease period, equity valuation using EV/EBITDA may potentially be more vulnerable to the difference of lease periods between the Target Group and the comparable companies. Therefore, we have employed EV/EBIT in the valuation for the Target Group as of the Valuation Date.

The selection of guideline companies is by understanding the principal business of the valuation target and search for public company with business as similar to the valuation target as possible. Generally speaking, company in same geographical location is preferred, followed by expansion to other geographical locations if same geographic location yield no meaningful results.

We searched for listed companies with business scopes and operations similar to those of the Target Group as comparable companies on best-effort basis with reference to the following selection criteria:

- Significant portion of the assets or businesses of the company involves cinema operation and management in the PRC and/or other southeast Asian developed countries;
- Company listed in Hong Kong and have pertinent listing and operating histories; and
- The financial information and relevant multiple of the companies are available to the public.

The following table presents the comparable companies adopted in the valuation of the 30% equity interest in the Target Group:

Comparable Companies	**Business description**
Poly Culture Group Corp Ltd (3636 HK)	Poly Culture Group Corporation Limited operates as a culture and art company. The company provides performance and theatre management, art business and auction, cinema investment and management, and other services. Poly Culture Group also offers culture tourism and culture asset management services.
Emperor Culture Group Ltd (491 HK)	Emperor Culture Group Limited operates entertainment businesses. The company runs movies production, television programs production, and other businesses. Emperor Culture Group also operates investments, theater operation, and other businesses.
Bingo Group Holdings Ltd (8220 HK)	Bingo Group Holdings Ltd. produces motion pictures. The company is principally engaged in provision of movie production, licensing and derivatives, crossover marketing, provision of interactive contents, cinema investment and management, property holding & management services.
IMAX China Holding Inc (1970 HK)	IMAX China Holding, Inc. operates as a holding company. The company, through its subsidiaries, broadcasts movies in theaters. IMAX China Holding serves customers in China.
Mei Ah Entertainment Group Ltd (391 HK)	Mei Ah Entertainment Group Limited, through its subsidiaries, distributes films and programs in audio visual products formats. The company also sub-licenses film exhibition and rights, and provides internet and related services. In addition, Mei Ah Entertainment operates television station.
Orange Sky Golden Harvest Entertainment (Holdings) Ltd (1132 HK)	Orange Sky Golden Harvest Entertainment (Holdings) Ltd., through its subsidiaries, distributes films and audio visual products related to films and television programs. The company also exhibits films in Hong Kong, Malaysia, Singapore, and China, and produces motion pictures. In addition, Golden Harvest processes film and produces music.

Source: Bloomberg

We considered the average of the EV/EBIT multiples of the comparable companies as of the Valuation Date as extracted from Bloomberg to arrive at the market value of the Target Group.

Comparable Companies	**EV/EBIT Multiple (Pre-HKFRS 16 adoption basis)**
Poly Culture Group Corp Ltd (3636 HK)	5.4x
Emperor Culture Group Ltd (491 HK)	N/A *(Note)*
Bingo Group Holdings Ltd (8220 HK)	N/A *(Note)*
IMAX China Holding Inc (1970 HK)	11.3
Mei Ah Entertainment Group Ltd (391 HK)	N/A *(Note)*
Orange Sky Golden Harvest Entertainment (Holdings) Ltd (1132 HK)	13.5x
Average	**10.1x**

Source: Bloomberg

Note: Latest 12-month EBIT of Emperor Culture Group Ltd (491 HK), Bingo Group Holdings Ltd (8220 HK) and Mei Ah Entertainment Group Ltd (391 HK) were negative as of the Valuation Date.

The EV/EBIT multiples of the comparable companies were estimated using market data as of the Valuation Date, in which the enterprise values (derived from market capitalization) of the actively trading listed comparable companies have already reflected the prevailing market conditions and industry prospects/expectation of the cinema industry as of the Valuation Date.

