



**GOLDEN HARVEST  
ENTERTAINMENT (HOLDINGS) LIMITED**  
嘉禾娛樂事業(集團)有限公司

(Stock Code 股份代號: 1132)  
(Incorporated in Bermuda with limited liability)  
(於百慕達註冊成立之有限公司)



# 2007 ANNUAL REPORT 年報

# MISSION 嘉禾的使命

At Golden Harvest we operate by the motto:  
LOVE LIFE, LIVE LIFE. We possess:

- Passion for our industry
- Creativity to produce top products
- Openness in our deals
- Responsibility to our public
- Teamwork for success

To expand horizons and to enable people to live outside the realms of their lives through the world of films. By providing creative entertainment, Golden Harvest enriches and inspires people to live life to the fullest.

嘉禾一直以「熱愛生活•享受生活」為目標和發展路向。我們：

- 對娛樂事業 滿載熱誠理想
- 對每個製作 注入無窮創意
- 對每宗交易 謹守公平公開
- 對社會大眾 抱有責任承擔
- 為達致成功 堅守團隊精神

嘉禾積極提供各種創意無限的娛樂節目，讓大眾透過電影去體會另一個超乎想像的空間，將目光和視野無限擴闊，從而令生活昇華至更豐盛、更美滿的境界。

# VISION 嘉禾的目標

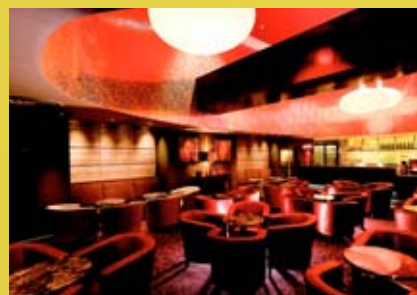
To be the world's leading Chinese entertainment company  
成為全球具領導地位的華語娛樂企業

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# CORPORATE INFORMATION

## 公司資料

### EXECUTIVE DIRECTORS

#### 執行董事

Raymond CHOW Ting Hsing (*Chairman*)  
鄒文懷 (主席)

PHOON Chiong Kit  
潘從傑

David CHAN Sik Hong  
陳錫康

Roberta CHIN CHOW Chung Hang  
陳鄒重珩

LAU Pak Keung  
劉柏強  
(also alternate to PHOON Chiong Kit)  
(亦為潘從傑之替任董事)

### NON-EXECUTIVE DIRECTOR

#### 非執行董事

Eric Norman KRONFELD

### INDEPENDENT NON-EXECUTIVE DIRECTORS

#### 獨立非執行董事

Paul MA Kah Woh  
馬家和

Frank LIN  
林輝波

George HUANG Shao-Hua  
黃少華

Prince Chatrichalerm YUKOL

### COMPANY SECRETARY

#### 公司秘書

LEE So Ching  
李素貞

### REGISTERED OFFICE

#### 註冊辦事處

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### PRINCIPAL PLACE OF BUSINESS

#### 主要營業地址

16th Floor  
The Peninsula Office Tower  
18 Middle Road  
Tsimshatsui  
Kowloon  
Hong Kong  
香港  
九龍  
尖沙咀  
中間道十八號  
半島寫字樓大廈  
十六樓





**PRINCIPAL BANKER**  
主要往來銀行

The Hongkong and Shanghai  
Banking Corporation Limited  
香港上海滙豐銀行有限公司

**AUDITORS**  
核數師

Ernst & Young  
Certified Public Accountants  
18th Floor  
Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong  
安永會計師事務所  
執業會計師  
香港  
中環  
金融街八號  
國際金融中心二期  
十八樓

**PRINCIPAL SHARE  
REGISTRAR AND  
TRANSFER OFFICE**  
主要股份過戶登記處

Butterfield Fund Services  
(Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke, HM08  
Bermuda

**HONG KONG BRANCH  
REGISTRAR AND  
TRANSFER OFFICE**  
股份過戶登記處香港分處

Tricor Tengis Limited  
26th Floor  
Tesbury Centre  
28 Queen's Road East  
Hong Kong  
卓佳登捷時有限公司  
香港  
皇后大道東二十八號  
金鐘匯中心  
二十六樓

**WEBSITE**  
網址

<http://www.goldenharvest.com>

**STOCK CODE**  
股份代號

1132

# DIRECTORS AND SENIOR MANAGEMENT

## 董事及高級管理人員



### Executive directors 執行董事

From left to right 從左至右

- 1) Mr. LAU Pak Keung 劉柏強先生
- 2) Mr. PHOON Chiong Kit 潘從傑先生
- 3) Mr. Raymond CHOW Ting Hsing 鄧文懷先生
- 4) Mrs. Roberta CHIN CHOW Chung Hang  
陳鄧重珩女士
- 5) Mr. David CHAN Sik Hong 陳錫康先生

## EXECUTIVE DIRECTORS

**Mr. Raymond CHOW Ting Hsing**, *GBS, OBE, OST, aged 80*, is the Chairman of the Company and is jointly responsible for the business and the strategic planning of the Group. He graduated from St. John's University in Shanghai, majoring in journalism. He co-founded the Golden Harvest Group in 1970 and has more than 47 years' experience in the film industry. Among the many awards that he has received for his contribution to the film industry are "International Showman of the Year" from the National Association of Theatre Owners of the United States and the Golden Horse Award for "The Most Outstanding International Producer from Taiwan", both in 1980, and the "Lifetime Achievement Award" at the 1996 CineAsia film industry convention in Singapore. Mr. Chow was also honoured in 1987 by Her Majesty Queen Elizabeth II with the Order to the British Empire, in 1996 by the Emperor of Japan with the Order of the Sacred Treasure, Gold Rays with Rosette, and in 1998 by the Government of the Hong Kong Special Administrative Region with the Gold Bauhinia Star. Mr. Chow is also a director of certain subsidiaries of the Company. Mr. Chow is the father of Mrs. Roberta CHIN CHOW Chung Hang who is also an executive director of the Company.

## 執行董事

鄧文懷先生，*GBS, OBE, OST, 80歲*，本公司主席，負責本集團之業務及策略規劃事宜。彼畢業於上海聖約翰大學，主修新聞。彼於一九七零年共同創辦嘉禾集團，於電影業已積累逾四十七年經驗。鄧先生對電影業貢獻良多，更屢獲殊榮，其中包括於一九八零年獲美國National Association of Theatre Owners頒譽為「International Showman of the Year」及台灣金馬獎「中國傑出國際影人獎」，彼亦於一九九六年獲新加坡CineAsia電影業展頒發「終生成就獎」。鄧先生亦於一九八七年獲頒英女皇依莉莎伯二世之大英帝國勳章，於一九九六年獲日皇授勳四等瑞寶章及於一九九八年獲香港特別行政區政府頒授金紫荊勳章。鄧先生亦為本公司若干附屬公司之董事。鄧先生乃陳鄧重珩女士之父，而陳女士為本公司之執行董事。

## DIRECTORS AND SENIOR MANAGEMENT 董事及高級管理人員

### Mr. PHOON Chiong Kit, aged 55,

is the Managing Director of the Company, graduated with a Bachelor of Business Administration Degree from the University of Singapore. He has 21 years' experience as an investment banker and corporate finance consultant. Mr. Phoon is also a director of certain subsidiaries of the Company.

### Mr. David CHAN Sik Hong, aged 56,

holds a Bachelor's Degree in Art from St. John's University of Minnesota, US, and a Master's Degree from the University of Kansas Graduate School of Radio-Television-Film, US. Mr. Chan joined the Golden Harvest Group in 1975. During his 32 years' tenure with the Group, he has worked on 22 international films and over 100 Chinese films. Among his many screen credits, Mr. Chan was a producer of one of Hollywood's most successful independent screen series, "Teenage Mutant Ninja Turtles" and its two sequels, which grossed more than USD250 million in North America alone. He is a member of the Producers' Branch of the Academy of Motion Picture Arts and Sciences in America. Mr. Chan is also a director of certain subsidiaries of the Company.

