THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

IMPORTANT: If you are in any doubt about any of the contents of the Prospectus Documents, you should obtain independent professional advice.

A copy of each of the Prospectus Documents, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix III to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong. Neither the Securities and Futures Commission nor the Registrar of Companies takes any responsibilities as to the contents of the Prospectus Documents.

If you have sold or transferred all your shares in International Entertainment Corporation, you should at once hand the Prospectus Documents to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Dealings in the Shares and the Rights Shares in their nil-paid form and fully-paid form may be settled through CCASS and you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms or such other dates as determined by HKSCC. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

INTERNATIONAL ENTERTAINMENT CORPORATION
國 際 娛 樂 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8118)

RIGHTS ISSUE OF 943,325,788 RIGHTS SHARES AT HK$1.5 EACH ON THE BASIS OF FOUR RIGHTS SHARES FOR EVERY EXISTING SHARE HELD ON THE RECORD DATE

Underwriter of the Rights Issue
Chow Tai Fook Enterprises Limited

The latest time for acceptance of and payment for the Rights Shares is 4:00 p.m. on Monday, 20 August 2007. The procedure for acceptance and payment or transfer is set out on pages 17 and 18 of this prospectus.

It should be noted that the Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing to the Company at any time prior to the Latest Time for Termination if :

(i) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or

(ii) any local, national or international event or change (whether or not forming part of series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States) or other nature (whether or not *ejusdem generis* with any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or

(iii) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out.

and in the opinion of the Underwriter (acting reasonably), such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue.

Upon the giving of notice of termination upon occurrence of any of the above events, all obligations of the Underwriter under the Underwriting Agreement shall cease and terminate and neither the Company nor the Underwriter shall have any claim against the other party in respect of any matter or things arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter the relevant commissions. If the Underwriter exercises such right, the Rights Issue will not proceed.

It should also be noted that the existing Shares have been dealt with on an ex-rights basis from Thursday, 26 July 2007 and that the Rights Shares are expected to be dealt with in their nil-paid form from Monday, 6 August 2007 to Wednesday, 15 August 2007 (both dates inclusive). Such dealings will take place when the conditions of the Rights Issue remain unfulfilled. Any person dealing in the securities of the Company from now up to the date on which all such conditions are fulfilled and any person dealing in the nil-paid Rights Shares from Monday, 6 August 2007 to Wednesday, 15 August 2007 (being the first and last days of dealings in the nil-paid Rights Shares respectively) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed. Any person dealing or contemplating any dealing in the securities of the Company and/or the Rights Shares in their nil-paid form during this period who is in any doubt about his or her position should consult his or her own professional adviser.

If the Underwriter terminates the Underwriting Agreement or if any of the conditions precedent to the Rights Issue cannot be fulfilled or is not waived, the Rights Issue will not proceed.

This prospectus will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcement" page for at least 7 days from the date of its posting.

2 August 2007

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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 trading on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

CONTENTS

EXPECTED TIMETABLE

Set out below is an indicative timetable for the implementation of the Rights Issue. The timetable is subject to change in accordance with the agreement between the Company and the Underwriter. The Company will inform the Shareholders of any changes to the expected timetable as and when appropriate. All times and dates in this prospectus refer to Hong Kong times and dates.

	2007
First day of dealings in nil-paid Rights Shares	Monday, 6 August
Latest time for splitting of nil-paid Rights Shares	4:30 p.m. on Friday, 10 August
Last day of dealings in nil-paid Rights Shares	Wednesday, 15 August
Latest time for acceptance of, and payment for, the Rights Shares and application for excess Rights Shares *(Note)*	4:00 p.m. on Monday, 20 August
Latest Time for Termination of the Underwriting Agreement	4:00 p.m. on Friday, 24 August
Announcement of results of the Rights Issue on the Company's website and the GEM website	Tuesday, 28 August
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares expected to be posted on or before	Tuesday, 28 August
Certificates for the Rights Shares expected to be despatched on or before	Tuesday, 28 August
Dealings in fully-paid Rights Shares commence on	Thursday, 30 August

Note:

The latest time for acceptance of, and payment for, the Rights Shares and application for excess Rights Shares is expected to be at 4:00 p.m. on Monday, 20 August 2007, or such later date as may be agreed between the Company and the Underwriter. If there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal

(i) in force in Hong Kong at any time before 12:00 noon and no longer in force after 12:00 noon on the latest date for acceptance of the offer of Rights Shares, the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the offer of Rights Shares, the latest time for acceptance of and payment for the Rights Shares will be postponed to 4:00 p.m. on the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m. Accordingly, the dates mentioned in the section headed "Expected timetable" in this prospectus may be affected. An announcement will be made by the Company in such event.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter, by notice in writing, the right to terminate its obligations thereunder on the occurrence of certain events. These events are set out in the sub-paragraph headed "Termination and force majeure" on pages 15 to 16 of this prospectus. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed.

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

"Acquired Company"	Fortune Gate Overseas Limited, a company incorporated in the BVI on 8 November 2004 and legally and beneficially owned by the CTF Group
"Acquired Group"	the Acquired Company and its subsidiaries
"Acquisition"	the proposed acquisition of the Sale Shares and the Sale Loans by the Company pursuant to the Acquisition Agreement
"Acquisition Agreement"	the Original Agreement as amended by the Extension Letters and the Supplemental Agreement
"Announcement"	the announcement of the Company dated 23 November 2004 in relation to, inter alia, the Acquisition, the Rights Issue and the Convertible Note
"Articles"	the articles of association of the Company
"associate"	has the meaning ascribed thereto under the GEM Listing Rules
"ATD"	Arc of Triumph Development Company Limited, a company incorporated in Macau on 7 September 2000, which will become an associate company of the Acquired Group before Completion
"Board"	the board of Directors
"BVI"	British Virgin Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company"	International Entertainment Corporation (formerly known as Cyber On-Air Group Company Limited), a company incorporated in the Cayman Islands on 14 April 2000 under the Companies Law with limited liability, the issued Shares of which are listed on the GEM

"Completion"	completion of the sale and purchase of the Sale Shares and the Sale Loans in accordance with the provisions of the Acquisition Agreement
"Conditions Precedent"	the conditions precedent to Completion
"Conversion Share(s)"	the Share(s) which fall(s) to be issued upon the exercise of conversion rights attached to the Convertible Note
"Convertible Note"	a HK$400,000,000 convertible note due in 3 years, convertible into Conversion Shares at the Conversion Price to be issued by the Company on Completion, the details of which has been disclosed in the circular of the Company dated 29 June 2007
"Cross-Growth"	Cross-Growth Co., Ltd., a company incorporated in the BVI on 27 July 2001 and wholly owned by CTF
"CTF or Underwriter"	Chow Tai Fook Enterprises Limited, a company incorporated in Hong Kong with limited liability and controlled by CYTFL
"CTF Group"	CTF and its subsidiaries
"CYTFL"	Cheng Yu Tung Family (Holdings) Limited, a company incorporated in the BVI with limited liability and controlled by the family members of Dato' Dr. Cheng Yu Tung
"Deed of Indemnity"	a deed of indemnity dated 26 June 2007 entered into by CTF in favour of, among others, the Company containing, among other things, taxation and environmental compliance indemnities
"Director(s)"	director(s) of the Company
"EAF(s)"	the excess application form(s) issued to the Qualifying Shareholders in connection with the Rights Issue
"EGM"	the extraordinary general meeting of the Company held on 1 August 2007 at which, among others, the Rights Issue was approved
"Extension Letters"	three extension letters between the Company and Cross-Growth dated 30 December 2005, 22 June 2006 and 22 December 2006 regarding the extension of the date of fulfillment or waiver (as applicable) of the Conditions Precedent

"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries, excluding the Acquired Group
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party"	a party who, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, is independent of and not connected with the Company and its connected persons (as defined under the GEM Listing Rules)
"Last Dealing Date"	17 November 2004, being the last trading day for the Shares prior to the publication of the Announcement
"Latest Acceptance Time"	4:00 p.m. on Monday, 20 August 2007, being the latest time for acceptance of, and payment for, the Rights Shares and application for excess Rights Shares
"Latest Practicable Date"	30 July 2007, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
"Latest Time for Termination"	4:00 p.m. on Friday, 24 August 2007, being the latest time for termination of the Underwriting Agreement
"Listing Committee"	the listing sub-committee of the Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC
"Mediastar"	Mediastar International Limited, the controlling Shareholder and a wholly-owned subsidiary of CTF
"Original Agreement"	the acquisition agreement dated 23 November 2004 entered into among Cross-Growth, the Company and CTF in relation to, inter alia, the Acquisition
"PAL(s)"	the provisional allotment letter(s) issued to the Qualifying Shareholders in connection with the Rights Issue

"Philippines"	the Republic of the Philippines
"PRC" or "China"	the People's Republic of China which, for the purposes of this prospectus only, excludes Hong Kong, Macau and Taiwan
"Prospectus Documents"	this prospectus, PAL and EAF
"Qualifying Shareholder(s)"	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es), as shown on the register of members of the Company, is/are located in Hong Kong
"Record Date"	1 August 2007, being the record date for determining the entitlements of the Shareholders in the Rights Issue
"Registrar"	Computershare Hong Kong Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong
"Restriction Period"	the period commencing on the date by reference to which disclosure of the shareholding of the significant shareholder (as defined in the GEM Listing Rules) is made in the circular of the Company dated 29 June 2007 and ending on the date which is 6 months from the listing date, during which such significant shareholder will not dispose of, or permit the registered holder to dispose of, any of its direct and indirect interest in the relevant securities
"Rights Issue"	the issue by way of rights to the Qualifying Shareholders on the basis of four Rights Shares for every existing Share held by the Qualifying Shareholders on the Record Date at the Subscription Price
"Rights Share(s)"	new Share(s) to be issued and allotted by the Company under the Rights Issue
"Sale Loans"	all amounts due as at the date of Completion from the members of the Acquired Group (excluding ATD) to the CTF Group, which amount will not be less than HK$578.8 million

"Sale Shares"	the entire issued share capital of the Acquired Company legally and beneficially owned by the CTF Group immediately prior to Completion
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$1.0 each in the share capital of the Company
"Share Option Scheme"	the share option scheme of the Company adopted on 20 August 2004
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	subscription price of HK$1.5 per Rights Share
"subsidiaries"	has the meaning ascribed thereto in section 2 of the Companies Ordinance
"Supplemental Agreement"	the supplemental agreement dated 26 June 2007 entered into among Cross-Growth, the Company and CTF to amend certain provisions of the Original Agreement
"Underwriting Agreement"	the underwriting agreement dated 23 November 2004 as amended by a supplemental underwriting agreement dated 26 June 2007, all entered into between the Company and CTF in relation to the underwriting and certain other arrangements in respect of the Rights Issue
"US" or "United States"	the United States of America
"HK$" and "cents"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"US$"	United States dollars, the lawful currency of the US
"%"	per cent.

DEFINITIONS

Unless otherwise specified, for the purpose of this prospectus and for the purpose of illustration only, United States dollars amounts and Hong Kong dollar amounts have been translated using the following rates:

US$1 : HK$7.8

No representation is made that any amounts in US$ or HK$ were, or could have been or could be in the future, converted at the above rate or at any other rates or at all.

The following information is derived from, and should be read in conjunction with, the full text of this prospectus:

Number of Rights Shares to be issued:	943,325,788 Rights Shares
Basis of the Rights Issue:	four Rights Shares for every existing Share held by the Qualifying Shareholders on the Record Date
Subscription Price:	HK$1.5 per Rights Share, payable in full upon acceptance
Basis of entitlement:	nil paid Rights Shares have been provisionally allotted in the proportion of four Rights Shares for every existing Share held by the Qualifying Shareholders on the Record Date
Right of excess application:	Qualifying Shareholders will have the right to apply for excess Rights Shares
Amount to be raised by the Rights Issue:	approximately HK$1,415 million before expenses and approximately HK$1,375 million after expenses

INTERNATIONAL ENTERTAINMENT CORPORATION
國際娛樂有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8118)

Executive Directors:
Dr. Cheng Kar Shun
Mr. Lo Lin Shing, Simon
Mr. To Hin Tsun, Gerald
Mr. Choi Wing Kin
Mr. So Kam Wing

Non-executive Director:
Mr. Wu Wing Kin

Independent non-executive Directors:
Mr. Cheung Hon Kit
Mr. Kwee Chong Kok, Michael
Mr. Wong Chi 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:
Rooms 1207-8
New World Tower 1
16-18 Queen's Road Central
Hong Kong

2 August 2007

To the Qualifying Shareholders

Dear Sir or Madam,

RIGHTS ISSUE OF 943,325,788 RIGHTS SHARES AT HK$1.5 EACH ON THE BASIS OF FOUR RIGHTS SHARES FOR EVERY EXISTING SHARE HELD ON THE RECORD DATE

INTRODUCTION

On 23 November 2004, 27 June 2007 and 13 July 2007, the Company made announcements in relation to, among other things, the Acquisition and the Rights Issue. The Company proposes to raise through the Rights Issue approximately HK$1,415 million before expenses by issuing 943,325,788 Rights Shares at the Subscription Price of HK$1.5 per Rights Share on the basis of four Rights Shares for every existing Share in issue on the Record Date.

The Rights Issue is underwritten by the Underwriter, on the terms and subject to the conditions set out in the Underwriting Agreement. Pursuant to the Underwriting Agreement, the Underwriter agreed to underwrite 463,325,472 Rights Shares (excluding the Rights Shares provisionally allotted to and to be accepted by Mediastar as Shareholder pursuant to the Rights Issue) upon the terms and conditions therein contained.

The Rights Issue is conditional upon, inter alia, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with its terms (see the sub-paragraph headed "Termination and force majeure" below). If the Underwriter terminates the Underwriting Agreement or the conditions of the Rights Issue are not fulfilled or waived, the Rights Issue will not proceed.

The purpose of this prospectus is to give you further information on the Rights Issue including information on dealings in and transfers and acceptances of the nil paid Rights Shares provisionally allotted to you.

THE RIGHTS ISSUE

Pursuant to the Underwriting Agreement, the Company proposes to make the Rights Issue to raise gross proceeds of approximately HK$1,415 million principally to finance the Acquisition.

Issue statistics

Basis of the Rights Issue	:	Four Rights Shares for every existing Share held on the Record Date
Number of Shares in issue	:	235,831,447 Shares as at the Latest Practicable Date
Number of Rights Shares	:	943,325,788 Rights Shares
Subscription Price	:	HK$1.5 per Rights Share
Underwriter	:	CTF
Mediastar's entitlement	:	480,000,316 Rights Shares

On the assumption that there is no change in the issued share capital of the Company from the Latest Practicable Date up to and including the Record Date, the nil-paid Rights Shares (being 943,325,788 nil-paid Rights Shares) which have been provisionally allotted to raise about HK$1,415 million represent (i) 400% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) 80% of the Company's issued share capital as enlarged by the issue of 943,325,788 Rights Shares.

Qualifying Shareholders

As indicated on the Hong Kong branch register of members of the Company on the Record Date, all Shareholders have registered addresses in Hong Kong and all Shareholders are Qualifying Shareholders. The register of members has been closed for the purpose of determining the shareholders as at the Latest Practicable Date.

Subscription Price

The Subscription Price for the Rights Shares is HK$1.5 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares accepts the provisional allotment of the Rights Shares. The Subscription Price represents:

1. a discount of about 19.8% to the closing price of HK$1.87 per Share as quoted on the Stock Exchange on the Last Dealing Date;

2. a discount of about 4.5% to the theoretical ex-rights price of about HK$1.57 per Share based on that closing price of HK$1.87 per Share as quoted on the Stock Exchange on the Last Dealing Date and assuming 4 Rights Shares are issued for every existing Share existed as at the date of the Announcement;

3. a discount of about 16.7% to the average closing price of about HK$1.80 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Dealing Date;

4. a discount of about 46.4% to the closing price of HK$2.80 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

5. a premium of about 100% to the net asset value of about HK$0.75 per Share as at 31 March 2007 of the Company.