To the best of our knowledge and on best-effort basis, the shortlisted comparable companies are exhaustive based on the selection criteria as aforementioned. There are a number of listed companies primarily engaged in film production and distribution, however our selection criteria did not include companies that focus on this aspect as we consider the cost structure of film production and distribution and that of cinema operation and film exhibition are vastly different. All three comparable companies with positive EV/EBIT multiples are principally engaged in cinema operation and management (film exhibition), which is consistent with the principal business of the Target Group. Despite the sample size of comparable companies is only three after excluding those with negative EBIT, the average (10.1x) and median (11.3x) of the EV/EBIT multiples are close together. Furthermore, it is a common and widely accepted practice for valuers to adopt average multiple for valuations. Therefore, we consider taking average of the three available multiples is a fair and reasonable estimate of the EV/EBIT multiple for this valuation.

Determination of Market Value of the Target Group

As a result of the adoption of HKFRS 16, enterprise values of companies are generally increased due to inclusion of lease liabilities in the total debts. EBITDA will also be increased due to removal of operating lease expenses and exclusion of ROU amortizations. In order to make comparison on a consistent basis with the certain comparable companies which did not adopt HKFRS 16 for the whole trailing 12-month period, we adjust the enterprise value by excluding lease liability from total debt and adjust the EBIT as if HKFRS 16 has not been adopted in the entire 12-month period. Lease expenses and ROU amortizations in the post-HKFRS 16 reporting period are removed from the income statements and operating lease expenses for the period are charged back to arrive at the estimated trailing 12-month EBIT on pre-HKFRS 16 adoption basis.

We multiplied the average EV/EBIT multiple of the comparable companies to the trailing 12-month normalized earnings before interest and tax (''EBIT'') of the Target Group on before HKFRS 16 basis, to arrive at the enterprise value of the Target Group. The trailing 12-month normalized EBIT is based on the unaudited management accounts of the Target Group for the 3-month period from January 1, 2019 to March 31, 2019 and 9-month period from April 1, 2019 to December 31, 2019, excluding any non-recurring other income/loss and finance costs. We then adjusted the derived enterprise value of the Target Group with discount for lack of marketability (''DLOM'') to account for the fact that the Target Group is a private company as of the Valuation Date. Furthermore, we adjusted the derived enterprise value of the Target Group with net cash/(debt), non-operating assets/(liabilities) to arrive at the market value of equity of the Target Group.

Normalized EBIT of the Target Group

The normalized EBIT of the Target Group for the trailing 12-month period ended December 31, 2019 on pre-HKFRS 16 adoption basis of HKD1,128,868 is estimated based on the financial information from the unaudited management accounts of the Target Group for the 3-month period from January 1, 2019 to March 31, 2019 and 9-month period from April 1, 2019 to December 31, 2019, including but not limited to gross profit, other income/(loss), distribution and selling expenses, administrative expenses, depreciation and amortization expenses and rental agreements and related expenses. We understand from the Management that the misappropriation of fund by Mr. Yin Gang amounted to approximately HKD14.5 million being expensed off during the nine months ended 31 December 2019 is one-off and non-recurring in nature. Hence, such amount has been excluded by in estimating the EBIT of the Target Group. Furthermore, the normalized EBIT is on pre-HKFRS 16 adoption basis as-if the Target Company has to incur rental expenses of cinemas and depreciation expense of property plant and equipment; while amortization of right-of-use assets on post-HKFRS 16 adoption basis is not considered.

The unaudited management accounts of the Target Group (i) for the 3-month period from January 1, 2019 to March 31, 2019 and (ii) for the 9-month period from April 1, 2019 to December 31, 2019 were provided by the Management as in two periods, merely due to the financial year end cut-off date (i.e. 31 March) adopted by the Target Group. Summing up (i) and (ii) would be equivalent to the unaudited management accounts for the 12-month period from January 1, 2019 to December 31, 2019.

The normalized EBIT on pre-HKFRS 16 adoption basis for the trailing 12-month period ended December 31, 2019 of the Target Group is calculated with formula as follows:

Gross Profit
Add: Other income/(loss)
Less: Distribution and selling expenses
Less: Administrative expenses excluding the misappropriation of fund by Mr. Yin Gang being expensed off

Normalized EBITDA on post-HKFRS 16 adoption basis

Less: Depreciation of property plant and equipment
Less: Amortization of right-of-use assets

Normalized EBIT on post-HKFRS 16 adoption basis
Add: Amortization of right-of-use assets
Less: Rental expenses based on rental agreements

Normalized EBIT on pre-HKFRS 16 adoption basis

Note: The exclusion of misappropriation of fund by Mr. Yin Gang being expensed off from the administrative expenses would result in a higher normalized EBIT of the Target Company than if such exclusion is not being considered.