### Mrs. Roberta CHIN CHOW Chung Hang, aged 44,

has co-produced various films with the Golden Harvest Group in the past. She holds a Bachelor of Arts Degree in English Literature from Dominican University of California, US and a Master's Degree in Communication – Documentary Film from Stanford University, US. Mrs. Chin has had more than 22 years' experience in the film production and distribution industry. She is also a director and an alternate director of certain subsidiaries of the Company. Mrs. Chin is the daughter of Mr. Raymond CHOW Ting Hsing who is also an executive director, the Chairman and a substantial shareholder of the Company.

### Mr. LAU Pak Keung, aged 49,

is the Finance Director of the Company and the alternate director to Mr. Phoon Chiong Kit. He has over 26 years' experience in the auditing and accounting field. He began his professional career in KPMG and Ernst & Young. Prior to joining Golden Harvest in March 1992, he worked in an international transportation group of a listed company as Vice President – Finance & Administration and acted as a director of its joint venture in the PRC. Mr. Lau is the Chief Representative of Shanghai Office and the supervisor of a Taiwanese subsidiary. He is also a director, an alternate director and the company secretary of certain other subsidiaries of the Company.

### 潘從傑先生，55歲，

本公司之董事總經理，畢業於新加坡大學，持有工商管理學士學位。彼從事投資銀行及機構財務顧問達二十一年。潘先生亦為本公司若干附屬公司之董事。

### 陳錫康先生，56歲，

持有美國明尼蘇達州聖約翰大學之藝術系文學士學位及美國肯薩斯大學電台－電視－電影研究院之碩士學位。彼於一九七五年加入嘉禾集團。彼在本集團任職之三十二年期間，曾為二十二齣國際電影及逾一百齣華語電影工作，創下不少佳績，其中彼為電影「忍者龜」及其兩齣續集之監製，此系列為荷李活最成功之獨立製作之一，單在北美洲之票房收入已超逾二億五千萬美元。彼為美國電影藝術及科學學院之監製分院會員。陳先生亦為本公司若干附屬公司之董事。

### 陳鄒重珩女士，44歲，

過往曾與嘉禾集團共同製作多齣不同類型之電影。彼持有美國加州多明尼克大學之英國文學學士學位及美國史丹福大學之傳意(紀錄片)系碩士學位。彼於電影製作及發行業擁有逾二十二年之經驗。陳女士為本公司若干附屬公司之董事及替任董事。陳女士乃鄒文懷先生之女兒，鄒先生亦為本公司之執行董事、主席及主要股東。

### 劉柏強先生，49歲，

本公司之財務董事及潘從傑先生之替任董事。彼於審核及會計行業擁有逾二十六年經驗。彼初期任職於畢馬威會計師事務所及安永會計師事務所，而於一九九二年三月加入嘉禾之前，彼曾於一家上市公司旗下國際運輸集團擔任財務及行政副總裁，並出任其中國合營公司之董事。劉先生亦為上海辦事處之首席代表及一家台灣附屬公司之監事或監察人，彼亦兼任本公司若干其他附屬公司之董事、替任董事及公司秘書。

## DIRECTORS AND SENIOR MANAGEMENT 董事及高級管理人員

Non-executive director 非執行董事

Mr. Eric Norman KRONFELD



### NON-EXECUTIVE DIRECTOR

**Mr. Eric Norman KRONFELD**, aged 66,

graduated with a Bachelor of Arts Degree with distinction from Swarthmore College in 1962 and a Bachelor of Laws degree from the Harvard Law School in the US in 1965.

After he had worked as a law clerk to The Hon. J. Edward Lumbard, the Chief Judge of the United States Court of Appeals, Second Circuit, he joined Machat & Kronfeld in 1966, a law firm with one of the world's largest music business client lists where he became a partner and remained with the law firm until 1980.

Mr. Kronfeld was a co-founder and the former Chairman of Philadelphia International Records from 1969 to 1975. He is also the founder of Maverick Productions, Ltd. ("Maverick") and has been the Chairman and Chief Executive Officer of Maverick since 1973. Maverick has produced albums by The Eagles, Eric Clapton, The Who, Faces, etc. and acted as the strategic consultant for multinational corporations in media including UST, Inc. (formerly known as US Tabacco, Inc.), PolyGram Inc., Time-Warner Inc., EMI, etc. From 1991 onwards until 1998, Mr. Kronfeld was the President and Chief Operating Officer of PolyGram Holding, Inc. and was a board member of PolyGram International Management. From 1999 to 2003, he was a member of the board of directors of listen.com which was sold to Real Networks Inc., a Nasdaq-listed company. Mr. Kronfeld has almost 43 years' experience in strategic management and consultancy in the worldwide music industry. He is also a director of Typhoon Music (PRC) Limited, a substantial shareholder of the Company.

### 非執行董事

**Eric Norman KRONFELD**先生，66歲，

一九六二年畢業於斯沃特穆爾學院，並以優異成績取得文學士學位。彼於一九六五年取得美國哈佛法律學院之法律學士學位。

彼於擔任美國第二巡迴上訴法院首席法官The Hon. J. Edward Lumbard之律政書記後，於一九六六年加入Machat & Kronfeld，該法律事務所為擁有全球最多音樂行業客戶之法律事務所之一，彼其後成為該法律事務所之合夥人及留任至一九八零年。

Kronfeld先生為Philadelphia International Records之共同創辦人，並於一九六九年至一九七五年間擔任該公司主席。彼亦為Maverick Productions, Ltd. (「Maverick」)之創辦人，並自一九七三年起擔任Maverick之主席兼行政總裁。Maverick曾製作The Eagles、Eric Clapton、The Who、Faces等藝人之專輯，並曾擔任UST, Inc. (前稱US Tabacco, Inc.)、PolyGram Inc.、Time-Warner Inc.、EMI等跨國傳媒企業之策略顧問。於一九九一年至一九九八年，彼曾擔任PolyGram Holding, Inc.之總裁兼首席營運總監，亦曾擔任PolyGram International Management之董事會成員。於一九九九年至二零零三年，彼曾擔任listen.com之董事會成員，而該公司其後售予納斯達克上市公司Real Networks Inc.。彼於全球音樂行業之策略管理及顧問方面累積近四十三年經驗。彼亦為本公司之主要股東Typhoon Music (PRC) Limited之董事。



## DIRECTORS AND SENIOR MANAGEMENT 董事及高級管理人員

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Paul MA Kah Woh**, *aged 60*,

was a senior partner of KPMG Singapore, where, he was in charge of the Audit & Risk Advisory Practice and Risk Management for many years until his retirement in September 2003.

Mr. Ma sits on the Boards of Mapletree Investment Pte Ltd, Mapletree Logistics Trust Management Limited, SMRT Corporation Limited, Ascott Residence Trust Management Limited, Hwa Hong Corporation Limited and National University of Singapore. Mapletree Investment Pte Ltd is a wholly-owned subsidiary of Temasek Holdings (Private) Limited involved in real estate solutions including capital and asset management; Mapletree Logistics Trust Management Limited is the Manager of the Mapletree Logistics Trust, a logistics REIT listed in Singapore; SMRT Corporation Limited is a listed company which is principally involved in rapid transit services and bus and taxi operations in Singapore. Hwa Hong Corporation Limited is also a listed company in Singapore.

Mr. Ma is a Fellow of the Institute of Chartered Accountants in England and Wales, and a Member of the Institute of Certified Public Accountants of Singapore. He has worked in England, the USA and Singapore.

**Mr. Frank LIN**, *OBE, J.P., aged 80*,

received his education at St. John's University, Shanghai. He is presently the Chairman of Milo's International Corporation Limited and the Honorary Chairman of the Textile Council of Hong Kong Limited and the Hong Kong Knitwear Exporters & Manufacturers Association.