The Subscription Price has been determined by the Directors after (i) taking into account the market price per Share at the time of the entering into the Underwriting Agreement on 23 November 2004; (ii) the potential dilution effect of the issue of the Rights Shares; (iii) the desirability of having its minority Shareholders taking up the Rights Shares; and (iv) arms' length negotiations between the Company and the

Underwriter. The Directors consider the terms of the Rights Issue including the Subscription Price to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Trading of Rights Shares

Dealings in the Rights Shares in both their nil-paid and fully-paid forms registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty in Hong Kong.

Status of the Rights Shares

The Rights Shares, when allotted and fully-paid, will rank pari passu in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date on which the Rights Shares become fully paid.

Excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any Rights Shares provisionally allotted but not accepted.

Application for excess Rights Shares may be made by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis. Shareholders with their Shares held through one or more nominee company should note that the Directors will regard each nominee company as a single Shareholder according to the branch register of members of the Company in Hong Kong. Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

Conditions of the Rights Issue

The Rights Issue is conditional upon each of the following events taking place:

1. the Listing Committee agreeing to grant the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms, either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any) by no later than the dates specified in such grant;

2. the obligations of CTF under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated in accordance with the terms thereof; and

3. all Conditions Precedent (other than that which relates to the Rights Issue) having been fulfilled or waived in accordance with the terms of the Acquisition Agreement.

If the conditions of the Rights Issue are not fulfilled on or before 31 December 2007 (or such later date as the Company and CTF may agree), neither CTF nor the Company shall have any rights or be subject to any obligations arising from the Underwriting Agreement save that the Company shall pay or reimburse CTF all reasonable costs, fees and other expenses properly incurred by CTF in connection with its obligations under the Underwriting Agreement.

The estimated net proceeds of the Rights Issue will be about HK$1,375 million. The Company plans to use about HK$798.2 million out of the net proceeds to finance the Acquisition and the remaining balance of about HK$576.8 million as working capital of the Group. The balance allows a buffer for payments which the Company may be required to make on adjustment of the purchase price under the Acquisition Agreement and any sums remaining will be set aside as working capital of the Group. The Directors consider the Rights Issue to be necessary and appropriate as it provides funds for the Company to complete the Acquisition.

As the Rights Issue will allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company, the Directors consider that it is in the interests of the Company and its Shareholders as a whole to raise capital through the Rights Issue.

Listing and Dealings

Nil-paid Rights Shares are expected to be traded in board lots of 2,000 (the Shares are currently traded on the Stock Exchange in board lots of 2,000). Application has been made to the Exchange for listing of and permission to deal in the Rights Shares in both their nil-paid and fully-paid forms. Subject to the granting of listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the GEM and compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the GEM or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Taxation

Qualifying Shareholders are recommended to consult their professional advisers if they are in doubt as to the tax implications of the acquisition, holding or disposal of, or dealing in the Rights Shares. It is emphasised that none of the Company, the Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares.

Underwriting arrangements

(i) Underwriting Agreement

Pursuant to the Underwriting Agreement, CTF has agreed to underwrite approximately HK$695.0 million worth of Rights Shares (at the Subscription Price). Based on 235,831,447 Shares in issue as at the Latest Practicable Date, 943,325,788 Rights Shares would be issued pursuant to the Rights Issue and 463,325,472 Rights Shares (excluding the Rights Shares provisionally allotted to and to be accepted by Mediastar as Shareholder pursuant to the Rights Issue) would be underwritten by CTF. The Company entered into the Underwriting Agreement to secure necessary funding for, amongst other things, the Acquisition. Given that the Company had not been able to secure third party underwriters who were prepared to accept an underwriting commitment for an indefinite period of time (it is not being possible for the Company to ascertain the time it needs to obtain all requisite approvals for its deemed new listing application as a result of the Acquisition) in November 2004 when the Original Agreement was signed, and in order to demonstrate CTF's commitment to the long-term prospects of the Company, the Company and CTF agreed to the appointment of CTF as the underwriter of the Rights Issue.

(ii) Commission

The Company will pay CTF an underwriting commission of 2 per cent. of the aggregate Subscription Price of the Rights Shares (other than the Rights Shares provisionally allotted to Mediastar pursuant to the Rights Issue) underwritten by it. The Directors consider that the underwriting commission accords with the market rates.

(iii) Termination and force majeure

The Underwriting Agreement will be terminated if the conditions of the Rights Issue set out above are not fulfilled and/or waived by CTF on or before 31 December 2007 or such later date as the Company and CTF may agree.

CTF may also terminate the arrangements set out in the Underwriting Agreement by notice in writing to the Company at any time prior to the Latest Time for Termination if there is (i) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or (ii) any local, national or international event or change (whether or not forming part of series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States) or other nature (whether or not *ejusdem generis* with any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or (iii) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out, and in the opinion of CTF (acting reasonably), any such event would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or would make it inadvisable or inexpedient to proceed with the Rights Issue.

If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Underwriting Agreement shall terminate forthwith (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise provided that the Company shall remain liable to pay to the Underwriter the relevant commissions. If the Underwriter exercises such right, the Rights Issue will not proceed.

SHAREHOLDING STRUCTURE

The changes to the interest in the Company of the CTF Group and its associates, the Directors and the shareholdings of the public Shareholders in the Company immediately before and after the Rights Issue (and assuming that the Convertible Note is not converted at all) are illustrated as follows:–

Shareholders	Shareholding as at the Latest Practicable Date	Shareholding at Completion assuming that none of the Rights Shares (apart from the CTF Group's pro rata entitlement to the Rights Shares) need to be taken up by the CTF Group	Shareholding at Completion assuming that all Rights Shares are taken up by the CTF Group
Mediastar and its associates	120,000,079 (50.9%)	600,000,395 (50.9%)	1,063,325,867 (90.2%)
Young China Investments Limited *(Note)*	19,000,000 (8.1%)	95,000,000 (8.1%)	19,000,000 (1.6%)
Directors and their associates	1,743,600 (0.7%)	8,718,000 (0.7%)	1,743,600 (0.1%)
Other public Shareholders	95,087,768 (40.3%)	475,438,840 (40.3%)	95,087,768 (8.1%)
Total	235,831,447	1,179,157,235	1,179,157,235
Public float	114,087,768 (48.4%)	570,438,840 (48.4%)	114,087,768 (9.7%)

Note: Young China Investments Limited and its ultimate beneficial owner are independent of and not connected with the Company and its connected persons. Accordingly, Young China Investments Limited is regarded as a public Shareholder.

As at the Latest Practicable Date, the Company did not have any other outstanding convertibles or options.

The above table has been prepared on the following assumptions:–

1. the Rights Issue is made on the basis of four Rights Shares for every existing Share held, which will result in a total of 943,325,788 Rights Shares being issued;

2. the shareholdings of the Shareholders as at the Record Date and immediately before and after Completion are the same as that which exists at the Latest Practicable Date, except for the issue of the Rights Shares in the circumstances described in the table and the assumptions set out above; and

3. the conversion rights attached to the Convertible Note is not exercised at all.

PROCEDURE FOR ACCEPTANCE AND PAYMENT OR TRANSFER

A PAL which entitles the Qualifying Shareholders to take up the number of the Rights Shares shown therein is enclosed with this prospectus. If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PAL, the Qualifying Shareholders must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar by no later than 4:00 p.m. on Monday, 20 August 2007. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, or cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "INTERNATIONAL ENTERTAINMENT CORPORATION — PAL" and crossed "ACCOUNT PAYEE ONLY".

It should be noted that unless the PAL, together with the appropriate remittance, has been lodged with the Registrar by no later than 4:00 p.m. on Monday, 20 August 2007, whether by the original allottee or any person to whom the rights have been validly transferred, the relevant provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

The PAL contains full information regarding the procedures to be followed. If the Qualifying Shareholders wish to accept only part of the provisional allotment or if the Qualifying Shareholders wish to transfer all or part of their provisional allotment of Rights Shares to more than one person, the PAL must be surrendered by no later than 4:30 p.m. on Friday, 10 August 2007 to the Registrar which will cancel the original PAL and issue a new PAL in the denominations required. It should be noted that Hong Kong stamp duty is payable in connection with the transfer of the nil paid Rights Shares.

All cheques and cashier's orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Any PAL in respect of which the accompanying cheque or cashier's order is dishonoured on first presentation is liable to be rejected and in such event, the relevant provisional allotment of Rights Shares and all rights thereunder will be deemed to have been declined and will be cancelled.

No action has been taken to permit the offering of the Rights Shares or the distribution of the Prospectus Documents in any territory other than Hong Kong.

If the Underwriter exercises its right to terminate its obligations under the Underwriting Agreement before the Latest Time for Termination, the Rights Issue will not proceed and the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form shall have been validly transferred without interest, by means of cheques crossed "ACCOUNT PAYEE ONLY" to be despatched by ordinary post to their respective registered addresses and in the case of joint applicants to the registered address of the applicant whose name first appears on the register of members or the transfer form at their own risk on or before Tuesday, 28 August 2007.

APPLICATION FOR THE EXCESS RIGHTS SHARES

Any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders will be available for application through the EAF by the Qualifying Shareholders.

If the Qualifying Shareholders wish to apply for any Rights Shares in addition to their provisional allotments indicated on the PAL, they must complete and sign the enclosed EAF in accordance with the instructions printed thereon and lodge it, together with a separate remittance for the full amount payable on application in respect of the excess Rights Shares applied for, with the Registrar by no later than 4:00 p.m. on Monday, 20 August 2007. All remittances must be made by cheque or cashier's order in Hong Kong dollars. Cheques must be drawn on account with, or cashier's order must be issued by, a licensed bank in Hong Kong and made payable to "INTERNATIONAL ENTERTAINMENT CORPORATION — EAF" and crossed "ACCOUNT PAYEE ONLY". The Registrar will notify you of any allotment of excess Rights Shares made to you, the allotment of which will be allocated on a fair and equitable basis to be decided at the sole discretion of the Directors.

All cheques and cashier's orders will be presented for payment following receipt and all interest earned on such monies shall be retained for the benefit of the Company. Any EAF in respect of which the accompanying cheque or cashier's order is dishonored on first presentation is liable to be rejected and cancelled.

If no excess Rights Shares are allotted to the Qualifying Shareholders, the amount tendered on application is expected to be refunded in full on or before Tuesday, 28 August 2007. If the number of excess Rights Shares allotted to the Qualifying Shareholders is less than that applied for, the surplus application monies are also expected to be refunded on or before Tuesday, 28 August 2007.

REASONS FOR THE RIGHTS ISSUE

The Company is an investment holding company. The Group is principally engaged in the provision of project services, network solutions, the acquisition, financing, production and worldwide licensing of theatrical feature films in a variety of genres and investments in production of television series and music concerts.

As stated in the circular of the Company dated 29 June 2007, the Directors intended to seek new business opportunities which would expand or complement the current activities of the Group. It is the intention of the Directors to explore the leisure and entertainment markets for opportunities as they perceive potential growth in these sectors in the long run. The objective is to strive for better return to the Shareholders. The Directors believe that the benefits of a broadened revenue base for the Group will reinforce the growth strategy of the Company and diversify the geographical coverage of the Company's business interests. In this regard, the Company identified a target and entered into the Acquisition Agreement for the acquisition of the Sale Shares and the Sale Loans at an aggregate consideration of HK$1,198.2 million (subject to adjustments), details of which were disclosed in the aforesaid circular of the Company. Accordingly, the net proceeds to be derived from the Rights Issue will be used to finance the Acquisition and to provide additional working capital to the Group.

FUTURE PLANS AND PROSPECTS

After Completion, the Directors intend to conduct a further detailed review of the existing businesses of the Group with a view to expanding the Group's leisure and entertainment business operations and enhancing its long term profitability and long term growth potential. This may include continued development of existing markets or expansion into new markets (both in terms of location and industry segment), as appropriate, where the Directors perceive potential growth in the long run. The Directors may in the future scale down or adjust areas of operations where appropriate.

In addition, the Directors will conduct a detailed review of its financial structure and the composition of its assets and liabilities and may consider further re-engineering such structure and composition in an optimal way.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not conducted any fund raising activities in the past 12 months immediately before the date of the announcement of the timetable of the Rights Issue on 13 July 2007.

GEM LISTING RULES IMPLICATION

Pursuant to the Underwriting Agreement, CTF agreed to act as the underwriter to the Rights Issue. As CTF is a significant Shareholder as defined under the GEM Listing Rules, such restriction on disposal of Shares pursuant to Rule 13.17 of the GEM Listing Rules will apply to CTF as a result of the deemed new listing.

If the Rights Shares are not taken up by the Shareholders, the public float for Shares may fall under 25% on completion of the Rights Issue. It may be desirable or necessary, in order to bring public float up to 25% during the Restriction Period for CTF to sell its Shares to Independent Third Parties. The Company, CTF and Mediastar undertake they will make prior arrangements before Completion to ensure the minimum public float of the Shares prescribed under the GEM Listing Rules is maintained immediately after the issue of the Rights Shares.

Accordingly, the Company and CTF have applied for and obtained from the Stock Exchange a waiver from strict compliance with the requirements under Rule 13.17 of the GEM Listing Rules so that CTF may dispose of or permit the registered holder to dispose of certain Shares within the Restriction Period for the sole purpose of restoring the public float to meet the minimum requirement under the GEM Listing Rules.

The Stock Exchange has stated that it will closely monitor the trading in the Shares on the Stock Exchange. If less than 25% of the issued Shares are held by the public, or if the Stock Exchange believes that:

- **a false market exists or may exist in the trading in the Shares; or**

- **there are insufficient Shares in public hands to maintain an orderly market,**

it will consider exercising its discretion to suspend dealings in the Shares.

WARNING OF RISKS OF DEALING IN SHARES AND THE NIL-PAID RIGHTS SHARES

Shareholders and potential investors should note that the Rights Issue is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of the termination events is set out in the sub-paragraph headed "Termination and force majeure" above). Accordingly, the Rights Issue may or may not proceed.

Shareholders and potential investors should therefore exercise caution when dealing in the Shares, and if they are in doubt about their position, they should consult their professional advisers. Shareholders should note that dealings in the Shares on an ex-rights basis have commenced from Thursday, 26 July 2007. The Rights Shares will be dealt in their nil-paid form from Monday, 6 August 2007 to Wednesday, 15 August 2007, both days inclusive. Shareholders should note that dealings in such Shares will take

place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in such Shares up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be Friday, 24 August 2007), will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. Any person dealing or contemplating any dealing in the securities of the Company and/or the Rights Shares in their nil-paid form during this period who is in any doubt about his/her/its position is recommended to consult his/her/its own professional adviser.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above (i) in force in Hong Kong at any time before 12:00 noon and no longer in force after 12:00 noon on the latest date for acceptance of the offer of Rights Shares, the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the offer of Rights Shares, the latest time for acceptance of and payment for the Rights Shares will be postponed to 4:00 p.m. on the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m. Accordingly, the dates mentioned in the section headed "Expected timetable" in this prospectus may be affected. An announcement will be made by the Company in such event.

INFORMATION AND INTENTION OF CTF

CTF's ordinary course of business does not involve underwriting of securities.

It is the present intention of CTF to continue the existing business of the Group and not to introduce any major changes to the Group's business, including any redeployment of the Group's fixed assets. However, the Directors may in the future scale down or adjust areas of operations where appropriate.

GENERAL INFORMATION

All documents, including certificates for the Rights Shares, cheques or cashier's orders, will be sent by ordinary post at the risk of the persons entitled thereto to their registered addresses.

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

Yours faithfully,
For and on behalf of the Board
International Entertainment Corporation
Dr. Cheng Kar Shun
Chairman

A. FINANCIAL SUMMARY

The following is a summary of the audited consolidated income statements and audited consolidated balance sheets of the Group for the three years ended 31 March 2005, 2006 and 2007 as extracted from the relevant annual reports of the Group for the years presented.