Discount for Lack of Marketability

The value of privately held shares is not directly comparable to the value of publicly traded securities. This is due to the fact that shareholders of privately held companies do not have the same access to trading markets that shareholders of publicly traded companies enjoy. Therefore, the market value of the ordinary shares must be adjusted to reflect its lack of liquidity and ready market.

A number of research studies including restricted stock studies have attempted to quantify marketability discounts. Restricted stock studies are performed by comparing the prices at which a restricted stock trades vis-à-vis its publicly traded counterpart. A restricted stock is one that is identical to its company's publicly traded issue but carries a short-term restriction on marketability. In the case of transfers of restricted stock, these studies provide strong evidence for the application of a discount placed on illiquid investments.

Based on Stout Restricted Stock Study Companion Guide 2019 published by Stout Risius Ross, LLC, a marketability discount of approximately 20.6% has been adopted.

The Stout Restricted Stock Study Companion Guide 2019 ("Companion Guide") was prepared by Stout Risius Ross, LLC, which is a global advisory and consulting firm specializing in, among other things, valuation advisory; and the Companion Guide is an independent research study report which is designed to assist valuation professionals to determine marketability discount. The Companion Guide determined the marketability discount based on 751 private placement transactions of unregistered common stocks issued by publicly traded companies from July 1980 through June 2018. In view of the Companion Guide is a recent marketability discount study prepared by a credible advisory and consulting firm, we consider it is a suitable and relevant reference source for determining the marketability discount. We adopted the overall average discount of 20.6% for all 751 transactions in the restricted stock study (as of March 2019) based on the Companion Guide.

Despite there is a possibility that relatively up-to-date transactions might be more relevant samples for the marketability discount study, the Companion Guide did not present any result or analysis on the marketability discount with a different time span of private placement transaction being sampled. Hence, no adjustment was considered on the overall average discount of 20.6% adopted. In addition, in view of the fact that the Companion Guide covers recent transactions up to June 2018 and it is not uncommon to see extensive collection and analysis of historical data over an extended period of time are involved in marketability discount empirical studies to arrive at a reliable estimate, we consider the average marketability discount derived from a sample of 751 private placement transactions for a period of about 38 years is a fair and representative estimate.

According to the Companion Guide, the marketability discount (i.e. transaction discount) is the percentage difference between the private placement price per share and the closing market price as of the date prior to the agreement date. Restricted stock study is a widely accepted empirical method for researchers to derive marketability discount, which measures the degree of liquidity between actively trading stocks and restricted stocks placed by publicly traded companies. Private placement transaction is a means for researchers to obtain the purchase price of restricted stocks, which approximates the price of privately held shares of listed issuers, and compare with the market price of the same actively trading stocks. On the other hand, both listed and unlisted price of the same subject shares might not be necessarily available from transaction price in merger and acquisition. Therefore, we consider the marketability discount derived from private placement transactions is a fair and reasonable estimate for valuing equity interest of privately held company, such as the Target Group in this acquisition.

The Companion Guide did not disclose details such as geographical locations and industry sectors of the subject companies involved in the private placement transactions, however it suggested that a company's industry should not in itself have a significant impact on the discount for lack of marketability. In addition, after thorough searches and review on other marketability discount studies, we are not aware of any recent cross-country studies or any studies showing a conclusive relationship between marketability discounts derived and geographical location of the subject companies considered. As such, we have no reason to doubt the comparability and applicability of the marketability discount suggested by the

Companion Guide for the valuation of the Target Group, in terms of geographical locations and industry sectors. The overall average discount of 20.6% based on the Companion Guide was adopted without any adjustment.

Summary of Calculation

Details of the calculation of the market value of the Target Group using the EV/EBIT Multiple were illustrated as follows:

As of December 31, 2019	**EV/EBIT Multiple (Pre-HKFRS 16 adoption basis)** *HKD*
Normalized 12-month EBIT for the trailing 12-month period ended December 31, 2019	**1,128,868**
Multiply: Average Market Multiple as of Valuation Date	10.1x
Enterprise Value (marketable and minority basis)	**11,379,813**
Less: Discount for Lack of Marketability (= 11,379,813 x 20.6%)	(2,344,242)
Enterprise Value (non-marketable and minority basis)	**9,035,572**
Add: Cash	12,078,277
Less: Debts (excluding lease liabilities)	—
Add: Net Non-operating Assets/(Liabilities)	(18,709,142)
100% Equity Value (non-marketable and minority basis)	**2,404,706**
Concluding Market Value of the 30% Equity Interests	**721,000**

Note: The total may not sum up due to rounding.

