

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June 2006

I. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies used in preparation of these unaudited condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31st December 2005 except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also includes HKASs and Interpretations) which are generally effective and are relevant to the Group's operations for accounting periods beginning on or after 1st January 2006 and are adopted the first time by the Group for the current periods' financial statements.

| | |
|-------------------------------|--|
| HKAS 19 (Amendment) | Actuarial Gains and Losses, Group Plans and Disclosures |
| HKAS 21 (Amendment) | The effects of change in foreign exchange rate – net investment in foreign operation |
| HKAS 39 (Amendment) | Cash flow hedge accounting of forecast intragroup transaction |
| HKAS 39 (Amendment) | The fair value option |
| HKAS 39 & HKFRS 4 (Amendment) | Financial guarantee contracts |
| HKFRS-Int 4 | Determining whether an Arrangement contains a lease |

The adoption of the above HKFRSs does not result in substantial changes to the accounting policies of the Company and its subsidiaries and has no significant effect on the results reported for the six months ended 30th June 2006 and prior periods.

The Group have not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standards, amendments and interpretations will have no significant impact on the financial statements of the Group.

| | |
|--------------------|---|
| HKAS 1 (Amendment) | Capital disclosures (Note i) |
| HKFRS 7 | Financial instruments: disclosures (Note i) |
| HK(IFRIC)-Int 7 | Applying the restatement approach under HKAS29 financial reporting in hyperinflationary economies (Note ii) |
| HK(IFRIC)-Int 8 | Scope of HKFRS 2 (Note iii) |
| HK(IFRIC)-Int 9 | Reassessment of embedded derivatives (Note iv) |

Note:

- (i) Effective for financial period commencing on or after 1st January 2007
- (ii) Effective for financial period commencing on or after 1st March 2006
- (iii) Effective for financial period commencing on or after 1st May 2006
- (iv) Effective for financial period commencing on or after 1st June 2006

The Group is still considering the potential impact of these new HKFRSs but is not yet in a position to determine whether the adoption of these new HKFRSs would have a significant impact on its results of operations and financial position.

2. SEGMENT INFORMATION

The directors of the Company report the geographical segments as the Group's primary segment information.

Geographical segments

The following table provides an analysis of the Group's sales and results from operation by location of markets:

For the six months ended 30th June 2006:

| | Hong Kong and Macau HK\$'000 (Unaudited) | People's Republic of China, excluding Taiwan ("PRC") HK\$'000 (Unaudited) | America and Europe HK\$'000 (Unaudited) | South-east Asia HK\$'000 (Unaudited) | Other HK\$'000 (Unaudited) | Consolidated HK\$'000 (Unaudited) |
|-----------------------------------|---|--|--|---|----------------------------------|---|
| Turnover | <u>34,923</u> | <u>8,783</u> | <u>657</u> | <u>10,817</u> | <u>862</u> | <u>56,042</u> |
| Segment results | <u>5,642</u> | <u>4,012</u> | <u>15</u> | <u>3,858</u> | <u>381</u> | <u>13,908</u> |
| Other revenue and income | | | | | | 11,104 |
| Unallocated corporate expenses | | | | | | <u>(29,650)</u> |
| Loss from operations | | | | | | <u>(4,638)</u> |

For the six months ended 30th June 2005:

| | Hong Kong and Macau HK\$'000 (Unaudited) | PRC HK\$'000 (Unaudited) | America and Europe HK\$'000 (Unaudited) | South-east Asia HK\$'000 (Unaudited) | Other HK\$'000 (Unaudited) | Consolidated HK\$'000 (Unaudited) |
|-----------------------------------|---|--------------------------------|--|---|----------------------------------|---|
| Turnover | <u>25,129</u> | <u>6,266</u> | <u>3,092</u> | <u>9,880</u> | <u>2,044</u> | <u>46,411</u> |
| Segment results | <u>746</u> | <u>(3,923)</u> | <u>2,827</u> | <u>3,599</u> | <u>1,262</u> | 4,511 |
| Other revenue and income | | | | | | 7,214 |
| Unallocated corporate expenses | | | | | | <u>(31,886)</u> |
| Loss from operations | | | | | | <u>(20,161)</u> |

3. OTHER REVENUE

| | Six months ended 30th June | |
|--|-----------------------------------|-------------|
| | 2006 | 2005 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Dividend income received from listed shares | 79 | – |
| Interest income | 1,369 | 1,113 |
| Rental income | 185 | 115 |
| Management fee income received from associates | 2,430 | 2,430 |
| | 4,063 | 3,658 |