Consolidated Income Statement

	Year ended 31 March,		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	137,310	274,311	34,448
Cost of sales	(204,609)	(357,328)	(35,308)
Gross loss	(67,299)	(83,017)	(860)
Other income	16,872	9,281	3,977
Selling and distribution costs	(12,786)	(21,012)	(2,424)
General and administrative expenses	(41,512)	(60,717)	(28,210)
Other expenses	–	–	(1,244)
Impairment loss recognised in respect of goodwill	–	(14,843)	–
Finance costs	(4,828)	(2,704)	(1,117)
Loss before taxation	(109,553)	(173,012)	(29,878)
Taxation	(1,260)	(22,049)	–
Loss for the year	(110,813)	(195,061)	(29,878)
Attributable to:			
Equity holders of the Company	(110,813)	(117,063)	(19,295)
Minority interests	–	(77,998)	(10,583)
	(110,813)	(195,061)	(29,878)
Loss per share			
Basic	HK$(0.47)	HK$(0.50)	HK$(0.10)
Diluted	HK$(0.47)	HK$(0.50)	HK$(0.10)

Consolidated Balance Sheet

	At 31 March		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	1,473	1,952	4,061
Intangible assets	–	–	–
Goodwill	–	–	15,764
Interests in an associate	–	–	–
Deferred tax assets	–	–	22,543
	1,473	1,952	42,368
Current assets			
Inventories	1,581	655	1,873
Film costs	59,089	198,207	441,311
Available-for-sale financial assets	13,786	–	–
Trade receivables	5,759	25,001	83,321
Other receivables, deposits and prepayments	34,761	23,295	20,312
Amounts due from related companies	41	458	584
Tax recoverable	–	15	–
Pledged bank deposits	13,853	59,861	9,014
Bank balances and cash	180,538	233,123	353,009
	309,408	540,615	909,424
Current liabilities			
Trade payables	92,859	59,371	52,650
Other payables and accrued charges	24,219	46,444	110,520
Tax liabilities	1,260	–	–
Amounts due to related companies	1,330	2,454	1,549
Loans from directors	–	3,044	3,044
Loans from related companies	–	12,582	12,582
Preference dividend payable	673	673	673
Other borrowings	–	3,374	3,374
Bank borrowings	12,853	127,133	249,510
Promissory notes	–	–	36,084
	133,194	255,075	469,986
Net current assets	176,214	285,540	439,438
Total assets less current liabilities	177,687	287,492	481,806
Capital and reserves			
Share capital	235,831	235,831	235,831
Share premium and reserves	(58,144)	51,661	168,598
Equity attributable to equity holders of the Company	177,687	287,492	404,429
Minority interests	–	–	77,377
Total equity	177,687	287,492	481,806

B. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Set out below are the unqualified audited consolidated financial statements of the Group for each of the two years ended 31 March 2006 and 2007 together with notes thereto as extracted from the Group's 2007 annual report:

Consolidated Income Statement
For the Year Ended 31 March 2007

	Notes	**2007** *HK$'000*	**2006** *HK$'000*
Turnover	*6*	137,310	274,311
Cost of sales		(204,609)	(357,328)
Gross loss		(67,299)	(83,017)
Other income	*8*	16,872	9,281
Selling and distribution costs		(12,786)	(21,012)
Impairment loss recognised in respect of goodwill		–	(14,843)
General and administrative expenses		(41,512)	(60,717)
Finance costs	*9*	(4,828)	(2,704)
Loss before taxation	*10*	(109,553)	(173,012)
Taxation	*13*	(1,260)	(22,049)
Loss for the year		(110,813)	(195,061)
Attributable to:			
Equity holders of the Company		(110,813)	(117,063)
Minority interests		–	(77,998)
		(110,813)	(195,061)
Loss per share	*14*		
Basic		HK$(0.47)	HK$(0.50)
Diluted		HK$(0.47)	HK$(0.50)

Consolidated Balance Sheet
At 31 March 2007

	Notes	**2007** *HK$'000*	**2006** *HK$'000*
Non-current assets			
Property, plant and equipment	*15*	1,473	1,952
Goodwill	*16*	–	–
Interest in an associate	*17*	–	–
		1,473	1,952
Current assets			
Inventories	*18*	1,581	655
Film costs	*19*	59,089	198,207
Available-for-sale financial assets	*20*	13,786	–
Trade receivables	*21*	5,759	25,001
Other receivables, deposits and prepayments		34,761	23,295
Amounts due from related companies	*22*	41	458
Tax recoverable		–	15
Pledged bank deposits	*23*	13,853	59,861
Bank balances and cash	*23*	180,538	233,123
		309,408	540,615
Current liabilities			
Trade payables	*24*	92,859	59,371
Other payables and accrued charges		24,219	46,444
Tax liabilities		1,260	–
Amounts due to related companies	*25*	1,330	2,454
Loans from directors	*26*	–	3,044
Loans from related companies	*27*	–	12,582
Preference dividend payable		673	673
Other borrowings	*28*	–	3,374
Bank borrowings	*29*	12,853	127,133
		133,194	255,075
Net current assets		176,214	285,540
Total assets less current liabilities		177,687	287,492
Capital and reserves			
Share capital	*30*	235,831	235,831
Share premium and reserves		(58,144)	51,661
Equity attributable to equity holders of the Company		177,687	287,492
Minority interests		–	–
Total equity		177,687	287,492

Consolidated Statement of Changes in Equity
For the Year Ended 31 March 2007

	Attributable to equity holders of the Company								
	Share capital *HK$'000*	Share premium *HK$'000*	Merger reserve *HK$'000* *(Note)*	Investment revaluation reserve *HK$'000*	Exchange reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*
At 1 April 2005	235,831	263,832	53,022	–	(2,793)	(145,968)	403,924	77,377	481,301
Exchange differences on translation to presentation currency	–	–	–	–	631	–	631	621	1,252
Loss for the year	–	–	–	–	–	(117,063)	(117,063)	(77,998)	(195,061)
Total recognised income and expense for the year	–	–	–	–	631	(117,063)	(116,432)	(77,377)	(193,809)
At 31 March 2006	235,831	263,832	53,022	–	(2,162)	(263,031)	287,492	–	287,492
Fair value change in available-for-sale financial assets	–	–	–	188	–	–	188	–	188
Exchange differences on translation to presentation currency	–	–	–	–	820	–	820	–	820
Net income recognised directly in equity	–	–	–	188	820	–	1,008	–	1,008
Loss for the year	–	–	–	–	–	(110,813)	(110,813)	–	(110,813)
Total recognised income and expense for the year	–	–	–	188	820	(110,813)	(109,805)	–	(109,805)
At 31 March 2007	235,831	263,832	53,022	188	(1,342)	(373,844)	177,687	–	177,687

Note: Merger reserve of the Group represents the difference between the share capital and share premium of HKCYBER whose shares were exchanged for the Company's shares and the nominal amount of share capital issued by the Company pursuant to the Group Reorganisation.

Consolidated Cash Flow Statement
For the Year Ended 31 March 2007

	2007	2006
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Loss before taxation	(109,553)	(173,012)
Adjustments for:		
Interest income	(10,036)	(9,227)
Interest expenses	4,828	2,704
Allowance for bad and doubtful debts	1,085	11,874
Allowance for obsolete inventories	45	–
Loss on disposal of property, plant and equipment	152	–
Loss on write-off of property, plant and equipment	–	67
Impairment loss recognised in respect of film costs	102,815	100,748
Impairment loss recognised in respect of goodwill	–	14,843
Depreciation of property, plant and equipment	1,417	2,647
Gain on disposal of available-for-sale financial assets	(5,434)	–
Amortisation of film costs	88,862	235,577
Dividend income	(300)	–
Operating cash flows before movements in working capital	73,881	186,221
Increase in film costs	(44,839)	(66,930)
(Increase) decrease in inventories	(971)	1,218
Decrease in trade receivables	18,157	58,320
Increase in other receivables, deposits and prepayments	(11,731)	(14,538)
Decrease in amounts due from related companies	417	126
Increase in trade payables	31,581	6,721
Decrease in other payables and accrued charges	(22,225)	(65,233)
(Decrease) increase in amounts due to related companies	(1,124)	905
Cash generation from operations	43,146	106,810
Hong Kong Profits Tax refunded (paid)	15	(15)
NET CASH FROM OPERATING ACTIVITIES	43,161	106,795

	2007 *HK$'000*	2006 *HK$'000*
INVESTING ACTIVITIES		
Interest received	10,301	8,908
Dividend income	300	–
Purchase of property, plant and equipment	(1,067)	(600)
Proceeds on disposal of property, plant and equipment	13	–
Decrease (increase) in pledged bank deposits	46,327	(50,550)
Purchase of available-for-sale financial assets	(27,164)	–
Proceeds of disposal of available-for-sale financial assets	19,000	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES	47,710	(42,242)
FINANCING ACTIVITIES		
Interest paid	(8,276)	(17,651)
Repayment of loans from related companies	(12,582)	–
New bank borrowings	–	31,679
Repayment of bank borrowings	(116,454)	(161,088)
Repayment of promissory notes	–	(36,084)
Repayment of other borrowings	(3,374)	–
Repayment of loans from directors	(3,044)	–
NET CASH USED IN FINANCING ACTIVITIES	(143,730)	(183,144)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(52,859)	(118,591)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	233,123	350,858
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	274	856
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	180,538	233,123

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2007

1. GENERAL

The Company is a public listed company incorporated in the Cayman Islands and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 31 July 2000. Its immediate holding company is Mediastar International Limited (incorporated in British Virgin Islands). Its intermediate holding company and ultimate holding company are Chow Tai Fook Enterprises Limited ("CTF") (incorporated in Hong Kong) and Cheng Yu Tung Family (Holdings) Limited (incorporated in British Virgin Islands) respectively. The address of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The functional currency of the group entities is United States dollars ("USD"), the currency of the primary economic environment in which the Group operates. The consolidated financial statements are presented in Hong Kong dollars as the directors consider that it is more appropriate presentation for a company listed in Hong Kong and for the convenience of the shareholders.

The Company is an investment holding company. Details of the principal activities of the principal subsidiaries are set out in note 38 to the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("new HKFRSs"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for accounting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006. The adoption of the new HKFRSs has no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment, revised or interpretations will have no any material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures [1]
HKAS 23 (Revised)	Borrowing costs [2]
HKFRS 7	Financial instruments: Disclosures [1]
HKFRS 8	Operating segments [2]
HK(IFRIC) – INT 8	Scope of HKFRS 2 [3]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives [4]
HK(IFRIC) – INT 10	Interim financial reporting and impairment [5]
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions [6]
HK(IFRIC) – INT 12	Service concession arrangements [7]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2009.
[3] Effective for annual periods beginning on or after 1 May 2006.
[4] Effective for annual periods beginning on or after 1 June 2006.
[5] Effective for annual periods beginning on or after 1 November 2006.
[6] Effective for annual periods beginning on or after 1 March 2007.
[7] Effective for annual periods beginning on or after 1 January 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

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

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

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

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are mainly loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that requires delivery of assets with the time frame established by regulation or convention in the market price. The accounting policies adopted in respect of each category of financial assets are set out below.

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 each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, pledged bank deposits, bank balances and amounts due from related companies) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including trade payables, other payables, amounts due to related companies, loans from directors, loans from related companies, preference dividend payable and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

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

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

Equity-settled share-based payment transactions

Share options granted to employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to share option reserve.

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

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Engineering service income is recognised over the relevant contract period on straight line basis.

Other service income is recognised when the services are rendered.

Fee licensing income is recognised when the film production is completed, the ownership of the production has been passed to the distributors, the licensing contract is signed with a fixed or determinable fees and the collectibility of proceeds is reasonable assured.

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Property, plant and equipment

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

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

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

Impairment losses (other than goodwill)

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Film costs

Film costs represents film rights and films and animation series produced by the Group or acquired by the Group.

Film rights are stated at cost less accumulated amortisation and any identified impairment loss. Amortisation is charged to the income statement based on the proportion of actual income earned during the year to the total estimated income from the distribution of film rights.

Leasing

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

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on 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, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such 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.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

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

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 each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefits costs

Payments to retirement benefits schemes are charged as an expense when the employee have rendered service entitling them to the contribution.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 3, management has made the following estimates concerning future. The key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

Estimated impairment and amortisation of film costs

Once there is an indication of impairment of film costs, the management of the Group reviews the fair values of film costs on a film-by-film basis by referring to respective present value which was calculated based on the estimated future income. The income forecast calculation requires the Group to estimate the future income expected to arise. Where the actual income less than expected, impairment loss of film costs may arise. Besides, the Group amortises its film costs based on the proportion of actual income earned during the year to the total estimated income from the distribution of film rights. The Group assesses the total estimated income on a regular basis and if the expectation differs from the original estimate, such difference will impact the amortisation charge in the year in which such estimate has been changed.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade receivables, other receivables, available-for-sale financial assets, pledged bank deposits, bank balances, trade payables, other payables, amounts due to related companies, and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual trade receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

Interest rate risk

Interest bearing financial assets comprise bank balances and pledged bank deposits which are all short-term in nature and are therefore not exposed to significant fair value interest rate risk.

The Group's cash flow interest rate risk mainly relates to variable-rate borrowings. The Group currently does not have any interest rate hedging policy. The directors monitor the Group's exposure on ongoing basis and will consider hedging interest rate risk should the need arise.

Fair value

The fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices. The fair value of these financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

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

6. TURNOVER

	2007	**2006**
	HK$'000	*HK$'000*
The Group's turnover comprises:		
Sales of goods	7,824	8,112
Service income	10,869	8,727
Film licensing income	118,617	257,472
	137,310	274,311

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into three operating divisions, namely network solutions, project services and entertainment business. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Network solutions	–	Providing total system solution including data networking solution, synchronisation solution, timing solution, wireless local area network solution and network access control solution
Project services	–	Providing infrastructure installation services for customers which include cellular base station and antenna system installation service, structural cabling installation service and microwave installation service
Entertainment business	–	Production and licensing of theatrical motion pictures in a variety of genres

Segment information about these businesses is presented below.

Income statement for the year ended 31 March 2007

	Network solutions *HK$'000*	**Project services** *HK$'000*	**Entertainment business** *HK$'000*	**Others** *HK$'000*	**Consolidated** *HK$'000*
TURNOVER					
External sales	7,824	9,469	118,617	1,400	137,310
RESULTS					
Segment results	2,268	2,640	(111,634)	988	(105,738)
Other income					16,872
Unallocated expenses					(15,859)
Finance costs					(4,828)
Loss before taxation					(109,553)
Taxation					(1,260)
Loss for the year					(110,813)

Balance sheet at 31 March 2007

	Network solutions *HK$'000*	Project services *HK$'000*	Entertainment business *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
ASSETS					
Segment assets	3,376	3,540	80,919	–	87,835
Unallocated corporate assets					223,046
Consolidated total assets					310,881
LIABILITIES					
Segment liabilities	3,380	3,195	106,567	674	113,816
Unallocated corporate liabilities					19,378
Consolidated total liabilities					133,194

Other information for the year ended 31 March 2007

	Network solutions *HK$'000*	Project services *HK$'000*	Entertainment business *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Additions to property, plant and equipment and film costs	–	–	48,547	807	49,354
Depreciation and amortisation	116	–	89,115	1,048	90,279
Loss on disposal of property, plant and equipment	–	–	–	152	152
Impairment loss recognised in respect of film costs	–	–	102,815	–	102,815
Allowance for obsolete inventories	7	38	–	–	45
Allowance for bad and doubtful debts	32	–	1,053	–	1,085

Income statement for the year ended 31 March 2006

	Network solutions HK$'000	Project services HK$'000	Entertainment business HK$'000	Others HK$'000	Elimination HK$'000	Consolidated HK$'000
TURNOVER						
External sales	8,112	6,796	257,472	1,931	–	274,311
Inter-segment sales	105	–	–	–	(105)	–
Total	8,217	6,796	257,472	1,931	(105)	274,311
Inter-segment sales are charged at prevailing market prices						
RESULTS						
Segment results	(2,500)	1,641	(162,672)	983	–	(162,548)
Other income						9,281
Unallocated expenses						(17,041)
Finance costs						(2,704)
Loss before taxation						(173,012)
Taxation						(22,049)
Loss for the year						(195,061)

Balance sheet at 31 March 2006

	Network solutions HK$'000	Project services HK$'000	Entertainment business HK$'000	Others HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	1,040	1,198	240,837	422	243,497
Unallocated corporate assets					299,070
Consolidated total assets					542,567
LIABILITIES					
Segment liabilities	1,515	2,407	95,132	1,005	100,059
Unallocated corporate liabilities					155,016
Consolidated total liabilities					255,075

Other information for the year ended 31 March 2006

	Network solutions *HK$'000*	Project services *HK$'000*	Entertainment business *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Additions to property, plant and equipment and film costs	38	–	83,411	176	83,625
Depreciation and amortisation	168	–	235,838	2,218	238,224
Loss on write-off of property, plant and equipment	–	–	–	67	67
Impairment loss recognised in respect of film costs	–	–	100,748	–	100,748
Impairment loss recognised in respect of goodwill	4,807	–	10,036	–	14,843
Allowance for bad and doubtful debts	–	–	11,874	–	11,874

Geographical segments

The Group's operations are located in Hong Kong, elsewhere in the People's Republic of China (the "PRC") and the United States of America (the "USA").

