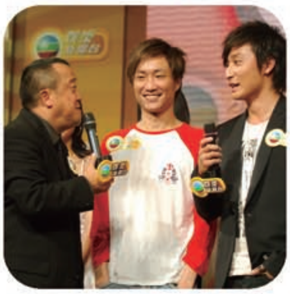
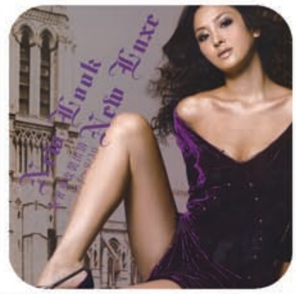
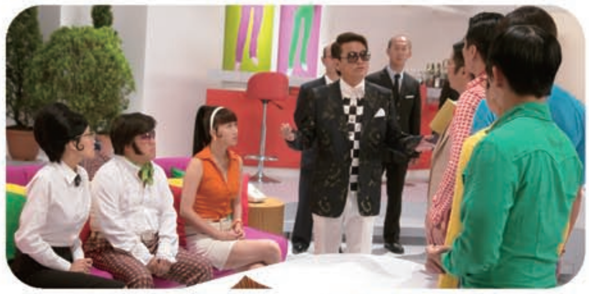







Annual Report 2007



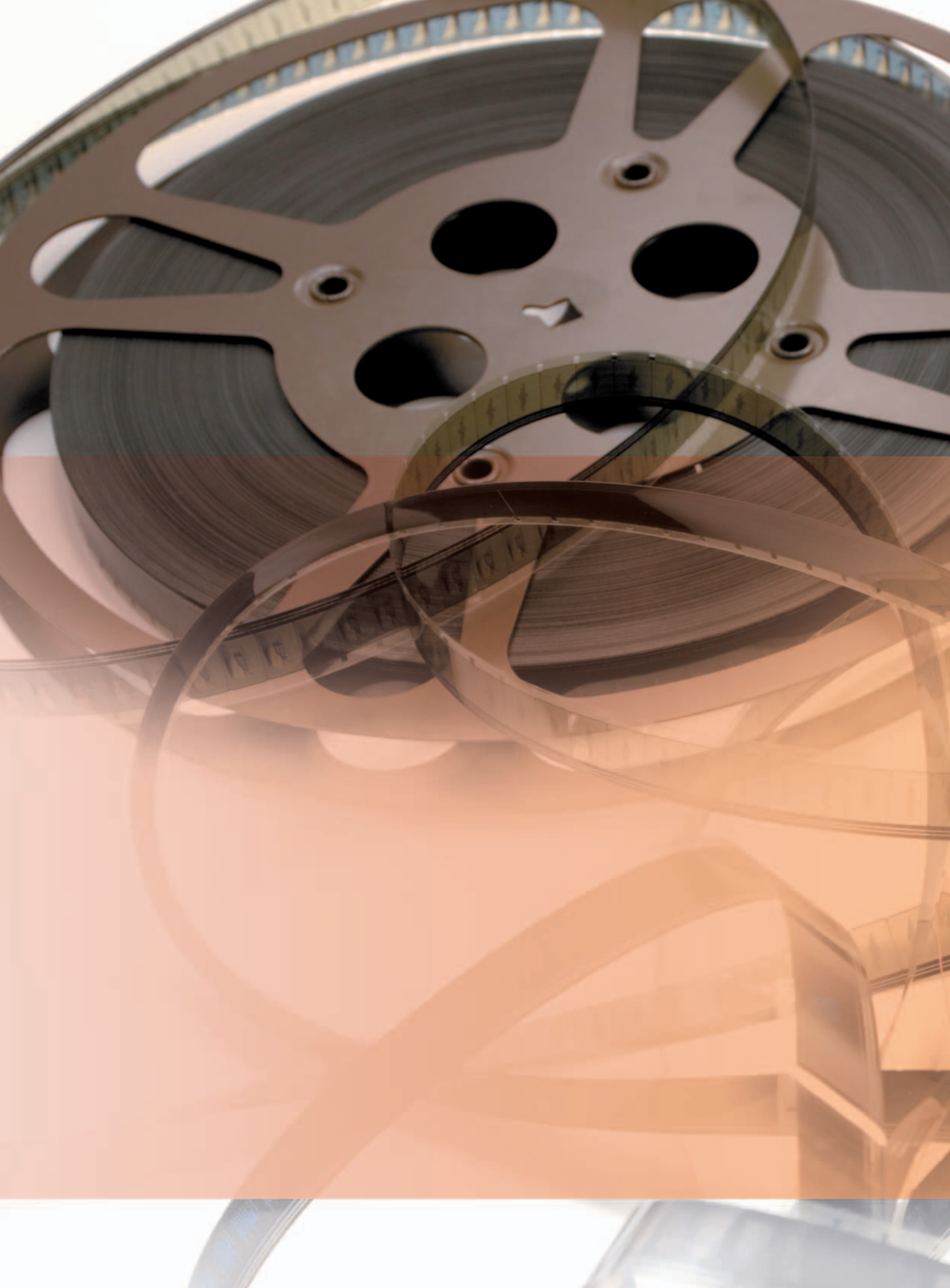



漢傳媒集團有限公司

SEE CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 491)



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Yu Kam Kee, Lawrence, *B.B.S., M.B.E., J.P.* *(Chairman)*
Mr. Wong Yat Cheung *(Managing Director)*
Mr. Yu Kam Yuen, Lincoln
Mr. Tong Chin Shing

Independent Non-executive Directors

Mr. Li Fui Lung, Danny
Mr. Ng Hoi Yue, Herman
Hon. Shek Lai Him, Abraham, *S.B.S., J.P.*
Mr. Fong Shing Kwong, Michael

COMPANY SECRETARY

Ms. Ng Yuk Yee, Feona

QUALIFIED ACCOUNTANT

Mr. Kwok Yeuk Yee

AUDIT COMMITTEE

Mr. Li Fui Lung, Danny
Mr. Ng Hoi Yue, Herman
Hon. Shek Lai Him, Abraham, *S.B.S., J.P.*
Mr. Fong Shing Kwong, Michael

REMUNERATION COMMITTEE

Mr. Yu Kam Kee, Lawrence, *B.B.S., M.B.E., J.P.*
Mr. Li Fui Lung, Danny
Mr. Ng Hoi Yue, Herman
Hon. Shek Lai Him, Abraham, *S.B.S., J.P.*
Mr. Fong Shing Kwong, Michael

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

LEGAL ADVISER

Richards Butler

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

2/F., Talon Tower
38 Connaught Road West
Hong Kong

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

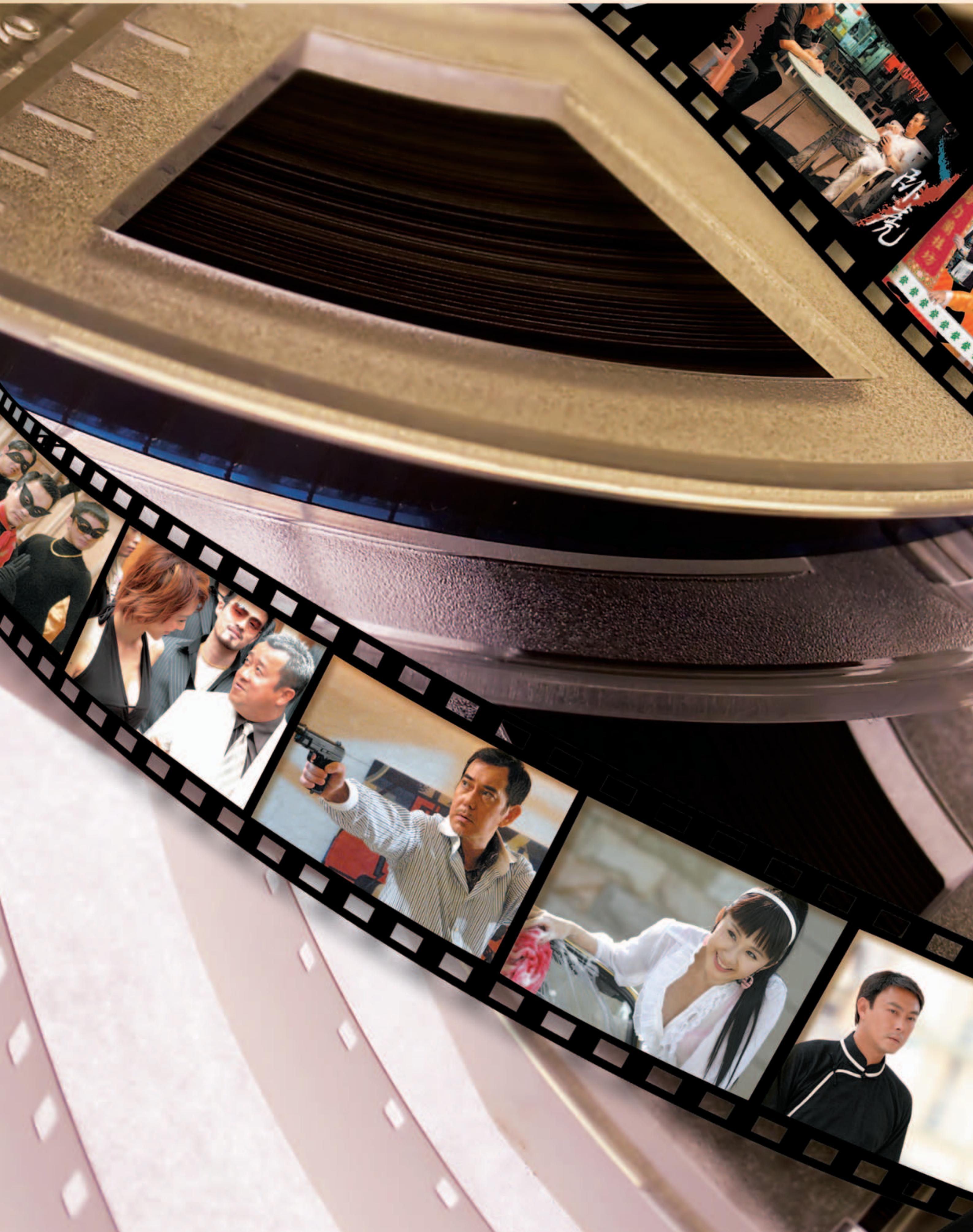
Tricor Tengis Limited
(formerly known as Tengis Limited)
Level 28, Three Pacific Place
1 Queen's Road East
Hong Kong

WEBSITE

http://www.irasia.com/listco/hk/see

STOCK CODE

491



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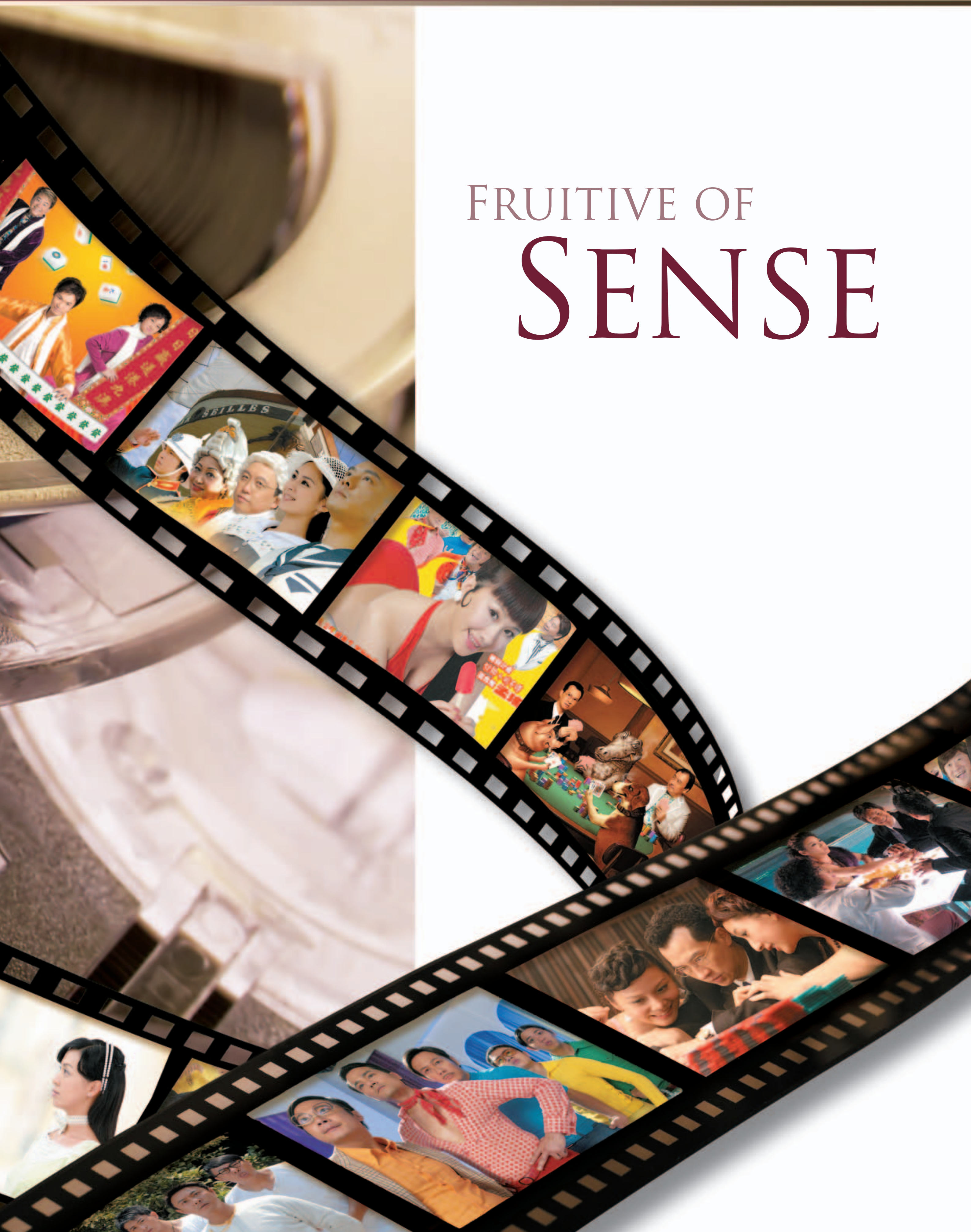
FRUITIVE OF SENSE



CHAIRMAN'S STATEMENT

On behalf of the board of Directors (the "Board"), it gives me great pleasure to announce the results of See Corporation Limited (hereafter referred to as the "Company") and its subsidiaries (the "Group") for the year ended 30 June 2007.

BUSINESS REVIEW AND PROSPECTS

All the main trends in the Group's business performance were favourable during the year under review. Our turnover and gross profit were both substantially higher than the preceding year, mainly due to the fact that we released more films. Our artiste and model management business also grew significantly.

At the same time, we curtailed our losses on continuing operations by tightening our control over cost of sales. We recorded a smaller impairment loss on our trade and other receivables; and the fair value of our financial assets rose significantly as a result of the buoyant stock market. Our share of the loss of our associates was almost halved compared with the previous year. As a result of these positive factors, the loss attributable to our equity holders was less than half the 2005/06 figure.

Film production remained the Group's core business, and it accounted for the largest percentages of our turnover and gross profit during the year ended 30 June 2007. We expect this to remain the case for the foreseeable future.

The Group produced and released three films – "Wo Hu", "Wise Guys Never Die" and "Kung Fu Mahjong 3" – during the year, all of which were well-received in the market. We also derived revenue from our investments in several TV programmes. One of our films, "Bliss", was honoured as "The Best Film" in the 10th Shanghai International Film Festival's Asian New Talent Awards. At the end of the financial year, we were working on the production of "Bullet & Brain" and "Beauty & the 7 Beasts". Both of these will be premiered in the second half of 2007. We will also release some other films in 2008. The number of films in the Group's film library also increased steadily during the year under review, and the total number is set to double within the coming year.

Hong Kong and Mainland China were the target markets for the films that we produced in the year under review. Competition, especially from foreign films, was very keen in these two markets during this year. Piracy was another problem for the film industry. However, the Government of the HKSAR has been taking active steps to control it, and the Group will tackle this problem carefully by distributing its films through reliable channels.

Our line-up of famous Hong Kong artistes and top models won far greater recognition and acclaim from the Hong Kong public during the past year. Thanks to its expertise and extensive network of contacts, our artiste and model management operation was able to secure a much larger number of assignments for them, including fashion shows, music live shows, advertisements and public performances. This more than doubled the operation's turnover and gross profit in the year under review.

Although our music album production business yields only a small percentage of the Group's total earnings, it plays a significant role in raising the profile of our artistes and the Group as a whole. We released new music albums by Dear Jane and EO2 during the year, and a new music album by Wada Hiromi was launched in July 2007. Other music albums by our artistes will go on the market during the coming months. We continued to organise a number of events – including promotional activities, live music shows and fashion shows – during the year. Most of these featured the artistes and models that the Group manages. However, we did not organise any large-scale music concerts in the past year.

Despite its continued poor performance, TVB Pay Vision, in which the Group holds a 49% interest, did achieve some improvements. The number of its subscribers rose steadily, its turnover rose, and its net loss declined. The Group's share of the net asset value of TVB Pay Vision has now been reduced to zero; and as a result, the Group's share in this company's loss in 2006/07 was rather lower than in the preceding year.

Hong Kong's economy is expected to continue its positive growth trend during the coming months, and this is likely to have a positive effect on consumer spending, which will benefit the entertainment industry. The provisions of CEPA (the Closer Economic Partnership Arrangement between Hong Kong and Mainland China) will help Hong Kong film and TV production companies to participate more fully in Mainland China market, and expand the distribution channels for their films there, especially in Guangdong Province.

Even so, the Hong Kong film market is still influenced by the lingering effects of adverse economic conditions that we encountered in recent years. Rapid changes in market trends and the public's tastes have increased the potential pitfalls for film production companies. We must therefore take the greatest care in choosing attractive stories and scripts for our projects. The Group will reduce our exposure to such risks by forming joint ventures to produce some of our medium-sized films and TV programmes during the coming 12 months.

We will continue to enrol promising new talents in our artiste and model portfolio, while enhancing the professionalism of those we have already managed. In addition, we will make every effort to identify and secure more high-profile assignments for them.

TVB Pay Vision will maintain its aggressive marketing and promotional programmes during the year ahead; and we hope these endeavours will continue to improve its business performance.