The net non-operating liabilities of HKD18,709,142 was estimated based on the unaudited management accounts of the Target Group as of December 31, 2019 as provided by the Management, which comprise of:

- Non-operating assets: Due from related parties of HKD5,424,663 and other receivable of HKD561,889; and
- Non-operating liabilities: Due to related parties of HKD23,379,606 and accrued liabilities and other payables of HKD1,316,087

As advised by the Management, these items are mainly amounts due to and due from related parties, fellow subsidiaries and/or holding companies which are non-operating in nature. From an average market participant's perspective, the amounts due to and due from related parties, fellow subsidiaries and/or holding companies are assumed to be settled/repaid.

MAJOR ASSUMPTIONS

In this appraisal, a number of assumptions have to be made in order to sufficiently support our concluded value of the Target Group. Any deviation from the above major assumptions may significantly vary the valuation result. The major assumptions adopted in this appraisal are:

- The unaudited management accounts of the Target Group for the 3-month period from January 1, 2019 to March 31, 2019 and 9-month period from April 1, 2019 to December 31, 2019 as provided by the Management can reasonably represent its financial position and performance of the Target Group as of Valuation Date since an audited financial account as of Valuation Date was not available;

- No material impact on the derived earnings of the Target Group and comparable companies was arose due to adjustments relating to adoption of HKFRS 16 in the transition period;

- There will be no major changes in the current taxation laws in the territories (the ''Territories'') in which the Target Group operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- There will be no major changes in the political, legal, economic or financial conditions in the Territories in which the Target Group operates or intends to operate, which would adversely affect the revenues attributable to and the profitability of the Target Group;

- The Target Group will retain and have competent management, key personnel, and technical staff to support its ongoing operation;

- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Target Group operates or intends to operate has or would be officially obtained and renewable upon expiry;

- Industry trends and the market conditions for related industries will not deviate significantly from economic forecasts; and

- All information and representations provided by the Management, for which they are solely and wholly responsible for are true, accurate and complete in all material respect.

CONCLUSION OF VALUE

Based on the information provided and the analysis conducted, and subject to the Major Assumptions and Statement of Limiting Conditions, our opinion of the market value of the 30% equity interest in the Target Group as of December 31, 2019 is reasonably represented in the amount of approximately, **HONG KONG DOLLARS SEVEN HUNDRED AND TWENTY ONE THOUSAND ONLY (HKD721,000)**.

This report and the observations and analyses are intended solely for use by the Group for the purpose of assisting the management of the Group to assess the market value of the 30% equity interest in the Target Group as of the Valuation Date and are not to be reproduced, disseminated or disclosed, in whole or in part, to any other party except in accordance with the terms of our engagement letter. The information contained in this report may include proprietary, sensitive and confidential information that has not been publicly disclosed. Release of this information to any other party could be damaging to the Group.

Yours faithfully,
For and on behalf of
Sino-Infinite Appraisal Limited

Prepared and analyzed by:
W.Y. Lam, *CFA*

Ms. W. Y. Lam, has more than 9 years of experience in valuation and financial analyses, including business valuation, valuation of intangible assets, financial instruments, natural resources projects and purchase price allocation. She is a charter holder of Chartered Financial Analyst (CFA) and she graduated from the Hong Kong University of Science and Technology with a Bachelor of Business Administration double-majored in finance and management of organizations.

STATEMENT OF LIMITING CONDITIONS

This analysis is subject to the following limiting conditions:

1. This appraisal report cannot be included or referred to in any prospectus, offering memo, loan agreement, registration statement, regulatory authority filings, legal and court proceedings or other public documents.