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods/services:

	Turnover by geographical market 2007 *HK$'000*	2006 *HK$'000*
Hong Kong	20,321	14,669
Elsewhere in the PRC	1,022	2,170
USA	46,301	127,978
Europe	65,358	112,596
Asia other than Hong Kong and the PRC	4,308	16,898
	137,310	274,311

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and film costs, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and film costs	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	15,100	27,798	1,417	25,692
Elsewhere in the PRC	943	676	55	9
USA	71,792	215,023	47,882	57,924
	87,835	243,497	49,354	83,625

8. OTHER INCOME

	2007	2006
	HK$'000	*HK$'000*
Gain on disposal of available-for-sale financial assets	5,434	–
Interest income on bank deposits	10,036	9,227
Sundry income	1,102	54
Dividend income from listed securities	300	–
	16,872	9,281

9. FINANCE COSTS

	2007	2006
	HK$'000	*HK$'000*
Interest on bank overdrafts and bank borrowings	7,838	17,651
Interest on loans from related companies	308	510
Interest on loans from directors	65	111
Interest on other borrowings	65	111
Imputed interest expense on promissory notes	–	416
	8,276	18,799
Less: Amount capitalised in film costs	(3,448)	(16,095)
	4,828	2,704

10. LOSS BEFORE TAXATION

	2007	2006
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging:		
Allowance for bad and doubtful debts	1,085	11,874
Allowance for obsolete inventories (included in cost of sales)	45	–
Amortisation of film costs (included in cost of sales)	88,862	235,577
Auditors' remuneration	2,469	1,800
Underprovision in previous year	210	–
	2,679	1,800
Cost of inventories recognised as an expense	12,097	11,034
Depreciation of property, plant and equipment	1,417	2,647
Impairment loss recognised in respect of film costs (included in cost of sales) *(note 19)*	102,815	100,748
Loss on write-off of property, plant and equipment	–	67
Loss on disposal of property, plant and equipment	152	–
Net foreign exchange loss	220	376
Rental expenses under operating leases on		
– premises	3,998	3,699
– equipment	283	394
Staff costs, including directors' emoluments		
– Salaries and allowances	25,478	25,875
– Retirement benefits schemes contributions *(note 33)*	509	495
	25,987	26,370

11. DIRECTORS' EMOLUMENTS

	2007	2006
	HK$'000	*HK$'000*
Directors' fees	2,037	660
Other emoluments:		
Salaries and other benefits	500	501
Contributions to retirement benefits scheme	12	12
	512	513
	2,549	1,173

The emoluments paid or payable to each of the nine (2006: eight) directors were as follows:

	Cheng Kar Shun	Lo Lin Shing, Simon	To Hin Tsun, Gerald	Choi Wing Kin	So Kam Wing	Wu Wing Kin	Cheung Hon Kit	Kwee Chong Kok, Michael	Wong Chi Keung	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2007										
Fees:										
Executive directors	500	500	377	100	100	–	–	–	–	1,577
Non-executive directors	–	–	–	–	–	120	110	110	120	460
Other emoluments:										
Salaries and other benefits	–	–	–	–	500	–	–	–	–	500
Contributions to retirement benefits scheme	–	–	–	–	12	–	–	–	–	12
Total emoluments	500	500	377	100	612	120	110	110	120	2,549

	Cheng Kar Shun	Lo Lin Shing, Simon	Choi Wing Kin	So Kam Wing	Wu Wing Kin	Cheung Hon Kit	Kwee Chong Kok, Michael	Wong Chi Keung	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2006									
Fees:									
Executive directors	100	100	–	–	–	–	–	–	200
Non-executive directors	–	–	–	–	120	110	110	120	460
Other emoluments:									
Salaries and other benefits	–	–	–	501	–	–	–	–	501
Contributions to retirement benefits scheme	–	–	–	12	–	–	–	–	12
Total emoluments	100	100	–	513	120	110	110	120	1,173

During the year, no emolument was paid by the Group to the directors as discretionary bonus or an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director had waived or agreed to waive any remuneration.

12. EMPLOYEES' EMOLUMENTS

The five individuals with the highest emoluments in the Group did not include any director of the Company (2006: nil). The emoluments of the five (2006: five) individuals were as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Salaries and other benefits	8,576	8,405
Contributions to retirement benefits scheme	97	118
	8,673	8,523

Their emoluments were within the following bands:

	2007 No. of employees	**2006 No. of employees**
HK$1,000,001 to HK$1,500,000	2	2
HK$1,500,001 to HK$2,000,000	1	2
HK$2,000,001 to HK$2,500,000	2	1
	5	5

13. TAXATION

	2007	**2006**
	HK$'000	*HK$'000*
Current tax – Hong Kong	1,260	–
Deferred taxation *(note 31)*	–	22,049
	1,260	22,049

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profit for the year. No taxation arising in other jurisdiction has been made in the financial statements as its overseas operations have no assessable profits for the year.

No provision for Hong Kong Profits Tax or taxation arising in other jurisdiction was made in the 2006 financial statements as the Company and its subsidiaries have no assessable profits for the year ended 31 March 2006.

The income tax rate of the Group's subsidiaries operating in Hong Kong is 17.5% (2006: 17.5%).

The income tax rate of the Group's subsidiaries operating in the USA is 36.8% (2006: 36.8%).

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

	USA		Hong Kong		Total	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Loss before taxation	(91,286)	(150,197)	(18,267)	(22,815)	(109,553)	(173,012)
Tax at the domestic rates applicable to profits in the country concerned	(33,593)	(55,272)	(3,197)	(3,993)	(36,790)	(59,265)
Tax effect of expenses not deductible for tax purpose	13,535	2,370	2,924	2,631	16,459	5,001
Tax effect of income not taxable for tax purpose	–	–	(1,716)	(1,545)	(1,716)	(1,545)
Tax effect of utilisation of tax losses not previously recognised	–	–	(23)	–	(23)	–
Tax effect of tax losses and deductible temporary not recognised	20,058	52,902	3,280	2,904	23,338	55,806
Effect of different tax rates of subsidiaries operating in other jurisdiction	–	–	(158)	(6)	(158)	(6)
Reversal of deferred tax assets due to change in estimate	–	22,049	–	–	–	22,049
Others	–	–	150	9	150	9
Tax charge for the year	–	22,049	1,260	–	1,260	22,049

Details of the deferred taxation are set out in note 31 to the consolidated financial statements.

14. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to the ordinary equity holders of the Company for the year ended 31 March 2007 together with the comparative figures for 2006 are based on the following data:

	2007	**2006**
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic and diluted loss per share	(110,813)	(117,063)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	235,831,447	235,831,447

	2007	**2006**
	HK$	*HK$*
Loss per share		
Basic and diluted loss per share	(0.47)	(0.50)

The computation of diluted loss per share does not assume the exercise of the subsidiary's outstanding share options since their exercise would result in a decrease in loss per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture, fixtures and equipment	Computer hardware	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
COST				
At 1 April 2005	2,074	892	6,706	9,672
Exchange adjustments	1	7	–	8
Additions	383	27	190	600
Write-off	–	–	(102)	(102)
At 31 March 2006	2,458	926	6,794	10,178
Exchange adjustments	(1)	(116)	–	(117)
Additions	773	–	294	1,067
Disposals	(1,985)	(262)	(717)	(2,964)
At 31 March 2007	1,245	548	6,371	8,164
DEPRECIATION AND IMPAIRMENT				
At 1 April 2005	698	198	4,715	5,611
Exchange adjustments	1	2	–	3
Provided for the year	1,296	313	1,038	2,647
Eliminated on write-off	–	–	(35)	(35)
At 31 March 2006	1,995	513	5,718	8,226
Exchange adjustments	(3)	(150)	–	(153)
Provided for the year	271	267	879	1,417
Eliminated on disposals	(1,890)	(216)	(693)	(2,799)
At 31 March 2007	373	414	5,904	6,691
CARRYING VALUES				
At 31 March 2007	872	134	467	1,473
At 31 March 2006	463	413	1,076	1,952

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

Leasehold improvements	Over the rental lease terms or 30%, whichever is the shorter period
Furniture, fixtures and equipment	15% – $33^1/_3$%
Computer hardware	15% – $33^1/_3$%

16. GOODWILL

	HK$'000
COST	
At 1 April 2005, at 31 March 2006 and at 31 March 2007	14,843
AMORTISATION AND IMPAIRMENT	
At 1 April 2005	–
Impairment loss recognised	14,843
At 31 March 2006 and at 31 March 2007	14,843
CARRYING VALUES	
At 31 March 2007	–
At 31 March 2006	–

17. INTEREST IN AN ASSOCIATE

	2007 HK$'000	2006 HK$'000
Cost of investment in an associate, unlisted	–	–
Share of post-acquisition losses	–	(1,271)
	–	(1,271)
Amount due from an associate	–	3,500
	–	2,229
Impairment loss recognised	–	(2,229)
	–	–

At 31 March 2007, Target Wise Holdings Limited ("Target Wise") ceased to be the associate of the Group upon the dissolution of Flash Star Group Limited, which held 50% equity interest in Target Wise, during the year ended 31 March 2007.

At 31 March 2006, the amount due from an associate was unsecured, non-interest bearing and has no fixed repayment terms.

18. INVENTORIES

	2007 HK$'000	2006 HK$'000
Raw materials	–	49
Work in progress	750	470
Finished goods	831	136
	1,581	655

19. FILM COSTS

	HK$'000
COST	
At 1 April 2005	471,806
Exchange adjustments	17,944
Additions during the year	83,025
At 31 March 2006	572,775
Exchange adjustments	8,634
Additions during the year	48,287
At 31 March 2007	629,696
AMORTISATION AND IMPAIRMENT	
At 1 April 2005	30,495
Exchange adjustments	7,748
Provided for the year	235,577
Impairment loss recognised	100,748
At 31 March 2006	374,568
Exchange adjustments	4,362
Provided for the year	88,862
Impairment loss recognised	102,815
At 31 March 2007	570,607
CARRYING VALUES	
At 31 March 2007	59,089
At 31 March 2006	198,207

Amortisation of film costs is determined on a film-by-film basis in accordance with the proportion of actual income earned during the year to the total estimated income from the sale of films.

The directors reassessed the recoverability of the film costs as at 31 March 2007 by reference to the future prospect and present value of expected revenue to be generated from the films derived from discounting the projected cash flows by a discount rate of 12.50% (2006: 12.00%) and determined that an impairment loss of approximately HK$102,815,000 (2006: HK$100,748,000) be recognised in the consolidated income statement.

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2007	**2006**
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong at fair value	13,786	–

21. TRADE RECEIVABLES

The credit terms of the Group range from 0 to 90 days. A longer period is granted to few film distributors with whom the Group has a good business relationship and which are in sound financial condition. The aged analysis of trade receivables is as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Aged:		
0 – 30 days	3,306	1,112
31 – 60 days	750	172
61 – 90 days	779	6,624
Over 90 days	924	17,093
	5,759	25,001

22. AMOUNTS DUE FROM RELATED COMPANIES

Amounts due from related companies are disclosed as follows:

Name of related company	**Relationship**	**2007**	**2006**
		HK$'000	*HK$'000*
New World CyberBase (Greater China) Limited ("NWC")	Common director, Mr. Lo Lin Shing, Simon	13	–
New World CyberBase (Shanghai) Limited	Common director, Mr. Lo Lin Shing, Simon	28	28
上海創時信息系統有限公司	Subsidiary of NWC	–	405
廣州易圖通信息技術有限公司	Subsidiary of NWC	–	14
Cyber On-Air (BVI) Ltd.	Common director, Mr. Choi Wing Kin ("Mr. Choi")	–	11
		41	458

The amounts are unsecured, non-interest bearing and repayable on demand.

23. OTHER CURRENT FINANCIAL ASSETS

Bank deposits are short term highly liquid investments carrying interest at market rate which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

The bank balances (included in bank balances and cash) and pledged bank deposits carry fixed interest rate ranging from 1.00% to 4.98% (2006: 0.25% to 4.17%) and 2.90% to 5.19% respectively (2006: 2.15% to 4.38%).

24. TRADE PAYABLES

The aged analysis of trade payables is as follows:

	2007	2006
	HK$'000	*HK$'000*
Aged:		
0 – 30 days	3,821	2,871
31 – 60 days	390	253
61 – 90 days	270	65
Over 90 days	88,378	56,182
	92,859	59,371

25. AMOUNTS DUE TO RELATED COMPANIES

Related companies are companies in which directors of the Company have beneficial interests.

The amounts are unsecured, non-interest bearing and repayable on demand.

26. LOANS FROM DIRECTORS

	2007	2006
	HK$'000	*HK$'000*
Mr. Choi	–	2,849
Mr. So Kam Wing ("Mr. So")	–	195
	–	3,044

The amounts were unsecured and repayable on demand. As at 31 March 2006, included in the total amount of HK$3,044,000 was approximately HK$1,776,000 which carried interest at the Hong Kong Interbank Offered Rate ("HIBOR") plus 2% per annum. The remaining balance was non-interest bearing. The loans from directors were fully repaid during the year.

27. LOANS FROM RELATED COMPANIES

Related companies are companies in which a director of the Company has a beneficial interest.

As at 31 March 2006, the Group obtained loan advances of HK$11,800,000 from Cyber Network Technology Limited ("Cyber Network"). Included in this amount was HK$1,200,000, which carried interest at the best lending rate quoted by The Hong Kong and Shanghai Banking Corporation Limited, and subject to a corporate guarantee issued by the Company and repayable on 30 June 2006. The loan advance of HK$1,200,000 was fully repaid during the year. Besides, approximately HK$800,000, which carried interest at HIBOR plus 2% per annum, was unsecured as at 31 March 2006 and repayable on demand. The loan advance of HK$800,000 was fully repaid during the year. The remaining balance of HK$9,800,000, which carried interest at HIBOR plus 2% per annum, was subject to a corporate guarantee issued by the Company and repayable on 30 June 2006. The loan advance of HK$9,800,000 was fully repaid during the year.

As at 31 March 2006, the Group also obtained loan advances from Wellington Equities Inc. ("Wellington") amounting to approximately HK$782,000. Included in this amount was HK$456,000, which carried interest at HIBOR plus 2% per annum, unsecured and repayable on demand. The remaining balance of HK$326,000 was interest free. The loan advances of HK$782,000 was fully repaid during the year.

28. OTHER BORROWINGS

As at 31 March 2006, the amounts were unsecured and repayable on demand. Included in this amount was approximately HK$1,968,000 which carried interest at the prevailing market rates. The remaining balance was non-interest bearing and repayable on demand. The amounts were fully repaid during the year.