4. LOSS FROM OPERATIONS

| | Six months ended 30th June | |
|---|-----------------------------------|-------------|
| | 2006 | 2005 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Loss from operations has been arrived at after (crediting)/charging the following items: | | |
| Amortisation of film rights (included in cost of sales) | 30,834 | 27,343 |
| Amortisation of leasehold land | 132 | 225 |
| Cost of inventories (included in cost of sales) | 38 | 193 |
| Depreciation of property, plant and equipment | 4,627 | 4,824 |
| Employee benefit expenses | 7,010 | 8,603 |
| Net foreign exchange loss | 811 | – |
| Gain on disposal of property, plant and equipment | (1,290) | (4) |
| Share-based payment expenses (included in administrative expenses) | – | 12,721 |
| Trade payables written off | – | (1,470) |

5. TAXATION

| | Six months ended 30th June | |
|------------------------------------|-----------------------------------|-------------|
| | 2006 | 2005 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| The taxation charge is as follows: | | |
| Taxation in other jurisdictions | 28 | 47 |

No provision for Hong Kong Profits Tax has been made in the financial statements for both periods as the Company and its subsidiaries incurred tax losses for both periods. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share is based on the following data:

| | Six months ended 30th June | |
|---|-----------------------------------|-------------|
| | 2006 | 2005 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Profit/(loss) attributable to equity holders of the Company | 71,002 | (26,458) |
| | '000 | '000 |
| Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share | 538,947 | 482,284 |

Diluted earnings per share is equal to the basic earnings per share for the six months ended 30th June 2006 as the exercise price of the outstanding share options granted by the Company and the conversion price of the convertible loan notes outstanding were higher than the average market price of the shares of the Company, and the exercise of the outstanding share options and convertible loan notes would have an anti-dilutive effect to the basic earnings per share.

The computation of diluted loss per share for the six months ended 30th June 2005 did not assume the exercise of the Company's outstanding share options and convertible loan notes outstanding during the period since their exercise would reduce loss per share.

7. PROPERTY, PLANT AND EQUIPMENT, INTEREST IN LEASEHOLD LAND AND INVESTMENT PROPERTIES

During the period under review, the Group had addition to property, plant and equipment amounted to approximately HK\$1,605,000 (30th June 2005: HK\$300,000) and disposal of property, plant and equipment and interest in leasehold land at total carrying values of approximately HK\$5,600,000 (30th June 2005: nil).

The directors of the Company have considered the carrying amounts of the Group's investment properties are carried at fair values and have estimated that their carrying amounts did not differ significantly from the fair values as at 31st December 2005. Consequently, no change in the fair values of the investment properties has been recognized in the current period.

8. INTERESTS IN ASSOCIATES

| | 30th June 2006 HK\$'000 (Unaudited) | 31st December 2005 HK\$'000 (Audited) |
|-------------------------------|--|--|
| Share of net assets (note a) | 151,868 | 79,704 |
| Goodwill (note b) | 74,160 | 86,769 |
| | <u>226,028</u> | <u>166,473</u> |
| Market value of listed shares | <u>369,753</u> | <u>463,533</u> |

Notes:

(a) Share of net assets:

| | HK\$'000 |
|--|----------------|
| As at 1st January 2006 | 79,704 |
| Share of losses of associates | (1,043) |
| Disposal of an associate (note c) | (3,600) |
| Gain on deemed disposal of 8.43% interest in Riche Multi-Media Holdings Limited ("Riche Multi-Media") (note d) | 73,708 |
| Further acquisition of 0.71% interest in Riche Multi-Media during the period (note d) | 3,099 |
| As at 30th June 2006 | <u>151,868</u> |

(b) Goodwill:

| | HK\$'000 |
|---|---------------|
| As at 1st January 2006 | 86,769 |
| Deemed disposal of 8.43% interest in Riche Multi-Media (note d) | (11,126) |
| Impairment loss recognized for the period | (6,300) |
| Further acquisition of 0.71% interest in Riche Multi-Media during the period (note d) | 4,817 |
| As at 30th June 2006 | <u>74,160</u> |

8. INTERESTS IN ASSOCIATES (continued)

Notes: (continued)

(c) Disposal of an associate:

On 15th March 2004, the shareholder of Golden Capital International Limited ("Golden Capital"), an associate of the Group, granted to the Group an option ("Option") to require Golden Capital's shareholder to purchase from the Group an aggregate of 356 shares of US\$1 each in the share capital of Golden Capital which represents the Group's entire shareholding in Golden Capital, at an aggregate consideration of HK\$25,000,000 ("Consideration"). The Group may exercise the Option in the event that the net profits after taxation but before extraordinary items as shown in the audited accounts ("Audited Accounts") of Golden Capital for year ended 31st December 2004 is less than HK\$14,600,000. Due to certain unforeseeable difficulties relating to the preparation of the Audited Accounts, the Group only received the Audited Accounts during the period under review.

As the net profits after taxation but before extraordinary items as shown in the Audited Accounts was less than HK\$14,600,000, the Group exercised the Option in April 2006 and the shareholder of Golden Capital repaid the Consideration to the Group by two installments within the same month.

(d) Interests in Riche Multi-Media:

During the period, Riche Multi-Media issued 1,330,321,745 ordinary shares of HK\$0.01 ("Riche Shares") at a price of HK\$0.20 each amounted to approximately HK\$266,064,000 as consideration in relation to an acquisition of a group of companies which major assets is the 96.7% equity interest in Beijing Jianguo Real Estate Development Co. Ltd. (the "JV Co."). JV Co. is the registered and beneficial owner of a property located at No. 9, Gongyuan Xijie, Dongcheng District, Beijing, the PRC. The Group's interest in Riche Multi-Media was diluted by 8.43% from 41.07% to 32.64% immediately upon the issuance of the Riche Shares.

Thereafter, the Group acquired a further 0.71% equity interest in Riche-Multi Media in the open market with a total consideration of approximately HK\$7,900,000. As a result, a goodwill of approximately HK\$4,817,000 was recorded and the Group's interest in Riche Multi-Media increased to 33.35% as at 30th June 2006.

9. CONVERTIBLE NOTES RECEIVABLES

| | 30th June 2006 HK\$'000 (Unaudited) | 31st December 2005 HK\$'000 (Audited) |
|--|--|--|
| Convertible notes issued by third parties (<i>note a</i>) | 42,000 | 52,000 |
| Less: Impairment of convertible notes receivable (<i>note b</i>) | <u>—</u> | <u>(10,000)</u> |
| | <u>42,000</u> | <u>42,000</u> |

- (a) On 15th March 2004 the Group entered into two subscription agreements with two shareholders ("Note Issuers") of Colima Enterprises Holdings Inc. ("Colima"), the holding company of Together Again Limited ("TAL"), pursuant to which the Group subscribed for two convertible notes of HK\$26,000,000 each ("the Convertible Notes") issued by the Note Issuers for an aggregate consideration of HK\$52,000,000. Each of the Convertible Notes bears interest at 1% per annum, secured by a charge on the relevant Note Issuers' entire equity interest in Colima and will mature on 36 months from the date of the relevant subscription agreements or the date of the listing of a proposed holding company of TAL on a recognised stock exchange, whichever is the earlier.

Each of the Convertible Notes carries the rights to convert the whole or any part of the outstanding principal amount of the Convertible Notes into shares in the relevant Note Issuer in accordance with the formula as set out in the relevant subscription agreement from 15th March 2005 to 14th March 2007 or the date of the listing of a proposed holding company of TAL on a recognised stock exchange, whichever is the earlier. If the Group exercises its rights to convert the full amount of the Convertible Notes into each of the shares in the Note Issuers, the Group will have approximately 99% direct equity interests in the Note Issuers and 99% indirect equity interest in the group headed by Colima respectively.

- (b) The directors of the Company has considered no impairment provision of convertible notes receivable is required. The carrying amounts of convertible notes receivables approximate to their fair value.

10. FILM RIGHTS

During the period under review, the Group had additions of film rights amounted to approximately HK\$37,264,000 (30th June 2005: HK\$29,411,000).