2. This report has been made only for the purpose stated and shall not be used for any other purpose. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. Neither Sino-Infinite Appraisal Limited ("SIAL") nor the appraiser is responsible for unauthorized use of this report. Neither this report nor any portions thereof (including, without limitations, any conclusions, the identity of SIAL or any individuals signing or associated with this report, or the professional associations or organizations with which they are affiliated) shall be disseminated to third parties other than the Group, its financial accounting firm and attorneys, regulatory authorities, by any means without the prior written consent and approval of SIAL. We assume no responsibilities or liabilities for any losses incurred as a result of unauthorized circulation, publication or reproduction of this report in any form and/or if used contrary to the purpose stated therein.

3. Information furnished by others or taken from Company reports and records, standard reference manuals, publications and other sources, upon which all or portions of this report are based, is believed to be reliable, but has not been verified in all cases. No warranty is given as to the accuracy of such information. We do not accept any responsibilities for any errors or omissions in the information or any consequence liabilities arising from commercial decision or actions resulting from them.

4. SIAL assumes no responsibility for legal matters including interpretations of either the law or contracts. No investigation has been made of, and no responsibility is assumed for, the legal description, or for legal matters regarding the valuation subject.

5. No responsibility is taken for changes in market conditions and no obligation is assumed to revise this report to reflect events or conditions, which occur subsequent to the valuation date hereof.

6. The date of value to which the estimate, conclusions and opinion expressed in this report applies is set forth in the beginning of this report. This appraisal is valid only for the valuation date indicated. Our value opinion is based on the purchasing power of the reporting currency as of this date. The opinion of value is estimated based on the financial conditions prevailing as of the date of this appraisal.

7. For events that occur subsequent to the appraisal date hereof, no responsibility is taken and no obligation is assumed to revise this report to reflect the impact, if any, of these events or changing conditions as they may have upon the subject although

we reserve the right to do so. Neither SIAL nor any individual signing or associated with this report shall be required by reason of this report to give further consultation, provide testimony or appear in court or other legal proceedings unless specific arrangements therefore have been made.

8. It is assumed that all required licenses, certificates, or other legislative or administrative authority from any local, or national government or private entity or organization have been, or can readily be obtained, or renewed for any use on which the value estimates provided in this report are based.

9. We have made no investigation of and assumed no responsibility for the ownership or any liabilities against the valuation subject. Responsible ownership and competent management are assumed.

10. Any allocation in this report of the total valuation among components of the valuation subject and the weighting of the reported values among the various appraisal approaches applies only to the program of utilization stated in this report. The separate values for any components or approaches may not be applicable for any other purpose and must not be used in conjunction with any other appraisal.

11. This appraisal report might not include full discussions of the data, reasoning, and analyses that were used in the valuation process to develop the appraiser's estimate of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

12. Our valuation is only any an indicative quantum at which interests in the valuation subject might be reasonably be expected to be sold or disposed at the Valuation Date and may be different from the actual transacted price.

13. To the best of our knowledge and belief, the statements of fact contained in this report are true and correct; the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are impartial, and unbiased professional analyses, opinions, and conclusions.

14. Neither SIAL nor any individual signing or associated with this report has any present or prospective interest in the valuation subject of this report and with respect to the parties involved. SIAL or any individual signing or associated with this report has no bias with respect to the valuation subject of this report or to the parties involved with this assignment. The engagement in this assignment was not contingent upon developing or reporting predetermined results. The compensation of SIAL or any individual signing or associated with this report for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particular given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. 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 is not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. 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 had or was deemed to have interests 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) or which were otherwise required to notify the Company and the Stock Exchange 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:

Name of Directors	Nature of interest	Number of Shares held	Approximate percentage of issued share capital of the Company
Mr. Chiau Sing Chi	Beneficial owner	27,573,529	3.22%
	Held by trust *(Note 1)*	402,121,240	47.01%
Ms. Chow Man Ki Kelly	Held by trust *(Note 1)*	402,121,240	47.01%

Notes:

1. These shares are registered in the name of Beglobal Investments Limited and Golden Treasure Global Investment Limited. Beglobal Investments Limited and Golden Treasure Global Investment Limited are companies indirectly owned by the trust, the discretionary objects of which are Mr. Chiau, Ms. Chow and their family.