The Group's other borrowings were denominated in Hong Kong dollars, which is the same functional currency of the group entity.

29. BANK BORROWINGS

	2007	**2006**
	HK$'000	*HK$'000*
Secured bank loans, repayable within one year	12,853	127,133

The bank borrowings of the Group are variable-rate borrowings that carry interests in excess of the announced base rate of interest of Bank of America Corporation ranging from 0.75% to 1.50% during the year ended 31 March 2007 (2006: 0.75% to 1.25%). All of the Group's borrowings are denominated in USD, which is the same functional currency of the group entities.

The effective interest rates on the Group's bank borrowings are also equal to contracted interest rates.

As at balance sheet date, the Group's undrawn borrowing facility amounted to HK$1,000,000 (2006: HK$7,806,000) with floating rate expiring within one year.

30. SHARE CAPITAL

	Par value of shares	**Number of shares**	**Value**
	HK$		*HK$'000*
Authorised:			
Ordinary shares			
At 1 April 2005, 31 March 2006 and 2007	1.00 each	500,000,000	500,000
Issued and fully paid:			
Ordinary shares			
At 1 April 2005, 31 March 2006 and 2007	1.00 each	235,831,447	235,831

31. DEFERRED TAXATION

The following are the major deferred tax assets recognised and the movements thereon during the current and the prior reporting years:

	Accelerated accounting depreciation and amortisation	Estimated tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2005	10,662	11,881	22,543
Exchange adjustments	(234)	(260)	(494)
Charge to income statement	(10,428)	(11,621)	(22,049)
At 31 March 2006 and 2007	–	–	–

At the balance sheet date, the Group had estimated unused tax losses of approximately HK$637,305,000 (2006: HK$542,494,000) and deductible temporary differences of HK$157,000 (2006: HK$1,422,000) available for offset against future profits. As at 31 March 2007, no deferred tax assets has been recognised (2006: nil) of such losses due to the unpredictability of future profit streams. Tax losses amounting to HK$274,657,000 (2006: HK$260,880,000) may be carried forward indefinitely. The remaining HK$48,489,000 and HK$314,159,000 will expire before 2016 and 2027 respectively (2006: HK$31,636,000 and HK$249,978,000 will expire before 2015 and 2026 respectively).

32. SHARE OPTION SCHEMES

The Company

Share option scheme adopted on 20 August 2004

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 20 August 2004, a share option scheme was adopted to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and the shares of the Company (the "Shares") for the benefit of the Company and the shareholders of the Company (the "Shareholders") as a whole.

The categories of the participant under this share option scheme are any full-time employee, any director (whether executive or non-executive including independent non-executive director), any supplier, independent contractor, consultant, and/or adviser of the Company or any subsidiary of the Company.

The maximum number of shares in respect of which options may be granted to grantees under this share option scheme and other share option scheme(s) of the Company shall not exceed 30% of the issued share capital of the Company from time to time (the "Scheme Limit"). The maximum number of shares in respect of which options may be granted under this share option scheme shall not (when aggregated with any shares subject to any other share option scheme(s) of the Company) exceed 10% of the issued share capital of the Company on the adoption date of this share option scheme (the "Scheme Mandate Limit"), which is 20,483,144 shares, representing approximately 8.69% of the issued share capital as at the date of this annual report. Option lapsed in accordance with the terms of this share option scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. The Company may grant options beyond the scheme mandate if approval is obtained from Company's shareholders in general meetings.

The maximum number of shares in respect of which options may be granted to a participant under this share option scheme shall not (when aggregated with any shares subject to any other share option scheme(s) of the Company) in any 12 month period exceed 1% of the shares in issue (the "Individual Limit"). The Company may grant options beyond the Individual Limit to a participant at any time if approval is obtained from Company's shareholders in general meetings.

Each grant of options to any director, chief executive, management shareholder or substantial shareholder of the Company, or any of their respective associates shall be subject to the prior approval of the independent non-executive directors of the Company (excluding an independent non-executive director who is the grantee of the options). Where any grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled or outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% (or such other percentage as may from time to time be specified by the Stock Exchange) of the shares in issue; and

(ii) having an aggregate value, based on the closing price of the shares on the date of grant, in excess of HK$5 million (or such other amount as may from time to time be specified by the Stock Exchange), such grant of options shall be subject to prior approval by resolution of the Shareholders (voting by way of poll) on which all connected persons of the Company shall abstain from voting in favour but (for the avoidance of doubt), any connected person may without affecting the validity of the relevant resolution vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.

The period within which the shares must be taken up under the option, which is to be notified by the committee of the board of directors (the "Committee") to each grantee at the time of making an offer of a grant of an option which shall not expire later than 10 years from the date of grant of an option.

Options granted must be taken up within 28 days of the date of grant upon payment of HK$10 as consideration for the grant.

The exercise price is determined by the board of directors in its absolute discretion and will not be less than the average closing price of the shares for the five trading days immediately preceding the offer date or the closing price of the shares on the offer date, whichever is the higher, provided that the exercise price should not be lower than the nominal value of a share.

This share option scheme shall be valid and effective for a period of 10 years commencing on the adoption date, i.e. 20 August 2004.

There were no share options granted under this share option scheme.

A Subsidiary of the Company

Share option scheme of M8 Entertainment Inc. ("M8")

During 1994, the board of directors of M8 formally established the Amended and Restated 1994 Stock Option Plan ("the Plan"), which provides for the granting of stock options to acquire Class B M8 shares to employees, officers, directors and independent service providers to M8 or any of its subsidiaries.

The total number of shares available for issue under the Plan is 23,582,762 shares, representing approximately 5.62% of the issued share capital of M8 as at the date of this annual report.

The number of shares which may be reserved for issuance to any one person shall not exceed 5% of the issued shares.

The exercise period of option granted under the Plan may not exceed 10 years from the date of grant. However, the Plan allows for accelerated expiry dates under certain conditions.

Save as determined by the board of directors of M8 and provided in the offer of the grant of the relevant share options, there is no general requirement that a share option must be held for any minimum period nor a performance target which must be achieved before it can be exercised.

No payment is required on acceptance of option.

The exercise price of an option granted under the Plan is set at the time of grant, but cannot in any event be less than the closing price of the Class B M8 Shares on the Toronto Stock Exchange on the last business day prior to the trading day the option is granted.

The Plan shall continue as long as the board of directors of M8 does not terminate it. Details of the share options outstanding as at 31 March 2007 which have been granted under the Plan to employees are as follows:

Name or category of participant	Date of grant	Vesting period	Exercisable period	Exercise price per share *CAD*	At 1 April 2005	Options cancelled during the year	At 31 March 2006	Options cancelled during the year *(Note)*	At 31 March 2007
Employee	25 May 2000	–	26 May 2000 – 25 May 2010	0.120	100,000	–	100,000	–	100,000
Employee	29 August 2000	30 August 2000 – 29 August 2002	30 August 2002 – 29 August 2010	0.100	137,500	–	137,500	(137,500)	–
Employee	29 August 2000	30 August 2000 – 29 August 2003	30 August 2003 – 29 August 2010	0.100	306,250	–	306,250	(212,500)	93,750
Employee	29 August 2000	30 August 2000 – 29 August 2004	30 August 2004 – 29 August 2010	0.100	306,250	–	306,250	–	306,250
Employee	24 May 2001	–	25 May 2001 – 24 May 2011	0.035	200,000	(100,000)	100,000	–	100,000
Employee	15 February 2002	16 February 2002 – 15 February 2003	16 February 2003 – 15 February 2012	0.075	1,230,000	(400,000)	830,000	(320,000)	510,000
Employee	13 May 2002	–	14 May 2002 – 31 May 2012	0.170	100,000	(100,000)	–	–	–
Employee	13 May 2002	14 May 2002 – 13 May 2003	14 May 2003 – 13 May 2012	0.170	850,000	(100,000)	750,000	(700,000)	50,000
Employee	13 May 2002	14 May 2002 – 13 May 2004	14 May 2004 – 13 May 2012	0.170	1,150,000	–	1,150,000	–	1,150,000
Employee	13 May 2002	14 May 2002 – 13 May 2005	14 May 2005 – 13 May 2012	0.170	1,150,000	–	1,150,000	–	1,150,000
Employee	13 May 2002	14 May 2002 – 13 May 2006	14 May 2006 – 13 May 2012	0.170	1,150,000	–	1,150,000	–	1,150,000
Employee	28 August 2002	29 August 2002 – 28 August 2004	29 August 2004 – 28 August 2012	0.160	1,200,000	–	1,200,000	–	1,200,000
Employee	1 May 2003	–	2 May 2003 – 1 May 2013	0.075	6,970,000	(1,000,000)	5,970,000	(50,000)	5,920,000
Total					14,850,000	(1,700,000)	13,150,000	(1,420,000)	11,730,000

No option was exercised or granted during the year ended 31 March 2006 and 2007.

Note: The options were cancelled due to cessation of employment of participants with the subsidiary.

33. RETIREMENT BENEFITS SCHEMES

The Group participates in a mandatory provident fund scheme in Hong Kong. The scheme assets are held under a mandatory provident fund operated by HSBC Life (International) Limited. Under the scheme, the Group is required to make contributions to the scheme calculated at 5% of the employees' relevant income (as defined in the Mandatory Provident Fund Scheme Ordinance) on a monthly basis.

The relevant PRC subsidiaries are required to make contributions to the state retirement schemes in the PRC based on 31% to 32% (2006: 31% to 32%) of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to the retired staff.

The relevant USA subsidiaries participates in a 401K retirement plan, a defined contribution scheme. The administrator of the plan is Nationalwide Life Insurance. During the year ended 31 March 2007, the relevant subsidiaries make contributions to the plan in a range of 1.5% to 4.0% (2006: 1.5% to 4.0%) of the basic salary of the employees under the plan on bi-weekly basis.

The Group's contributions to the retirement benefits schemes charged to the income statements are as follows:

	2007				2006			
	Hong Kong	**PRC**	**USA**	**Total**	**Hong Kong**	**PRC**	**USA**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Employers' contributions	265	52	192	509	244	68	183	495

34. PLEDGE OF ASSETS

As at 31 March 2007, the Group obtained general banking facilities from various banks upon the following securities:

(a) Pledged bank deposits owned by the Group of approximately HK$13,853,000 (2006: HK$59,861,000).

(b) Mortgages of copyright and assignments of licensing agreements with the film costs of approximately HK$76,319,000 at 31 March 2006.

(c) Floating charges on assets of M8 and its subsidiaries, including trade receivables, other receivables, deposits and prepayments of approximately HK$32,183,000 at 31 March 2006.

35. CONTINGENT LIABILITIES

The directors of the Company, after considering the status of the following claims and the advices by legal advisers, are of the opinion that no provision is required to be made in the consolidated financial statements of the Group:

On 24 February 2006, Crystal Sky LLC (as claimant) initiated an arbitration proceedings against Media 8 Entertainment (as respondent) in respect of certain claims by Crystal Sky LLC for payments of sales commission purportedly owed by Media 8 Entertainment, a subsidiary of the Company under an agreement between the parties dated 14 August 2000, together with damages and costs amounting to approximately US$553,000 (equivalent to approximately HK$4,313,000). The Group has been advised by its US legal advisers that the claims made are unfounded. Accordingly, Media 8 Entertainment has applied for a dismissal of the claim made against it and also applied for summary judgment or adjudication on this matter. The parties requested for arbitration. As at the date of this report, the arbiter is considering the motion for summary judgment and the hearing date of the arbitration is pending.

DEJ Productions, Inc. ("DEJ"), Blockbuster, Inc. ("Blockbuster") and First Look Studios, Inc. ("First Look") (as plaintiffs) filed a claim against Media 8 Entertainment and MDP Distribution, Inc. a subsidiary of the Company (as defendants) for declaratory relief to the effect that DEJ, Blockbuster and First Look owe no additional money to Media 8 Entertainment and MDP Distribution, Inc. under the licence agreement entered by Media 8 Entertainment and MDP Distribution, Inc. and DEJ on 20 September 2006 before the courts in Texas, USA this originally having been a complaint lodged by M8 and MDP Distribution, Inc. (as plaintiffs) against DEJ, Blockbuster and First Look (as defendants) on 26 January 2006 before the courts in Los Angeles which was subsequently transferred to Texas in respect of a claim by Media 8 Entertainment and MDP Distribution, Inc. for the share of revenue to which they have been underpaid but which are entitled in respect of the exploitation and distribution by DEJ of the film "Monster" pursuant to a licensing agreement granted by them, damages and costs, which amounted to not less than US$8,559,674 (equivalent to approximately HK$66,765,000). As at the date of this report, this case is in pre-trial discovery phase.

36. OPERATING LEASE COMMITMENTS

At 31 March 2007, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Within one year	2,843	3,013
In the second to fifth year inclusive	1,441	2,307
	4,284	5,320

Operating lease payments represent rentals payable by the Group for certain of its office premises and lease of other assets. Leases are negotiated for an average term of two years and rentals are fixed for the lease period.

37. RELATED PARTY TRANSACTIONS

A. Apart from the related party transactions as disclosed in notes 22, 25, 26 and 27, the Group entered into the following transactions with related parties during the year:

	2007	**2006**
	HK$'000	*HK$'000*
Rentals and office administrative expenses *(note a)*	625	644
Rental expenses *(note b)*	1,334	1,003
Finance costs to related companies *(note c)*	308	510
Finance costs to directors *(note d)*	65	111
Project service income *(note e)*	639	3,267

Notes:

(a) A company, in which Mr. Lo Lin Shing, Simon ("Mr. Lo"), a director of the Company has a beneficial interest, provided office space for the Group and shared certain office administrative expenses and the above sum was charged.

(b) A company, in which Dr. Cheng Kar Shun ("Dr. Cheng"), a director of the Company has managerial duties and significant influence in the financial and operating policy, leased office premises to the Group.

(c) Companies, in which Mr. Lo, a director of the Company has a beneficial interest, provided loans to the Group. Details of the interest rate and terms of the loans are disclosed in note 27.

(d) The amounts included finance costs paid in respect of loans from Mr. Choi and Mr. So, directors of the Company. Details of interest rate and terms of the loans are disclosed in note 26.

(e) Project service income represented service provided to a company, in which Dr. Cheng is a director of the Company and Dr. Cheng has managerial duties and significant influence in the financial and operating policy.

B. On 23 November 2004, Cross Growth Co., Ltd. (a company wholly-owned by CTF, the Company's intermediate holding company), CTF and the Company entered into a conditional agreement ("Acquisition Agreement") pursuant to which Cross Growth Co., Ltd. agreed to sell its entire equity interest in Fortune Gate Overseas Limited ("Fortune Gate") and the shareholders loans due to CTF and its subsidiaries (excluding the Company and its subsidiaries) ("CTF Group") for a purchase price of HK$850 million (subject to adjustment) and Cross Growth Co., Ltd. and CTF granted the Company an option ("Purchase Option") to purchase (through Fortune Gate) the 40% equity interest in Arc of Triumph Development Company Limited ("ATD") and the 40% of the related shareholders' loans ("Macau Interest") from Cheung Hung Development (Holdings) Limited ("Cheung Hung") at a price of HK$363.2 million (subject to adjustment). The purchase price of HK$850 million will be settled as to HK$400 million by the convertible note (which will due in 3 years and convertible into a share of the Company at an initial conversion price of HK$2 per share (subject to adjustment)) issued by the Company and as to the remaining HK$450 million (subject to adjustment) by cash. If the Company exercises the Purchase Option, the purchase price will be increased by HK$363.2 million (which will be settled by cash) and the shareholders' loans will be increased by the 40% of the related shareholders' loan due to CTF Group. In order to finance the acquisitions, the Company proposed to raise about HK$1,229 million by way of right issue at HK$1.5 per right share (the "Rights Issue"). The principal asset of Fortune Gate will be the 51% equity in a hotel group ("Hotel Group") whose principal asset is a property in Manila partly owned and partly leased by the Hotel Group for the operation of the Hyatt Hotel and Casino Manila. ATD, a company incorporated in Macau and its principal asset is a parcel of land in Macau, is 40% owned by Cheung Hung. On 17 March 2005, the Company exercised the option and will acquire the Macau Interest.