### 獨立非執行董事

馬家和先生，60歲，

曾為KPMG Singapore之高級合夥人，任內掌管審核及風險顧問(Audit & Risk Advisory Practice)及風險管理(Risk Management)多年，直至彼於二零零三年九月退休為止。

馬先生擔任Mapletree Investment Pte Ltd、Mapletree Logistics Trust Management Limited、SMRT Corporation Limited、Ascott Residence Trust Management Limited、Hwa Hong Corporation Limited及新加坡國立大學之董事會成員。Mapletree Investment Pte Ltd為Temasek Holdings (Private) Limited全資附屬公司，從事資本及資產管理等物業解決方案之業務；Mapletree Logistics Trust Management Limited為於新加坡上市之物流房地產投資信託(REIT) Mapletree Logistics Trust之管理人；SMRT Corporation Limited為主要於新加坡從事捷運服務及公共汽車與計程車業務之上市公司，而Hwa Hong Corporation Limited亦為新加坡之上市公司。

馬先生為英格蘭及威爾斯特許會計師公會資深會員及新加坡執業會計師公會會員。彼曾任職於英國、美國及新加坡。

林輝波先生，OBE，太平紳士，80歲，

畢業於上海聖約翰大學。彼現任美羅國際有限公司主席，並為香港紡織業聯會有限公司及香港毛織出口廠商會榮譽主席。



**Independent non-executive directors**  
獨立非執行董事

**From left to right**從左至右

- 1) Mr. George HUANG Shao-Hua  
黃少華先生
- 2) Mr. Paul MA Kah Woh馬家和先生
- 3) Prince Chatrichalerm YUKOL
- 4) Mr. Frank LIN林輝波先生

## DIRECTORS AND SENIOR MANAGEMENT 董事及高級管理人員

### **Mr. George HUANG Shao-Hua**, *aged 58,*

graduated from the College of Telecommunications Engineering, National Chiao-Tung University in Taiwan, and co-founded the Acer Group in 1976. He has been heavily involved in the development of microprocessor technology applications and services and was the first person in Taiwan to promote and sell microcomputers to international markets in 1979. Mr. Huang is presently a Supervisor of Acer Inc., a public company of Taiwan as well as Vice Chairman of Taiwan Fixed Network Co., Ltd. He was distinguished as an honoured graduate of National Chiao-Tung University in Taiwan and also as an outstanding graduate of Cheng-Uen Junior High School.

### **Prince Chatrichalerm YUKOL**, *aged 65,*

attended the prestigious Geelong Grammar School in Australia where he completed his high school education. Thereafter he continued his tertiary education at UCLA in California where he gained a Bachelor's Degree in Geology. In 2000, Prince Chatrichalerm was awarded an Honorary PhD in Mass Communications from Thammasart University in Thailand.

After his graduation, Prince Chatrichalerm embarked on his filmmaking career by working on a number of his father's films. In 1972, Prince Chatrichalerm made his first feature film as a director, and has since made approximately 30 films. One of his produced films, "Suriyothai" (2001) gained international acclaim, and was the subject of collaboration with Francis Ford Coppola, who re-edited the film for international release.

Prince Chatrichalerm has served on many advisory panels on Thai film, and was honored with the "National Artist" award for his services to the film industry in Thailand.

## SENIOR MANAGEMENT

### **Mr. FOO Ying Sung**, *aged 76,*

General Manager of Cine Art Laboratory Limited ("Cine Art") and is responsible for the film processing activities of the Group. He joined the Group in 1971 as a Director of Cine Art.

### **Ms. Ada FOO York Ching**, *aged 37,*

General Manager of Panasia Films Marketing. Ms. Foo is responsible for the film marketing activities of the Group and has had more than 14 years' experience in the Advertising and Film industry. She joined the Group in 1995 as a Media Manager of Panasia Films Limited and has worked in China and Hong Kong.

### **黃少華先生**，*58歲*，

畢業於台灣國立交通大學電訊工程學院，並於一九七六年共同創辦宏碁集團。彼一直積極參與微型處理器技術應用及服務之發展工作，於一九七九年成為台灣推廣及銷售微型電腦之先驅。黃先生現為台灣上市公司宏碁股份有限公司之監察人，亦為台灣固網股份有限公司之副主席。彼為台灣國立交通大學之榮譽畢業生，亦為成淵中學之傑出畢業生。

### **Prince Chatrichalerm YUKOL**，*65歲*，

於澳洲著名學府Geelong Grammar School完成高中課程，其後於洛杉磯加州大學取得地質學學士學位。於二零零零年，Prince Chatrichalerm獲泰國Thammasart University頒授大眾傳播榮譽博士學位。

Prince Chatrichalerm於畢業後投身製片業，協助其父製作若干電影。彼於一九七二年執導首齣劇情片，其後陸續製作約共三十齣影片。其中「Suriyothai」（二零零一年）更使他蜚聲國際，該片乃與哥普拉合作，為國際發行重新進行剪接。

Prince Chatrichalerm曾參與多個泰國電影顧問團之工作，更因對泰國電影業貢獻良多而獲頒「National Artist」之榮譽。

## 高級管理人員

### **傅應淞先生**，*76歲*，

天工彩色沖印有限公司（「天工」）之總經理，負責本集團之電影沖印業務。彼於一九七一年加入本集團，出任天工之董事。

### **傅若菁女士**，*37歲*，

泛亞影業市場推廣部之總經理。傅女士負責本集團之電影市場推廣工作，在廣告及電影業已積逾十四年豐富經驗。彼於一九九五年加入本集團擔任泛亞影業有限公司之媒體經理，並曾在中港兩地工作。

## DIRECTORS AND SENIOR MANAGEMENT 董事及高級管理人員

### **Ms. LEE So Ching**, aged 38,

Company Secretary and Assistant Financial Controller of the Group. Prior to joining Golden Harvest in 2001, she had worked in listed companies in Hong Kong for years. Ms. Lee holds a Master of Business Administration degree from the University of Westminster, England, and is a Fellow of The Association of Chartered Certified Accountants, as well as a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. She is also the company secretary of various subsidiaries of the Company.

### **Mr. Alan LEE Yu**, aged 65,

General Manager of Golden Harvest Entertainment (Taiwan) Company Limited and is responsible for the Group's strategic planning and film distribution in Taiwan. He graduated from Tamkang University in Taiwan and joined the Golden Harvest Group in 1981. Mr. Lee has more than 30 years' experience as a TV programme producer and has held other related positions in Taiwan's entertainment industry. He is currently an executive member of the board of supervisors of the Motion Picture Association of Taipei.

### **Mr. Simon TAN Boon Pin**, aged 39,

General Manager, Exhibition, graduated from Western Illinois University with a Degree in Business with majors in Finance and Economics and holds a MBA from Nanyang Technological University's Nanyang Fellows Program. He joined the Group's joint venture partnership in Singapore in May 1992 and has since worked in Thailand, Malaysia and Taiwan. Mr. Tan joined Golden Harvest in 2001 as General Manager, Exhibition, and currently manages Golden Harvest's cinema operations in Hong Kong, mainland China and Taiwan.

### **Ms. Belinda TANG Siu Wai**, aged 39,

General Manager of Distribution & Acquisition Division of Golden Harvest. She holds a Bachelor Degree of Commerce from Deakin University of Australia. She joined Golden Harvest in 1996.

### **Mr. YUEN Kwok On**, aged 42,

Financial Controller of Golden Harvest since 2004. He graduated with a Bachelor Degree of Economics with major in Accounting from La Trobe University of Australia in 1990 and holds a MBA Degree from Hong Kong Baptist University in 1998. He is a CPA member of the CPA Australia and the Hong Kong Institute of Certified Public Accountants. Prior to joining Golden Harvest in October 1996, he had spent five years with international accounting firms in Hong Kong.