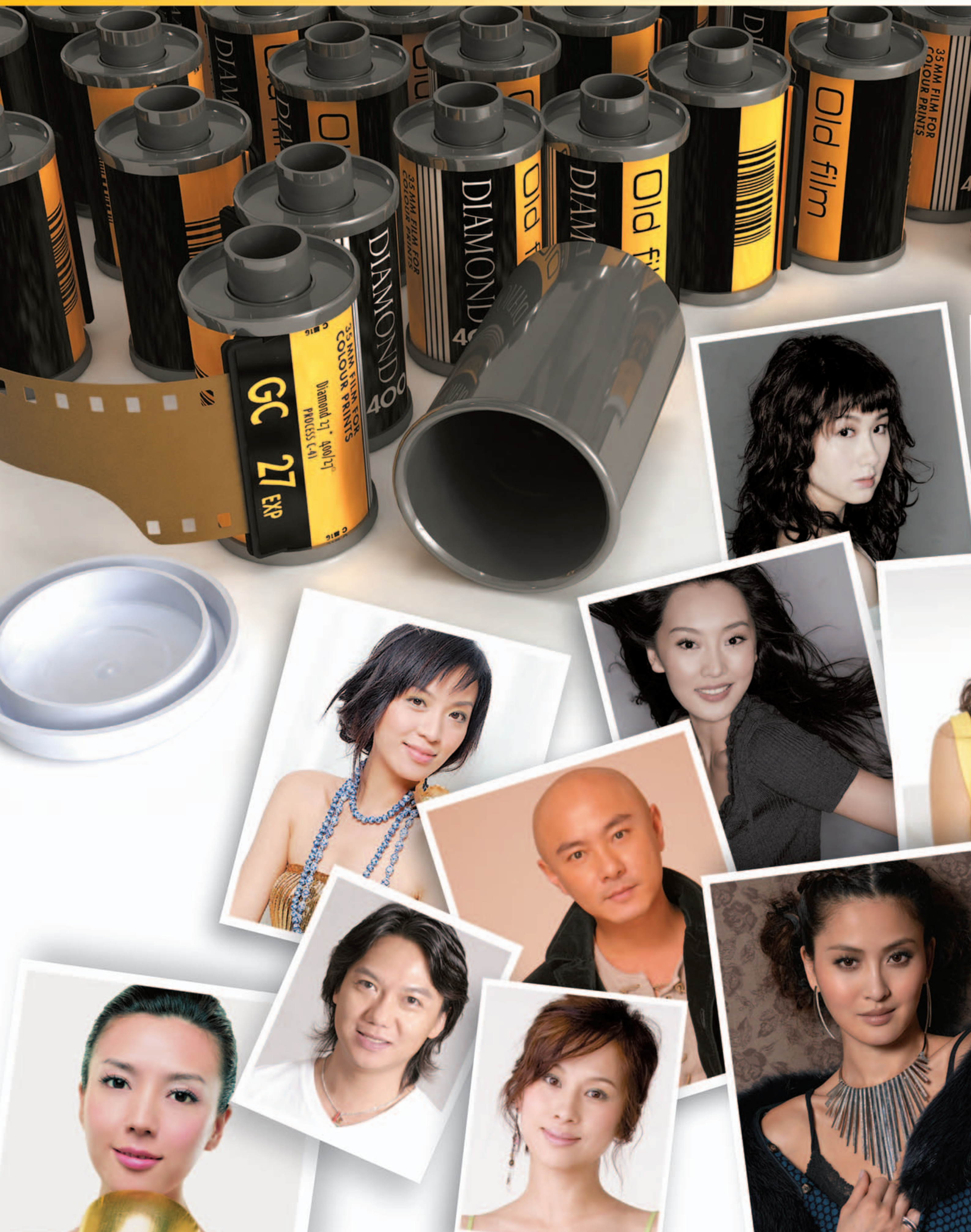
As well as optimising the success of our existing operations and resources, the Group will continue to seek new ways to achieve better returns for our shareholders. We will aim to do this by further diversifying our business portfolio through taking advantage of other promising investment opportunities in a prudent manner.

APPRECIATION

In the final analysis, any company's success is due to the commitment and skills of its people, as well as the cooperation of its business associates and the backing of its shareholders. I therefore wish to close by expressing my sincere thanks to my fellow Directors, and all the staff of the Group and the Company. Their exceptional efforts have created significant progress in every area of our activities during the past year. In addition, I would like to thank our business associates for their proactive assistance, and our shareholders for their unstinting support.

Yu Kam Kee, Lawrence
B.B.S., M.B.E., J.P.
Chairman

Hong Kong, 21 September 2007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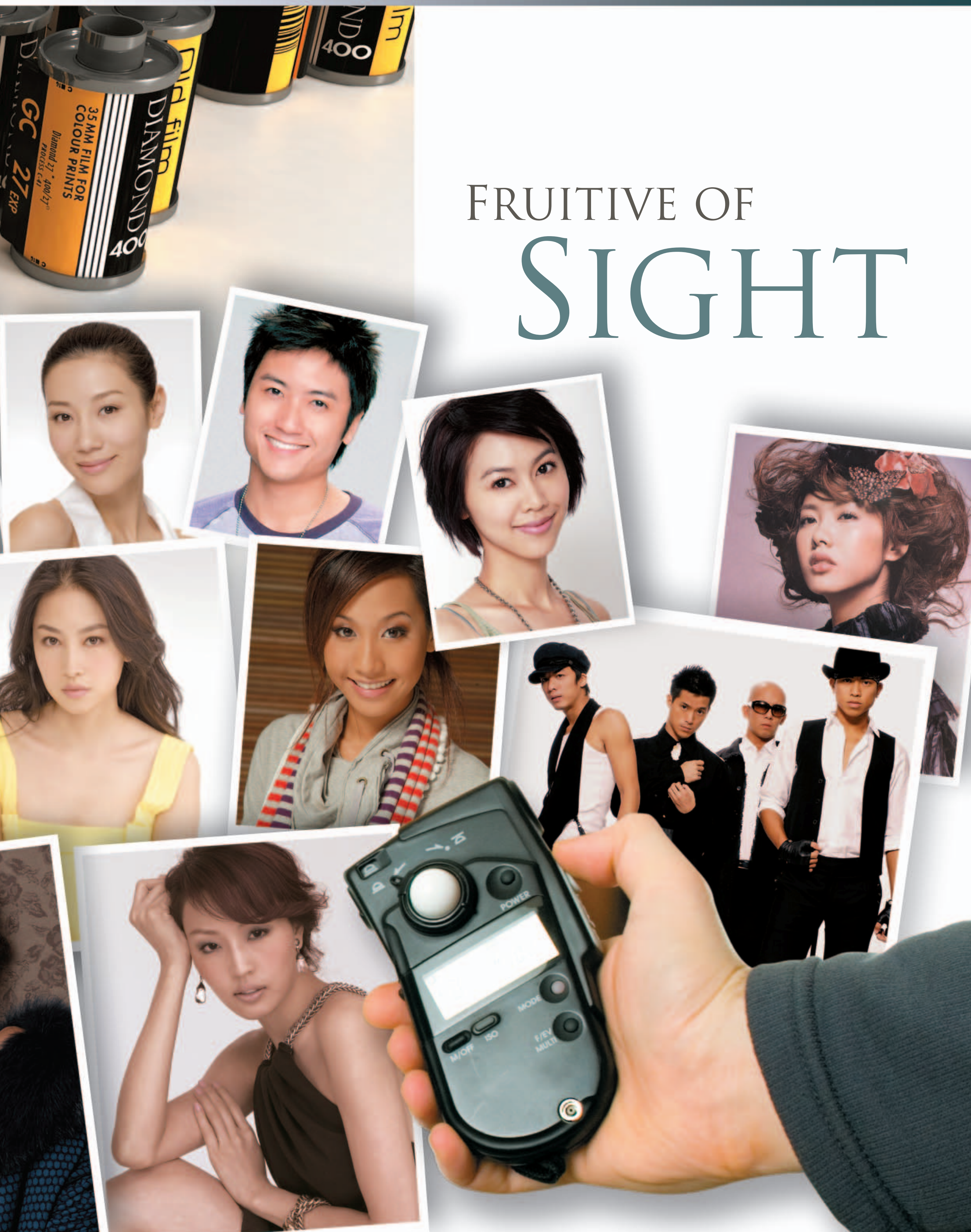
Old film
35MM FILM FOR COLOUR PRINTS
GC 27 EXP
Diamond 27 400/27
PROCESS C-41
400

FRUITIVE OF SIGHT



MANAGEMENT DISCUSSION AND ANALYSIS

Results

The Group's total turnover during the year ended 30 June 2007 was HK$43.8 million, an increase of 17 percent on the figure of HK$37.3 million for the 2005/06 financial year. The Group's gross profit was HK$13.8 million, compared with HK$4.3 million in the previous year. The increased turnover and gross profit were both attributable to the fact that we released more films than we did during the previous year, as well as the growth of our artiste and model management operation.

Meanwhile, the Group's continuing operations recorded a loss of HK$30.3 million during the year under review, compared with a loss of HK$55.7 million in the previous year. This substantial reduction was the result of (i) tighter control over cost of sales; (ii) a smaller impairment loss on trade and other receivables; and (iii) a substantial increase in the fair value of our financial assets, due to the buoyant stock market. The Group's share of the loss of our associates was HK$75.7 million, compared with HK$148 million in the previous year. Our loss on continuing operations during the year was HK$121.1 million, down from the 2005/06 figure of HK$260.7 million.

The loss attributable to equity holders was HK$120 million, compared with HK$261.9 million in the previous year. The loss per share for the year ended 30 June 2007 was HK$0.34, compared with HK$5.17 in 2005/06.

REVIEW OF OPERATIONS

The Group was principally engaged in the entertainment and media business. Our activities can be categorised as (i) film and TV programme production; (ii) music production; (iii) event production; (iv) artiste and model management; and (v) a pay TV operation. The Group's multimedia electronic products trading operations remained dormant during the year.

Film and TV programme production

The Group derived a turnover of HK$23.8 million from film and TV programme production activities during the year ended 30 June 2007, a 20 percent increase on the figure of HK$19.8 million for the previous year. The gross profit we derived from these activities was HK$7.8 million, compared with HK$0.3 million in 2005/06. The increased turnover and gross profit were due to the fact that the Group produced and released more films this year, and we also received revenue from our investments in several TV programmes. The Group produced and released "Wo Hu", "Wise Guys Never Die" and "Kung Fu Mahjong 3" during the year, and these have been well-received in the market.

As of 30 June 2007, the total net book value of the Group's film rights stood at HK$30 million. The impairment loss recognised on film rights during the year amounted to HK$10.5 million. "Bliss", one of the Group's film, was named as "The Best Film" in the 10th Shanghai International Film Festival's Asian New Talent Awards. The Group's total investment in film productions that were in progress on 30 June 2007 amounted to HK$17.9 million. These included "Bullet & Brain" and "Beauty & the 7 Beasts", both of which will be released in the second half of 2007, as well as other films that will be released in 2008.

Music production

The Group released new music albums by Dear Jane and EO2 in August and November 2006, respectively, plus a new music album by Wada Hiromi in July 2007. The turnover of the Group's music album production business during the year was HK$0.2 million, compared with HK$0.5 million in 2005/06, and we derived a gross profit from this business of HK$0.03 million, which was similar to the previous year's figure. Although music production accounts for only a small part of the Group's total earnings, it helps to boost the popularity of our artistes as well as our image. The Group is currently engaged in producing other music albums for our artistes, and these will be released in the coming months. The Group's investment in music production in progress as at 30 June 2007 amounted to totally HK$2.5 million.

Event production

The Group organised a number of events during the year. These included promotional activities, live music shows and fashion shows. Most of them featured the artistes and models that the Group manages. The turnover and gross profit from event production were HK$1.0 million and HK$0.3 million respectively, a decline on the previous year's figures of HK$4.7 million and HK$0.7 million. The Group did not organise any large-scale music concerts during this year.

Artiste and model management

The Group continued to manage a number of famous Hong Kong artistes and top models, such as Dicky Cheung, Annie Man, Eunis Chan, Kathy Chow, Lynn Xiong, Yedda Chao, EO2 and Wada Hiromi. We secured a substantially larger number of assignments for them, including fashion shows, music live shows, advertisements and public performances. As a result, the turnover and gross profit of our artiste and model management operation soared to HK$18.7 million and HK$5.6 million respectively, compared with the previous year's figures of HK$9.9 million and HK$2.9 million.

Pay TV operation

TVB Pay Vision – a paid TV operator in which the Group holds a 49% interest – continued to perform disappointingly. Even so, there were some improvements. The number of its subscribers has been rising steadily, its turnover grew by 23 percent to HK$202.4 million during the 12 months up to 30 June 2007, and its net loss in the same period declined by 16 percent to HK$298.2 million. The Group's share of this loss amounted to HK$75.7 million, compared with HK$148 million in 2005/06.

GEOGRAPHICAL REVIEW

During the year under review, the Group continued to focus on the Hong Kong and Mainland China markets. The revenue we derived from Hong Kong and Mainland China amounted to HK$41.2 million and HK$1.6 million, respectively, representing 94 percent and 4 percent of our total turnover.

FUTURE BUSINESS PROSPECTS AND PLANS

The Hong Kong SAR Government has announced that Hong Kong's economy grew by 6.9 percent during the second quarter of 2007, and it forecasts an increase of 5-6 percent for the full calendar year. Consumer spending is expected to rise as a result of this strong economic growth, which in turn will benefit the entertainment industry. In addition, the Hong Kong SAR Government signed Supplement IV to CEPA (the Closer Economic Partnership Arrangement) on 29 June 2007. Together with the previous Supplements, this will further assist Hong Kong film and TV production companies in expanding their participation in the Mainland China market, and it will also help them open up distribution channels for their films in Mainland China, especially Guangdong Province.

However, the Hong Kong film market has not yet fully recovered from the adverse economic conditions that existed in previous years. It is also subject to rapid changes in market trends and the public's tastes, which are factors that increase the risks associated with film production. It is therefore very important for film production companies to carefully choose attractive stories and scripts for their projects. The risks involved can also be mitigated by forming joint ventures with other parties. The Group plans to produce several medium-sized films and TV programmes between the second half of 2007 and early 2008. Some of these will be undertaken by joint ventures.

The Group will continue to seek out fresh talents to add to our artiste and model portfolio. We will pay attention to grooming the professional skills of those we have already managed, and we will seek out additional opportunities for them to participate in fashion and live music shows, advertisements, public performances and other assignments.

While its performance remained unsatisfactory, TVB Pay Vision managed to cut its losses during the past year by increasing its subscriber base through aggressive marketing programmes. It will roll out further promotional campaigns and continue to cut costs in the coming months. The Group hopes these measures will continue to improve its financial health.

FINANCIAL REVIEW AND LIQUIDITY

As at 30 June 2007, the Group's net assets amounted to HK$134.7 million, compared with HK$156.1 million on the same date last year. The current ratio, representing current assets divided by current liabilities, was 3.5. On 16 May 2007 the Group raised approximately HK$100 million by way of rights issue of 517,013,864 rights shares at a price of HK$0.2 each on the basis of four rights shares for every share held by the shareholders. The Group's cash and bank balances amounted to HK$85.3 million on the balance sheet date. The Group issued convertible notes for a principal amount of HK$170 million in August 2005. On 30 June 2007, the fair value of the liability component of these convertible notes was approximately HK$144.9 million. On the balance sheet date, the Group had a short-term loan from a third party of HK$45.7 million and short-term bank borrowing of HK$9.9 million. The gearing ratio, as a ratio of total borrowings over total assets was 0.57.

The Group had contingent liabilities of HK$24 million on the balance sheet date, mainly as a result of a corporate guarantee provided to a financial institution in respect of banking facilities granted to former subsidiaries. HK$5.5 million of the banking facilities were utilized by those former subsidiaries and this amount was subject to a claim by the financial institution concerned.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

During the year, the revenue and cost for film/TV programme, music, event production and artiste and model management services were mainly dominated in Renminbi and Hong Kong dollars. Borrowings in terms of loans and convertible notes were denominated in Hong Kong dollars.

As the exchange rates of Hong Kong dollars against Renminbi were relatively stable during the year, the Group's exposure to fluctuations in exchange rates was minimal.

The Group will closely monitor the foreign currency exposure and to arrange for hedging facilities when necessary.

EMPLOYEE SCHEMES

As at 30 June 2007, the Group has 61 employees (All based in Hong Kong). The remuneration policy and package of the Group's employees are periodically reviewed and approved by the executive directors. Apart from provident fund scheme and in-house training programmes, medical insurance scheme, discretionary bonuses and share options may also be awarded to employees according to the assessment of individual performances.

MAJOR LITIGATION AND ARBITRATION PROCEEDINGS

1. The Company and its ex-subsidiary, P.N. Electronics Ltd. ("PNE") have been involved in arbitration proceedings with North American Foreign Trading Corporation ("NAFT") in respect of a gross receivable of HK$18 million and related damages from various parties for goods shipped by PNE to NAFT in 1996. The arbitration proceedings were initiated by NAFT against the Company and PNE claiming for alleged damages in New York, USA. The Company has upon legal advice, vigorously contested the alleged claims and has counterclaimed the said sum of HK$18 million as well as other damages. The arbitration proceedings have been dormant for a substantial period of time.