On 27 June 2007, the Company, Cross-Growth and CTF entered into a supplemental agreement to the Acquisition Agreement (the "Supplemental Agreement") pursuant to which Foreign Holiday Philippines, Inc. shall be excluded from the Hotel Group. The total purchase price would be adjusted to HK$1,198.2 million (subject to adjustments). The Rights Issue would be increased to approximately HK$1,415 million.

CTF holds a 100% equity interest in Fortune Gate, which was incorporated in the British Virgin Islands and is investment holding and holds a 73% attributable interest in the Hotel Group, CTF and Mr. Cheng Yu Tung and his family members owns a 48.75% equity interest in Cheung Hung respectively. Cross Growth Co., Ltd. and CTF have undertaken to effect a corporate reorganization to transfer 51% equity interest in the Hotel Group and the associated shareholders' loans and the Macau Interest from the CTF Group and its associate to Fortune Gate before the completion of acquisitions in accordance with the Acquisition Agreement.

The completion of the acquisition of Fortune Gate and the purchase of the Macau Interest is subject to the approvals from the independent shareholders of the Company and the listing committee of the Stock Exchange as well as other conditions precedent set out in the Acquisition Agreement.

At the date of this report, the acquisition of Fortune Gate and the purchase of the Macau Interest have not yet been completed.

C. **Compensation of key management personnel**

The remuneration of other members of key management exclude emoluments of directors and the five (2006: five) employees with the highest emoluments in the Group as disclosed in note 11 and note 12 respectively during the year was as follows:

	2007	2006
	HK$'000	*HK$'000*
Short-term benefits	742	3,683

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance and experience of individuals and market trends.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at 31 March 2007 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Form of business structure	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/ registered capital held by the Company Directly %	Indirectly %	Principal activities
Anbo Global Company Limited	Hong Kong	Limited company	Ordinary	HK$2	–	100	Investment holding
China On-Air Inc.	British Virgin Islands	Limited company	Ordinary	HK$1	–	100	Investment holding
Cyber On-Air (Asia) Limited	Hong Kong	Limited company	Ordinary	HK$100 HK$100,000* Non-voting deferred	–	100	Sales of telecommunication products, provision of network installation and engineering services
Cyber On-Air Group Limited	British Virgin Islands	Limited company	Ordinary	HK$100	100	–	Investment holding
Five Stories, Inc.	USA	Limited company	Ordinary	US$1,000	–	50.4	Film production
Future Growth Limited	Hong Kong	Limited company	Ordinary	HK$2	100	–	General business
Gugo Entertainment Company Limited	Hong Kong	Limited company	Ordinary	HK$21,260,100	–	75	Animation/ development of cartoon services, licensing and merchandising distribution
Image Organisation, Inc.	USA	Limited company	Ordinary	US$1,382,494	–	50.4	Film production and distribution

Name of subsidiary	Place of incorporation or registration/ operations	Form of business structure	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/ registered capital held by the Company Directly %	Indirectly %	Principal activities
Happy Noodle	USA	Limited company	Ordinary	US$1,000	–	50.4	Film production and financing
Loverwrecked, Inc.	USA	Limited company	Ordinary	US$1,000	–	50.4	Film production
Lucky Genius Limited	British Virgin Islands	Limited company	Ordinary	US$1	100	–	Investment holding
M8	Canada	Limited company	Ordinary	Class A CAD 4,520,000 Class B CAD 103,246,000 "Class B M8 Shares" Class C CAD 24,171,000 "Class C M8 Shares"	–	50.4	Film production and distribution
M8 Production 2 Inc.	Canada	Limited company	Ordinary	CAD1	–	50.4	Film production
Man About Town Films Inc.	Canada	Limited company	Ordinary	CAD1	–	50.4	Film production and distribution
Media 8 Distribution I	USA	Limited company	Ordinary	US$1,000	–	50.4	Film production and financing
Media 8 Distribution II	USA	Limited company	Ordinary	US$1,000	–	50.4	Film production and financing
Media 8 Distribution III	USA	Limited company	Ordinary	US$1,000	–	50.4	Film production and financing
Media 8 Distribution IV	USA	Limited company	Ordinary	US$100	–	50.4	Film production and financing
Media 8 Distribution V	USA	Limited company	Ordinary	US$1,000	–	50.4	Film production and financing
Media 8 Distribution VI	USA	Limited company	Ordinary	US$1,000	–	50.4	Film production and financing
IEC Production Limited (formerly known as "Media 8 Entertainment Limited")	Hong Kong	Limited company	Ordinary	HK$1	–	100	Media related business
IEC Record Production Company Limited	Hong Kong	Limited company	Ordinary	HK$1	–	100	Record production
Media 8 Entertainment	USA	Limited company	Ordinary	US$10,000	–	50.4	Film production and distribution

Name of subsidiary	Place of incorporation or registration/ operations	Form of business structure	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/ registered capital held by the Company Directly %	Indirectly %	Principal activities
Mediamaster Limited	British Virgin Islands	Limited company	Ordinary	HK$1	100	–	Investment holding
Media 8 Holdings (formerly known as "MDP Holdings USA, Inc.")	USA	Limited company	Ordinary	US$100,000	–	50.4	Investment holding
MDP Licensing Inc.	USA	Limited company	Ordinary	US$1,000	–	50.4	Film production and financing
MDP Production, Inc.	USA	Limited company	Ordinary	US$1,000	–	50.4	Film production and financing
Mystic Demons Publishing	USA	Limited company	Ordinary	US$100	–	50.4	Film production
Running Scared, Inc.	USA	Limited company	Ordinary	US$1,000	–	50.4	Film production
Stuhall Production Inc.	USA	Limited company	Ordinary	US$1,000	–	50.4	Film production
Tropical Production Inc.	USA	Limited company	Ordinary	US$1,000	–	50.4	Film production
Young Racers, Inc.	USA	Limited company	Ordinary	US$12,000	–	50.4	Film production
Zodiac Productions Inc.	USA	Limited company	Ordinary	US$2,000	–	50.4	Film production
廣州創博數碼科技有限公司	PRC	Wholly-owned foreign enterprise	–	Registered capital of US$210,000	–	100	Provision of telecom systems installation and maintenance service
北京國娛匯星文化傳播有限公司	PRC	Wholly-owned foreign enterprise	–	Registered capital of HK$3,000,000	–	100	Media related business

* *The deferred shares carry practically no rights to dividends nor to receive notice of nor to attend or vote at any general meeting of the relevant companies nor to participate in any distribution on winding up.*

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

C. INDEBTEDNESS

As at the close of business of 30 June 2007, being the latest practicable date for the purpose of preparing the indebtedness statement prior to the printing of this prospectus, the Group had the following contingent liabilities:

(a) on 24 February 2006, Crystal Sky LLC (as claimant) initiated an arbitration proceedings against Media 8 Entertainment (as respondent) in respect of certain claims by Crystal Sky LLC for payments of sales commission purportedly owed by Media 8 Entertainment/MDP Worldwide under an agreement between the parties dated 14 August 2000, damages and costs, amounting to approximately US$553,000 (equivalent to approximately HK$4.3 million). The Group had been advised by its US legal advisers that the claims made were unfounded. Accordingly, Media 8 Entertainment had applied for a dismissal of the claim made against it and also applied for summary judgement or adjudication on this matter. The parties requested for arbitration. As at the Latest Practicable Date, the arbitrator was considering the motion for summary judgment and the hearing date of the arbitration was pending while the parties were in the course of discussing a possible settlement; and

(b) DEJ Productions, Inc. ("DEJ"), Blockbuster, Inc. and First Look Studios, Inc. (as plaintiffs) filed a claim against Media 8 Entertainment and MDP Distribution Inc. (as defendants) on 20 September 2006 before the court in Texas, USA (this originally having been a complaint lodged by Media 8 Entertainment and MDP Distribution Inc. (as plaintiffs) against DEJ, Blockbuster, Inc. and First Look Studios, Inc. (as defendants) on 26 January 2006 before the court in Los Angeles which was subsequently transferred to Texas in respect of a claim by Media 8 Entertainment and MDP Distribution Inc. for the share of revenue to which they had been underpaid but which they were entitled in respect of the exploitation and distribution by DEJ of the film "Monster" pursuant to a license agreement granted by them, damages and costs, which amounted to not less than US$8,559,674 (equivalent to approximately HK$66.8 million). In July 2007, the courts granted a motion that DEJ, Blockbuster, Inc. and First Look Studios, Inc. were realigned as defendants, while Media 8 Entertainment and MDP Distribution Inc. were realigned as plaintiffs in the case. As at the Latest Practicable Date, this case was in pre-trial discovery phase.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Group did not have any bank loans, bank overdrafts and liabilities under acceptances or acceptance credits or other similar indebtedness, term loans, debt securities, debentures or other loan capital, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities outstanding as at the close of business on 30 June 2007.

Foreign currency amounts have, for the purpose of this indebtedness statement, been translated into Hong Kong dollars at the applicable rates of exchange ruling at the close of business on 30 June 2007.

D. WORKING CAPITAL

The Directors are of the opinion that after taking into account the estimated net proceeds from the Rights Issue, the existing available banking facilities and cash flows from operations, the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this prospectus.

E. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2007, the date to which the latest published audited consolidated financial statements of the Group were made up.

F. FINANCIAL AND TRADING PROSPECTS

The Company is an investment holding company. The Group is principally engaged in the provision of project services, network solutions, the acquisition, financing, production and worldwide licensing of theatrical feature films in a variety of genres and investments in production of television series and music concerts.

The Directors intend to seek new business opportunities which would expand or complement the current activities of the Group. It is the intention of the Directors to explore the leisure and entertainment markets for opportunities as they perceive potential growth in those sectors in the long run. The objective is to strive for better return to the Shareholders. The Directors believe that the benefits of a broadened revenue base for the Group will reinforce the growth strategy of the Company and diversify the geographical coverage of the Company's business interests.

According to an Asia Pacific Newsletter issued by the World Tourism Organisation in 2006, Asia and Pacific recorded another year of good growth in international tourist arrivals in 2005. This, amongst other things, reinforced the Company's confidence in the growth and development potential of entertainment businesses and therefore, it decided to effect the Acquisition. The Acquisition is in line with the Group's strategy to participate in the potentially lucrative business opportunities in the gaming and leisure industry to enhance the Group's profitability.

Currently, the Group has business presence in Hong Kong, the PRC, Canada and the United States. As a result of the Acquisition, the Group will be able to extend its geographical reach to the Philippines and Macau. This will not only allow the Group to benefit from the economic growth of Macau and the Philippines but will also reduce any impact arising from poor performance of any particular economy.

Upon the completion of the Acquisition, the financial results of the Acquired Group will be consolidated into the Company and the post-acquisition performance of the Acquired Group will be reflected in the consolidated financial statements of the Company for the year ended 31 March 2008. The Directors are of the view that the revenue base of the Group will be enhanced accordingly.

1. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited illustrate the effect of the Rights Issue on the audited consolidated net tangible assets attributable to equity holders of the Company as at 31 March 2007, as set out in Appendix I to this prospectus, as if it had taken place on 31 March 2007. The unaudited pro forma statement of adjusted consolidated net tangible assets 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 Group following the Rights Issue.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 March 2007 is based on the audited consolidated net tangible assets attributable to equity holders of the Company as at 31 March 2007, as shown in the consolidated balance sheet of the Company as at 31 March 2007 as set out in Appendix I to this prospectus and the adjustment described below.

	Audited consolidated net tangible assets attributable to equity holders of the Company as at 31 March 2007	Adjustment	Unaudited pro forma consolidated net tangible assets attributable to equity holders of the Company	Unaudited pro forma consolidated net tangible assets attributable to equity holders of the Company per Share
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
		(Note 1)		*(Note 2)*
Based on 943,325,788 Rights Shares issued	177,687	1,401,089	1,578,776	1.34

Notes:

1. The adjustment represents the proceeds from the Rights Issue of approximately HK$1,414,989,000 calculated based on 943,325,788 Rights Shares to be issued at the Subscription Price of HK$1.5 per Rights Share and the estimated related expenses for Rights Issue of approximately HK$13,900,000.

2. The calculation of the unaudited pro forma consolidated net tangible assets attributable to equity holders of the Company per Share is based on 1,179,157,235 Shares in issue after the completion of the Rights Issue.

2. REPORT ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is the full text of a report received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus:

Deloitte.
德勤

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS TO THE DIRECTORS OF INTERNATIONAL ENTERTAINMENT CORPORATION

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets of International Entertainment Corporation (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on page II-1 under the heading "Unaudited pro forma statement of adjusted consolidated net tangible assets" in Section 1 of Appendix II to the prospectus issued by the Company dated 2 August 2007 (the "Prospectus") in connection with the rights issue of 943,325,788 rights shares at HK$1.5 each on the basis of four rights shares for every existing share held on the Record Date ("Rights Issue"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the Rights Issue of the Company might have affected the financial information presented, for inclusion in Appendix II of the Prospectus. The basis of preparation of the unaudited pro forma statement of adjusted consolidated net tangible assets is set out on page II-1 of the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma statement of adjusted consolidated net tangible assets in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Rules, on the unaudited pro forma statement of adjusted consolidated net tangible assets 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 statement of adjusted consolidated net tangible assets beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma statement of adjusted consolidated net tangible assets with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma statement of adjusted consolidated net tangible assets has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustment is appropriate for the purpose of the unaudited pro forma statement of adjusted consolidated net tangible assets as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Rules.

The unaudited pro forma statement of adjusted consolidated net tangible assets is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 March 2007 or any future date.

Opinion

In our opinion:

(a) the unaudited pro forma statement of adjusted consolidated net tangible assets has been properly compiled 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 adjustment is appropriate for the purposes of the unaudited pro forma statement of adjusted consolidated net tangible assets as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
2 August 2007

RESPONSIBILITY STATEMENT

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this prospectus is accurate and complete in all material respects and not misleading in any material respect; (2) there are no other matters the omission of which would make any statement in this prospectus misleading; and (3) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

SHARE CAPITAL

The Company

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised:		*HK$*
500,000,000	Shares of HK$1.00 each	500,000,000
Issued and fully paid:		
235,831,447	Shares of HK$1.00 each	235,831,447

The entire issued share capital of the Company is listed on the GEM. No part of the share or loan capital of the Company is listed on any other stock exchange other than the Stock Exchange. The Shares are freely transferable.

DISCLOSURE OF INTERESTS

(a) Directors' interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of 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 which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, 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.

Long positions in the Shares

Name of Directors	Capacity	Number of Shares: Personal interest	Family interest	Corporate interest	Other interest	Total	Approximate percentage of the issued share capital of the Company
Mr. Choi Wing Kin	Beneficial owner	1,329,600	–	–	–	1,329,600	0.56%
Mr. So Kam Wing	Beneficial owner	49,200	–	–	–	49,200	0.02%
Mr. Lo Lin Shing, Simon	Interest of a controlled corporation	–	–	364,800 *(Note)*	–	364,800	0.15%

Note: These Shares are held by Wellington Equities Inc., which is wholly owned by Mr. Lo Lin Shing, Simon, an executive Director

(b) Substantial Shareholders

Save as disclosed below, as at the Latest Practicable Date, so far as is known to the Directors or chief executives of the Company, no person, other than a Director, or chief executive of the Company, had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in the Shares

Name of Shareholders	Capacity	Number of issued Shares	Number of unissued Shares	Number of underlying Shares	Aggregate interest	Approximate percentage of the existing issued share capital of the Company
Mediastar	Beneficial owner	120,000,079	–	–	120,000,079	50.88%
Cross-Growth	Beneficial owner	–	–	200,000,000 *(Note 3)*	200,000,000	84.81%
CTF	Beneficial owner	–	463,325,472 *(Note 4)*	–	783,325,551	332.15%
	Interest of a controlled corporation	120,000,079 *(Note 1)*	–	200,000,000 *(Note 3)*		
Centennial Success Limited	Interest of a controlled corporation	120,000,079 *(Notes 1,5)*	463,325,472 *(Notes 4,5)*	200,000,000 *(Notes 3,5)*	783,325,551	332.15%

Name of Shareholders	Capacity	Number of issued Shares	Number of unissued Shares	Number of underlying Shares	Aggregate interest	Approximate percentage of the existing issued share capital of the Company
CYTFL	Interest of a controlled corporation	120,000,079 *(Notes 1,6)*	463,325,472 *(Notes 4,6)*	200,000,000 *(Notes 3,6)*	783,325,551	332.15%
Young China Investments Limited	Beneficial owner	19,000,000	–	–	19,000,000	8.06%
Chow Shiu Leung	Interest of a controlled corporation	19,000,000 *(Note 2)*	–	–	19,000,000	8.06%

Notes:

(1) Mediastar is wholly owned by CTF. Accordingly, CTF is deemed to be interested in 120,000,079 Shares held by Mediastar under the SFO.