### 李素貞女士，38歲，

本集團之公司秘書及副財務總監。於二零零一年加入嘉禾前，彼已於香港擁有多年上市公司工作經驗。李女士持有英國University of Westminster之工商管理碩士學位，並為英國特許公認會計師公會資深會員及香港會計師公會之會計師。彼亦為本公司多間附屬公司之公司秘書。

### 李渝先生，65歲，

嘉禾國際娛樂股份有限公司總經理，負責本集團台灣業務之策略規劃及電影發行工作。彼畢業於台灣淡江大學，並於一九八一年加入台灣嘉禾機構服務至今，曾擔任電視製作人及其他相關工作，於台灣娛樂界擁有逾三十年豐富經驗。彼現時為台北市影片商業同業公會監事委員會之執行董事。

### 陳文彬先生，39歲，

為本集團戲院部之總經理，畢業於美國伊利諾西大學，持有財務及經濟學士學位，並持有南洋科技大學Nanyang Fellows Program之工商管理碩士學位。彼於一九九二年五月加入本集團於新加坡之合資公司，並於泰國、馬來西亞及台灣工作。彼於二零零一年加入嘉禾擔任戲院部總經理，現時管理嘉禾於香港、中國大陸及台灣之戲院業務。

### 鄧小慧女士，39歲，

嘉禾之發行及購片部之總經理。彼持有Deakin University of Australia之商業學士學位。彼於一九九六年加入嘉禾。

### 袁國安先生，42歲，

自二零零四年起擔任嘉禾之財務總監。彼於一九九零年畢業於澳洲La Trobe University，主修會計學，並取得經濟學士學位，其後於一九九八年取得香港浸會大學之工商管理碩士學位。彼為澳洲特許公認會計師公會及香港會計師公會之會計師。於一九九六年十月加入嘉禾前，彼曾於香港多家跨國會計師行任職達五年。



# CHAIRMAN'S STATEMENT

## 主席報告書

The Golden Harvest Group registered good results this year. We are redeploying our resources to the markets with high return and are continuing with our expansion in the Chinese markets.

We will open additional new screens in Shenzhen by early next year. This will complement our existing 7 screen multiplex, with its upcoming second phase of 5 screens, and will add significantly to our sizeable market share in Southern China.

In Eastern China, we have signed new multiplex cinemas in Suzhou, Hangzhou and Wuxi. When completed, each of them will be the biggest and best cinema in each of these cities. We have also signed for a new site in Beijing, which will also be the biggest in the capital when it opens.

All of these strategic sites, and perhaps one or two more, will be ready within the next two years. From those sites, we can start to "bring the movies to the people and bring the people to the movies"; in the most populous nation in the world. They will also be the strategic nodes on which we will anchor each regional network of local alliances. In a huge market like China, local alliances are a strategic necessity and Golden Harvest has the experience and the vital skills to execute this.

In Taiwan, we have put these skills to good use. Since acquiring the Warner-Village chain of multiplexes in 2004, now renamed as VIESHOW, the joint venture we formed have signed three new major sites in Taipei and bought into one existing site to add to our market share. More importantly, VIESHOW has formed a distribution partnership with the 2nd largest cinema in Taipei, Miramar, and the partnership has since, very successfully, distributed a number of Asian titles in Taiwan. We have also actively encouraged the release of more film titles by both Hollywood and independent distributors in Taiwan. That number has grown from 185 in 2004 to 211 in 2005, to 226 in 2006 and will hit 250 in 2007 amongst our cinemas alone. Film distribution alliances require local market influence and well developed overseas connections to be successful. We have that in the various Chinese markets, especially so now in Taiwan.

嘉禾集團於本年度錄得良好業績。我們正為發展高回報市場重新調配資源，並繼續擴張在華語市場的地位。

本集團將於明年初在中國深圳開設更多影廳，此舉配合此舉本集團現有的七廳影院和將開業之第二期的五個影廳，將會大大加強本集團在華南地區的市場佔有率。

在華東地區，本集團在蘇州、杭州和無錫都將會興建多間新影院。於落成時，此等影院將會成為當地規模最大最好的影院。我們亦在北京簽訂另一個新據點，於開幕時亦將成為我國首都中的最大影院。

以上該等策略性之據點(另再可能加添一至兩個據點)將會陸續在未來兩年內開業。藉此，本集團正積極於全球人口最稠密的國家「把電影帶給人民，亦把人民帶到電影中」。所有此等策略性據點亦將會成為本集團建立當地聯盟的網絡站。於如斯龐大的中國市場中，具策略性的當地聯盟關係極為重要，而嘉禾集團亦坐擁有關經驗和不可或缺的技能加以實踐。

在台灣，本集團亦充份利用了此等經驗和技能，自2004年收購了華納威秀院線(現易名為威秀)後，本集團旗下的合夥公司在台北已經簽訂了三個新的重要發展據點，另再購入了一個現有的影院，以增加本集團的市場佔有率。更重要的是，威秀與台北第二大院商美麗華組成了發行夥伴，同時更成功地在台灣發行了數部亞洲電影。我們亦積極地鼓勵荷里活和獨立片商在台灣增加播放電影的數量。單在本集團的院線中，播放數量已從2004年的185部，增加至2005年的211部，2006年的226部，而於2007年更預算將達至250部。電影發行聯盟的成功，需有賴當地市場的影響力和發展成熟的海外關係，我們在各個華語市場當中，尤其在台灣，都具備此等有利條件。



## CHAIRMAN'S STATEMENT 主席報告書

In addition to China and Taiwan, Singapore and Hong Kong are the only two other significant Chinese markets. We already have a major presence in both these territories. It is therefore my belief that perhaps in two years' time, Golden Harvest will, once again, be able to play a very influential role in the development of the Chinese motion picture industry.

We are investing in related new areas as well. We have created a digital screen advertising network in Shenzhen covering cinemas accounting for nearly 80% of Shenzhen's Box Office. We plans to penetrate the Beijing market this year to achieve the same.

We brought the New York Metropolitan Opera to Singapore, playing a digital recording of Tan Dun's "The First Emperor" and Mozart's "Magic Flute" in our cinemas. To the great delight of our audiences, not only can they now experience the energy and enthusiasm of a live performance, but through cinematic angles and close-ups they can also see facial expressions and details that they would not be able to see even at the theatre live. We are now looking into doing a delayed "Live" broadcast for the new season.

These are modest but important steps in learning the digital ropes and working towards the day when digital cinemas become the norm. In a geographically vast and under-screened country like China, with a cultural diaspora spanning the entire globe, I can see no better future for digital cinema than to be married to Chinese motion picture entertainment. Golden Harvest wants to play an important leading role in that transformation.

To achieve all this, we have staff that are passionate, diligent and dedicated. I wish to thank them for all for their hard work during the year. It is only through their efforts that we will succeed in realising our vision.



**Raymond Chow Ting Hsing**  
Chairman

Hong Kong  
17 October 2007


除了中國和台灣以外，香港和新加坡則為另外兩個主要華語市場，由於本集團在該兩地已作相當程度的參與，因此我相信在未來兩年內，嘉禾將會再次在華語電影工業的發展上，扮演主要的角色。

本集團亦有在相關的新領域上進行投資，本集團在深圳設立了一個數字電影廣告網絡，覆蓋了全深圳約80%票房收入的影院。我們另計劃在今年把此業務引進北京。

此外，本集團亦把紐約的大都會歌劇帶到新加坡，於本集團設於當地的影院內播放了譚盾作品「秦始皇」和莫札特的「魔笛」的演出，觀眾反應熱烈，他們不但能夠體驗現場表演的活力，更能通過電影的角度和特寫鏡頭，察看連親身赴美現場觀看也不可能目睹的臉部表情和服裝道具上的細節。我們正考慮於新季度內再進行延遲的「現場」直播。

以上僅為本集團準備迎接數字影院即將普及化的一小步。我認為在中國這個龐大領域國家，加上其文化觀亦散播於中外各地，數字影院和中國電影市場絕對是個天衣無縫的結合。嘉禾極期待在這個脫變過程中，擔當一個重要的主導角色。