2. The total number of the issued share capital of the Company as at the Latest Practicable Date was 855,384,669.

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 otherwise required to notify the Company and the Stock Exchange 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 Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as is 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 Shareholders	Number of Shares held	Approximate percentage of issues share capital of the Company
Sinostar FE (PTC) Limited *(Note 1)*	402,121,240	47.01%
Treasure Offshore Holdings Limited *(Note 1)*	402,121,240	47.01%
Beglobal Investments Limited *(Note 2)*	402,121,240	47.01%
Golden Treasure Global Investment Limited *(Note 2)*	72,500,000	8.48%

Notes:

1. Mr. Chiau Sing Chi, Ms. Chow Man Ki, Kelly and their family are the beneficiaries of a discretionary trust of which Sinostar FE (PTC) Limited ("**Sinostar**") is the trustee. Sinostar as the trustee of the discretionary trust is the sole shareholder of Treasure Offshore Holdings Limited, which is the sole shareholder of Beglobal Investments Limited.

2. Beglobal Investments Limited directly holds 329,621,240 shares of the Company (representing approximately 38.53% of the issued share capital of the Company) and indirectly holds 72,500,000 shares of the Company (representing approximately 8.48% of the issued share capital of the Company) through Golden Treasure Global Investment Limited as at the Latest Practicable Date.

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.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contract or management agreement, proposed or otherwise with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or substantial Shareholder or any of their respective associates has any interest in business which competes with or may compete with the business of the Group or has any other conflict of interests which any person has or may have with the Group.

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and save for the recovery of amount misappropriated by Mr. Yin Gang as disclosed in the announcement of the Company dated 5 February 2020, no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, no contract or arrangement of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date.

None of the Directors nor experts referred to in paragraph 11 below has any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries during the period since 31 March 2019, the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date which are or may be material:

(a) the Acquisition Agreement; and

(b) the loan agreement dated 30 September 2019 entered into between the Bingo Movie Development Limited ("**Bingo Movie**"), a wholly owned subsidiary of the Company and holds 49% equity interest in Goal Creation Game Limited ("**JV Company**"), as the lender, and JV Company, as the borrower, pursuant to which Bingo Movie agreed to advance a loan of RMB16,000,000 to the JV Company.

8. CORPORATE INFORMATION OF THE COMPANY

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	Unit 202, 2/F., Chinaweal Centre 414–424 Jaffe Road Hong Kong
Principal share registrar and transfer office	Tricor Tengis Limited Level 54, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Company secretary	Mr. Chan Ka Yin *Fellow member of the Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accoutants*
Compliance officer	Ms. Chow Man Ki Kelly

9. AUDIT COMMITTEE

The Company's audit committee (the "**Audit Committee**") currently comprises all three independent non-executive Directors, namely Mr. Ong King Keung, Ms. Choi Mei Ping and Mr. Tsoi Chiu Yuk. The primary duties of the Audit Committee are, among others, to review the Company's annual reports and accounts, interim reports and quarterly reports and to provide advices and comments thereon to the Board. The Audit Committee are also responsible for reviewing and supervising the Company's financial reporting, risk management and internal control systems.

Mr. Ong King Keung is the chairman of the Audit Committee. He has the appropriate professional qualifications, accounting and financial management expertise as required under the GEM Listing Rules. For further information in relation the background and directorships (and past directorships), if any, of members of the Audit Committee, please refer to the 2019 Annual Report.

10. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Unit 202, 2/F., Chinaweal Centre, 414–424 Jaffe Road, Hong Kong during normal business hours for fifteen (15) Business Days from the date of this circular:

(a) the memorandum and articles of association the Company;

(b) the 2019 Interim Report, 2019 Annual Report, 2018 Annual Report and 2017 Annual Report;

(c) the material contracts referred to under the paragraph "7. MATERIAL CONTRACTS" in this appendix; and

(d) this circular.

11. EXPERTS

The following are the qualification of experts who have given an opinion or advice contained in this circular:

Name	**Qualification**
Cheng & Cheng Limited	Certified public accountants
Sino-Infinite Appraisal Limited	Independent valuer
Grand Moore Capital Limited	A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, each of the above experts did not have any interests, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 March 2019, the date to which the latest published audited consolidated financial statements of the Enlarged Group were made up.

As at the Latest Practicable Date, each of the above experts was not interested beneficially or non-beneficially in any Shares in any member of the Enlarged Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or report and/or reference to its name in the form and context in which it respectively appears.