(2) Young China Investments Limited is wholly owned by Mr. Chow Shiu Leung. Accordingly, Mr. Chow Shiu Leung is deemed to be interested in 19,000,000 Shares held by Young China Investments Ltd. under the SFO.

(3) These underlying Shares represent the new Shares to be issued upon full conversion at the initial conversion price of HK$2 per Share of the Convertible Note to be issued by the Company to Cross-Growth (or as it may direct) pursuant to the Acquisition Agreement. Details of the Convertible Note and the Acquisition Agreement are set out in the section headed "Letter from the Board" in the circular of the Company dated 29 June 2007.

Cross-Growth is wholly owned by CTF. Accordingly, CTF is deemed to be interested in 200,000,000 underlying Shares to be held by Cross-Growth under the SFO.

(4) These unissued Shares represent the Rights Shares underwritten by CTF in respect of the Rights Issue, details of which are set out in the section headed "Letter from the Board" in this prospectus.

(5) CTF is wholly owned by Centennial Success Limited. Accordingly, Centennial Success Limited is deemed to be interested in 120,000,079 Shares held by Mediastar, 200,000,000 underlying Shares to be held by Cross-Growth, and 463,325,472 Rights Shares to be underwritten by CTF under the SFO.

(6) CYTFL is interested in 51% of the issued share capital of Centennial Success Limited. Accordingly, CYTFL is deemed to be interested in 120,000,079 Shares held by Mediastar, 200,000,000 underlying Shares to be held by Cross-Growth, and 463,325,472 Rights Shares to be underwritten by CTF under the SFO.

(c) Interests in other members of the Group

Save as disclosed below, as at the Latest Practicable Date, so far as is known to any Director or the chief executive of the Company, no persons were directly or indirectly deemed to be 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 other member of the Group.

Name of non-wholly owned subsidiaries of the Company	Name of registered substantial shareholders	Number of shares held/ amount of registered capital owned	Percentage of shareholding
Gugo Entertainment Company Limited	Mr. Chan Sik Yan	3,189,015 shares	15%
	Mr. Cheung Chun Keung	2,126,010 shares	10%
M8	Music Box Entertainment Limited	129,336,445 Class C shares	49.70% of Class C shares
廣東安博信息服務有限公司	廣東錫安人力資源有限公司 (Guangdong Xi On)	Registered capital US$150,000	30%

SERVICE CONTRACTS

None of the Directors has any existing or proposed service contract with any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants, including the executive Directors, who contribute to the success of the Group's operations.

Pursuant to the Share Option Scheme, the Board may, at its discretion, grant options to the eligible participant including any employee, officer, director or consultant of the Group. The maximum number of Shares which may be issued upon exercise of all outstanding options granted under the Share Option Scheme or any other share option scheme adopted by the Company must not exceed 30% of its issued share capital from time to time. The maximum number of Shares issuable under the options to each eligible participant in any 12-month period is limited to 1% of the Shares in issue unless it is approved by the Shareholders in a general meeting of the Company. Any share options granted to a substantial Shareholder or an independent non-executive Director or to any of their respective associates, in excess of 0.1% of the Shares in issue and with an aggregate value (based on the closing price of the shares at the date of the grant) in excess of HK$5 million, in any 12-month period, are subject to Shareholders' approval in a general meeting of the Company. Particulars of the Share Option Scheme are set out in the Company's circular dated 27 July 2004.

Save as disclosed above and the circular of the Company dated 29 June 2007, the Company did not have any other options, warrants or other convertible securities or rights affecting the Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

AGENCY FEES AND COMMISSIONS PAID

No commission, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries within the two years immediately preceding the date of this prospectus.

LITIGATION

As at the Latest Practicable Date, the Group was involved in the following litigation:

(i) Guangdong Anbo Information Services Limited (廣東安博信息服務有限公司) ("Anbo"), an indirect 70% owned subsidiary of the Company, has initiated a court action against its Chinese shareholder, namely Guangdong Xi An Human Resources Limited (廣東錫安人力資源有限公司) ("Xi An") for its breach of the obligation in respect of the capital injection of USD150,000 (equivalent to approximately HK$1,170,000) under the Sino-Foreign Joint Venture Agreement (中外合資經營企業合同) of Anbo. On 1 December 2005, 廣州市天河區人民法院 held that Xi An was liable to pay to Anbo USD150,000 (equivalent to approximately HK$1,170,000) and the interest accrued thereon (the "Judgement"), which amount has never been received by Anbo. Anbo applied to the court for enforcement of the Judgement. In August 2006, 廣州省廣州市中級人民法院 held that as Xi An did not have assets to be liquidated for settlement of the Judgement, the enforcement of the Judgement was ordered to be terminated.

(ii) DEJ Productions, Inc. ("DEJ"), Blockbuster, Inc. and First Look Studios, Inc. (as plaintiffs) against Media 8 Entertainment and MDP Distribution Inc. (as defendants) on 20 September 2006 before the court in Texas, USA (this originally having been a complaint lodged by Media 8 Entertainment and MDP Distribution Inc. (as plaintiffs) against DEJ, Blockbuster, Inc. and First Look Studios, Inc. (as defendants) on 26 January 2006 before the court in Los Angeles which was subsequently transferred to Texas) in respect of a claim by Media 8 Entertainment and MDP Distribution Inc. for the share of revenue to which they had been underpaid but which they were entitled in respect of the exploitation and distribution by DEJ of the film "Monster" pursuant to a licensing agreement granted by them, damages and costs, which amounted to not less than US$8,559,674 (equivalent to approximately HK$66.8 million). In July 2007, the courts granted a motion that DEJ, Blockbuster, Inc. and First Look Studios, Inc. were realigned as defendants, while Media 8 Entertainment and MDP Distribution Inc. were realigned as plaintiffs in the case. As at the Latest Practicable Date, this case was in pre-trial discovery phase.

(iii) On 24 February 2006, Crystal Sky LLC (as claimant) initiated an arbitration proceedings against Media 8 Entertainment (as respondent) in respect of certain claims by Crystal Sky LLC for payments of sales commission purportedly owed by Media 8 Entertainment/ MDP Worldwide under an agreement between the parties dated 14 August 2000, damages and costs amounting to approximately USD553,000 (equivalent to approximately HK$4.3 million). The Group has been advised by its US legal advisers that the claims made are unfounded. Accordingly, Media 8 Entertainment has applied for a dismissal of the claim made against it and also applied for summary judgement or adjudication on this matter. The parties requested for arbitration. As at the Latest Practicable Date, the arbiter was considering the motion for summary judgement and the hearing date of the arbitration was pending while the parties were in the course of discussing a possible settlement.

(iv) IEC Production Limited, an indirect wholly owned subsidiary of the Company, on 28 June 2007, initiated a court action against 廣州東方明珠文化傳播有限公司 and 陳勇 before 北京市第二中級人民法院 for the release of the obligations of IEC Production Limited under a contract relating to investment in the production of a television series "少年包青天III" and the return of the investment made by IEC Production Limited in the sum of HK$17,357,134 plus interests accrued thereon and legal costs.

Save as disclosed above, no member of the Group is engaged in any litigation or claims of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened by or against the Company or any member of the Group.

QUALIFICATION AND CONSENT OF EXPERT

The following are the qualifications of the expert who has given opinions or advice contained in this prospectus:

Name	**Qualifications**
Deloitte Touche Tohmatsu	Certified Public Accountants

Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion herein of its letter or report or references to its name, as the case may be, in the form and context in which it is included.

As at the Latest Practicable Date, Deloitte Touche Tohmatsu did not have any shareholding or interests, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Deloitte Touche Tohmatsu has, or has had, no direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 March 2007, being the date to which the latest published audited consolidated accounts of the Group were made up.

MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business, were entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date which are, or may be, material:

(a) the Original Agreement dated 23 November 2004 entered into among Cross-Growth, the company and CTF in relation to the Acquisition, the Extension Letters between the Company and Cross-Growth dated 30 December 2005, 22 June 2006 and 22 December 2006 regarding the extension of the date of fulfillment or waiver (as applicable) of the Conditions Precedent and the Supplemental Agreement dated 26 June 2007 entered into among Cross-Growth, the Company and CTF to amend certain provisions of the Original Agreement;

(b) the Underwriting Agreement dated 23 November 2004 and a supplemental agreement dated 26 June 2007 all entered into between the Company and CTF in relation to the underwriting and certain other arrangements in respect of the Rights Issue; and

(c) the Deed of Indemnity dated 26 June 2007 entered into by CTF in favour of, among others, the Company containing (among other things) taxation and environmental compliance indemnities.

DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

Save as disclosed in the announcements of the Company dated 23 November 2004 and 17 March 2005 in relation to the Acquisition, no contract or arrangement in which any of the Directors had a material interest and which is significant in relation to the business of the Group subsisted as at the Latest Practicable Date.

Save as disclosed in the circular of the Company dated 29 June 2007 in relation to the Acquisition as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2007 (the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors, the controlling Shareholder, management Shareholder and substantial Shareholder (as respectively defined in the GEM Listing Rules) and their respective associates has an interest in a business which competes or may compete with the business of the Group or has any other conflict of interest which any such person has or may have with the Group pursuant to Rule 11.04 of the GEM Listing Rules.

GENERAL

(a) The Company was incorporated in the Cayman Islands on 14 April 2000. The Company has registered with the Registrar of Companies in Hong Kong as an overseas company under Part XI of the Companies Ordinance on 30 May 2000 and Mr. Choi Wing Kin of Flat A, 6th Floor, Block 2, Grandeur Villa, 21 Tat Chee Avenue, Yau Yat Chuen, Kowloon, Hong Kong and Mr. So Kam Wing of Flat E, 1st Floor, Block 3, Bayview Garden, 633 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong have been appointed as persons in Hong Kong authorised to accept service of process and notices on its behalf.

(b) All the existing issued Shares are registered on the Company's branch register of members maintained by Computershare Hong Kong Investor Services Limited in Hong Kong. The Company's principal register of members is maintained in the Cayman Islands. Only Shares registered on the Company's branch register of members maintained in Hong Kong may be traded on the Stock Exchange.

(c) All necessary arrangements have been made to enable the Rights Shares to be admitted into CCASS.

(d) The estimated expenses in relation to the Acquisition, issuance of the Convertible Note, the Rights Issue and the deemed new listing application of the Company is approximately HK$40 million.

(e) In the event of inconsistency, the English texts of this prospectus, PAL and EAF shall prevail over their respective Chinese texts.

CORPORATE INFORMATION

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	Rooms 1207-8 New World Tower 1 16-18 Queen's Road Central Hong Kong
Company secretary	Mr. Kwok Chi Kin, CPA, FCCA
Qualified accountant	Mr. Kwok Chi Kin, CPA, FCCA
Compliance officer	Mr. Choi Wing Kin

Authorised representatives	Mr. Lo Lin Shing, Simon No. 26 Middle Gap Road Hong Kong
	Mr. Kwok Chi Kin Flat A, 17th Floor Tower 23 South Horizons Ap Lei Chau Hong Kong
Legal advisers to the Company	*As to Hong Kong law:* Richards Butler 20th Floor Alexandra House 16-20 Chater Road Hong Kong
	As to Cayman Islands law: Conyers Dill & Pearman Cricket Square Hutchins Drive Grand Cayman KY1-1111 Cayman Islands
Auditors	Deloitte Touche Tohmatsu Certified Public Accountants 35th Floor, One Pacific Place 88 Queensway Hong Kong
Principal bankers	Public Bank (Hong Kong) Limited Public Bank Centre 120 Des Voeux Road Central Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong
	Bank of China (Hong Kong) Limited Unit G1, Nan Fung Commercial Centre Wang Kwun Road Kowloon Bay Hong Kong

Principal share registrar and transfer office in the Cayman Islands	Butterfield Fund Services (Cayman) Limited Butterfield House 68 Fort Street P.O. Box 705 George Town Grand Cayman Cayman Islands
Branch share registrar and transfer office in Hong Kong	Computershare Hong Kong Investor Services Limited Rooms 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Hong Kong

PARTICULAR OF DIRECTORS

(a)

Name	**Address**	**Nationality**
Executive Directors		
Dr. Cheng Kar Shun	12 Repulse Bay Road Hong Kong	Chinese
Mr. Lo Lin Shing, Simon	No. 26 Middle Gap Road Hong Kong	Chinese
Mr. To Hin Tsun, Gerald	Flat C–3 Springfield Garden S–9 Shouson Hill Road West Hong Kong	British
Mr. Choi Wing Kin	Flat A, 6th Floor, Block 2, Grandeur Villa, 21 Tat Chee Avenue, Yau Yat Chuen, Kowloon, Hong Kong	British
Mr. So Kam Wing	Flat E, 1st Floor, Block 3 Bayview Garden 633 Castle Peak Road Tsuen Wan, New Territories Hong Kong	Chinese

PARTICULAR OF DIRECTORS

(a)

Name	**Address**	**Nationality**
Non-executive Director		
Mr. Wu Wing Kin	Flat 9H, Block 8 Nam Fung Sun Chuen Quarry Bay Hong Kong	Chinese
Independent non-executive Directors		
Mr. Cheung Hon Kit	26B Shouson Hill Road Hong Kong	Chinese
Mr. Kwee Chong Kok, Michael	Belgravia Heights 4B 27 Tai Tam Road Hong Kong	Nederlandse
Mr. Wong Chi Keung	20A Melody Court 2C-D Kam Hong Street North Point Hong Kong	Chinese

(b) Qualifications

Executive Directors

Dr. Cheng Kar Shun, aged 60, was appointed as an executive Director in July 2004. Dr. Cheng is the managing director of New World Development Company Limited, the chairman and managing director of New World China Land Limited, the chairman and an executive director of each of NWS Holdings Limited and Taifook Securities Group Limited, the chairman and a non-executive director of New World Department Store China Limited, and the independent non-executive director of HKR International Limited, all of which are companies whose issued shares are listed on the Stock Exchange. He is a director of CYTFL, Centernial Success Limited and CTF. He is also a director of Future Growth Limited and Mediamaster Limited, which are the wholly owned subsidiaries of the Company. Dr. Cheng is the chairman of the Advisory Council for the Better Hong Kong Foundation and a committee member of the Tenth Chinese People's Political Consultative Conference of the PRC. In 2001, he was awarded the Gold Bauhinia Star by the Government of Hong Kong.

Dr. Cheng previously held directorships as executive director of New World Mobile Holdings Limited (resigned on 1 February 2007) and New World TMT Limited (whose listing status on the Stock Exchange was withdrawn with effect from 21 February 2006).

Save as disclosed above, Dr. Cheng does not have any relationship with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders (as respectively defined in the GEM Listing Rules) of the Company. He does not have any interests in the Shares within the meaning of Part XV of the SFO.