縱要成就所有的目標，需有賴於本集團既熱情、勤奮又盡心盡力的員工。我藉此感謝他們於本年度內所付出的努力，只有通過他們的努力，才會成功地實現我們的理想。



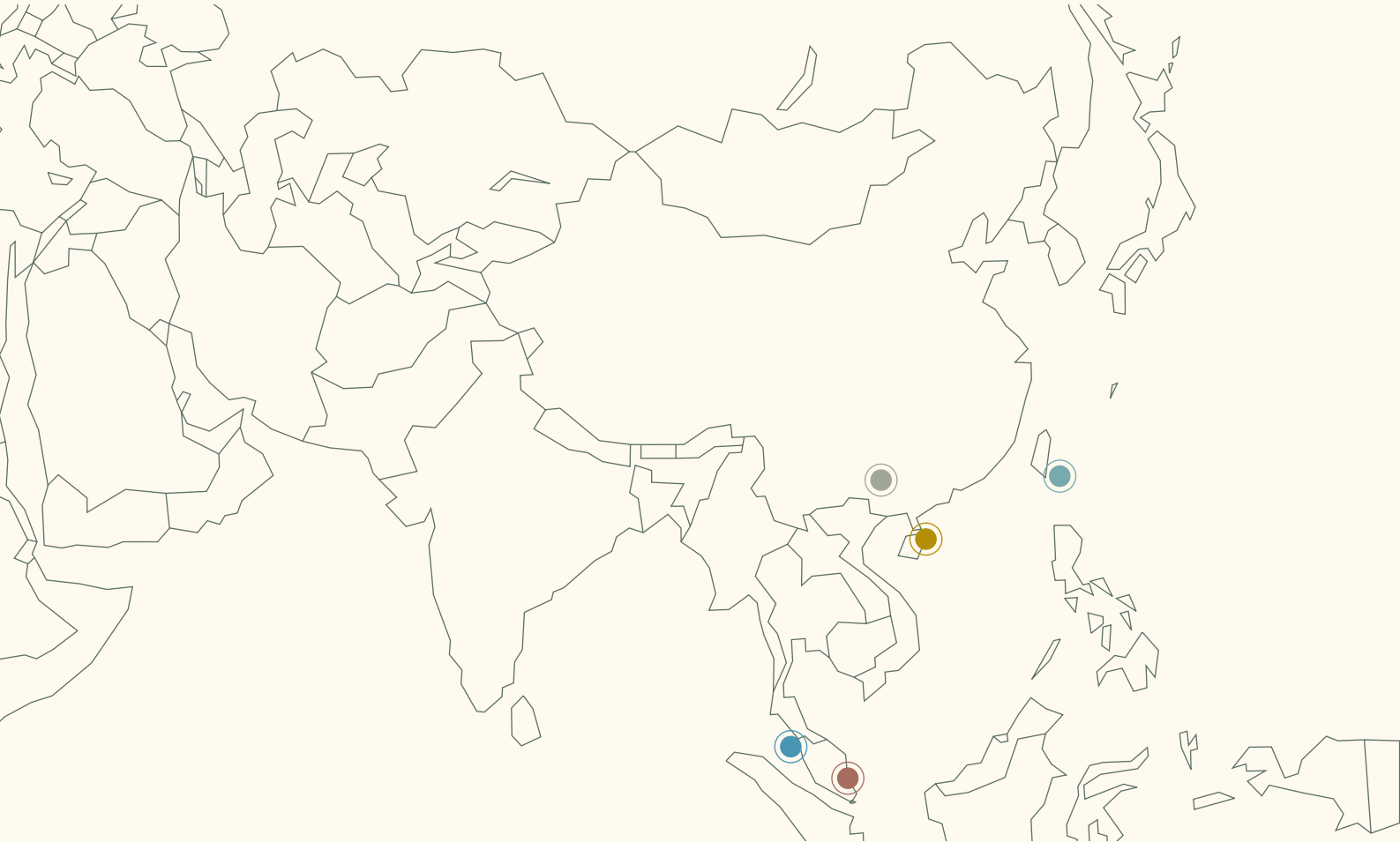
主席  
鄧文懷

香港  
二零零七年十月十七日



# MANAGEMENT DISCUSSION AND ANALYSIS

## 管理層討論及分析



HONG KONG 香港

24

screens 影廳

SHENZHEN 深圳

7

screens 影廳

TAIWAN 台灣

79

screens 影廳

SINGAPORE 新加坡

73

screens 影廳

MALAYSIA 馬來西亞

77

screens 影廳

## MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析



Managing Director 董事總經理

Mr. PHOON Chiong Kit 潘從傑先生

### REVIEW OF OPERATIONS

Benefiting from continued economic growth across the Asian region and our focused business strategies, income from our distribution and exhibition businesses showed a modest growth except for Taiwan where the market was soft, having been affected by local political events.

Following the success of our investments in mainland China and Taiwan, the Group took some strategic moves this year to strengthen our core businesses in the region.

Firstly, to redeploy the Group's resources for better returns and follow on our strategic focus in the mainland China market, we divested one of our two cinema circuits in Malaysia during the year and recorded a significant gain of HK\$116 million. The proceeds from the disposal, together with the funds raised from issuing convertible notes in 2006, have strengthened our capital base to finance our investments in mainland China.

### 業務回顧

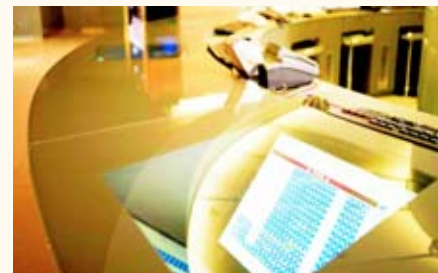
受惠於亞洲經濟持續增長及本集團之專注業務策略，本集團之發行及戲院業務收入溫和增長，惟台灣受到當地政治事件影響而導致市道疲弱除外。

繼本集團於中國內地及台灣之投資取得成果，本集團於本年度採取若干策略，加強於區內之核心業務。

首先，為重新調配本集團資源以爭取更佳回報，同時繼續策略性重點發展中國內地市場，本集團於年內出售於馬來西亞兩條影城院線之其中一條，錄得重大盈利116,000,000港元。出售之所得款項連同於二零零六年發行可換股票據所籌集資金有助增強本集團之資本基礎，從而為本集團於中國內地之投資提供資金。



## MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析



Secondly, for non-Chinese language films, the Group has stepped up its direct film licensing business during the year. The success of *Death Note I and II* (Japanese films) in both Hong Kong and Taiwan, as well as the good showing of *Octopus* (American B film) in mainland China vindicates our strategic move to expand the film licensing business in Hong Kong, mainland China and Taiwan.

In order to strengthen the film distribution business, the Group enlarged its film library to approximately 140 titles by acquiring 39 Chinese language film titles during the year.

The Group is a leading cinema operator in the Asian region – currently operating 33 cinemas with 260 screens across Hong Kong, Shenzhen, Taiwan, Singapore and Malaysia.

### FINANCE

The Group recorded a profit of HK\$97 million for the year, compared to HK\$5 million last year. This increase is primarily due to a gain on the disposal of a Malaysia cinema circuit during the year. Turnover and gross profit for the year have both increased by 10% to HK\$566 million and HK\$308 million respectively. Most of the business units in the region, including film distribution and film exhibition businesses, delivered a modestly improved operating result for the year. However, the operating result was affected by some exceptional and one-off items, including new cinema opening costs and additional tax provision in our Singapore joint venture, recognition of deemed costs on share options, accrual of legal expenses for litigation in relation to the Singapore investment and a loss on disposal of a 4.29% interests in our Taiwan cinema joint venture. The Group also incurred higher finance costs following the issue of convertible notes in 2006.