11. TRADE RECEIVABLES

The credit period granted to customers ranges from 30 to 90 days. The following is an ageing analysis of trade receivables at the reporting date:

| | 30th June 2006 HK\$'000 (Unaudited) | 31st December 2005 HK\$'000 (Audited) |
|---|--|--|
| Riche Multi-Media and its subsidiaries (collectively the "Riche Group"): | | |
| 0 to 30 days | 11 | 18 |
| 31 to 60 days | 1 | - |
| 61 to 90 days | 12 | - |
| 91 to 180 days | - | - |
| Over 180 days | - | - |
| | <u>24</u> | <u>18</u> |
| Others: | | |
| 0 to 30 days | 3,777 | 1,148 |
| 31 to 60 days | 1,690 | 4,471 |
| 61 to 90 days | 613 | 300 |
| 91 to 180 days | 2,605 | 393 |
| Over 180 days | 7,790 | 8,267 |
| | <u>16,475</u> | <u>14,579</u> |
| | <u>16,499</u> | <u>14,597</u> |

The carrying amounts of trade receivables approximate to their fair value.

12. SHARE CAPITAL

| | Number of shares | | Amount | |
|----------------------------------|--|--|--|--|
| | 30th June 2006 '000 (Unaudited) | 31st December 2005 '000 (Audited) | 30th June 2006 HK\$'000 (Unaudited) | 31st December 2005 HK\$'000 (Audited) |
| Ordinary shares of HK\$0.05 each | | | | |
| Issued and fully paid: | | | | |
| As at beginning of period | 520,541 | 365,406 | 26,027 | 18,270 |
| Exercise of share options | - | 17,770 | - | 889 |
| Issue of new shares (Note a) | 104,105 | 137,365 | 5,205 | 6,868 |
| | <u>624,646</u> | <u>520,541</u> | <u>31,232</u> | <u>26,027</u> |

12. SHARE CAPITAL (continued)

Note:

- (a) On 17th May 2006, Porterstone Limited ("Porterstone"), Dorest Company Limited ("Dorest"), Mr. Heung Wah Keung ("Mr. Heung") and Ms. Chen Ming Yin, Tiffany ("Ms. Chen") entered into a placing agreement with a placing agent and a top-up subscription agreement with the Company respectively. Pursuant to the placing agreement, Porterstone, Dorest, Mr. Heung and Ms. Chen placed an aggregate 104,105,000 existing shares of the Company to independent investors at a price of HK\$0.33 per share. Pursuant to the top-up subscription agreement, Porterstone, Dorest, Mr. Heung and Ms. Chen subscribed for an aggregate of 104,105,000 new shares at a price of HK\$0.33 per share. 104,105,000 new shares issued for the subscription on 30th May 2006. The net proceeds of approximately HK\$33,300,000 was intended to be used as to HK\$20,000,000 for future investment and as to the balance for general working capital of the Group.

13. TRADE PAYABLES

The following is an ageing analysis of trade payables at the reporting date:

| | 30th June 2006 HK\$'000 (Unaudited) | 31st December 2005 HK\$'000 (Audited) |
|------------------|--|--|
| The Riche Group: | | |
| 0 to 30 days | 19 | - |
| 31 to 60 days | 4 | - |
| 61 to 90 days | - | - |
| 91 to 180 days | 199 | - |
| Over 180 days | - | - |
| | <u>222</u> | <u>-</u> |
| Others: | | |
| 0 to 30 days | 246 | 2,680 |
| 31 to 60 days | 191 | 836 |
| 61 to 90 days | 1,176 | 1,368 |
| 91 to 180 days | 1,861 | 3,123 |
| Over 180 days | 11,279 | 10,885 |
| | <u>14,753</u> | <u>18,892</u> |
| | <u>14,975</u> | <u>18,892</u> |

The carrying amounts of trade payables approximate to their fair value.

14. BANK BORROWINGS

| | 30th June 2006 HK\$'000 (Unaudited) | 31st December 2005 HK\$'000 (Audited) |
|--|--|--|
| Secured bank loans | 14,364 | 25,390 |
| The maturity of the above borrowings is as follows: | | |
| Within one year | 2,266 | 12,197 |
| More than one year but not exceeding two years | 2,305 | 2,252 |
| More than two years but not exceeding five years | 7,761 | 7,538 |
| More than five years | 2,032 | 3,403 |
| | 14,364 | 25,390 |
| Less: Amount due within one year shown under current liabilities | (2,266) | (12,197) |
| Amount due after one year | 12,098 | 13,193 |

Secured bank loans comprised an instalment loan and a mortgage loan which bear interest at commercial rates. The instalment loan is secured by a first legal charge over all copyrights on a film produced by the Group in the beginning of 2005. The mortgage loan are secured by the Group's investment properties in Hong Kong with carrying value of HK\$38,000,000 as at 30th June 2006. The instalment loan is repayable by total 18 monthly instalments and the mortgage loan is repayable in instalments over a period of ten years.