There is no service contract between Dr. Cheng and the Company. The term of his office as Director will be subject to rotation and retirement pursuant to the Articles and the GEM Listing Rules. Dr. Cheng received a director's fee of HK$500,000 for the year ended 31 March 2007. The remuneration of the Directors is based on the performance and experience of individuals and is determined with reference to the Company's performance, the remuneration benchmark in the industry and the prevailing market conditions.

There is no information relating to Dr. Cheng that is required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules.

Save as disclosed above, there are no other matters that need to be brought to the attention of the Shareholders and there is no other information which is discloseable pursuant to any of the requirements set out in Rule 17.50(2) of the GEM Listing Rules.

Mr. Lo Lin Shing, Simon, aged 51, joined the Company as a non-executive Director in May 2001 and was re-designated as an executive Director in September 2004. Mr. Lo possesses over 20 years of experience in the financial, securities and futures industries. He has been a member of CME and IMM since 1986. Mr. Lo is the chairman of Mongolia Energy Corporation Limited (former known as New World CyberBase Limited) and New World Mobile Holdings Limited. He is also the deputy chairman of Taifook Securities Group Limited and a non-executive director of Macau Prime Properties Holdings Limited, all of which are companies whose shares are listed on the Stock Exchange. He is a director of Mediamaster Limited, IEC Production Limited, Future Growth Limited, IEC Record Production Company Limited and Lucky Genius Limited, which are the wholly owned subsidiaries of the Company.

Mr. Lo previously held directorship as a non-executive director of Beijng Beida Jade Bird Universal Sci-Tech Company Limited (resigned on 4 April 2007).

Mr. Lo does not have any relationship with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders (as respectively defined in the GEM Listing Rules) of the Company. He has a corporate interest of 364,800 Shares within the meaning of Part XV of the SFO.

There is no service contract between Mr. Lo and the Company. The term of his office as Director will be subject to rotation and retirement pursuant to the Articles and the GEM Listing Rules. Mr. Lo received a director's fee of HK$500,000 for the year ended 31 March 2007. The remuneration of the Directors is based on the performance and experience of individuals and is determined with reference to the Company's performance, the remuneration benchmark in the industry and the prevailing market conditions.

There is no information relating to Mr. Lo that is required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules.

Save as disclosed above, there are no other matters that need to be brought to the attention of the Shareholders and there is no other information which is discloseable pursuant to any of the requirements set out in Rule 17.50(2) of the GEM Listing Rules.

Mr. To Hin Tsun, Gerald, aged 58, was appointed as executive Director in June 2006. Mr. To has been a practising solicitor in Hong Kong since 1975. He is also qualified as a solicitor in the United Kingdom, as well as an advocate and solicitor in Singapore. He is currently the senior and managing partner of Messrs. T. S. Tong & Co., Solicitors and Notaries. Mr. To is a non-executive director of Taifook Securities Group Limited, Monogolia Energy Corporation Limited (formerly known as New World CyberBase Limited) and NWS Holdings Limited, all of which are companies whose issued shares are listed on the Stock Exchange.

Mr. To previously held directorships as non-executive director of The Kwong Sang Hong International Limited (whose listing status on the Stock Exchange was withdrawn with effect from 3 February 2005) and executive director of New World Mobile Holdings Limited (resigned on 1 February 2007).

Apart from the abovementioned, Mr. To has co-investments with CTF which include interest in the Hotel Group and from time to time acts as solicitor and business consultant for certain directors, senior management, management shareholders, substantial shareholders or controlling shareholders (as respectively defined in the GEM Listing Rules) of the Company. He does not have any interests in the Shares within the meaning of Part XV of the SFO.

There is no service contract between the Company and Mr. To. The term of his office as Director will be subject to rotation and retirement pursuant to the Articles and the GEM Listing Rules. Mr. To received a director's fee of HK$376,712 for the year ended 31 March 2007. The remuneration of the Directors is based on the performance and experience of individuals and is determined with reference to the Company's performance, the remuneration benchmark in the industry and the prevailing market conditions.

There is no information relating to Mr. To that is required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules.

Save as disclosed above, there are no other matters that need to be brought to the attention of the Shareholders and there is no other information which is discloseable pursuant to any of the requirements set out in Rule 17.50(2) of the GEM Listing Rules.

Mr. Choi Wing Kin, aged 46, was appointed as executive Director in May 2001. He was the founder and an executive director of Cyber On-Air Limited (a wholly owned subsidiary of the Company). He has over 20 years' experience in information technology and telecommunications industry. Professionally, Mr. Choi possesses a Chartered Engineer qualification from the Engineering Council (UK) and is a member of The Institution of Electrical Engineers (UK) and a member of The Hong Kong Institution of Engineers (HK). He has a Bachelor of Science degree in Electronics and Computer Science from the Chinese University of Hong Kong. He is a director of COAGL, Cyber On-Air Limited, Cyber On-Air Services Limited, China On-Air Inc., 廣州創博數碼科技有限公司, Cyber On-Air Inc., 上海創博數碼科技有限公司, China On-Air Limited, Cyber On-Air (Asia) Limited, Cyber On-Air Multimedia Limited, Anbo Global Company Limited and 廣東安博信息服務有限公司, which are the wholly owned subsidiaries of the Company.

Mr. Choi does not hold any directorship in any listed public companies in the preceding 3 years from the date of this prospectus.

Mr. Choi does not have any relationship with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders (as respectively defined in the GEM Listing Rules) of the Company. He has a personal interest of 1,329,600 Shares within the meaning of Part XV of the SFO.

There is no service contract between Mr. Choi and the Company. The term of his office as Director will be subject to rotation and retirement pursuant to the Articles and the GEM Listing Rules. Mr. Choi received a director's fee of HK$100,000 for the year ended 31 March 2007. The remuneration of the Directors is based on the performance and experience of individuals and is determined with reference to the Company's performance, the remuneration benchmark in the industry and the prevailing market conditions.

There is no information relating to Mr. Choi that is required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules.

Save as disclosed above, there are no other matters that need to be brought to the attention of the Shareholders and there is no other information which is discloseable pursuant to any of the requirements set out in Rule 17.50(2) of the GEM Listing Rules.

Mr. So Kam Wing, aged 47, joined the Group in January 2002 as vice president of technical operations and was appointed as an executive Director in October 2002. He is responsible for direction steering and management of the overall daily operation of the Group in Hong Kong and Asia Pacific region. Mr. So obtained several academic qualifications including Master of Science in E-Commerce for Executives and Higher Diploma in Marine Electronics from Hong Kong Polytechnic University, Graduate Diploma in Management in The Hong Kong University of Science and Technology, Professional Diploma in Telecommunication Technology from Hong Kong

Management Association. Mr. So has over 15 years of experience in the field of telecommunications. He is a director of COAGL, Cyber On-Air Limited, Cyber On-Air Services Limited, 廣州創博數碼科技有限公司, 上海創博數碼科技有限公司, China On-Air Limited, Cyber On-Air (Asia) Limited, Cyber On-Air Multimedia Limited, Anbo Global Company Limited and 廣東安博信息服務有限公司, which are the wholly owned subsidiaries of the Company.

Mr. So does not hold any directorship in any listed public companies in the preceding three years from the date of this prospectus.

Mr. So does not have any relationship with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders (as respectively defined in the GEM Listing Rules) of the Company. He has a personal interest of 49,200 Shares within the meaning of Part XV of the SFO.

There is no service contract between Mr. So and the Company. The term of his office as Director will be subject to rotation and retirement pursuant to the Articles and the GEM Listing Rules. Mr. So received a director's fee of HK$100,000 for the year ended 31 March 2007. The remuneration of the Directors is based on the performance and experience of individuals and is determined with reference to the Company's performance, the remuneration benchmark in the industry and the prevailing market conditions.

There is no information relating to Mr. So that is required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules.

Save as disclosed above, there are no other matters that need to be brought to the attention of the Shareholders and there is no other information which is discloseable pursuant to any of the requirements set out in Rule 17.50(2) of the GEM Listing Rules.

Non-executive Director

Mr. Wu Wing Kin, aged 51, was appointed as a non-executive Director in May 2001. He is also a member of the audit committee and the remuneration committee of the Company. Mr. Wu is presently the general manager of Phillip Securities (HK) Ltd. and Phillip Commodities (HK) Ltd. and is also an ordinary member of the Hong Kong Securities Institute. He has more than 20 years of working experience in the financial, securities and futures industries.

Mr. Wu previously held directorship as an executive director of China Cyber Port (International) Company Limited (formerly known as Chinainfo Holdings Limited and HK6 Holdings Limited) (resigned on 8 June 2004).

Mr. Wu does not have any relationship with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders (as respectively defined in the GEM Listing Rules) of the Company. He does not have any interests in Shares within the meaning of Part XV of the SFO.

There is no service contract between Mr. Wu and the Company. The term of his office as Director will be subject to rotation and retirement pursuant to the Articles and the GEM Listing Rules. Mr. Wu received a director's fee of HK$120,000 for the year ended 31 March 2007. The remuneration of the Directors is based on the performance and experience of individuals and is determined with reference to the Company's performance, the remuneration benchmark in the industry and the prevailing market conditions.

There is no information relating to Mr. Wu that is required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules.

Save as disclosed above, there are no other matters that need to be brought to the attention of the Shareholders and there is no other information which is discloseable pursuant to any of the requirements set out in Rule 17.50(2) of the GEM Listing Rules.

Independent non-executive Directors

Mr. Kwee Chong Kok, Michael, aged 61, was appointed as an independent non-executive Director in September 2004. He is also a member of the remuneration committee of the Company. Mr. Kwee graduated with a Bachelor's Degree in Economics from Le Moyne College, Syracuse, New York, a Master's Degree in Science from American Gradate School of International Management in Phoenix, Arizona and completed a Programme for Management Development at the Harvard Business School, all in the United States. Mr. Kwee is the chairman and chief executive officer of PAMA Group Inc. He is also an independent non-executive director of The Sun's Group Limited, the issued shares of which are listed on the Stock Exchange. He served as a member of the Hong Kong Advisory Committee on Legal Education and Hong Kong Financial Secretary's Economic Advisory Committee from 1995 and 2004.

Mr. Kwee does not hold any directorship in any listed public companies in the preceding three years from the date of this prospectus.

Mr. Kwee does not have any relationship with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders (as respectively defined in the GEM Listing Rules) of the Company. He does not have any interests in Shares within the meaning of Part XV of the SFO.

There is no service contract between Mr. Kwee and the Company. The term of his office as Director will be subject to rotation and retirement pursuant to the Articles and the GEM Listing Rules. Mr. Kwee received a director's fee of HK$110,000 for the year ended 31 March 2007. The remuneration of the Directors is based on the performance and experience of individuals and is determined with reference to the Company's performance, the remuneration benchmark in the industry and the prevailing market conditions.

There is no information relating to Mr. Kwee that is required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules.

Save as disclosed above, there are no other matters that need to be brought to the attention of the Shareholders and there is no other information which is discloseable pursuant to any of the requirements set out in Rule 17.50(2) of the GEM Listing Rules.

Mr. Cheung Hon Kit, aged 53, was appointed as an independent non-executive Director in May 2001. He is also a member of the audit committee of the Company. Mr. Cheung has over 28 years of experience in real estate development and property investment. Mr. Cheung graduated from the University of London with a Bachelor of Arts degree. He has worked in key executive position in various leading property development companies in Hong Kong. Currently, he is an executive director of ITC Corporation Limited and the managing director of Wing On Travel (Holdings) Limited and the chairman and an executive director of Macau Prime Properties Holdings Limited and an independent non-executive director of Innovo Leisure Recreation Holdings Limited, all of which are companies whose issued shares are listed on the Stock Exchange.

Mr. Cheung previously held directorships as an executive director of PYI Corporation Limited (former known as Paul Y. – ITC Construction Holdings Limited) (resigned on 8 September 2005), a non-executive director of Hanny Holdings Limited (resigned on 1 September 2005), and an independent non-executive director of Towngas China Company Limited (former known as Panva Gas Holdings Limited) (resigned 23 May 2007) and Paul Y. Engineering Group Limited (formerly known as Skynet (International Group) Holdings Limited) (resigned on 17 January 2005).

Mr. Cheung does not have any relationship with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders (as respectively defined in the GEM Listing Rules) of the Company. He does not have any interests in Shares within the meaning of Part XV of SFO.

There is no service contract between Mr. Cheung and the Company. The term of his office as Director will be subject to rotation and retirement pursuant to the Articles and the GEM Listing Rules. Mr. Cheung received a director's fee of HK$110,000 for the year ended 31 March 2007. The remuneration of the Directors is based on the performance and experience of individuals and is determined with reference to the Company's performance, the remuneration benchmark in the industry and the prevailing market conditions.

There is no information relating to Mr. Cheung that is required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules.

Save as disclosed above, there are no other matters that need to be brought to the attention of the Shareholders and there is no other information which is discloseable pursuant to any of the requirements set out in Rule 17.50(2) of the GEM Listing Rules.

Mr. Wong Chi Keung, aged 52, was appointed as an independent non-executive Director in September 2004. He is also a member of the audit committee and the remuneration committee of the Company. Mr. Wong holds a master's degree in business administration from the University of Adelaide in Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia, an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr. Wong was also a responsible officer for advising on securities, corporate finance and asset management activities for Legend Capital Partners, Inc. under the SFO. He is the managing director of Greater China Corporate Consultancy & Services Limited. He is also an independent non-executive director of Asia Orient Holdings Limited, Asia Standard International Group Limited, Century City International Holdings Limited, China Special Steel Holdings Company Limited, China Ting Group Holdings Limited, Fu Ji Food and Catering Services Holdings Limited, Golden Eagle Retail Group Limited, Great Wall Motor Company Limited, PacMOS Technologies Holdings Limited, Paliburg Holdings Limited, Regal Hotels International Holdings Limited and TPV Technology Limited, all of these companies whose issued shares are listed on the Stock Exchange.

Mr. Wong was an executive director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited (resigned on 5 October 2004), and an independent non-executive director of China Treasure (Greater China) Investments Limited (resigned on 18 January 2006).

Mr. Wong does not have any relationship with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders (as respectively defined in the GEM Listing Rules) of the Company. He does not have any interests in Shares within the meaning of Part XV of SFO.

There is no service contract between Mr. Wong and the Company and his term of service with the Company will be subject to rotation and retirement pursuant to the Articles and the GEM Listing Rules. Mr. Wong received a director's fee of HK$120,000 for the year ended 31 March 2007. The remuneration of the Directors is based on the performance and experience of individuals and is determined with reference to the Company's performance, the remuneration benchmark in the industry and the prevailing market conditions.

There is no information relating to Mr. Wong that is required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules.

Save as disclosed above, there are no other matters that need to be brought to the attention of the Shareholders and there is no other information which is discloseable pursuant to any of the requirements set out in Rule 17.50(2) of the GEM Listing Rules.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

A copy of each of the Prospectus Documents and the written consent referred to under the heading "Qualification and consent of expert" in this appendix, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business in Hong Kong of the Company at Rooms 1207-8, New World Tower 1, 16-18 Queen's Road Central, Hong Kong during normal business hours from the date of this prospectus up to and including 16 August 2007:

– the memorandum of association and articles of association of the Company;

– the letter from Deloitte Touche Tohmatsu on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as set out in Appendix II to this prospectus;

– the annual reports of the Company for the two years ended 31 March 2007;

– the material contracts referred to in the paragraph headed "Material contracts" in this appendix;

– the written consent referred to in the paragraph headed "Qualification and consent of expert" in this appendix;

– the circular of the Company dated 21 December 2006 in relation to the acceptance by a wholly owned subsidiary of the Company of the mandatory conditional cash offer made by Kingston Securities Limited for and on behalf of Famex Investments Limited for all, among others, the issued shares of Hanny Holdings Limited in respect of 5,000,000 shares of Hanny Holdings Limited held by it; and

– the circular of the Company dated 29 June 2007 in relation to, *inter alia*, the Acquisition.