此外，非華語電影方面，本集團逐步增強其電影版權購買業務。日本電影《死亡筆記I及II》在香港及台灣成績相當理想，而美國B級電影《章魚驚魂》在中國內地亦叫好叫座，支持本集團於香港、中國內地及台灣擴展電影版權業務的策略。

為強化電影發行業務，本集團於年內增購39齣華語電影，令電影庫之電影數目增至約140齣。

本集團為亞洲區具領導地位之戲院營辦商，目前於香港、深圳、台灣、新加坡及馬來西亞經營33家戲院，共260間影廳。

### 財務

本集團於年內錄得溢利97,000,000港元，而去年則錄得5,000,000港元。溢利增加主要由於年內出售馬來西亞之影城院線所錄得盈利所致。年內本集團之營業額及毛利均增加10%，分別增至566,000,000港元及308,000,000港元。區內大部分業務(包括電影發行及戲院業務)之經營業績於年內輕微改善。然而，經營業績受到若干非經常及一次性項目所影響，包括本集團新加坡合營公司之新戲院開業費用及額外稅項撥備、就購股權確認之設定成本、有關新加坡投資之訴訟所需之法律開支以及出售本集團台灣戲院合營公司4.29%權益之虧損。本集團亦因於二零零六年發行可換股票據而錄得更高財務費用。

## MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析



### FILM DISTRIBUTION

Box office collections in Hong Kong remained flat at HK\$966 million, of which non-Chinese language films took HK\$685 million or 71% of the total box offices. Chinese language films continue to suffer from a shortage of quality films and box office receipts have further slipped by 8% to HK\$281 million during the year.

As a distributor for both Chinese and non-Chinese language films, the Group held a 15% market share in terms of box office receipts.

### Chinese Language Films

The Group distributed 12 Chinese language films during the year, including Jackie Chan's *Rob-B-Hood* and Andy Lau's *Protégé*, as compared to 13 titles over the same period last year. The total box office of Chinese language films distributed by the Group was HK\$90 million and our market share increased from 25% last year to 32% this year.

During the year, the Group enlarged its film library to approximately 140 titles by acquiring 39 Chinese language film titles. The Chinese language film library generates steady licensing income and contributed HK\$9 million royalty income this year.

### 電影發行

香港之票房收入維持平穩，錄得966,000,000港元，當中非華語電影佔685,000,000港元或總票房收入71%。鑑於仍然欠缺高質素之華語電影，因此年內之華語電影票房收入進一步下跌8%至281,000,000港元。

作為華語及非華語電影發行商，按票房收入計算，本集團之市場佔有率為15%。

### 華語電影

本集團於年內發行12齣華語電影，包括成龍主演之《寶貝計劃》及劉德華主演之《門徒》，而去年同期則發行13齣電影。本集團發行之華語電影總票房收入為90,000,000港元，而本集團之市場佔有率由去年之25%升至本年度之32%。

本集團於年內增購39齣華語電影，令電影庫之電影數目增至約140齣。華語電影庫一直為本集團帶來穩定收入，並於本年度帶來9,000,000港元之版權收入。

## MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析



### Non-Chinese Language Films

The Group distributed 24 non-Chinese language films during the year with a total box office of HK\$54 million, representing about 8% market share. The Group has stepped up its direct film licensing business during the year after the expiry of its distribution contract with United International Pictures. Although our market share has declined, the net contribution from distribution of non-Chinese language film to the Group has in fact increased this year. The success of *Death Note I and II* in both Hong Kong and Taiwan, as well as the good showing of *Octopus* in mainland China vindicates our strategic move to expand the film licensing business in Hong Kong, mainland China and Taiwan. Recently released films, including *Alone* (a Thai film) in Taiwan and *Prey* (a South African film) in mainland China have also delivered very satisfactory results.

### FILM EXHIBITION

Driven by the success of our Shenzhen's flagship cinema and the emergence of more investment opportunities in mainland China, the Group has redeployed its capital resources to the Greater China market by divesting one of its two cinema circuits in Malaysia. After completing the disposal in February 2007, the Group now operates 33 cinemas with 260 screens across the Asian region and remains a leading cinema operator in Asia.

In Hong Kong, total theatre takings of our cinemas grew by 6% and our market share increased to 13% from last year's 12% despite the closure of an under-performing cinema in March 2006. The individual performance of our cinemas has been enhanced by an extensive marketing campaign and a change in pricing strategy. The GH Hollywood cinema also launched a new digital image after completing its phase I renovation in May 2007.

### 非華語電影

本集團於年內發行24齣非華語電影，總票房收入為54,000,000港元，市場佔有率約為8%。本集團與United International Pictures的發行合約屆滿後，於年內逐步增強本身之電影版權購買業務。儘管本集團之市場佔有率下跌，實際上本集團發行非華語電影所得貢獻淨額於本年度卻有所上升。《死亡筆記I及II》在香港及台灣成績相當理想，而《章魚驚魂》在中國內地亦叫好叫座，支持本集團於香港、中國內地及台灣擴展電影版權購買業務的策略。最近在台灣及中國內地公映之電影亦大受歡迎，包括泰國電影《連體陰》及南非電影《獅口驚魂》。

### 戲院經營

鑑於本集團在深圳之旗艦影城成績斐然，加上中國內地出現更多投資機會，本集團已出售其於馬來西亞兩條影城院線之其中一條，以重新調配其資金資源至大中華市場。該出售於二零零七年二月完成後，本集團現時於亞洲地區經營33家影城，共260間影廳，仍然是亞洲具領導地位之戲院營辦商。

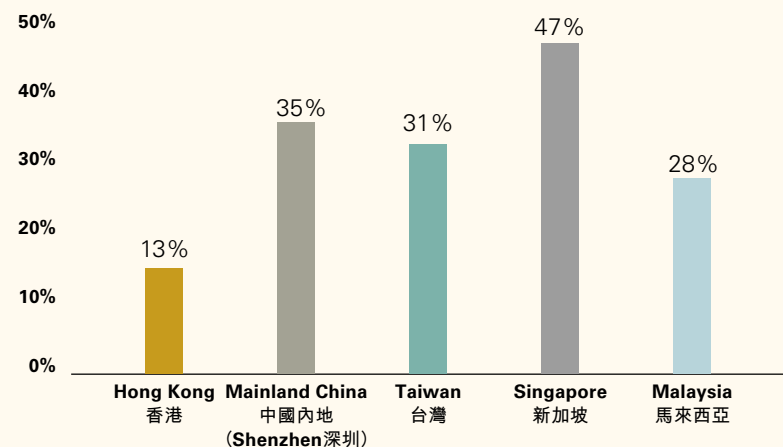
香港方面，儘管於二零零六年三月結束一家業績未如理想之戲院，惟本集團戲院之電影總票房收入增加6%，市場佔有率亦由去年之12%增至13%。透過大量市場推廣活動及調整票價策略，本集團個別戲院之表現得以提升。嘉禾荷里活電影城於二零零七年五月完成第一期翻新工程後，亦推出新數碼影像。

## MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

### MARKET SHARE OF GOLDEN HARVEST CINEMAS

#### 嘉禾戲院之市場佔有率

(in terms of box office takings) (按電影票房收入計算)



In mainland China, driven by strong consumer spending and the opening of new cinemas, the current year's box office in Shenzhen City surged by 32% from last year. Revenue of the Group's flagship cinema located at MIXC Mall, City Crossing in Shenzhen also increased by 20%, but our market share has decreased to 35% due to the opening of new cinemas by our competitors. Nevertheless, our flagship cinema remains consistently ranked in the top two positions nation-wide in terms of box office takings.

In late 2006, the Group soft-launched our digital screen advertising business in our flagship Shenzhen cinema and this was further extended to other cinemas in Shenzhen in 2007. The business recorded a decent profit in this initial stage of investment.