15. UNSECURED CONVERTIBLE LOAN NOTES

The unsecured convertible loan notes (the "Note") bear interest at 4% per annum which will be payable semi-annually in arrears was originally matured on 30th June 2004. On 14th June 2004, the Company and the noteholder entered into a supplemental deed, pursuant to which the Company and the noteholder agreed to extend the maturity date of the Note from 30th June 2004 to 30th June 2007. The Note carries the right to convert the principal amount of the Note into shares ("Shares") of HK\$0.05 each in the share capital of the Company at a conversion price of HK\$5.83 per Share (after adjustments). From 14th June 2004 to the 14 business day immediately proceeding 30th June 2007, the noteholder can convert the outstanding principal amount of the Note into Shares.

The fair values of the liability component and the equity conversion component were determined at issuance of the Note.

The fair value of the liability component, included in borrowings of the Group, was calculated using a market interest rate. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity named as convertible loan notes reserve.

15. UNSECURED CONVERTIBLE LOAN NOTES (continued)

The Note recognized in the balance sheet is calculated as follows:

| | 30th June 2006 HK\$'000 (Unaudited) | 31st December 2005 HK\$'000 (Audited) |
|--|--|--|
| Face value of the Note issued on 14th June 2004 | 20,000 | 20,000 |
| Equity component | (566) | (566) |
| Liability component on initial recognition at 14th June 2005 | 19,434 | 19,434 |
| Interest expenses | 397 | 800 |
| Interest paid | (397) | (800) |
| Liability component as at end of period | 19,434 | 19,434 |

16. MATERIAL RELATED PARTY TRANSACTIONS

(a) During the period, the Group entered into the following transactions with the Riche Group:

| | | Six months ended 30th June 2006 HK\$'000 (Unaudited) | 2005 HK\$'000 (Unaudited) |
|--|-------|---|---------------------------------|
| Nature of transactions | Notes | | |
| – Loan interest income | (i) | 100 | 68 |
| – Interest on convertible notes receivable | (i) | – | 100 |
| – Production fee income | (ii) | 85 | 527 |
| – Distribution income | (iii) | – | 5,000 |
| – Sub-licensing expenses | (ii) | (200) | – |

Notes:

- (i) On 19th April 2005, the convertible notes of HK\$33,800,000 issued by the Group were matured. The Group did not exercise the right to convert the outstanding principal amount of HK\$33,800,000 into share capital of Riche Multi-Media and Riche Multi-Media repaid HK\$33,800,000 to the Group. On the same date, the Company granted a one year term loan of HK\$33,800,000 to Riche Multi-Media. The loan was unsecured, beared interest at 1% per annum and repayable on 19th April 2006. Upon the maturity of the term loan, Riche Multi-Media repaid the principal and the accrued interest thereon as at that date.
- (ii) The amounts were determined at prices agreed between the parties.
- (iii) During the six months ended 30th June, 2005, the Group granted to the Riche Group exclusive distribution rights (excluding the theatrical rights) at a total consideration of approximately HK\$1,600,000 and theatrical rights at a total licence fee of approximately HK\$3,400,000 respectively pursuant to the territory supply agreement which had been expired on 8th April 2005 and the relevant territory distribution agreements.

16. MATERIAL RELATED PARTY TRANSACTIONS (continued)

- (b) During the period, the Group entered into the following transactions with TAL and its subsidiaries (the "TAL Group"):-

| | Six months ended 30th June | |
|---|-----------------------------------|--------------------------|
| | 2006 | 2005 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Nature of transactions | | |
| Management fee income received and receivable | 2,430 | 2,340 |
| Services charges paid and payable | 5,752 | 2,760 |
| Artists promotion charges paid and payable | 3,318 | 2,919 |
| | <u><u> </u></u> | <u><u> </u></u> |

Notes:

- (i) The amounts were determined at prices agreed between the parties.
- (ii) Ms. Chen is a director of the Company and TAL.
- (c) During the six months ended 30th June 2005, the Company issued 76,600,000 Shares to the directors and their associates.
- (d) During both periods, Mr. Heung and Ms. Chen provided personal guarantees to a bank to secure banking facilities granted to the Group. No fee was paid to them by the Group.
- (e) Amounts due from associates are unsecured, interest free and recoverable on demand.
- (f) Key management personnel compensation