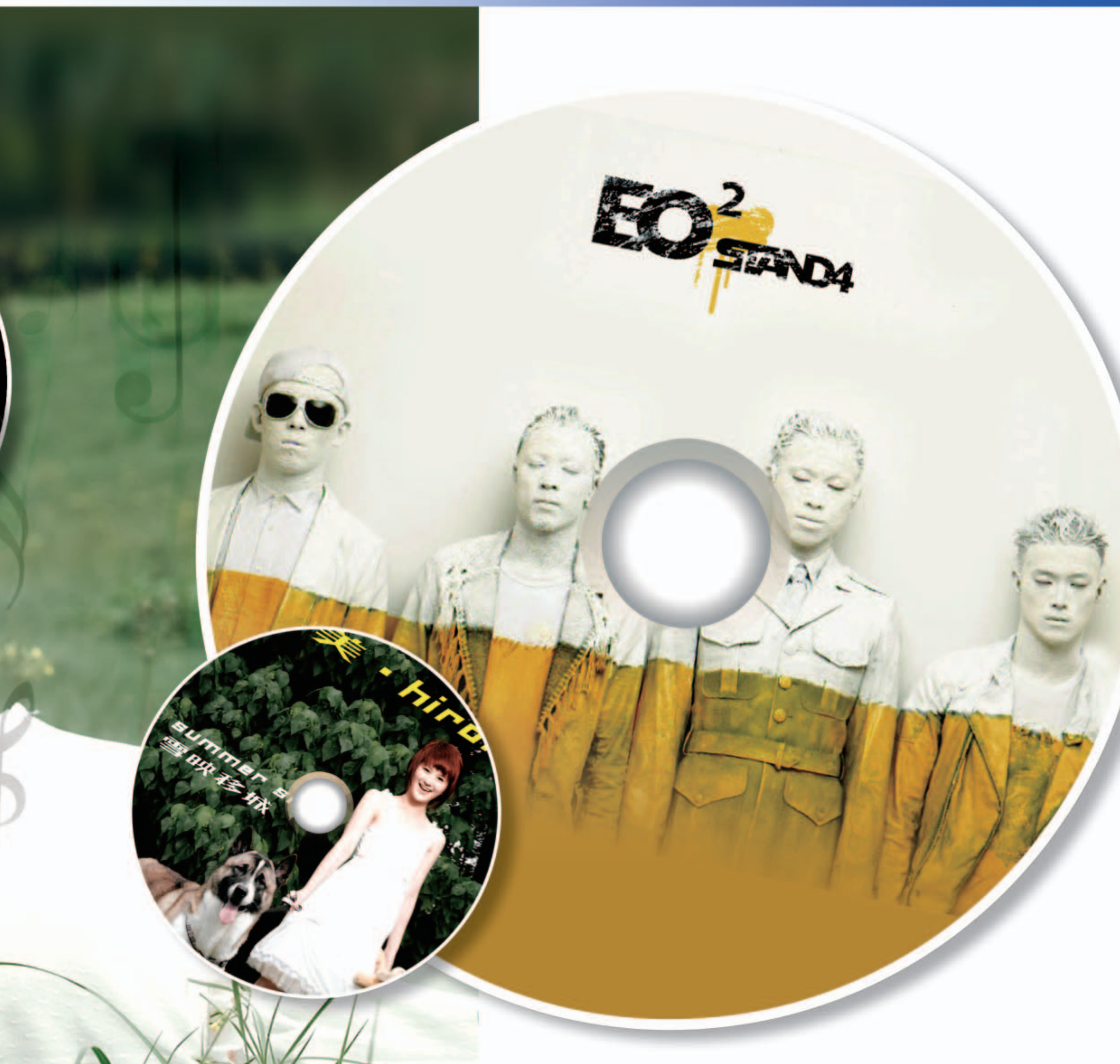
2. On 13 October 2003, a Writ of Summons and Statement of Claim was issued by BII Finance Company Limited ("BII Finance") against the Company under a guarantee allegedly given by the Company in favour of BII Finance in respect of certain liabilities of Welback Enterprises Limited. The claim is for a sum of approximately HK$3,583,000 and US$248,000 (approximately HK$1,936,000), together with interest.

   The Company has issued Third Party proceedings against Mr. Lee Chun Kwok and Mr. Fong Wing Seng, former directors of the Company, seeking a contribution to the extent of 49% of BII Finance's claim in the event that the Company is found liable to BII Finance (which is denied).

   The Company will continue to defend BII Finance's claim, and will also continue to pursue the Third Party proceedings against Mr. Lee Chun Kwok and Mr. Fong Wing Seng. BII Finance has not taken any steps to progress with the action since June 2006.

   Save as disclosed above, no member of the Group is engaged in any litigation or claims of material importance and no litigation or claims of material importance is known to the directors to be pending or threatened by or against any member of the Group.


Baby
香港 搖滾製造
DEAR JANE
100"



FRUITIVE OF MUSIC

CORPORATE GOVERNANCE REPORT

The board (the "Board") of directors (the "Directors") of the Company is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 30 June 2007.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Board is committed to maintaining high standards of corporate governance so as to ensure "Accountability, Responsibility and Transparency" towards the shareholders, stakeholders, investors as well as the employees of the Company.

The Board has adopted all the code provisions (the "Code Provisions") as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as the code of the Company (the "Code"). As at 30 June 2007, the Company has complied with all the Code Provisions of the CG Code.

The Board reviews its Code from time to time to ensure its continuous compliance with the CG Code. The key corporate governance principles and practices of the Company are summarized as follows:

BOARD COMPOSITION

The Board currently comprises eight members (four Executive Directors including the Chairman and the Managing Director and four Independent Non-executive Directors) of which two members have the appropriate accounting qualification or related financial management expertise as required by the Stock Exchange.

The composition of the Board represents a mixture of expertise specializing in management, media and entertainment industry, accounts and finance and corporate development. All of the Directors have comprehensive qualifications and experience in and exposure to diversified businesses which shall be beneficial to the business development of the Company.

The Board is responsible for formulating and implementing the Company's strategic planning, promoting corporate development as well as policies and objectives setting. Each Executive Director is assigned with specific responsibilities to enhance the effectiveness of the Company:

– Mr. Yu Kam Kee, Lawrence, *B.B.S., M.B.E., J.P.*, the Chairman, is responsible for formulating the Company's long term goal and strategy. He is the leader for the Board and takes the role of overseeing the effectiveness of the Board in achieving the Company's long term goal and strategy.

– Mr. Carl Chang, former Chief Executive Officer, was responsible for overseeing and developing the Company's media and entertainment businesses. He was also responsible for soliciting other investment opportunities for the Company. After his resignation, Mr. Wong Yat Cheung, the Managing Director, has taken up the above responsibilities since 13 February 2007.

– Mr. Yu Kam Yuen, Lincoln and Mr. Tong Chin Shing, the Executive Directors, are responsible for overseeing the Group's general management.

Mr. Yu Kam Kee, Lawrence is a brother of Mr. Yu Kam Yuen, Lincoln. Other than this, there is no relationship among members of the Board.

Details of the composition of the Board, by category of Directors, including names of Chairman and Managing Director, Executive Directors, Independent Non-executive Directors and their respective experience and qualification are included in the "Profile of the Directors" section of this annual report.

BOARD MEETINGS

The Board met regularly throughout the year to discuss the business development, operational and financial performance of the Company.

The attendance rates of individual Board members at the Board Meetings (either in person or by phone) held during the year are set out in the following table:

Attendance of Board Members

Name of Directors	Total number of Board Meetings held	Number of Board Meetings attended by individual Director
	4	
Executive Directors		
Yu Kam Kee, Lawrence, *B.B.S., M.B.E., J.P.* *(Chairman)*		4
Carl Chang *(Chief Executive Officer)*		1 *(Note 1)*
Wong Yat Cheung *(Managing Director)*		2 *(Note 2)*
Yu Kam Yuen, Lincoln		2
Tong Chin Shing		4
Independent Non-executive Directors		
Li Fui Lung, Danny		4
Ng Hoi Yue, Herman		4
Shek Lai Him, Abraham, *S.B.S., J.P.*		2
Fong Shing Kwong, Michael		1

Notes:

1. Mr. Carl Chang resigned as Executive Director and Chief Executive Officer on 21 March 2007 and was re-appointed as Executive Director on 29 March 2007. On 24 April 2007, he resigned as Executive Director. Before his resignation, there was 2 Board Meetings held during the year ended 30 June 2007.

2. Mr. Wong Yat Cheung was appointed as Executive Director and Managing Director on 13 February 2007. After his appointment, there was 2 Board Meetings held during the year ended 30 June 2007.

All minutes of the Board Meetings are prepared and kept by the Company Secretarial Department and open for inspection by Directors at any time.

CHAIRMAN AND MANAGING DIRECTOR

The roles of Chairman and Managing Director of the Company are clearly segregated and performed by two Executive Directors of the Company. Mr. Yu Kam Kee, Lawrence, *B.B.S., M.B.E., J.P.*, the Chairman, is responsible for the Company's long term strategic planning and business development as well as the management of the full Board while Mr. Wong Yat Cheung, the Managing Director, is responsible for implementing the Company's strategy, managing and monitoring the performance of the management and overseeing the daily operation of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

By 1 February 2007, the Company has signed appointment letters with all of the Independent Non-executive Directors of the Company and therefore duly complied with Code Provision A.4.1 of the CG Code. Pursuant to such appointment letters, each of the Independent Non-executive Directors of the Company is appointed for a fixed term of directorship of three years and is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with Bye-law 87(2) of the Company.

As at 30 June 2007, the Company has complied with all the Code Provisions of the CG Code.

MANAGEMENT FUNCTIONS

In general, the daily management and administration functions of the Company have been delegated to the management except for certain matters specifically reserved to the Board for decision. Those matters include the setting of the overall strategic direction and long-term objectives of the Company, approval of annual business plan, material acquisitions and disposals of assets, investments, connected transactions and capital projects, key human resources issue, preliminary interim and final results announcements, determination of interim and final dividends, appointment of Directors and annual assessment of internal control system.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

A formal and transparent procedure has been in place in selecting the Directors of the Company. Appointment of new Directors is reserved for the Board's approval. The Board shall take into account of that person's skill, qualifications and expected contributions to the Company before the appointment. Every newly appointed Director shall receive a comprehensive, formal and tailored induction on the first occasion of his appointment to make sure that he has a proper understanding of the operations and business of the Company and that he is fully aware of his responsibilities in the Company.

According to the Bye-laws of the Company, the newly appointed Director shall hold office until the next following general meeting of the Company (in case of filling a casual vacancy) or until the next following annual general meeting of the Company (in case of an addition to the Board) and shall then be eligible for re-election at that general meeting. In addition, at each annual general meeting one-third of the Directors (those appointed in that year shall not be counted in determining the number of Directors), including those appointed for specified terms, for the time being or if their number is not a multiple of three, the number nearest to but not greater than one-third, shall retire from office by rotation provided that notwithstanding anything herein, every Director shall be subject to retirement by rotation at least once every three years.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (Appendix 10 of the Listing Rules) issued by the Stock Exchange as its Code and Guidelines for the Directors and certain employees (who are likely to be in possession of unpublished price-sensitive information) of the Company to follow and observe in dealing with the securities of the Company.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Company's Code and Guidelines and the Model Code throughout the year ended 30 June 2007.

No incident of non-compliance of the Code and Guidelines by the employees was noted by the Company.

DIRECTORS' RESPONSIBILITIES FOR ACCOUNTS

The Directors acknowledge their responsibility for preparing the financial statements for each financial period to give a true and fair view of the state of affairs of the Company. In preparing the financial statements for the year ended 30 June 2007, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

REMUNERATION OF DIRECTORS

A remuneration committee was established on 26 October 2005, comprising one Executive Director, Mr. Yu Kam Kee, Lawrence, *B.B.S., M.B.E., J.P.*, and four Independent Non-executive Directors, being Messrs. Li Fui Lung, Danny, Ng Hoi Yue, Herman, Shek Lai Him, Abraham, *S.B.S., J.P.*, and Fong Shing Kwong, Michael. The main duties and responsibilities of the remuneration committee are to determine the remuneration packages of all Executive Directors and Independent Non-executive Directors and senior management of the Company, make recommendations to the Board to improve the transparency of the Company's overall remuneration policy and to review and approve the compensation arrangements relating to any loss or termination of office of Directors and senior management. A Remuneration Committee Charter, which clearly defined the role, authority and function of the remuneration committee, has been adopted by the Company on 26 October 2005.

One remuneration committee meeting was held during the year to review the appointment letters of Mr. Li Fui Lung, Danny and Mr. Ng Hoi Yue, Herman, and the annual remuneration package of the chairman of audit committee.

The attendance rates of individual committee members at the remuneration committee meeting (either in person or by phone) held during the year are set out in the following table:

Attendance of Remuneration Committee Members

Name of Committee Members	Total number of Remuneration Committee Meeting held	Number of Remuneration Committee Meeting attended by individual Committee Member
	1	
Yu Kam Kee, Lawrence, *B.B.S., M.B.E., J.P., (Chairman)*		1
Li Fui Lung, Danny		1
Ng Hoi Yue, Herman		1
Shek Lai Him, Abraham, *S.B.S., J.P.*		0
Fong Shing Kwong, Michael		0

All minutes of the remuneration committee meetings are prepared and kept by the Company Secretarial Department and open for inspection by Directors and remuneration committee members at any time.

AUDIT COMMITTEE

An audit committee comprising four Independent Non-executive Directors, being Messrs. Li Fui Lung, Danny, Ng Hoi Yue, Herman, Shek Lai Him, Abraham, *S.B.S., J.P.* and Fong Shing Kwong, Michael was duly established. Amongst the audit committee members, two members have the appropriate professional qualification and experience in financial matters as required by the Listing Rules.

The main duties and responsibilities of the audit committee are to review the Company's financial information such as the interim and annual results, financial reporting principles and practices; to recommend the appointment and reappointment or removal of the external auditors, to determine their independence and objectivity as well as to review the scope of audit and the reporting obligation of the external auditors; to oversee the financial reporting system and the internal control and risk management system of the Company. An Audit Committee Charter, which clearly defined the role, authority and function of the audit committee, has been duly modified by the Company on 26 October, 2005 in order to accommodate all the necessary code provisions of the Code.

Four audit committee meetings were held during the year mainly to review the appointment of auditors, the financial performance of the Company for the year ended 30 June 2006 and for the six months ended 31 December, 2006 and the internal control system and related issues.

The attendance rates of individual committee members at the audit committee meetings (either in person or by phone) held during the year are set out in the following table:

Attendance of Audit Committee Members

Name of Committee Members	**Total number of Audit Committee Meetings held**	**Number of Audit Committee Meetings attended by individual Committee Member**
	4	
Li Fui Lung, Danny *(Chairman)*		4
Ng Hoi Yue, Herman		4
Shek Lai Him, Abraham, *S.B.S., J.P.*		4
Fong Shing Kwong, Michael		1

All minutes of the audit committee meetings are prepared and kept by the Company Secretarial Department and open for inspection by Directors and audit committee members at any time.

AUDITORS' REMUNERATION

The total auditors' remuneration in respect of statutory audit and non-audit services provided by HLB Hodgson Impey Cheng, the Company's external auditors, during the year ended 30 June 2007 are set out at the table below:

Services rendered	**Fees paid/payable**
Statutory audit fees	HK$600,000
Fees for non-audit services	
Review of interim results	HK$100,000
Review of annual results and annual results announcement	Nil
Ad hoc projects	HK$125,000
Taxation services	HK$147,200
Total auditors' remuneration for the year	**HK$972,200**

INTERNAL CONTROL AND RISK MANAGEMENT

Internal control is fundamental to the successful operation and day-to-day running of a business and it assists a company in achieving its business objectives. While it aims to support the achievement of business objectives, it should serve as an early warning system of possible impediments to achieving those objectives. Internal control shall be useful to Directors, senior management and other key personnel that are accountable for control in the Company as well as acting as a tool in providing Directors and senior management with information of sufficient quality to make good business decisions and meet their regulatory obligations.

In light of the above, an Internal Control Policy and Procedures has been formulated and implemented within the Company with the primary objective of providing general guidance and recommendations on a basic framework of internal control and risk management. The key objectives of the internal control include:

– Safeguarding assets

– Ensuring completeness, accuracy and validity of financial records and reports

– Promoting adherence to policies, procedures, regulations and laws

– Promoting effectiveness and efficiency of operations

The Internal Control Policy and Procedures covers, amongst others, the following material activities – financial, operational and compliance controls:

Financial

Effective financial control is a vital element of internal control. It helps in identifying and managing liabilities to ensure that the Company is not unnecessarily exposed to avoidable financial risks. It also contributes to the safeguarding of assets from inappropriate use or loss, including the prevention and detection of fraud and errors.

In order to achieve effective financial control, a set of measures have been formulated and implemented to tighten the control on cash flow. All payments should be properly checked and approved and the operation of all bank accounts should be in joint signatories. Proper accounting and financial records shall be maintained in supporting financial budgets, monthly management accounts and reports. There should be a reliable interim and year-end reporting. The Company's assets should be properly recorded, maintained and used.

Operational

With regard to the Company's entertainment and media businesses, different sets of principles and procedures have been set up for different teams (film and TV programme production team, music production team, model management team and artiste management team) to follow. It is expected that through the implementation of the above principles and procedures, the production process and budget approval process should become more transparent and efficient.

These principles and procedures include the preparation of production plans and budgets, formulating a screening and approval process, setting up of an on-going monitoring system for production in progress and production cost spending and guidelines for music and movie products stocks keeping.

Compliance

Throughout the year, the Company has fully complied with the Listing Rules requirements. Financial reports, announcements and circulars have been prepared and published in accordance with the requirements of the Listing Rules.

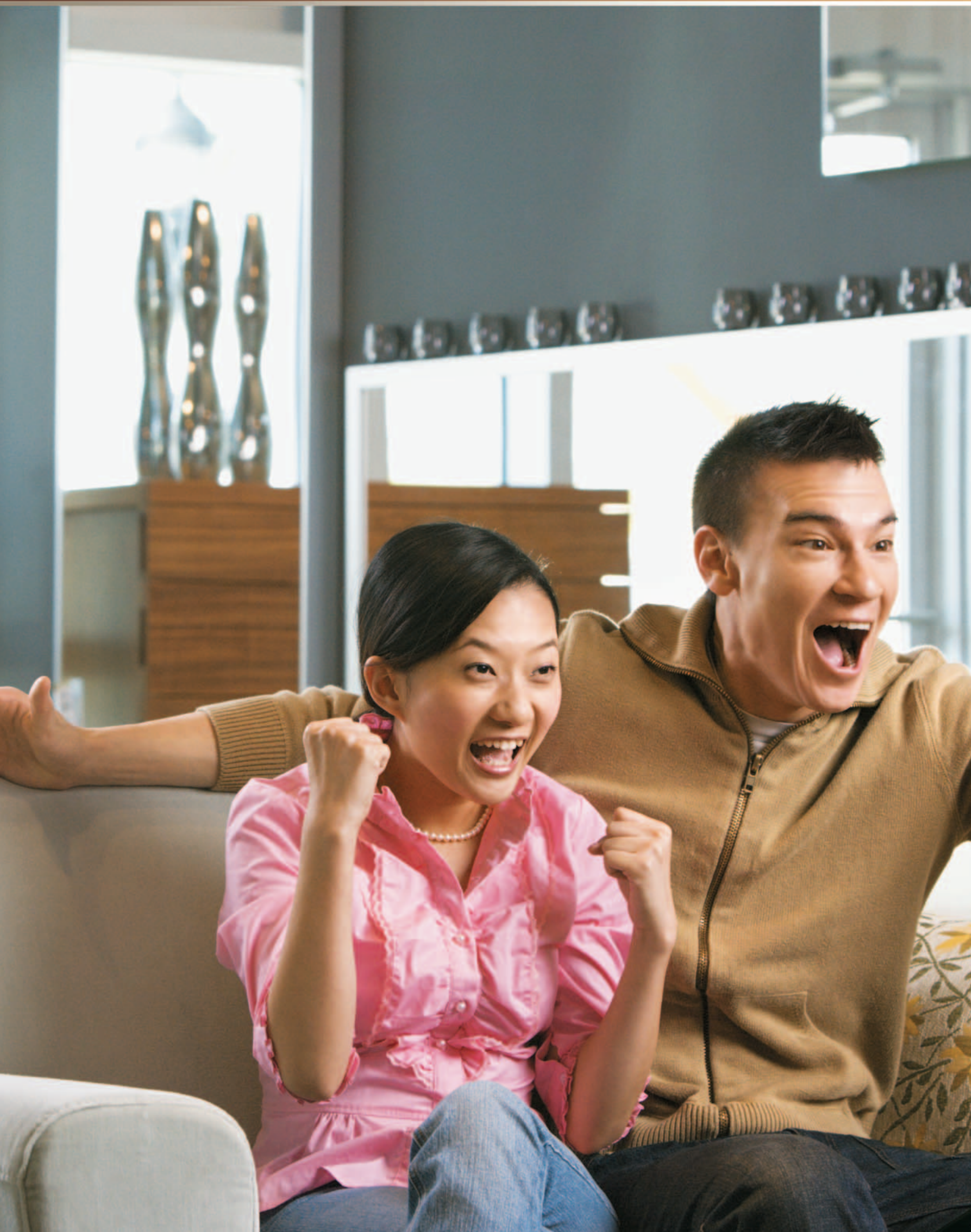
The Company has engaged Lak & Associates C.P.A. Limited ("Lak & Associates") to undertake the role of reviewing and assessing the Company's internal control and risk management system and to evaluate its effectiveness and efficiency on the internal control. Lak & Associates shall report to the Board and senior management regularly on the findings of the internal control and risk management systems implemented by the Company and help to identify any significant areas of concern and make recommendations to the Board accordingly.