In Taiwan, the total market box office for the year declined by 6% as market sentiment was weakened by political uncertainties. Revenue at our jointly-controlled investment Vie Show Cinemas Co. Ltd. ("Vie Show") however fell by only 4% partly as a result of higher average ticket price. Vie Show contributed a net profit of HK\$18 million to the Group this year, up HK\$3 million from last year, due to recognition of a deferred tax asset of approximately HK\$4 million (our share). In June 2007, for strategic reasons, the Group disposed a 4.29% interest out of our 40% interest in Vie Show, but it remains a jointly-controlled entity of the Group after the disposal.



於中國內地，由於消費力強勁，加上多家新戲院開業，本年度深圳市之票房較去年躍升32%。本集團位於深圳華潤中心萬象城之旗艦影城收益亦上升20%，但由於競爭對手開設新戲院，導致本集團之市場佔有率降至35%。然而，按票房收入計算，本集團之旗艦影城繼續穩踞全國首二位。

二零零六年底，本集團於深圳旗艦影城開展數碼影廳廣告業務，並將於二零零七年擴展至深圳其他影城。有關業務於目前之初步投資階段已錄得理想溢利。

台灣方面，由於政局不穩削弱市場氣氛，故年內總票房收入下跌6%。然而，本集團之共同控制投資威秀影城股份有限公司(「威秀」)收益僅下跌4%，部分原因為平均票價上調所致。威秀於本年度為本集團帶來純利18,000,000港元，較去年上升3,000,000港元，此乃由於確認本集團應佔遞延稅項資產約4,000,000港元。於二零零七年六月，本集團基於策略理由出售於威秀40%權益當中之4.29%，惟威秀於出售後仍屬本集團之共同控制公司。

## MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析



In Singapore, market box office rose 8% to S\$131 million. The Group's associate Golden Village Multiplex Pte Ltd ("GVM") opened a flagship 15-screens megaplex GV VivoCity at HarbourFront in October 2006 and improved its market share from 44% last year to a record high of 47% this year. Total revenue of GVM increased by 14% to S\$84 million but the net contribution to the Group dropped by HK\$8 million to HK\$10 million mainly due to an additional tax provision for certain disputed expenses, and opening costs of VivoCity.

The Group has commenced proceedings in Hong Kong to wind up Dartina Development Limited, the holding company of the Singapore joint-venture with Village Roadshow ("VR"). The petition arose from a dispute between the Group and its Australian partner, VR, regarding different views on the performance of management of GVM. The legal proceedings are still continuing.

In Malaysia, the market box office increased by approximately 23% from last year due to the opening of a number of new cinemas. In February 2007, the Group divested its entire interests in Golden Screen Cinemas Sdn. Bhd. ("GSC"), one of its two cinema circuits in Malaysia, and recorded a significant gain of HK\$116 million. The remaining circuit TGV Cinemas Sdn. Bhd. ("TGV") opened 2 cinemas with 14 screens during the year and the contribution from this circuit has improved by HK\$2 million to HK\$9 million.

於新加坡市場，票房收入上升8%至131,000,000新加坡元。本集團之聯營公司Golden Village Multiplex Pte Ltd (「GVM」)於二零零六年十月在HarbourFront開設一家設有15間影廳之旗艦影城GV VivoCity，而其市場佔有率由去年44%增至本年度之新高47%。GVM之總收益增加14%至84,000,000新加坡元，惟本集團之貢獻淨額下跌8,000,000港元至10,000,000港元，主要由於就若干開支扣減爭議作出額外稅項撥備及VivoCity之開業費用所致。

本集團於香港已展開法律訴訟，以將與Village Roadshow (「VR」)成立之新加坡合營公司的控股公司嘉年華影業有限公司展開清盤程序，原因是本集團與其澳洲夥伴VR就GVM之營運管理表現發生糾紛所引致。有關法律訴訟仍在進行中。

於馬來西亞市場，由於新戲院相繼開業，票房收入較去年增加約23%。於二零零七年二月，本集團出售其於馬來西亞兩條影城院線之一Golden Screen Cinemas Sdn. Bhd. (「GSC」)全部權益，因而錄得重大盈利116,000,000港元。餘下一條院線TGV Cinemas Sdn. Bhd. (「TGV」)於年內開設兩家影城，共14間影廳，來自此條院線之貢獻增加2,000,000港元至9,000,000港元。

## MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

### PROSPECTS

Over the past few years, the Group has made consistent efforts in identifying and strengthening its exhibition and distribution network in the territories which show higher market potential and better returns. Our strong cinema network has enabled the Group to step up its non-Chinese language films distribution business in the region. We will continue to reinforce this business by acquiring and distributing more popular films in the region.

Given the continued opening of the film distribution and exhibition markets in mainland China and the increase in investment opportunities there, we believe that this is an opportune time for the Group to redeploy its resources to strengthen its presence in mainland China. The Group plans to open more cinemas in Shenzhen and in other principal cities such as Beijing, Shanghai, Hangzhou, Suzhou and Wuxi in the years ahead. Apart from cinema operations, the Group has also started a digital screen advertising business in Shenzhen and plans to expand this to other cities in mainland China in the near future.

### FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2007, the Group's cash balance was HK\$221 million. During the year, the Group issued 4% convertible notes to three substantial shareholders of the Company and an independent third party raising net proceeds of HK\$99 million, and the net proceeds of HK\$195 million from the disposal of GSC was received in February 2007. These proceeds will be applied for investments in new businesses, expansion of existing businesses and general working capital. In the financial year, the Group fully repaid one of the bank borrowings of HK\$8 million and another short-term bank loan of HK\$15 million which was obtained during the year. One of the Group's jointly-controlled entities in Malaysia, TGV, increased its bank borrowing by HK\$34 million (the Group's 50% share was HK\$17 million) to finance the development of new cinema sites. Our gearing ratio, calculated on the basis of external borrowings (including the convertible notes) over total assets, was 21% (2006: 15%) as of 30 June 2007. As at the balance sheet date, the aggregate amount of the Group's bank borrowings and the convertible notes was HK\$196 million. Details of the borrowings including the terms of the borrowings, interest rates, currencies and securities are disclosed in note 22 to the financial statements. The Group had no contingent liabilities as of 30 June 2007 (2006: HK\$18 million) as the guarantee in respect of a banking facility granted to an associate was released during the year.

### 前景

過去數年，本集團不斷發掘具有較高市場潛力及較佳回報之地區，並加強在該等地區之戲院及發行網絡。憑藉強大之戲院網絡，本集團能夠逐步在區內擴展非華語電影發行業務。本集團將透過購入並在區內發行更多受歡迎電影，繼續加固此業務。

由於中國內地之電影發行及戲院市場逐步開放，投資機會不斷增加，本集團相信此乃將資源重新調配至發展中國內地業務之良機。本集團計劃於未來數年在深圳及其他主要城市(如北京、上海、杭州、蘇州及無錫)開設更多影城。除經營戲院以外，本集團同時在深圳開展數碼影廳廣告業務，並計劃於短期內擴展至中國內地其他城市。

### 財務資源及流動資金

於二零零七年六月三十日，本集團有現金結餘221,000,000港元。年內，本集團向本公司三名主要股東及一名獨立第三方發行4厘可換股票據，所得款項淨額為99,000,000港元。本集團亦於二零零七年二月收訖出售GSC所得款項淨額195,000,000港元。該等所得款項將用於投資新業務、擴展現有業務及撥作一般營運資金。於本財政年度，本集團悉數償還一筆8,000,000港元之銀行借款及另一筆於年內獲得之短期銀行貸款15,000,000港元。本集團一家馬來西亞共同控制公司TGV新增銀行借款34,000,000港元(本集團分佔50%，即17,000,000港元)，以撥資開發新戲院。按對外借貸(包括可換股票據)與資產總值基準計算，本集團於二零零七年六月三十日之資產負債比率為21%(二零零六年：15%)。於結算日，本集團之銀行借款及可換股票據總額為196,000,000港元。貸款年期、利率、貨幣及抵押之借款詳情載於財務報表附註22。本集團就一家聯營公司所獲授銀行借貸提供之擔保於年內獲解除，因此，於二零零七年六月三十日並無或然負債(二零零六年：18,000,000港元)。

## MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

The Group's assets and liabilities are principally denominated in Hong Kong dollars except for certain assets and liabilities associated with the investments in mainland China, Taiwan, Singapore and Malaysia. Management has assessed the exchange risk exposures in these territories from time to time. Since the exchange rates of these currencies have been either relatively stable or favorable to the Group for the past two years, no hedging of foreign currencies was carried out during the year. The directors will continue to assess the exchange risk exposures, and will consider possible hedging measures in order to minimise the risk at reasonable cost.