Compensation for key management personnel, including amount paid to the Company's directors and certain of the highest paid employees is as follows:-

| | Six months ended 30th June | |
|--|-----------------------------------|--------------------------|
| | 2006 | 2005 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Nature of transactions | | |
| Salaries and other short-term benefits | 2,694 | 2,964 |
| Retirement benefit costs | 30 | 30 |
| Share-based payment | - | 1,859 |
| | <u><u> </u></u> | <u><u> </u></u> |

17. COMMITMENTS

Operating lease commitment:

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

As at the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating lease falling due as follows:

| | 30th June 2006 HK\$'000 (Unaudited) | 31st December 2005 HK\$'000 (Audited) |
|--|--|--|
| Within one year | 1,506 | 1,059 |
| In the second to fifth year, inclusive | 1,556 | – |
| | <u>3,062</u> | <u>1,059</u> |

18. EVENTS AFTER BALANCE SHEET DATE

- (a) On 6th June 2006, the Company had conditionally agreed to place 80,000,000 new Shares to independent investors as to 31,800,000 Shares, 42,410,000 Shares and 5,790,000 Shares to PMA Asian Opportunities Fund, Diversified Asian Strategies Fund and Asian Diversified Total Return Limited Duration Company respectively at a price of HK\$0.365 per Share, representing a discount of 6.4% to the closing price of the Shares on 6th June 2006. Net proceeds of approximately HK\$29,000,000 were intended to be used for the proposed acquisition of a hotel in Macau. The issue of new Shares was approved by the shareholders of the Company at a special general meeting held on 5th July 2006 and the placing was completed on 7th July 2006.
- (b) On 13th June 2006, the Company had entered into agreements with the relevant vendors, Harvest Metro Corporation, Top Region Assets Limited and Mr. Chan Chak Mo in relation to the acquisition (the "Acquisitions") of the entire issued share capital of Triumph Up Investments Limited and Great Chain Limited which indirectly hold in aggregate appropriately 61.5% interest in the issued share capital of Kingsway Hotel Limited for an aggregate consideration of HK\$490,000,000. The principal asset of Kingsway Hotel Limited is Kingsway Hotel, a three star hotel with a total 383 guests rooms located in Macau. The Acquisitions constitute a very substantial acquisition for the Company under the Listing Rules and is therefore subject to the approval of the shareholders of the Company at a special general meeting to be held on 29th September 2006.

Financing for the Acquisitions is expected to come from convertible bonds to be issued by the Company and with the balance from internal resources, although the exact terms of the convertible bonds to be issued have not yet been finalized. The details are set out in the Company's announcement dated 15th June 2006 and the Company's circular dated 8th September 2006.

18. EVENTS AFTER BALANCE SHEET DATE (continued)

- (c) On 3rd August 2006, Classical Statue Limited, a wholly-owned subsidiary of the Company entered into a sales and purchase agreement with Vision Harvest Limited, an investment holding company wholly-owned by the Mr. To Shu Fai (the "Guarantor"), pursuant to which the Group would acquire 20.55% of the issued share capital of Daido Group Limited, at an aggregate consideration of HK\$52,500,000 in cash. The details are set out in the Company's announcement dated 9th August 2006.
- (d) On 17th August 2006, China Star Laser Disc Company Limited, a wholly-owned subsidiary of the Company entered into an unconditional agreements to sell certain property of the Group to an independent third party, at a total consideration of HK\$8,080,000.
- (e) On 13th September 2006, One Hundred Years of Film Company Limited, China Star Pictures Limited and S&W Entertainment Limited (the "Vendors"), all wholly-owned subsidiaries of the Company, the Company and Fortune Star Entertainment (HK) Limited (the "Purchaser") entered into a deed pursuant to which Purchaser has agreed to acquire from the Vendors the perpetual and worldwide right, title and interest in 100 motion pictures ("Film Library") at a total consideration of US\$18,000,000 (subject to adjustment). The Film Library is recorded as film rights classified under current assets as at 30th June 2006. The Group is estimated to record a net profits of approximately HK\$35,000,000 from the disposal.

The disposal constitutes a major transaction for the Company under the Listing Rules and is therefore subject to the approval of the shareholders of the Company at a special general meeting to be convened by the Company. The details are set out in the Company's announcement dated 14th September 2006.