COMMUNICATION WITH SHAREHOLDERS

The Company continues to pursue a proactive policy of promoting investor relations and communications with shareholders.

The Company's senior management and the company secretarial department have undertaken the role of establishing an effective communication system. They will respond to the enquiries from shareholders/ investing public or the media from time to time. The Company also maintains a website (http://www.irasia.com/listco/hk/see) through which the Company's updated financial information, announcements and press releases can be accessed by the shareholders and investors. The Board believes that the Company's website provides an alternative means for the investing public to obtain information of the Company in a convenient and timely manner.

The annual general meetings also provide an important opportunity for constructive communication between the Board and the shareholders of the Company. The Chairman and the majority of the Board member will attend the annual general meetings or other general meetings through which the Board can maintain an on-going dialogue with shareholders and to answer any questions raised by the shareholders.



FRUITIVE OF VISION

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting the report of the Directors of the Group for the year ended 30 June 2007.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group is principally engaged in (i) film and TV programme production, (ii) event production, (iii) artiste and model management, (iv) music production and (v) a pay TV operation. The Group's multimedia electronic products trading operations remained dormant during the year. Details of the principal activities and other particulars of the Company's significant subsidiaries are set out in note 22 to the financial statements.

SEGMENT INFORMATION

An analysis of the Group's performance for the year by business and geographical segments is set out in note 7 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2007 are set out in the consolidated income statement on page 39.

The states of affairs of the Group and the Company as at 30 June 2007 are set out in the balance sheets on pages 41 and 43 respectively.

The cashflows of the Group are set out in the statement on pages 45 and 46.

The Directors do not recommend a payment of dividend nor transfer of any amount to reserves for the year ended 30 June 2007.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 111.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 20 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company during the year are set out in notes 37 and 17 to the financial statements respectively.

RESERVES

Details of movements in the reserve of the Group and the Company during the year are set out in note 38 to the financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors in office during the financial year and up to the date of this report are:

Executive Directors

Mr. Yu Kam Kee, Lawrence, *B.B.S., M.B.E., J.P.* *(Chairman)*
Mr. Carl Chang *(Chief Executive Officer)* (resigned on 21 March 2007 and re-appointed on 29 March 2007, and resigned on 24 April 2007)
Mr. Wong Yat Cheung *(Managing Director)* (appointed on 13 February 2007)
Mr. Yu Kam Yuen, Lincoln
Mr. Tong Chin Shing

Independent non-executive Directors

Mr. Li Fui Lung, Danny
Mr. Ng Hoi Yue, Herman
Hon. Shek Lai Him, Abraham, *S.B.S., J.P.*
Mr. Fong Shing Kwong, Michael

Pursuant to Bye-law 86(2) of the Company's Bye-Laws, Mr. Wong Yat Cheung who was appointed by the Board of Directors, shall hold office until the forthcoming annual general meeting of the Company, and being eligible, will offer himself for re-election at that meeting.

Pursuant to Bye-law 87(2) of the Company's Bye-Laws, Mr. Yu Kam Yuen, Lincoln and Mr. Tong Chin Shing shall retire from office by rotation at the forthcoming annual general meeting and Mr. Yu, being eligible, will offer himself for re-election at that meeting. Mr. Tong, being eligible, will not stand for re-election and accordingly will cease to be a Director on conclusion of that meeting.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (Continued)

The Company has received from the Independent Non-executive Directors annual confirmation of independence in accordance with rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has assessed their independence and concluded that all the Independent Non-executive Directors are independent within the definition of the Listing Rules.

PROFILE OF THE DIRECTORS

Profile of the Directors of the Company as at the date of this report are set out on pages 34 and 36.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

There were no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, which subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2007, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") as recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

(A) Shares

As at 30 June 2007, the interests of the Directors and chief executive in the share capital of the Company and its associated corporations as defined in the SFO were as follows:

Name of Director	Name of Company	Number of Shares	Capacity	Approximate Percentage of Interest
Yu Kam Kee, Lawrence	See Corporation Limited	41,258,940	Beneficial owner	6.38% *(Note)*
Wong Yat Cheung	Mega-Vision Productions Limited	2,000,000	Beneficial owner	20%

Note: This percentage has been compiled based on the total number of shares (i.e. 646,267,330 ordinary shares) of the Company in issue as at 30 June 2007.

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

(B) Share options

The Company has a share option scheme under which Directors may, at their discretion, grant options to employees, including any directors, of the Company or its subsidiaries to subscribe for shares in the Company, subject to the terms and conditions stipulated. During the year ended 30 June 2007, there were no outstanding share options granted to the Directors of the Company.

Save as aforesaid, as at 30 June 2007, to the knowledge of the Company:

(i) none of the Directors, or chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and the chief executive are taken or deemed to have under the provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rule;

(ii) none of the Directors or chief executive or their spouses or children under 18 had any right to subscribe for the shares, underlying shares or debentures of the Company, or had exercised any right during the year ended 30 June 2007.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or the chief executive of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors, the chief executive, their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right, save as the share options disclosed in the previous section headed "Directors' Interest in Shares, Underlying Shares and Debentures".

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, shareholders (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of Shareholder	Long Position/ Short Position	Capacity	Number of Shares held/ involved	Number of Underlying Shares held/ involved	Approximate Percentage of Interest
ITC *(Note)*	Long Position	Interest of controlled corporations	116,198,865	–	17.98%
	Long Position	Interest of controlled corporation	–	600,591,715	92.93%
ITC Investment *(Note)*	Long Position	Interest of controlled corporations	116,198,865	–	17.98%
	Long Position	Interest of controlled corporation	–	600,591,715	92.93%
Mankar *(Note)*	Long Position	Interest of controlled corporations	116,198,865	–	17.98%
	Long Position	Interest of controlled corporation	–	600,591,715	92.93%
Famex *(Note)*	Long Position	Interest of controlled corporations	116,198,865	–	17.98%
	Long Position	Interest of controlled corporation	–	600,591,715	92.93%
Hanny *(Note)*	Long Position	Beneficial owner	112,451,865	–	17.40%
	Long Position	Beneficial owner	–	600,591,715	92.93%
	Long Position	Interest of controlled corporations	3,747,000	–	0.58%

SUBSTANTIAL SHAREHOLDERS (Continued)

Name of Shareholder	Long Position/ Short Position	Capacity	Number of Shares held/ involved	Number of Underlying Shares held/ involved	Approximate Percentage of Interest
Hanny BVI *(Note)*	Long Position	Interest of controlled corporation	3,747,000	–	0.58%
Cyber Generation *(Note)*	Long Position	Beneficial owner	3,747,000	–	0.58%

Note:

(1) Cyber Generation Limited ("Cyber Generation") is wholly owned by Hanny Magnetics (B.V.I.) Limited ("Hanny BVI"), which is a wholly owned subsidiary of Hanny Holdings Limited ("Hanny"). Hanny and Hanny BVI are deemed to be interested in 3,747,000 shares held by Cyber Generation.

Famex Investment Limited ("Famex") holds approximately 49.99% shareholding interests in Hanny. Famex is a direct wholly-owned subsidiary of Mankar Assets Limited ("Mankar"). Mankar is a direct wholly-owned subsidiary of ITC Investment Holdings Limited ("ITC Investment"), which in turn is a direct wholly-owned subsidiary of ITC Corporation Limited ("ITC"). Famex, Mankar, ITC Investment and ITC are deemed to be interested in 116,198,865 shares and 600,591,715 underlying shares held by Hanny.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company and recorded in the register maintained under Section 336 of the SFO as at 30 June 2007.

CONVERTIBLE BONDS, SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

On 10 August 2005 the Company issued a zero coupon convertible notes in the aggregate principal amount of HK$170 million to Hanny at the conversion price of HK$0.12 per share of HK$0.01 each of the share capital of the Company, subject to adjustment and upon the terms contained therein.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, 17% of the Group's purchases were attributable to the Group's five largest suppliers with the largest supplier accounting for 6% of the Group's purchases. In addition, 49% of the Group's turnover was attributable to the Group's five largest customers with the largest customer accounting for 41% of the Group's turnover.

As at 30 June 2007, to the knowledge of the Directors of the Company, none of the Directors, their associates or any shareholders owning more than 5% of the Company's share capital had any beneficial interests in the Group's five largest suppliers and customers.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 30 June 2007, the following Director(s) were considered to have interests in the following businesses, being businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

Name of Director	Name of Entity the businesses of which are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the Entity which are considered to compete or likely to compete with the businesses of the Group	Nature of Interests of the Director in the Entity
Wong Yat Cheung	Affluence Pictures Limited	Film production and related business	As a director and a shareholder
	Bad Boy Film Culture Limited	Film production and related business	As a director
	Bob & Partners Co., Limited	Film production and related business	As a director
	Film Dynasty Limited	Film production and related business	As a director
	Fresh Air Team Limited	Film production and related business	As a director
	Jing's Production Limited	Film production and related business	As a director and a shareholder

DIRECTORS' INTERESTS IN COMPETING BUSINESS (Continued)

Name of Director	Name of Entity the businesses of which are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the Entity which are considered to compete or likely to compete with the businesses of the Group	Nature of Interests of the Director in the Entity
	Most Valuable Productions Limited	Film production and related business	As a director and a shareholder
	Rich & Famous Film & TV Production Limited	Film production and related business	As a director and a shareholder
	Rich & Famous Talent Management Group Limited	Artiste management business	As a director and a shareholder

Save as disclosed above, during the year ended 30 June 2007, none of the Directors have any interest in business which competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this report, there is sufficient public float of the Company's issued shares as required under the Listing Rules throughout the year ended 30 June 2007.

SUBSEQUENT EVENTS

Details of significant subsequent events are set out in note 44 to the financial statements.

AUDITORS

Messrs. HLB Hodgson Impey Cheng shall retire at the forthcoming annual general meeting and being eligible to offer themselves for re-appointment.

On Behalf of the Board
Yu Kam Kee, Lawrence
B.B.S., M.B.E., J.P.
Chairman

Hong Kong, 21 September 2007

PROFILE OF THE DIRECTORS

EXECUTIVE DIRECTORS

Mr. Yu Kam Kee, Lawrence, *B.B.S., M.B.E., J.P.*, aged 62, was appointed as an Executive Director and the Chairman of the Company on 24 August 2004. He has undergone training at Bayer AG and Cassella AG in Germany and has accumulated many years of extensive experience in the chemical industry. He is the Honorary Life President of the Hong Kong Dyestuffs Merchants Association Limited. He also serves on many charitable and social organisations. He is now the Co-Chairman of the Campaign Committee of The Community Chest of Hong Kong, Governor of the Hong Kong Automobile Association, Director of the Hong Kong Football Association and Chairman of the Campaign Committee of the Road Safety Council. He is also the Senior Advisor of China Renji Medical Group Ltd., the Chairman of Wing On Travel (Holdings) Limited and an independent non-executive director of Great China Holdings Limited, shares of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Lawrence Yu is a brother of Mr. Lincoln Yu, an executive director of the Company.

Mr. Wong Yat Cheung, aged 52, was appointed as an Executive Director and Managing Director of the Company on 13 February 2007. He is a prominent director, producer and scriptwriter in Hong Kong, both in terms of box-office success and breaking new grounds for film production. He graduated from the Chinese University of Hong Kong in 1978 and holds a bachelor's degree in Chinese Language and Literature. Having over 20 years experience in the Hong Kong film and television industry, he has produced over 100 films and TV drama-series. Some of his reputable film sequels are "The Romancing Star", "God of Gamblers" and "Young and Dangerous", all of which set new movie box-office records as well as new trends for the Hong Kong movie scene. He was recently awarded by UA Cinemas as the Movie Director with the Highest Box-Office Record between 1985 and 2005. Mr. Wong does not hold any directorship in any other listed company over the last three years.

Mr. Yu Kam Yuen, Lincoln, aged 53, was appointed as an Executive Director of the Company on 24 August 2004. He is the holder of a Bachelor Degree in Economics from the University of Western Ontario, Canada and has undergone training in dyestuffs technology at Bayer AG and Hoechst AG in Germany. He is the President of the Hong Kong Dyestuffs Merchants Association Limited and participates in many charitable organisations. He is also a non-executive director of China Renji Medical Group Ltd. and an independent non-executive director of Innovo Leisure Recreation Holdings Limited, shares of both of which are listed on the Stock Exchange. Mr. Lincoln Yu is a brother of Mr. Lawrence Yu, the chairman and an executive director of the Company.

Mr. Tong Chin Shing, aged 54, was appointed as an Executive Director of the Company on 5 December 2005. He holds a Bachelor's Degree in Commerce and is a member of the Society of Management Accountants of Canada. He has over 29 years experience in general corporate development, accounting, auditing, finance and general administration in Hong Kong, Canada and the PRC. He is currently an executive director of Apex Quality Group Limited, a public company operating hotel businesses in Hong Kong and the PRC and an independent non-executive director of Carats Limited, a company listed on Singapore Exchange Securities Trading Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Fui Lung, Danny, aged 54, was appointed as an Independent Non-executive Director and a member of the audit committee of the Company on 23 October 2001. He graduated with a Bachelor of Science Degree from the University of Hong Kong and subsequently obtained postgraduate certificate in accountancy from the University of Stirling in Scotland. He has over 25 years experience in the accounting profession and after qualifying as Chartered Accountant in 1980 with Ernst & Whinney in Scotland, has worked as finance manager, controller and internal auditor in major multinational companies. Upon his appointment with the Company, Mr. Li has been acting as the Chairman of the Company's audit committee. Mr. Li is the sole proprietor of Messrs. Danny Li & Company, a certified public accountants firm in Hong Kong, and has been practising as a certified public accountant in Hong Kong for more than 5 years. He is a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in Scotland and the Institute of Chartered Accountants in Australia.

Mr. Ng Hoi Yue, Herman, aged 43, was appointed as an Independent Non-executive Director and a member of the audit committee of the Company on 16 May 2002. Mr. Ng is an associate member of The Institute of Chartered Accountants in England and Wales and a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has been practising as a certified public accountant in Hong Kong since 1989. He is also an independent non-executive director of Henry Group Holdings Limited whose shares are listed on the Stock Exchange.

The Hon. Shek Lai Him, Abraham, *S.B.S., J.P.*, aged 62, was appointed as an Independent Non-executive Director and a member of the audit committee of the Company on 1 October 2005. Mr. Shek is a member of the Legislative Council for the Hong Kong Special Administrative Region representing real estate and construction functional constituency since 2000. He is a graduate of Sydney University, Australia. Mr. Shek served as Chief Executive of Land Development Corporation during the period from 1987 to 2000. Currently, Mr. Shek is a member of the Council of The Hong Kong University of Science & Technology and member of the Court of The University of Hong Kong. He is also a member of the Managing Board of Kowloon-Canton Railway Corporation and a director of The Hong Kong Mortgage Corporation Limited. Mr. Shek is an independent non-executive director and a member of the audit committee of several companies which are listed on the Stock Exchange, including NWS Holdings Limited (stock code: 659), Midas International Holdings Limited (stock code: 1172), Paliburg Holdings Limited (stock code: 617), Lifestyle International Holdings Limited (stock code: 1212), Chuang's Consortium International Limited (stock code: 367), ITC Corporation Limited (stock code: 372), Titan Petrochemicals Group Limited (stock code: 1192) and Country Garden Holdings Company Limited (stock code: 2007). He is an independent non-executive director of Hop Hing Holdings Limited (stock code: 0047). He is an independent non-executive director of Regal Portfolio Management Limited, which is the Manager of Regal Real Estate Investment Trust (stock code: 1881) which is listed on the Stock Exchange. He is also an independent non-executive director and a member of the audit committee of Eagle Asset Management (CP) Limited, which is the Manager of Champion Real Estate Investment Trust (stock code: 2778) which is listed on the Stock Exchange. Mr. Shek was appointed as a Justice of the Peace in 1995 and awarded Silver Bauhinia Star in 1997.

Profile of the Directors (Continued)

Mr. Fong Shing Kwong, Michael, aged 59, was appointed as an Independent Non-executive Director and a member of the audit committee of the Company on 5 December 2005. He is presently an executive director of New World China Land Limited, a company listed on the Main Board of the Stock Exchange, and a director of Kiu Lok Service Management Co Ltd.. Mr. Fong has over 30 years of experience in the hospitality industry.

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31st Floor Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SEE CORPORATION LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of See Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 110 which comprise the consolidated and company balance sheets as at 30 June 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Company and of the Group as at 30 June 2007 and of the loss and cash flows of the Group for the year then ended and have been properly in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 21 September 2007

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2007

	Notes	2007 HK$'000	2006 HK$'000
Continuing Operations			
Turnover	6	**43,792**	37,334
Cost of sales		**(29,993)**	(33,004)
Gross profit		**13,799**	4,330
Other revenue	8	**10,066**	5,518
Other income	8	**2,784**	397
Distribution costs		**(6,460)**	(8,822)
Administrative expenses		**(41,694)**	(36,755)
Impairment loss on trade and other receivables		**(10,649)**	(13,659)
Impairment loss on film rights		**(10,546)**	(4,409)
Change in fair value of financial assets at fair value through profit or loss		**12,376**	(2,259)
Loss from operations	9	**(30,324)**	(55,659)
Impairment loss on goodwill		**–**	(40,414)
Finance costs	10	**(15,116)**	(17,098)
Share of results of associates	21(a)	**(75,654)**	(147,995)
Gain on disposal of subsidiaries		**–**	476
Loss before taxation		**(121,094)**	(260,690)
Taxation	12	**–**	–
Loss for the year from continuing operations		**(121,094)**	(260,690)
Discontinued operations			
Loss for the year from discontinued operations	41	**–**	(4,145)
Loss for the year		**(121,094)**	(264,835)
Attributable to:			
Equity holders of the Company		**(120,033)**	(261,914)
Minority interests		**(1,061)**	(2,921)
		(121,094)	(264,835)

Consolidated Income Statement (Continued)

For the year ended 30 June 2007

	Notes	2007 HK$'000	2006 HK$'000
Loss per share attributable to equity holders of the Company			
From continuing and discontinued operations			
Basic	*14*	**HK$(0.34)**	HK$(5.21)
Diluted	*14*	**N/A**	N/A
From continuing operations			
Basic	*14*	**HK$(0.34)**	HK$(5.17)
Diluted	*14*	**N/A**	N/A

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 30 June 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Intangible assets	*18*	**65**	992
Leasehold land	*19*	**14,280**	14,297
Property, plant and equipment	*20*	**10,596**	11,325
Interests in associates	*21*	**72,365**	148,019
Goodwill	*23*	**1,092**	1,092
		98,398	175,725
Current assets			
Film rights	*24*	**30,041**	22,459
Film production in progress	*25*	**17,910**	29,103
Music production in progress		**2,500**	1,896
Inventories	*26*	**331**	196
Trade and other receivables	*27*	**41,373**	38,319
Loan receivables	*28*	**40,000**	–
Financial assets at fair value through profit or loss	*29*	**19,050**	6,674
Held-to-maturity investments	*30*	**17,341**	14,819
Pledged bank deposits	*31*	**743**	718
Cash and bank balances	*32*	**85,301**	147,685
		254,590	261,869
Less: Current liabilities			
Trade and other payables	*33*	**17,677**	26,770
Short-term loan – unsecured	*34*	**45,742**	109,000
Bank overdraft – secured	*35*	**9,894**	10,072
		73,313	145,842
Net current assets		**181,277**	116,027
Total assets less current liabilities		**279,675**	291,752
Less: Non-current liabilities			
Convertible notes	*36*	**144,939**	135,670
Net assets		**134,736**	156,082

Consolidated Balance Sheet (Continued)

At 30 June 2007

	Notes	2007 HK$'000	2006 HK$'000
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	*37*	**6,462**	129,253
Reserves	*38*	**128,274**	25,768
		134,736	155,021
Minority interests		**–**	1,061
		134,736	156,082

Approved and authorised for issue by the board of directors on 21 September 2007 and signed on its behalf by:

Yu Kam Kee, Lawrence, *B.B.S., M.B.E., J.P.*
Executive Director

Wong Yat Cheung
Executive Director

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET

At 30 June 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Intangible assets	18	**65**	76
Property, plant and equipment	20	**2,035**	2,423
Investment in subsidiaries	22	**202,631**	206,576
		204,731	209,075
Current assets			
Trade and other receivables		**11,723**	10,080
Loan receivables	28	**40,000**	–
Financial assets at fair value through profit or loss	29	**14,267**	3,531
Held-to-maturity investments	30	**17,341**	14,819
Pledged bank deposits	31	**743**	718
Cash and bank balances	32	**79,344**	145,579
		163,418	174,727
Less: Current liabilities			
Trade and other payables		**6,684**	12,037
Short-term loan – unsecured	34	**45,742**	109,000
		52,426	121,037
Net current assets		**110,992**	53,690
Total assets less current liabilities		**315,723**	262,765
Less: Non-current liabilities			
Convertible notes	36	**144,939**	135,670
Net assets		**170,784**	127,095
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	37	**6,462**	129,253
Reserves	38	**164,322**	(2,158)
		170,784	127,095

Approved by the board of directors on 21 September 2007.

Yu Kam Kee, Lawrence, *B.B.S., M.B.E., J.P.*
Executive Director

Wong Yat Cheung
Executive Director

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

At 30 June 2007

	Attributable to the equity holders of the Company							
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Convertible notes reserve HK$'000	Accumulated deficits HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 July 2005	5,386	120,523	–	–	(55,030)	70,879	1,437	72,316
Capital reorganisation	–	(28,663)	28,663	–	–	–	–	–
Amount transferred to write off accumulated deficits	–	–	(28,663)	–	28,663	–	–	–
Issue of shares pursuant to rights issue	123,867	–	–	–	–	123,867	–	123,867
Premium arising from issue of shares pursuant to rights issue	–	185,619	–	–	–	185,619	–	185,619
Shares issue expenses on rights issue	–	(9,350)	–	–	–	(9,350)	–	(9,350)
Convertible notes – equity component	–	–	–	45,920	–	45,920	–	45,920
Minority interests arising from formation of subsidiaries	–	–	–	–	–	–	2,000	2,000
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	152	152
Disposal of subsidiaries	–	–	–	–	–	–	393	393
Net loss for the year	–	–	–	–	(261,914)	(261,914)	(2,921)	(264,835)
At 30 June 2006 and 1 July 2006	129,253	268,129	–	45,920	(288,281)	155,021	1,061	156,082
Capital reduction	(127,961)	–	127,961	–	–	–	–	–
Amount transferred to write off accumulated deficits (note 38(g))	–	–	(127,961)	–	127,961	–	–	–
Issue of shares pursuant to rights issue	5,170	–	–	–	–	5,170	–	5,170
Premium arising from issue of shares pursuant to rights issue	–	98,233	–	–	–	98,233	–	98,233
Shares issue expenses on rights issue	–	(3,655)	–	–	–	(3,655)	–	(3,655)
Net loss for the year	–	–	–	–	(120,033)	(120,033)	(1,061)	(121,094)
At 30 June 2007	**6,462**	**362,707**	**–**	**45,920**	**(280,353)**	**134,736**	**–**	**134,736**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2007

	2007 HK$'000	2006 HK$'000
Cash flows from operating activities		
Loss before taxation	**(121,094)**	(264,835)
Adjustments for:		
Gain on disposal of subsidiaries	**–**	(476)
Impairment loss on goodwill	**–**	153
Impairment loss on goodwill recognised upon acquisition of interests in associates	**–**	40,261
Impairment loss on artiste contract rights	**–**	109
Impairment loss on film rights	**10,546**	4,409
Interest income	**(5,989)**	(3,988)
Interest expense	**15,116**	17,098
Change in fair value of financial assets at fair value through profit or loss	**(12,376)**	2,259
Change in fair value of held-to-maturity investments	**(2,522)**	(336)
Depreciation of property, plant and equipment and amortisation of leasehold land	**1,277**	1,206
Share of results of associates	**75,654**	147,995
Amortisation of trademark	**172**	233
Amortisation of artiste contract rights	**–**	8
Amortisation of film rights	**16,057**	18,796
Impairment loss on trade and other receivables	**10,649**	15,320
Loss on disposal of property, plant and equipment	**224**	220
Loss on disposal of intangible assets	**760**	–
Impairment loss on inventories	**–**	2,316
Operating cash flows before working capital changes	**(11,526)**	(19,252)
Increase in film rights	**(34,185)**	(43,164)
Decrease/(increase) in film and music production in progress	**10,589**	(16,220)
(Increase)/decrease in inventories	**(135)**	187
Increase in trade and other receivables	**(13,703)**	(39,019)
Increase in loan receivables	**(40,000)**	–
(Decrease)/increase in trade and other payables	**(9,093)**	19,468
Cash used in operations	**(98,053)**	(98,000)
Tax paid	**–**	(401)
Net cash used in operating activities	**(98,053)**	(98,401)

Consolidated Cash Flow Statement (Continued)

For the year ended 30 June 2007

	2007 HK$'000	2006 HK$'000
Cash flows from investing activities		
Interest income received	**5,989**	3,988
Payments for trademark and artiste contract rights	**(5)**	(76)
Purchase of financial assets at fair value through profit or loss	**–**	(3,416)
Purchase of property, plant and equipment	**(755)**	(2,215)
Purchase of interests in associates	**–**	(336,275)
Convertible notes subscribed	**–**	(20,000)
Cash effect on establishment of subsidiaries	**–**	2,000
Cash effect on disposal of subsidiaries (net of cash and cash equivalents disposed of)	**–**	(572)
Net cash used in investing activities	**5,229**	(356,566)
Cash flows from financing activities		
Proceeds from issue of shares pursuant to rights issue	**103,403**	309,486
Proceeds from issue of convertible notes	**–**	170,000
(Decrease)/increase in short-term loan	**(63,258)**	109,000
Issue costs of shares	**(3,655)**	(9,350)
Interest expense paid	**(5,847)**	(5,508)
Net cash generated from financing activities	**30,643**	573,628
Net (decrease)/increase in cash and cash equivalents	**(62,181)**	118,661
Cash and cash equivalents at the beginning of the year	**138,331**	19,670
Cash and cash equivalents at the end of the year	**76,150**	138,331
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**85,301**	147,685
Pledged bank deposits	**743**	718
Bank overdrafts	**(9,894)**	(10,072)
	76,150	138,331

The accompany notes from an integral part of these financial statements.

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 27 March 1992 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the address of the principal place of business of the Company is 2nd Floor, Talon Tower, 38 Connaught Road West, Sheung Wan, Hong Kong.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 22 to the 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 standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are either effective for accounting periods beginning on or after 1 December 2005, 1 January 2006, 1 March 2006 or 1 May 2006. The new HKFRSs adopted by the Group in the financial statements are set out as follows:

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HK(IFRIC) - Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC) - Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC) - Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC) - Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) - Int 8	Scope of HKFRS 2
HK(IFRIC) - Int 9	Reassessment of Embedded Derivatives

The adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

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

The Company and Group have not yet early applied the following new standards and interpretations that have been issued but are not yet effective. The Group is not yet in a position to determine whether these standards and interpretations will have significant impact on how the results of operations and financial position are prepared and presented. These standards and interpretations may result in changes in the future as to how the results and financial position are prepared and presented.

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 10	Interim Financial Reporting and Impairment[3]
HK(IFRIC) - Int 11	HKFRS 2 – Group and Treasury Share Transactions[4]
HK(IFRIC) - Int 12	Service Concession Arrangements[5]

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 November 2006
4 Effective for annual periods beginning on or after 1 March 2007
5 Effective for annual periods beginning on or after 1 January 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

The consolidated financial statements have been prepared under historical cost convention except for certain financial assets which are carried at fair values. The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June each year.

The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively.

All significant intercompany transactions and balances within the Group 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.

(c) Investment in subsidiaries

A subsidiary is an enterprise controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In the Company's balance sheet, the investment in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Interests in associates

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

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

When 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.

(e) Goodwill

Goodwill arising on an acquisition of a subsidiary or an associate represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary or associate at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Goodwill (Continued)

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit on the pro rata basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

Goodwill arising from acquisition of an associate is included in the carrying amount of the investment and is assessed for impairment as part of the investment.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses at the balance sheet date. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

Depreciation is charged so as to write off the cost or fair value of property, plant and equipment over their estimated useful lives, using the straight-line basis, at the following annual rates:

Buildings	:	Over 40 years
Leasehold improvement	:	20%
Furniture, fixture and equipment	:	20%
Tools and moulds	:	20%

The gain or loss arising from disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leasehold land

Leasehold land represents prepaid lease payments made for leasehold land. Leasehold land is stated at cost less subsequent accumulated amortisation and any accumulated impairment losses. The cost of leasehold land is amortised on a straight-line basis over the shorter of the relevant leasehold land or the operation period of the relevant company.

(h) Film rights

Film rights represent films and television drama series produced or acquired by the Group for reproduction, distribution and sub-licensing, are stated at cost less accumulated amortisation and any identified impairment losses. 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. The amortisation of film rights will not exceed twenty years. In the case where there is any impairment in value, the unamortised balance is written down to its estimated recoverable amount.

(i) Film and music production in progress

Film and music production in progress represent films, televisions drama series and music records under production, are stated at cost incurred to date, less any identified impairment losses. Cost is transferred to films and music production rights upon completion.

(j) Intangible assets

Intangible assets, which comprise artiste contract rights and trademarks, are stated at cost less accumulated amortisation and any identified impairment losses. The categories of the intangible assets are summarised as follows:

(i) Artiste contract rights

Artiste contract rights are stated at cost less accumulated amortisation and any identified impairment losses. Amortisation is charged to the income statement over the contract terms.

(ii) Trademarks

Trademarks are stated at cost less accumulated amortisation and any identified impairment losses. Amortisation is charged to the income statement over the contract terms.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, revenue is recognised in the income statement as follows:

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

(ii) Revenue from licensing of the distribution rights over films and television programmes is recognised when the master materials of films are delivered to customers and the title has passed.

(iii) Revenue from provision of model and artiste services are recognised when services rendered.

(iv) Revenue from event productions is recognised when the events are completed or the services are provided.

(v) Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

(vi) Rental income, including rentals invoices in advance from properties under operating leases, recognised on a straight-line basis over the term of the relevant leases.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present locations and conditions. Net realisable value represents the estimated selling price in the ordinary course of business less all costs to completion and costs to make the sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Transaction of foreign currencies

(i) *Functional and presentation currencies*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is the Company's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) *Group companies*

The results and financial positions of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) all resulting exchange differences are recognised as a separate component of equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Transaction of foreign currencies (Continued)

(iii) *Group companies* (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statements as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(n) Leases

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

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are capitalised at their fair value at the date of acquisition or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as an obligation under finance leases. Finance charges, which represent the difference between the total leasing commitments and the recorded value of the assets acquired, are charged to the income statement over the term of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rental payable under operating leases are charged to income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivables as an incentive to enter into an operating lease are recognised as a deduction of rental expense over the lease term on straight-line basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) 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 income statement.

(i) Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets and held-to-maturity investments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise derivative financial instruments that are not designated and effective hedging instruments. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

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 accounts receivables, time deposits, staff housing loans and other receivables 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (Continued)

(i) *Financial assets* (Continued)

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 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 be reversed 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.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not be reversed in subsequent periods.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group's management has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that is an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the income statement when the investments are derecognisd or impaired, as well as through the amortisation process.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (Continued)

(ii) 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 Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss has two sub-categories, including financial liabilities held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Other financial liabilities

Other financial liabilities including trade and other payables, bank and other borrowings, floating rate notes, fixed rate notes and zero coupon notes are subsequently measured at amortised cost, using the effective interest rate method. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Convertible notes

Convertible notes issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the embedded call option for the holder to convert the notes into equity, is included in equity (convertible notes – equity reserve).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (Continued)

(ii) Financial liabilities and equity (Continued)

Convertible notes (Continued)

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes – equity reserve until the embedded option is exercised (in which case the balance stated in convertible notes – equity reserve will be transferred to share capital and share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes – equity reserve will be released to the retained profits. No gain or loss is recognised in income statement upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to convertible notes – equity reserve.

Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs if a specified debtor fails to make payment when due in accordance with the original or modified terms of debt instrument. A financial guarantee contract issued by the Group and not designated as financial assets at fair value through profit or loss is recognised initially at its fair value less transaction costs which are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Derivative financial instruments that do not qualify for hedge accounting derivatives are deemed as financial assets held for trading or financial liabilities held for trading. Changes in fair values of such derivatives are recognised directly in income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (Continued)

(iii) Derecognition

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

For financial liabilities, they are removed from the Group's balance sheet when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in income statement.

(p) 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 is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the 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 profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than 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 investment in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to determine whether there is any indication of impairment of assets (excluding inventories, investment properties and financial assets other than interest in subsidiaries, associates and joint ventures), or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

i. Calculation of recoverable amount

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

ii. Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss has been caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(r) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Provisions

A provision is recognised when the Group has a present legal or constructive obligation, as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation, Where the effect of the time value of money is material, the amount of a provision is the present value at the balance sheet date of the expenditures expected to be required to settle the obligation.

(t) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest method.

(u) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Employee benefits

(i) Salaries, annual bonuses, paid annual leaves, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Funds are required under the Hong Kong Mandatory Provident Funds Schemes Ordinance are recognised as an expense in the consolidated income statement as incurred.

(iii) The fair value of the employee services received in exchange for the grant of the share options and restricted share awards is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined with reference to the fair value of the share options and restricted share awards granted. At each balance sheet date, the Company revises its estimates of the number of share options that are expected to become exercisable and the number of restricted share awards that become vested. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity in the balance sheet will be made over the remaining vesting period.

(iv) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(w) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influences. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's major financial instruments include cash and bank balances, trade receivables, equity investments, other receivables, trade payables, other payables, borrowings, and convertible notes. The Company's major financial instruments include cash and bank balances, other receivables and other payables. 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.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in Hong Kong and the majority of transactions are dominated in Hong Kong dollars and Renminbi. As the exchange rate between Hong Kong dollars and Renminbi remains stable, the foreign exchange exposure to such currencies are considered limited.

(ii) Price risk

The Group's financial assets at fair value through profit or loss are listed securities and thus measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity price risk and the management will monitor the price movements of such financial assets and take appropriate actions when it is required.

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. The Group has no significant concentration of credit risk. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure the maintenance of sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions and other external sources to meet the Group's liquidity requirements in the short and long term.

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

(d) Cash flow and fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The key exposure of the Group to these risks are originating from the interest-bearing borrowings. The Group monitors the interest rate risk exposure on a continuous basis and adjusts the portfolio of borrowings where necessary.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Group's accounting policies as described in note 2 above, management has made various estimates and judgments (other than those involving estimates) based on past experience, expectations of the future and other information. The key source of estimation uncertainty and the critical accounting judgments that can significantly affect the amounts recognised in the financial statements are set out below.

(a) Impairment loss on intangible assets and goodwill

The Group performs annual tests on whether there has been impairment of intangible assets and goodwill. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

(b) Impairment loss on trade and other receivables

The provision of impairment loss on trade and other receivables of the Group is based on the evaluation of collectibility and aging analysis of accounts and on management's estimate. In determining whether impairment is required, the Group takes into consideration the aging status and likelihood of collection. When recoverability of trade and other receivables are called into doubts, specific provision of impairment loss on trade and other receivables is made on the difference between the estimated future cash flow expected to receive being discounted using the original effective interest rate and the carrying value.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Impairment loss on film and music production in progress

The management of the Group reviews an aging analysis at each balance sheet date, and identify the slow-moving film and music production in progress that are no longer suitable for use in production. The management estimates the net realisable value for such film and music production in progress based primarily on the latest invoice prices and current market conditions of the finished products. In addition, the Group carries out review on each film and music record at each balance sheet date and makes allowance for any film and music production in progress that production no longer proceed.

(d) Impairment loss on film rights

At each balance sheet date, the directors of the Company carry review of the carrying amount of each film by reference to its estimation of total projected revenues from each film, which base on the historical performance, incorporating factors such as the past box office record of the lead actors and actress, the genre of the film, pre-release market research, the expected number of theatres that the film will be released to and the anticipated performance in the home entertainment, television and other ancillary markets, and agreement for future sales. The estimates for residual values of the film rights are continually evaluated based on the changes in consumer demand.

(e) Useful lives of property, plant and equipment

The Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the assets acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

(f) Impairment loss on non-current assets

If a triggering event occurs indicating that the carrying amount of an asset may not be recoverable, an assessment of the carrying amount of that asset will be performed. Triggering events include significant adverse changes in the market of an asset, changes in the business or regulatory environment, or certain legal events. The interpretation of such events requires judgement from management with respect to whether such an event has occurred. Upon the occurrence of triggering events, the carrying amounts of non-current assets are reviewed to assess whether their recoverable amounts have declined below their carrying amounts. The recoverable amount is the present value of estimated net future cash flows that the Group expects to generate from the future use of the assets, plus the assets' residual value on disposal. Where the recoverable amounts of non-current assets are less than their carrying value, an impairment loss is recognised to write the assets down to their recoverable amounts.

6. TURNOVER

Turnover from continuing operations mainly comprises revenue from (i) film and TV programme production, (ii) event production, (iii) artiste and model management, (iv) music production and (v) manufacturing and sale of multimedia electronic products. Turnover from discontinued operations represents revenue from the provision of telecommunication and system integration services. The amounts of each significant category of revenue recognised during the year are as follows:

	2007	2006
	HK$'000	HK$'000
Continuing operations:		
– Film and TV programme production	**23,805**	19,839
– Event production	**1,047**	4,668
– Artiste and model management	**18,721**	9,906
– Music production	**219**	485
– Manufacturing and sale of multimedia electronic products	**–**	2,436
	43,792	37,334
Discontinued operations:		
– Provision of telecommunication and system integration services	**–**	470

7. SEGMENT INFORMATION

(a) Business segments

Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

The following table presents revenue and results, certain assets, liabilities and expenditures information for the Group's business segments of 2007:

	Continuing operations						Discontinued operations	
	Film and TV programme production HK$'000	Event production HK$'000	Artiste and model management HK$'000	Music production HK$'000	Multimedia electronic products HK$'000	Others HK$'000	Telecom-munication and system integration HK$'000	Consolidated HK$'000
Segment revenue	23,805	1,047	18,721	219	–	–	–	43,792
Segment results	7,848	307	5,613	31	–	–	–	13,799
Interest income and unallocated gains								12,850
Unallocated corporate expenses								(48,154)
Impairment loss on trade and other receivables								(10,649)
Impairment loss on film rights								(10,546)
Change in fair value financial assets of at fair value through profit or loss								12,376
Loss from operations								(30,324)
Impairment loss on goodwill								–
Finance costs								(15,116)
Share of results of associates								(75,654)
Gain on disposal of subsidiaries								–
Loss before taxation								(121,094)
Taxation								–
Loss for the year								(121,094)
Attributable to:								
Equity holders of the Company								(120,033)
Minority interests								(1,061)
								(121,094)
Segment assets	75,358	894	8,436	3,168	7	265,125	–	352,988
Segment liabilities	2,596	10,877	3,269	1,142	2,089	198,279	–	218,252
Other segment information:								
Capital expenditures	274	–	184	–	–	297	–	755
Depreciation	139	176	86	–	–	859	–	1,260
Amortisation	16,057	–	172	–	–	17	–	16,246
Impairment loss recognised	14,985	–	2,270	–	–	3,940	–	21,195

7. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

The following table presents revenue and results, certain assets, liabilities and expenditures information for the Group's business segments of 2006:

	Continuing operations						Discontinued operations	
	Film and TV programme production HK$'000	Event production HK$'000	Artiste and model management HK$'000	Music production HK$'000	Multimedia electronic products HK$'000	Others HK$'000	Telecom-munication and system integration HK$'000	Consolidated HK$'000
Segment revenue	19,839	4,668	9,906	485	2,436	–	470	37,804
Segment results	340	706	2,926	46	312	–	278	4,608
Interest income and unallocated gains								5,915
Unallocated corporate expenses								(48,339)
Impairment loss on trade and other receivables								(15,320)
Impairment loss on film rights								(4,409)
Change in fair value of financial assets at fair value through profit or loss								(2,259)
Loss from operations								(59,804)
Impairment loss on goodwill								(40,414)
Finance costs								(17,098)
Share of results of associates								(147,995)
Gain on disposal of subsidiaries								476
Loss before taxation								(264,835)
Taxation								–
Loss for the year								(264,835)
Attributable to:								
Equity holders of the Company								(261,914)
Minority interests								(2,921)
								(264,835)
Segment assets	61,748	13,323	9,190	2,345	391	350,597	–	437,594
Segment liabilities	5,823	11,459	2,177	1,487	2,694	257,872	–	281,512
Other segment information:								
Capital expenditures	1,106	283	284	–	–	542	–	2,215
Depreciation	43	17	47	–	41	772	286	1,206
Amortisation	18,796	–	241	–	–	17	–	19,054
Impairment loss recognised	1,909	6,031	1,411	–	–	49,131	1,661	60,143

7. SEGMENT INFORMATION (Continued)

(b) Geographical segments

In determining the Group's geographical segments, revenue and results are attributed to the segments based on the location of the customers. More than 90% of the Group's assets and liabilities are located in the region of Hong Kong and Mainland China. Accordingly, analysis of segment assets and liabilities based on the geographical segments has not been disclosed. The following table presents revenue for the Group's geographical segments:

For the year ended 30 June 2007

	North America HK$'000	**Europe HK$'000**	**Hong Kong HK$'000**	**China HK$'000**	**Others HK$'000**	**Total HK$'000**
Revenue from external customers	**–**	**295**	**41,243**	**1,646**	**608**	**43,792**

For the year ended 30 June 2006

	North America HK$'000	Europe HK$'000	Hong Kong HK$'000	China HK$'000	Others HK$'000	Total HK$'000
Revenue from external customers	1,044	491	30,720	4,844	705	37,804

8. OTHER REVENUE AND OTHER INCOME

	2007 HK$'000	2006 HK$'000
Other revenue		
Bank interest income	**457**	193
Rental income	**1,392**	579
Management fee income	**1,211**	–
Other interest income	**5,532**	3,795
Others	**1,474**	951
	10,066	5,518
Other income		
Change in fair value of held-to-maturity investments	**2,522**	336
Sundry income	**262**	61
	2,784	397

9. LOSS FROM OPERATIONS

	2007 HK$'000	2006 HK$'000
Loss from operations is stated after (crediting)/charging:		
Cost of inventories (included in cost of sales)	**188**	2,563
Amortisation of film rights (included in cost of sales)	**16,057**	18,796
Auditors' remuneration	**600**	500
Amortisation of trademark	**172**	233
Amortisation of contract rights	**–**	8
Amortisation of leasehold land	**17**	17
Depreciation of property, plant and equipment	**1,260**	920
Impairment loss on contract rights	**–**	109
Operating leases in respect of land and buildings	**4,726**	2,548
Impairment loss on trade and other receivables	**10,649**	13,659
Impairment loss on film rights	**10,546**	4,409
Loss on disposal of intangible assets	**760**	–
(Increase)/decrease in fair value of financial assets at fair value through profit or loss	**(12,376)**	2,259
Loss on disposal of property, plant and equipment	**224**	220

10. FINANCE COSTS

	2007 **HK$'000**	2006 HK$'000
Interest on:		
Bank borrowings wholly repayable		
– within five years	**810**	448
Short-term borrowings	**4,836**	4,936
Imputed interest on convertible notes	**9,269**	11,590
Others	**201**	124
	15,116	17,098

11. EMPLOYEE BENEFIT EXPENSES

	2007 **HK$'000**	2006 HK$'000
Employee benefit expenses are analysed as follows:		
Salaries and other benefits	**12,832**	11,622
Provident fund contribution	**491**	371

12. TAXATION

No provision for Hong Kong profits tax has been made as the Company and its subsidiaries incurred taxation loss for the year (2006: Nil).

No provision for deferred tax liabilities has been made as the Group and the Company had no material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The Group has not recognised deferred tax assets in respect of losses due to the unpredictability of the future profit streams.

Reconciliation between tax expense and accounting loss at applicable tax rate:

	2007 HK$'000	**%**	2006 HK$'000	%
Loss before taxation	**(121,094)**		(264,835)	
Tax at domestic income tax rate	**(21,191)**	**17.5**	(46,346)	17.5
Tax effect of income that is not taxable in determining taxable profit	**(3,654)**	**3.0**	(119)	–
Tax effect of expenses that are not deductible in determining taxable profit	**15,715**	**(13.0)**	35,644	(13.5)
Tax effect of unrecognised tax losses	**9,130**	**(7.5)**	10,821	(4.0)
Taxation charge for the year	**–**	**–**	–	–

13. NET LOSS FOR THE YEAR

Of the Group's net loss for the year of approximately HK$121,094,000 (2006: HK$264,835,000), HK$56,059,000 (2006: HK$298,592,000) has been dealt with in the financial statements of the Company.

14. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic and diluted loss per ordinary share attributable to equity holders of the Company is based on the following data:

From continuing and discontinued operations

	2007 **HK$'000**	2006 HK$'000
Attributable to equity holders of the Company for the purpose of basic and diluted loss per ordinary share	**120,033**	261,914

	Number of shares **'000**	Number of shares '000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per ordinary share	**351,935**	50,233

From continuing operations

	HK$'000	HK$'000
Attributable to equity holders of the Company for the purpose of basic and diluted loss per ordinary share	**120,033**	261,914
Less: Loss for the year from discontinued operations	–	(2,296)
Loss for the purpose of basic loss per ordinary share from continuing operations	**120,033**	259,618

The denominators used are the same as those detailed above.

The computation of diluted loss per share for both continuing and discontinued operations did not assume the exercise of the convertible notes existed during the year as the exercise of such notes would reduce loss per share, therefore anti-dilutive.

The weighted average number of ordinary shares of the year ended 30 June 2007 and 2006 for the purpose of basic and diluted loss per share has been adjusted (i) pursuant to an ordinary resolution passed by shareholders of the Company at a special general meeting on 31 October 2006 in connection to share consolidation whereby every 100 issued share were consolidated into one consolidated share and (ii) pursuant to an ordinary resolution passed by the shareholders of the Company at a special general meeting on 23 April 2007 in connection to the rights issued 517,013,864 rights shares at a price of HK$0.20 each.

15. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend in respect of the year ended 30 June 2007 (2006: Nil).

16. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' Emoluments

The emoluments paid or payable to each of the five (2006: four) executive directors and four (2006: five) independent non-executive directors are as follow:

The Group

	Fees HK$'000	Salaries HK$'000	Housing HK$'000	Provident fund contributions HK$'000	Total HK$'000
Name of Director					
2007:					
Executive directors					
Mr. Yu Kam Kee, Lawrence	**300**	**–**	**–**	**–**	**300**
Mr. Carl Chang (1)	**200**	**1,606**	**280**	**8**	**2,094**
Mr. Yu Kam Yuen, Lincoln	**100**	**–**	**–**	**–**	**100**
Mr. Tong Chin Shing	**–**	**–**	**–**	**–**	**–**
Mr. Wong Yat Cheung (2)	**–**	**1,800**	**–**	**12**	**1,812**
Independent non-executive directors					
Mr. Li Fui Lung, Danny	**115**	**–**	**–**	**–**	**115**
Mr. Ng Hoi Yue, Herman	**100**	**–**	**–**	**–**	**100**
Mr. Shek Lai Him, Abraham	**200**	**–**	**–**	**–**	**200**
Mr. Fong Shing Kwong, Michael	**200**	**–**	**–**	**–**	**200**
	1,215	**3,406**	**280**	**20**	**4,921**
2006 :					
Executive directors					
Mr. Yu Kam Kee, Lawrence	–	–	–	–	–
Mr. Carl Chang	–	1,920	480	12	2,412
Mr. Yu Kam Yuen, Lincoln	100	–	–	–	100
Mr. Tong Chin Shing	–	–	–	–	–
Independent non-executive directors					
Mr. Li Fui Lung, Danny	100	–	–	–	100
Mr. Ng Hoi Yue, Herman	100	–	–	–	100
Mr. John Paul McLellan	25	–	–	–	25
Mr. Shek Lai Him, Abraham	150	–	–	–	150
Mr. Fong Shing Kwong, Michael	115	–	–	–	115
	590	1,920	480	12	3,002

(1) Mr. Carl Chang resigned as the director of the Group on 24 April 2007.

(2) Mr. Wong Yat Cheung was appointed as the director of the Group on 13 February 2007.
The total emoluments received by Mr. Wong Yat Cheung for the period from 1 July 2006 to 12 February 2007 and the period from 13 February 2007 to 30 June 2007 were HK$1,122,000 and HK$690,000 respectively.

16. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' emoluments (Continued)

The emoluments of the directors fell within the following bands:

	Number of directors	
	2007	2006
Nil to HK$1,000,000	**7**	8
HK$1,000,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$3,000,000	**1**	1
	9	9

During the year, no share option (2006: Nil) was granted to directors of the Company under the Company's share option scheme. The details of these benefits in kind are disclosed under section headed "Directors' Interests in Shares, Underlying Shares and Debentures" in the Report of the Directors of the Company. In the absence of a readily available market value for an accurate assessment of the value of these share options, accordingly, no value has been included in the emoluments of the directors in respect thereof.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2006: one) directors of the Company, details of whose emoluments are set out above. The aggregate emoluments of the remaining three (2006: four) individuals are as follows:

	2007	2006
	HK$'000	HK$'000
Salaries and other allowance	**1,708**	3,004
Retirement benefit scheme contributions	**36**	41
	1,744	3,045

The emoluments of those individuals within the following bands:

	Number of directors	
	2007	2006
Nil to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**–**	1
	3	4

For the year ended 30 June 2007 and 2006, no emoluments were paid by the Group to the five highest paid individuals, including the director, as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emolument during the year.

17. EMPLOYEE BENEFITS

Retirement Benefit Scheme

Prior to 1 December 2000, the Group operated a defined contribution retirement benefits scheme ("Defined Contribution Scheme") for its qualifying employees in Hong Kong. The assets of the scheme were held separately from those of the Group in funds under the control of an independent trustee. Where there are employees who leave the Defined Contribution Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions would be used to reduce the contributions payable by the Group. The Defined Contribution Scheme was terminated on 1 December 2000.

Effective from 1 December 2000, the Group joined the MPF Scheme for all of its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Authority under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the Group and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. No forfeited contribution is available to reduce the contribution payable in the future years.

The employees of the Company's subsidiary in the People's Republic of China (the "PRC") are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the basic salary of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pension or post-retirement benefits beyond the annual contributions. The state-sponsored retirement benefit scheme represent the entire pension obligations payable to retired employees.

The Group does not have any other pension schemes for its employees in respect of its subsidiaries outside Hong Kong and the PRC.

Equity Compensation Benefits

Share Options

The Company has adopted a share option scheme ("Share Option Scheme") on 23 November 2001 under which the directors may grant options to employees, including any directors of the Company, its subsidiaries or any entity in which any member of the Group holds an equity interest to subscribe for shares in the Company as incentive or rewards for their contribution to the Group. The subscription price will be determined by the directors (subject to adjustment), and will not be less than (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for trades in one or more board lots of shares on the date of offer of the options; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the options; or (iii) the nominal value of the shares of the Company, whichever is the highest. The maximum number of shares in respect of which options may be granted under this scheme may not exceed 30% of the issued share capital of the Company from time to time.

17. EMPLOYEE BENEFITS (Continued)

Equity Compensation Benefits (Continued)

Share Options (Continued)

The amount paid on acceptance of an option was HK$1. An option may be exercised at any time before the expiration of ten years from the date of grant of the option. The maximum entitlement of each participant under the Share Option Scheme in any 12-month period is 1% of the shares of the Company in issue from time to time. As at the date of this report, a total of 215,422,444 shares of the Company (representing 10% of the existing issued share capital of the Company) are available for issue under the Share Option Scheme. The Share Option Scheme will expire on 23 November 2011. During the year, no share option was granted.

18. INTANGIBLE ASSETS

The Group

	Trademark HK$'000	**Artiste contract rights** HK$'000	**Total** HK$'000
Cost:			
At 1 July 2005	1,169	120	1,289
Additions	76	–	76
At 30 June 2006 and 1 July 2006	1,245	120	1,365
Additions	5	–	5
Disposal	(1,169)	–	(1,169)
At 30 June 2007	**81**	**120**	**201**
Accumulated amortisation and impairment:			
At 1 July 2005	20	3	23
Provided for the year	233	8	241
Impairment loss	–	109	109
At 30 June 2006 and 1 July 2006	253	120	373
Provided for the year	172	–	172
Impairment loss	–	–	–
Written back on disposals	(409)	–	(409)
At 30 June 2007	**16**	**120**	**136**
Net book value:			
At 30 June 2007	**65**	**–**	**65**
At 30 June 2006	992	–	992

18. INTANGIBLE ASSETS (Continued)

The Company

	Trademark	
	2007	2006
	HK$'000	HK$'000
Cost:		
Beginning of year	**76**	–
Additions	**5**	76
End of year	**81**	76
Accumulated amortisation and impairment:		
Beginning of year	**–**	–
Provided for the year	**16**	–
End of year	**16**	–
Net book value:		
End of year	**65**	76

The directors of the Company considered that the carrying amounts of the intangible asset were approximate to its fair value.

19. LEASEHOLD LAND

The Group

	2007 **HK$'000**	2006 HK$'000
Cost:		
Beginning of year	**14,321**	14,321
Additions	**–**	–
End of year	**14,321**	14,321
Accumulated amortisation:		
Beginning of year	**24**	7
Provided for the year	**17**	17
End of year	**41**	24
Net book value:		
End of year	**14,280**	14,297

The Group's leasehold land was located in Hong Kong which represents operating lease payments under long-term lease and the lease payments are amortised on a straight-line method over the remaining term of lease.

At 30 June 2007, the Group's leasehold land with a net book value of approximately HK$14,280,000 (2006: HK$14,297,000) was pledged to secure the banking facilities granted to the Company.

20. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Leasehold improvement	Furniture, fixtures and equipment	Tools and moulds	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:						
At 1 July 2005	7,558	1,805	4,178	258	–	13,799
Additions	–	584	731	–	900	2,215
Disposal of subsidiaries	–	–	(3,231)	–	–	(3,231)
Disposals	–	–	(91)	(258)	–	(349)
At 30 June 2006 and 1 July 2006	7,558	2,389	1,587	–	900	12,434
Additions	–	125	630	–	–	755
Disposals	–	–	(51)	–	(250)	(301)
At 30 June 2007	**7,558**	**2,514**	**2,166**	**–**	**650**	**12,888**
Accumulated depreciation and impairment:						
At 1 July 2005	79	90	1,168	65	–	1,402
Charge for the year	189	394	548	30	45	1,206
Disposal of subsidiaries	–	–	(1,370)	–	–	(1,370)
Written back on disposals	–	–	(34)	(95)	–	(129)
At 30 June 2006 and 1 July 2006	268	484	312	–	45	1,109
Charge for the year	189	484	411	–	176	1,260
Written back on disposals	–	–	(19)	–	(58)	(77)
At 30 June 2007	**457**	**968**	**704**	**–**	**163**	**2,292**
Net book value:						
At 30 June 2007	**7,101**	**1,546**	**1,462**	**–**	**487**	**10,596**
At 30 June 2006	7,290	1,905	1,275	–	855	11,325

20. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company

	Leasehold improvement HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
Cost:			
At 1 July 2005	1,805	809	2,614
Additions	183	359	542
At 30 June 2006 and 1 July 2006	1,988	1,168	3,156
Additions	53	244	297
Disposals	–	(24)	(24)
At 30 June 2007	**2,041**	**1,388**	**3,429**
Accumulated depreciation and impairment:			
At 1 July 2005	90	59	149
Charge for the year	380	204	584
At 30 June 2006 and 1 July 2006	470	263	733
Charge for the year	399	271	670
Written back on disposals	–	(9)	(9)
At 30 June 2007	**869**	**525**	**1,394**
Net book value:			
At 30 June 2007	**1,172**	**863**	**2,035**
At 30 June 2006	1,518	905	2,423

At 30 June 2007, the Group's buildings with carrying amounts of HK$7,101,000 (2006: HK$7,290,000) were pledged to secure the banking facilities granted to the Company.

21. INTERESTS IN ASSOCIATES

	2007 HK$'000	2006 HK$'000
Share of net assets of associates *(note a)*	–	75,654
Goodwill arising on acquisition of associates *(note b)*	72,365	72,365
	72,365	148,019

Notes:

(a) Share of net assets of associates

	2007 HK$'000	2006 HK$'000
Beginning of year	75,654	–
Acquisition of 49% interests in associates *(note c)*	–	223,649
Share of results of associates for the year	(75,654)	(147,995)
End of year	–	75,654

(b) Goodwill arising on acquisition of associates

	2007 HK$'000	2006 HK$'000
Beginning of year	72,365	–
Acquisition of 49% interests in associates *(note c)*	–	112,626
Impairment loss recognised during the year	–	(40,261)
End of year	72,365	72,365

21. INTERESTS IN ASSOCIATES (Continued)

(c) Acquisition of 49% interests in associates

On 21 April 2005, Enjoy Profits Limited, a wholly-owned subsidiary of the Company entered into an acquisition agreement with TVB Satellite TV Holdings Limited to acquire 49% interests in TVB Pay Vision Holdings Limited (formerly known as Galaxy Satellite TV Holdings Limited) and its subsidiary ("TVB Pay Vision Group") for a cash consideration of approximately HK$336,275,000 ("Acquisition"). Subsequent to the completion of the acquisition on 12 August 2005, TVB Pay Vision Group became associate companies of the Group. The net assets of TVB Pay Vision Group as at the date of the acquisition was approximately HK$223,649,000. Accordingly, goodwill arising from the Acquisition was approximately HK$112,626,000.

(d) At 30 June 2007, the directors of the Company assessed the recoverable amount of goodwill arising on the acquisition of associates by reference to the valuation as at 30 June 2007 performed by Norton Appraisals Limited ("Norton Appraisals"), an independent firm of professional valuers, and considered that no impairment loss should be made (2006: HK$40,261,000) to the income statement. The valuation of the goodwill was determined based on the present value of the expected future cash flow arising from the business of the associates.

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period of five years. Cash flows beyond the 5-year period are represented by its continuing value using zero growth rate.

Key assumptions used for value-in-use calculations:	
Discount rate	18.40%

The management determined the budgeted growth rate based on past performance and its expectation for market development. The discount rate used is after-tax and reflects specific risks relating to the CGU.

21. INTERESTS IN ASSOCIATES (Continued)

(e) Details of the Group's interests in associates as at 30 June 2007 are as follows:

Name	Place of incorporation	Registered capital	Attributable to equity interest of the Group	Profit sharing	Principal activities
			%	%	
TVB Pay Vision Holdings Limited	Hong Kong	HK$1,085,867,759	49	49	Investment holding in Hong Kong
TVB Pay Vision Limited	Hong Kong	HK$2*	49	49	Domestic pay television programme service in Hong Kong

* an associate held indirectly by the Group

The directors of the Company consider that the Group does exercise significant influence over TVB Pay Vision Holdings Limited and TVB Pay Vision Limited, therefore classified as associates of the Group.

The summarised financial information in respect of the Group's interests in associates from the financial statements for the year ended 30 June 2007 and 2006 are set out below:

	2007	2006
	HK$'000	HK$'000
Turnover	**202,425**	164,721
Loss for the year	**(298,241)**	(356,990)
Loss attributable to the Group for the year	**(75,654)**	(147,995)
Total assets	**381,730**	560,264
Total liabilities	**(525,143)**	(405,867)
Net (liabilities)/assets	**(143,413)**	154,397
Net assets attributable to the Group	**–**	75,654

22. INVESTMENT IN SUBSIDIARIES

The Company

	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**1**	1
Impairment loss recognised	**(1)**	(1)
	–	–
Amount due from subsidiaries	**532,959**	471,503
Provision for impairment	**(330,328)**	(264,927)
	202,631	206,576

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors of the Company, the amounts are classified as non-current as they are not expected to be repaid within the next twelve months.

The fair value of the amounts due from subsidiaries classified under non-current asset as at 30 June 2007 determined based on the present value of the estimated future cash flows discounted using the prevailing market rate at the balance sheet date was approximate to its carrying value.

The carrying amounts of the interests in subsidiaries are reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated from the respective subsidiaries.

In the opinion of the directors of the Company, the carrying amounts of the amounts due from subsidiaries as at 30 June 2007 were approximate to their fair values.

22. INVESTMENT IN SUBSIDIARIES (Continued)

Details of the Company's significant subsidiaries as at 30 June 2007 are set out as follows:

Name of subsidiary	Place of Incorporation/ operation	Nominal value of issued shares/ registered capital	Proportion of nominal value of issued shares/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
Anyone Holdings Limited	British Virgin Islands ("BVI")	US$1	100%	–	Property holding
Cross Challenge Limited	BVI	US$2	100%	–	Investment holding
Day Achieve Limited	BVI	US$1	100%	–	Investment holding
Ease Strong Limited	Hong Kong	HK$1	100%	–	Provision of secretarial services
Enjoy Profits Limited	BVI	US$1	100%	–	Investment holding
Future Alliance Limited	BVI	US$1	100%	–	Investment holding
Grand Class Investment Limited	BVI	US$1	100%	–	Investment holding
Icon International Model Management Limited (Formerly known as Look Models Hong Kong Limited)	Hong Kong	HK$500,000	–	100%	Provision of modelling agency services
Media Platform Limited	BVI	US$1	100%	–	Investment holding
Mega-Vision Pictures Limited	Hong Kong	HK$1	–	80%	Media and entertainment business

22. INVESTMENT IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of Incorporation/ operation	Nominal value of issued shares/ registered capital	Proportion of nominal value of issued shares/ registered capital held by the Company Directly	Indirectly	Principal activities
Mega-Vision Productions Limited	Hong Kong	HK$10,000,000	–	80%	Film and TV programme production
See Entertainment Limited	Hong Kong	HK$1	–	100%	Investment in film production and provision of event management services
See Movie Limited	Hong Kong	HK$1	–	100%	Distribution of motion pictures and television drama series
See Music Limited	Hong Kong	HK$1	–	100%	Production of music video, music record and provision of promotion services
See People Limited	Hong Kong	HK$1	–	100%	Provision of artiste management services
Seethru Limited	Hong Kong	HK$1	–	100%	Production of TV commercials
Shineidea Limited	BVI	US$1	100%	–	Investment in securities
Snazz Artistes Limited	Hong Kong	HK$100	–	100%	Provision of artiste management services

22. INVESTMENT IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of Incorporation/ operation	Nominal value of issued shares/ registered capital	Proportion of nominal value of issued shares/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
Snazz Entertainment Group Limited	BVI	HK$7,800	–	100%	Provision of entertainment and modelling services
Snazz Music Limited	Hong Kong	HK$100	–	100%	Production of music record and provision of promotion services
Talent Bang Limited	Hong Kong	HK$100	–	100%	Provision of modelling agency services
The Metropolis Wedding Group Limited	Hong Kong	HK$1	–	100%	General investment, trading and management services
Wise Novel Investments Limited	BVI	US$1	100%	–	Investment holding

Notes:

(i) All are ordinary share capital unless otherwise stated.

(ii) None of the subsidiaries had any loan capital subsisting at the end of the year or at any time during the year.

(iii) The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

23. GOODWILL

	The Group	
	2007	2006
	HK$'000	HK$'000
Cost:		
Beginning of year	**1,245**	5,874
Effect on adoption of HKFRS 3	**–**	(973)
Additions	**–**	153
Disposals	**–**	(3,809)
End of year	**1,245**	1,245
Accumulated amortisation and impairment:		
Beginning of year	**153**	4,782
Effect on adoption of HKFRS 3	**–**	(973)
Impairment loss recognised	**–**	153
Disposals	**–**	(3,809)
End of year	**153**	153
Carrying amount:		
End of year	**1,092**	1,092

Notes:

(a) Goodwill is allocated to the Group's CGU identified according to the operation in a business segment as follows:

	2007	2006
	HK$'000	HK$'000
Provision of model agency services	**1,092**	1,092

23. GOODWILL (Continued)

(b) Goodwill has been allocated to the Group's various CGU for impairment testing, which by comparing their recoverable amounts to their carrying amounts as at the balance sheet date. The recoverable amount of goodwill of a CGU is determined based on the value-in-use calculations.

The recoverable amount of goodwill in a CGU is determined based on the value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period of five years. Cash flows beyond the 5-year period are extrapolated using the estimated steady growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations:

Average growth rate	3.00%
Discount rate	18.50%

The management determined the budget gross profit margin based on past performance and its expectations for the market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

(c) At 30 June 2007, the directors of the Company assessed the recoverable amount of goodwill arising on the acquisition of subsidiaries by reference to the valuation as at 30 June 2007 performed by Norton Appraisals Limited ("Norton Appraisals"), an independent firm of professional valuers, and concluded that no impairment shall be recognised during the year (2006: Nil). The valuation of the goodwill was determined based on the present value of the expected future cash flow arising from the business of these subsidiaries.

24. FILM RIGHTS

	The Group	
	2007	2006
	HK$'000	HK$'000
Cost:		
Beginning of year	**48,164**	5,000
Additions	**34,185**	43,164
End of year	**82,349**	48,164
Accumulated amortisation and impairment:		
Beginning of year	**25,705**	2,500
Impairment loss recognised for the year	**10,546**	4,409
Amortisation provided for the year	**16,057**	18,796
End of year	**52,308**	25,705
Carrying amount:		
End of year	**30,041**	22,459

Note:

At 30 June 2007, the directors of the Company reassessed the recoverable amount of film rights by reference to the valuation report as at 30 June 2007 performed by Norton Appraisals and determined to provide an impairment loss of approximately HK$10,546,000 (2006: HK$4,409,000).

The valuation was determined based on the present value of the expected future cash flow arising from the sub-licensing and distribution of film rights and subsequent to the completion of film production, which was derived from discounting the projected cash flows.

25. FILM PRODUCTION IN PROGRESS

	The Group	
	2007	2006
	HK$'000	HK$'000
Film production in progress	**17,910**	29,103

Note:

At 30 June 2007, the directors of the Company reassessed the recoverable amount of film production in progress by reference to the valuation as at 30 June 2007 performed by Norton Appraisals and determined that no impairment loss shall be recognised (2006: Nil).

The valuation was determined based on the present value of the expected net cash flow arising from the sub-licensing and distribution of film rights, subsequent to the completion of film production, which was derived from discounting the projected cash flows.

26. INVENTORIES

	The Group	
	2007	2006
	HK$'000	HK$'000
Finished goods	**331**	196

The finished goods were carried at the lower of cost or net realisable value.

27. TRADE AND OTHER RECEIVABLES

	The Group	
	2007	2006
	HK$'000	HK$'000
Trade receivables	**12,484**	12,518
Other receivables	**28,889**	25,801
	41,373	38,319

The following is an aged analysis of trade receivables at the balance sheet date:

	2007	2006
	HK$'000	HK$'000
0 - 90 days	**3,112**	5,330
91 days or above	**15,479**	10,862
	18,591	16,192
Less: Impairment loss on trade receivables	**(6,107)**	(3,674)
	12,484	12,518

The Group allows an average credit period of 90 – 180 days (2006: 90 – 180 days) to its trade customers.

The directors of the Company have assessed the recoverability of other receivables and opined that the recoverability of which are in doubt and an impairment loss on other receivables of approximately HK$8,216,000 (2006: HK$9,985,000) has been recognised during the year.

The directors of the Company considered that the carrying amounts of trade and other receivables were approximate to their fair values.

28. LOAN RECEIVABLES

	The Group and the Company	
	2007	2006
	HK$'000	HK$'000
Loan to independent third parties	**40,000**	–

The Group has provided short-term loans to a number of independent third parties. Loan receivables are secured, chargeable with effective interest at 2.5% over the best lending rate of Hong Kong dollar and repayable on demand.

The directors of the Company considered that the carrying amounts of loan receivables were approximate to their fair values.

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted securities:				
– Debt securities *(note i)*	**14,267**	3,531	**14,267**	3,531
Listed securities:				
– Equity securities listed in Hong Kong at fair value *(note ii)*	**4,783**	3,143	**–**	–
	19,050	6,674	**14,267**	3,531

Notes:

(i) The debt securities represented the conversion option element of convertible notes subscribed by the Group and are measured at fair value. Upon the issuance of the convertible notes, a conversion option element of the convertible notes of value HK$14,267,000 was recognised by reference to valuation preformed by Norton Appraisals.

The fair value of the convertible notes as at 30 June 2007 is determined by the directors of the Company with reference to the revaluation performed by Norton Appraisals. Accordingly, an increase in fair value of approximately HK$10,736,000 (2006: decrease HK$1,986,000) was recognised in the income statement.

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(ii) At the balance sheet date, all financial assets at fair value through profit or loss are stated at fair value. Fair values of the listed investments have been determined by reference to the quoted market bid prices available on the relevant stock exchanges.

The equity securities listed in Hong Kong represented the Group's investment in Big Media Group Limited ("Big Media Group"), a company incorporated in Cayman Islands with limited liability and its shares listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. At 30 June 2007, the Group's investment represented 17.08% (2006: 17.08%) of issued ordinary shares of Big Media Group. However, the other shareholders significantly control the composition of the board of directors of Big Media Group and therefore the directors of the Company consider that the Group does not exercise significant control.

30. HELD-TO-MATURITY INVESTMENTS

	The Group and the Company	
	2007	2006
	HK$'000	HK$'000
Debt element of convertible notes	**17,341**	14,819

During the year ended 30 June 2007, the Company has subscribed convertible notes with an aggregate amount of HK$20,000,000 from Golden Harvest Entertainment (Holdings) Limited ("Golden Harvest"), a company incorporated in Bermuda with limited liability with its shares listed on the main board of The Stock Exchange of Hong Kong Limited, which bears interest at 4% per annum. The interest is payable semi-annually in arrears.

In accordance to HKAS 39, an embedded derivative in a combined instrument shall be separated from the host contract and account for as a derivative. Upon receipt of the above convertible notes issued by the note issuer, the Company separated the debt element and the conversion option element. The Company has classified all the debt element of the convertible notes as held-to-maturity investments and the conversion option element of the convertible notes as financial assets at fair value through profit or loss. The fair value of the convertible notes is determined by the directors of the Company with reference to the valuation performed by Norton Appraisals, a firm of independent valuer.

31. PLEDGED BANK DEPOSITS

At 30 June 2007, the Group's and the Company's bank deposits amounted to HK$743,000 (2006: HK$718,000) have been pledged to a bank, which were carried at prevailing market interest rate which represent deposits pledged to banks as guarantee of the operating lease commitments and therefore have been classified as current assets. The pledged bank deposits will be released upon the settlement of relevant bank borrowings. The details of the operating lease commitments are set out in note 39 to the consolidated financial statements.

The directors of the Company considered that the carrying amounts of the pledged bank deposits were approximate to their fair values.

32. CASH AND BANK BALANCES

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and on hand	**85,301**	147,685	**79,344**	145,579

Notes:

(a) At the balance sheet date, the cash and bank balances of the Group and the Company are denominated in Hong Kong dollars.

(b) Cash at bank earn interests at floating rates based on daily bank deposit rates. Short-term deposits during the year ended 30 June 2007 are made for varying period between one day and three months, depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates. The carrying amounts of the cash and bank balances were approximate to their fair values.

33. TRADE AND OTHER PAYABLES

	The Group	
	2007	2006
	HK$'000	HK$'000
Trade payables	**8,373**	11,254
Other payables	**9,304**	15,516
	17,677	26,770

33. TRADE AND OTHER PAYABLES (Continued)

The following is an aged analysis of trade payables at the balance sheet date:

	2007 HK$'000	2006 HK$'000
0 - 90 days	**3,243**	5,971
91 days or above	**5,130**	5,283
	8,373	11,254

The directors of the Company considered that the carrying amounts of the trade and other payables were approximate to their fair values.

34. SHORT-TERM LOAN – UNSECURED

The short-term loan is unsecured, chargeable with interest at 2% over the best lending rate of Hong Kong dollar and repayable on demand. The carrying amount of the short-term loan is denominated in Hong Kong dollars.

The directors of the Company considered that the carrying amount of the short-term loan was approximate to its fair value.

35. BANK OVERDRAFT – SECURED

During the year ended 30 June 2007, the Company had been granted an overdraft facility from a bank. The bank overdraft is secured by the Group's building and leasehold land in Hong Kong with carrying amounts at 30 June 2007 of approximately HK$7,101,000 (2006: HK$7,290,000) and HK$14,280,000 (2006: HK$14,297,000) respectively, chargeable with interest at the lending bank's prime rate per annum or 1% per annum over Hong Kong Inter-bank Office Rate, whichever is higher and repayable on demand.

The carrying amount of the bank overdraft is denominated in Hong Kong dollars.

The directors of the Company considered that the carrying amount of the bank overdraft was approximate to its fair value.

36. CONVERTIBLE NOTES

The Company issued zero-coupon convertible notes (the "Convertible Notes") to Hanny Holdings Limited (the "Noteholder") at a nominal value of HK$170,000,000 on 21 April 2005 which will mature on 9 August 2010.

The Noteholder may at any business date after the date of issue of the Convertible Notes up to and including the date prior to the fifth anniversary of the date of issue of the Convertible Notes convert the whole or any part in an amount or integral multiple of HK$500,000 of the principal amount of the Convertible Notes into shares of HK$0.01 each in the share capital of the Company, at the conversion price of HK$0.12 per share.

The fair value of the liability component, included in long-term borrowings, was calculated using a market interest rate for an equivalent non-convertible bond. The remaining balance represented the equity conversion component, is included in shareholders' equity named as convertible notes reserves.

	The Group and the Company	
	Liability component of the convertible notes	**Equity component of the convertible notes**
	HK$'000	HK$'000
At 1 July 2005	124,080	45,920
Imputed interest expenses	11,590	–
At 30 June 2006 and 1 July 2006	135,670	45,920
Imputed interest expenses	9,269	–
At 30 June 2007	144,939	45,920

The conversion price of Convertible Notes of HK$170,000,000 had been adjusted from HK$0.12 per share to HK$0.0406 per share as a result of the rights issue taken place on 30 June 2006. The conversion price of the Convertible Notes had been further adjusted from HK$0.0406 per share to HK$4.06 per share as a result of the share consolidation taken place on 31 October 2006. The conversion price of the Convertible Notes had been further adjusted from HK$4.06 per share to HK$1.69 per share as a result of the rights issue taken place on 16 May 2007.

The effective interest rate on the liability component of the note is approximately 8.55%.

37. SHARE CAPITAL

	Number of shares	Nominal value HK$'000
Authorised:		
Ordinary shares of HK$0.01 each at 30 June 2006, 1 July 2006 and 30 June 2007	50,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 30 June 2005 and 1 July 2005	538,556,111	5,386
Rights issue on 22 July 2005 *(note i)*	1,615,668,333	16,156
Rights issue on 30 June 2006 *(note ii)*	10,771,122,220	107,711
At 30 June 2006 and 1 July 2006	12,925,346,664	129,253
Capital reduction *(note iii)*	–	(127,961)
Share consolidation *(note iv)*	(12,796,093,198)	–
Rights issue on 16 May 2007 *(note v)*	517,013,864	5,170
At 30 June 2007	**646,267,330**	**6,462**

Notes:

The following movements in the Company's issued share capital took place during the year ended 30 June 2006 and 2007:

(i) Pursuant to an ordinary resolution passed by the shareholders of the Company at a special general meeting on 27 June 2005, rights issue of 1,615,668,333 rights shares at price of HK$0.10 each payable in full on acceptance on the basis that three rights shares for every existing share has been approved by the shareholders at the special general meeting. The rights issue has been completed on 22 July 2005.

(ii) Pursuant to an ordinary resolution passed by the shareholders of the Company at a special general meeting on 12 June 2006, rights issue of 10,771,122,220 rights shares at price of HK$0.014 each payable in full on acceptance on the basis that five rights shares for every existing share has been approved by the shareholders at the special general meeting. The rights issue has been completed on 30 June 2006.

37. SHARE CAPITAL (Continued)

(iii) Pursuant to an ordinary resolution passed by the shareholders of the Company at a special general meeting on 31 October 2006, the capital reduction of nominal value of each existing share from HK$0.01 to HK$0.0001 by cancelling the Company's paid up capital to the extent of HK$0.0099 on each existing share.

(iv) Pursuant to an ordinary resolution passed by the shareholders of the Company at a special general meeting on 31 October 2006, every 100 issued shares of HK$0.0001 each resulting from the capital reduction will be consolidated into one consolidate share of HK$0.01 each.

(v) Pursuant to an ordinary resolution passed by the shareholders of the Company at a special general meeting on 23 April 2007, rights issue of 517,013,864 rights shares at price of HK$0.2 each payable in full on acceptance on the basis that five rights shares for every existing share has been approved by the shareholders at the special general meeting. The rights issue has been completed on 16 May 2007.

All new shares issued ranked pari passu with the then existing shares in all respects.

Share options

The Company operates a share option scheme (the "Scheme"), further details of which are set out under the heading "Equity Compensation Benefits" in note 17 to the financial statements.

38. RESERVES

The Group

Details of the movements in reserves of the Group during the years ended 30 June 2006 and 30 June 2007 were set out in the consolidated statement of changes in equity.

The Company

	Share premium HK$'000	Contributed surplus HK$'000	Convertible notes reserve HK$'000	Accumulated deficits HK$'000	Total HK$'000
At 1 July 2005	120,523	–	–	(46,278)	74,245
Capital reorganisation *(note b)*	(28,663)	28,663	–	–	–
Amount transferred to write off accumulated deficits *(note b)*	–	(28,663)	–	28,663	–
Premium arising from issue of shares on rights issue *(note c & d)*	185,619	–	–	–	185,619
Shares issue expenses on rights issue	(9,350)	–	–	–	(9,350)
Convertible notes – equity component *(note e)*	–	–	45,920	–	45,920
Net loss for the year	–	–	–	(298,592)	(298,592)
At 30 June 2006 and at 1 July 2006	268,129	–	45,920	(316,207)	(2,158)
Premium arising from issue of shares on rights issue *(note f)*	98,233	–	–	–	98,233
Shares issue expenses on rights issue	(3,655)	–	–	–	(3,655)
Capital reduction *(note g)*	–	127,961	–	–	127,961
Amount transferred to write off accumulated deficits *(note g)*	–	(127,961)	–	127,961	–
Net loss for the year	–	–	–	(56,059)	(56,059)
At 30 June 2007	**362,707**	**–**	**45,920**	**(244,305)**	**164,322**

38. RESERVES (Continued)

Notes:

(a) Under the Company Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, a company cannot declare or pay a dividend or make a distribution out of contributed surplus if:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the Company's assets would thereby be less than the agreement of its liabilities and its issued share capital and share premium accounts.

(b) Pursuant to a resolution passed by the shareholders of the Company at a special general meeting held on 27 June 2005, a capital reorganization which involves cancellation of approximately HK$28.7 million standing to the credit of the Company's share premium accounts against the accumulated deficits, and such cancellation became effective on 15 July 2005.

(c) On 21 April 2005, the Company proposed to raise approximately HK$161.6 million before expenses by way of the right issue of 1,615,668,333 rights shares at a price of HK$0.10 each payable in full on acceptance on the basis that three rights shares for every existing share held on the record date. The rights issue was approved by the shareholders at the special general meeting held on 27 June 2005 and completed on 22 July 2005.

(d) On 26 May 2006, the Company proposed to raise approximately HK$150.8 million before expenses by way of the right issue of 10,771,122,220 rights shares at a price of HK$0.014 each on the basis that five rights shares in nil-paid form for every share held on the record date. The rights issue was approved by the shareholders at the special general meeting held on 12 June 2006.

(e) In accordance with HKAS 32, convertible notes issued are split into their liability and equity components at initial recognition by recognizing he liability component at its fair value which is determined using market interest rate for equivalent non-convertible notes and attributing to the equity component the difference between the proceeds from issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost. The equity component is recognised in the convertible notes reserve until the notes are either converted (in which case it is transferred to share premium) or the notes are redeemed (in which case it is released directly to accumulated deficits).

(f) On 13 March 2007, the Company proposed to raise approximately HK$103.4 million before expenses by way of the right issue of 517,013,864 rights shares at a price of HK$0.2 each on the basis that four rights shares in nil-paid form for every share held on the record date. The rights issue was approved by the shareholders at the special general meeting held on 23 April 2007.

(g) Pursuant to a resolution passed by the shareholders of the Company at a special general meeting held on 31 October 2006, a capital reduction which involves (i) the nominal value of each existing share was reduced from HK$0.01 to HK$0.0001 by cancelling the Company's paid up capital to the extent of HK$0.0099 on each existing share, and (ii) transferring the amount to write off the accumulated deficits.

39. OPERATING LEASE COMMITMENTS

As lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases, in respect of land and building, which fall due as follows:

	2007 **HK$'000**	2006 HK$'000
Within one year	**3,611**	2,242
In the second to fifth year inclusive	**12,385**	15,362
	15,996	17,604

40. DISPOSAL OF SUBSIDIARIES

During the year ended 30 June 2007, there were no disposal of subsidiaries. During the year ended 30 June 2006, the Group disposed the entire interest in Profit Charter Holdings Limited, Widax (Hong Kong) Limited, Digital Infinity Limited, Transfer Networks Limited, 深圳銀河通信息技術有限公司, Cristine Holdings Ltd. and Fine Apex Limited ("Disposed Subsidiaries").

The carrying values of the identifiable assets and liabilities of the Disposed Subsidiaries disposed as at the dates of disposal were as follows:

	2006 HK$'000
Net assets disposed of:	
Investment in subsidiaries	–
Property, plant and equipment	1,766
Trade and other receivables	2
Cash and bank balances	572
Trade and other payables	(3,209)
Amount due to the Group	(34,865)
Net liabilities	(35,734)
Amount due to the Group written off on disposal	34,865
Minority interests	393
Gain on disposal of subsidiaries	476
	–

40. DISPOSAL OF SUBSIDIARIES (Continued)

	2006
	HK$'000
Satisfied by:	
Cash consideration received	1
Net cash outflow in respect of the disposal of subsidiaries:	
Cash consideration received	1
Cash and bank balances disposed of	(572)
	(571)

The disposal of the Disposed Subsidiaries did not have material effect on the Group's operating cash outflow, turnover and operating loss for the year ended 30 June 2006.

41. DISCONTINUED OPERATIONS

On 15 June 2006, the Group disposed of its interests in the Disposed Subsidiaries as per note 40 to the financial statements at a total consideration of US$4 (approximately equivalent to HK$31). The principal activity of a major subsidiary disposed was the provision of telecommunication and system integration services. Upon disposal of the Disposed Subsidiaries, the Group discontinued its provision of telecommunication and system integration services.

The results attributable to the discontinued business for the year were as follows:

	2007	2006
	HK$'000	HK$'000
Turnover	–	470
Cost of sales	–	(192)
Gross profit	–	278
Administrative expenses	–	(2,762)
Impairment loss on trade and other receivables	–	(1,661)
Loss from operations	–	(4,145)
Finance costs	–	–
Loss before taxation	–	(4,145)
Taxation	–	–
Loss for the year from discontinued operations	–	(4,145)
Attributable to:		
Equity holders of the Company	–	(2,296)
Minority interests	–	(1,849)
Loss for the year	–	(4,145)

41. DISCONTINUED OPERATIONS (Continued)

Assets and liabilities of the Disposed Subsidiaries were as follows:

	2007 **HK$'000**	2006 HK$'000
Total assets	–	2,340
Total liabilities	–	(3,209)
Net liabilities	–	(869)

The cash flows of the discontinued operations were as follows:

	2007 **HK$'000**	2006 HK$'000
Net cash generated from operating activities	–	245
Net cash used in financing activities	–	(217)
Total net cash inflow	–	28
Loss per share:		
Basic, from the discontinued operations	–	4.57 cents
Diluted, from the discontinued operations	–	N/A

The calculations of basic and diluted loss per share from the discontinued operations are based on:

	2007 **HK$'000**	2006 HK$'000
Net loss attributable to ordinary equity holders of the Company from the discontinued operations	–	2,296
Weighted average number of ordinary shares in issue during the year in the basic loss per share calculation	–	50,233
Weighted average number of ordinary shares used in the diluted loss per share calculation	**N/A**	N/A

42. CONTINGENT LIABILITIES

(i) As at 30 June 2007, the Company provided corporate guarantees amounting to approximately HK$24 million to a financial institution in respect of banking facilities granted to WIIL group, approximately HK$5.5 million of which was utilised by members of the WIIL group and such amount was claimed by the financial institution as disclosed in point (iii) below.

(ii) The Company and its ex-subsidiary, P.N. Electronics Ltd. ("PNE") have been involved in arbitration proceeding with North American Foreign Trading Corporation ("NAFT") in respect of a gross receivable of HK$18 million and related damages from various parties for goods shipped by PNE and NAFT in 1996. The arbitration proceedings were initiated by NAFT against the Company and PNE claiming for alleged damages in New York, USA. The Company has upon legal advice, vigorously contested the alleged claims and has counterclaimed the said sum of HK$18 million as well as other damages. The arbitration proceeding have been dormant for a substantial period of time.

(iii) On 13 October 2003, a Writ of Summons and Statement of Claim was issued by BII Finance Company Limited ("BII Finance") against the Company under a guarantee allegedly given by the Company in favour of BII Finance in respect of certain liabilities of Welback Enterprises Limited. The claim is for a sum of approximately HK$3,583,000 and US$248,000 (approximately HK$1,936,000), together with interest.

The Company has issued Third Party proceedings against Mr. Lee Chun Kwok and Mr. Fong Wing Seng, former directors of the Company, seeking a contribution to the extent of 49% of BII Finance's claim in the event that the Company is found liable to BII Finance (which is denied).

The Company will continue to defend BII Finance's claim, and will also continue to pursue the Third Party proceedings against Mr. Lee Chun Kwok and Mr. Fong Wing Seng. BII Finance has not taken any steps to progress with the action since June 2006.

Save as disclosed above, no member of the Group is engaged in any litigation or claims of material importance and no litigation or claims of material importance is known to the directors of the Company to be pending or threatened by or agaist any member of the Group.

43. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclose elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

During the year, the Group had significant transaction with the following related parties, together with balances with them at the respective balance sheet date, details of which are as follows:

(a) Entities with common directors:

	2007 **HK$'000**	2006 HK$'000
Sublicensing of film rights income *(note i)*	**–**	406
Travelling service expenses *(note i)*	**681**	693
TV programme production income *(note i)*	**–**	1,600
Purchase of motor vehicle *(note i)*	**–**	250
Film/TV Programme production cost *(note i)*	**2,300**	–

Note:

(i) The transactions were carried at price agreed between the parties.

(b) Shareholders:

	2007 **HK$'000**	2006 HK$'000
Management fee paid *(note i)*	**701**	795
Convertible notes *(note ii)*	**144,939**	135,670
Imputed interest expenses of convertible notes	**9,269**	11,590
Repayment of short-term loan	**109,000**	–

Notes:

(i) The transactions were carried at price agreed between the parties.

(ii) The convertible notes payable by the Group is unsecured, interest free and repayable on 9 August 2010. The details of the convertible notes are set out in note 36 to the financial statements.

43. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of key management personnel:

	2007	2006
	HK$'000	HK$'000
Salaries and other benefits	**4,901**	2,990
Provident fund contributions	**20**	12
	4,921	3,002

44. EVENTS AFTER THE BALANCE SHEET DATE

(i) On 20 June 2007, the Company entered a share placing agreement and convertible notes placing agreement with Kingston Securities Limited ("Placing Agent"). Pursuant to the Company has (i) agreed to place a maximum of 400,000,000 new ordinary shares of HK$0.01 in the share capital of the Company to be placed under the terms of the share placing agreement on a best efforts basis to independent investors at a price of HK$0.368 per placing share and (ii) conditionally agreed to place, on a best efforts basis, up to an aggregate principal amount of HK$100,000,000 convertible notes convertible into 250,000,000 new shares at a conversion price of HK$0.40 per conversion share. Details of the share placing agreement and convertible notes placing agreement were set out in the Company's circular dated 18 July 2007.

(ii) On 20 June 2007, the Company entered into the subscription agreement with Hanny Holdings Limited ("Hanny"). Pursuant to the Company conditionally agreed to subscribe the convertible notes of an initial principal of HK$100,000,000. Details of the subscription agreement were set out in the Company's circular dated 18 July 2007.

(iii) On 21 September 2007, the Company entered into underwriting agreement with Kingston Securities Limited. Pursuant to the underwriting agreement, the Company proposes to raise approximately not less than HK$155.1 million but not more than HK$215.1 million before expenses by way of the rights issue of not more than 1,792,534,660 rights shares but not less than 1,292,534,660 rights shares at a subscription price of HK$0.12 per rights share.

45. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 21 September 2007.

FIVE YEAR FINANCIAL SUMMARY

The following is a summary of the published results and the assets and liabilities of the Group for the five years ended 30 June 2007:

RESULTS

	Year ended 30 June				
	2003 HK$'000 *(note 1)*	2004 HK$'000 *(note 1)*	2005 HK$'000	2006 HK$'000	**2007** **HK$'000**
Turnover	279,839	49,555	55,983	37,334	**43,792**
(Loss)/profit for the year from continuing operations	(104,571)	49,266	(26,602)	(260,690)	**(121,094)**
Loss for the year from discontinued operations	–	–	(18,110)	(4,145)	**–**
(Loss)/profit for the year	(104,571)	49,266	(44,712)	(264,835)	**(121,094)**
Attributable to:					
Equity holders of the Company	(104,571)	49,266	(36,799)	(261,914)	**(120,033)**
Minority interests	–	–	(7,913)	(2,921)	**(1,061)**
	(104,571)	49,266	(44,712)	(264,835)	**(121,094)**

Five Year Financial Summary (Continued)

ASSETS AND LIABILITIES

	At 30 June				
	2003	2004	2005	2006	**2007**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
	(note 1)	*(note 1)*			
Total assets	139,889	25,160	83,339	437,594	**352,988**
Total liabilities	(199,572)	(31,614)	(11,023)	(281,512)	**(218,252)**
Net (liabilities)/assets	(59,683)	(6,454)	72,316	156,082	**134,736**
Capital and reserves attributable to the Company's equity holders	(59,683)	(6,454)	70,879	155,021	**134,736**
Minority interests	–	–	1,437	1,061	**–**
	(59,683)	(6,454)	72,316	156,082	**134,736**

Notes:

1. The summary of the results, assets and liabilities of the Group for the year ended 2003 and 2004 have not been restated upon the adoption of the new/revised Hong Kong Financial Reporting Standards as the directors of the Company are of the opinion that the restatement would involve cost not in proportion to the benefit of the Group.