本集團之資產及負債主要以港元計值，惟於中國內地、台灣、新加坡、馬來西亞之投資相關若干資產及負債除外。管理層不時評估該等地區之外匯風險。由於過去兩年該等貨幣之匯率相對穩定或對本集團有利，故年內並無採取任何外幣對沖措施。董事將繼續評估外匯風險，並會考慮採取可行之對沖措施，盡量以合理成本降低風險。

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2007, the Group had 264 (2006: 226) permanent employees. The Group remunerates its employees largely based on industry practice. In addition to salaries, commissions and discretionary bonuses, share options are granted to certain employees based on individual merit. The Group also operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance and as at the balance sheet, there was no forfeited contribution arising from employees leaving the retirement benefit scheme.

### 僱員及薪酬政策

於二零零七年六月三十日，本集團有264名(二零零六年：226名)全職僱員。本集團主要根據行業慣例釐定僱員薪酬。除薪金、佣金及酌情花紅外，若干僱員可就個人表現獲授購股權。本集團亦根據強制性公積金計劃條例設立定額供款退休福利計劃。於結算日，並無任何因僱員脫離退休福利計劃而產生之沒收供款。



# FINANCIAL INFORMATION

## 財務資料



# REPORT OF THE DIRECTORS

## 董事會報告書

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 30 June 2007.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group consist of worldwide film and video distribution, film exhibition in Hong Kong, Mainland China, Taiwan, Singapore and Malaysia, and the operation of a film processing business in Hong Kong.

### RESULTS AND DIVIDENDS

The Group's results for the year ended 30 June 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 49 to 118.

The directors do not recommend the payment of any dividend for the year ended 30 June 2007.

### SUMMARY FINANCIAL INFORMATION

Set out below is a summary of the consolidated results and of the assets, liabilities and minority interests of the Group for the last five financial years as extracted from the audited financial statements.

董事謹此提呈董事會報告書以及本公司及本集團截至二零零七年六月三十日止年度之經審核財務報表。

### 主要業務

本公司為投資控股公司。本集團之主要業務包括在全球各地發行電影及影碟；在香港、中國內地、台灣、新加坡與馬來西亞經營戲院，以及在香港經營電影沖印業務。

### 業績及股息

本集團截至二零零七年六月三十日止年度之業績，以及本公司與本集團於該日之財政狀況載於第119至第188頁之財務報表內。

董事不建議派付截至二零零七年六月三十日止年度之股息。

### 財務資料摘要

下文載列本集團過去五個財政年度摘錄自經審核財務報表之綜合業績、資產、負債及少數股東權益概要。

#### Year ended 30 June 截至六月三十日止年度

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元	2003 二零零三年 HK\$'000 千港元
RESULTS	業績					
REVENUE	收益	565,700	512,285	276,586	218,477	210,270
PROFIT/(LOSS) BEFORE TAX	除稅前溢利/(虧損)	100,041	7,952	(10,531)	(10,993)	(140,798)
Tax	稅項	(3,478)	(2,737)	(2,399)	(512)	(434)
PROFIT/(LOSS) FOR THE YEAR	本年度溢利/(虧損)	96,563	5,215	(12,930)	(11,505)	(141,232)
Attributable to:	應佔：					
Equity holders of the Company	本公司股權持有人	96,717	5,215	(12,930)	(11,505)	(141,226)
Minority interests	少數股東權益	(154)	-	-	-	(6)
		96,563	5,215	(12,930)	(11,505)	(141,232)

## REPORT OF THE DIRECTORS 董事會報告書

## SUMMARY FINANCIAL INFORMATION (CONTINUED)

## 財務資料摘要 (續)

		As at 30 June 於六月三十日				
ASSETS, LIABILITIES AND MINORITY INTERESTS	資產、負債及少數 股東權益	2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元	2003 二零零三年 HK\$'000 千港元
PROPERTY, PLANT AND EQUIPMENT	物業、廠房及 設備	261,466	246,799	236,236	52,590	70,293
INTERESTS IN ASSOCIATES DUE FROM JOINTLY-CONTROLLED ENTITIES	於聯營公司之權益 應收共同控制公司 款項	169,369	195,902	159,374	182,613	160,130
PREPAID LAND LEASE PAYMENTS	預付土地租賃款項	26,069	42,775	61,344	–	–
PREPAID RENTAL	預付租金	723	741	759	777	796
CLUB MEMBERSHIPS	會籍	8,704	11,502	5,190	–	–
RENTAL AND OTHER DEPOSITS	租務及其他按金	3,590	3,590	4,380	4,380	4,380
TRADEMARKS	商標	51,507	53,130	54,706	11,869	13,134
DEFERRED TAX ASSETS	遞延稅項資產	79,421	79,421	79,421	79,421	79,203
PLEGGED BANK DEPOSITS	已抵押銀行存款	1,503	–	–	–	–
CURRENT ASSETS	流動資產	2,049	1,870	1,139	–	–
		326,012	135,192	167,885	89,173	107,199
TOTAL ASSETS	資產總值	930,413	770,922	770,434	420,823	435,135
CURRENT LIABILITIES	流動負債	(200,298)	(213,764)	(221,393)	(97,813)	(124,513)
NON-CURRENT PORTION OF CONVERTIBLE NOTES	可換股票據非即期 部分	(100,590)	(19,618)	–	–	–
NON-CURRENT PORTION OF INTEREST-BEARING BANK LOANS	計息銀行貸款 非即期部分	(48,686)	(57,087)	(65,325)	–	–
NON-CURRENT PORTION OF FINANCE LEASE PAYABLES	融資租賃應付賬款 非即期部分	(799)	(1,152)	(298)	(709)	(1,174)
LOANS FROM JOINT VENTURE PARTNERS	合營夥伴提供之 貸款	(26,069)	(42,775)	(61,344)	–	–
DEPOSITS RECEIVED	已收按金	(3,700)	(4,284)	(3,686)	–	–
PROVISION FOR LONG SERVICE PAYMENTS	長期服務金 撥備	(4,257)	(4,102)	(3,670)	(3,800)	(3,091)
DEFERRED TAX	遞延稅項	(7,999)	(7,274)	(5,585)	(462)	(493)
TOTAL LIABILITIES	負債總值	(392,398)	(350,056)	(361,301)	(102,784)	(129,271)
NET ASSETS	資產淨值	538,015	420,866	409,133	318,039	305,864
MINORITY INTERESTS	少數股東權益	(555)	–	–	–	(22)

## REPORT OF THE DIRECTORS 董事會報告書

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 11 to the financial statements.

### 物業、廠房及設備

本集團物業、廠房及設備之變動詳情載於財務報表附註11。

### SHARE CAPITAL AND CONVERTIBLE NOTES

Details of movements in the Company's share capital and convertible notes during the year are set out in notes 28 and 26, respectively, to the financial statements.

### 股本及可換股票據

本公司股本及可換股票據年內之變動詳情分別載於財務報表附註28及26。

### PRE-EMPTIVE RIGHTS

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

### 優先購買權

本公司之公司細則或百慕達公司法例並無關於優先購買權之規定，以致本公司須向現有股東按比例發售新股。

### RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 30(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

### 儲備

本公司及本集團之年內儲備變動詳情分別載於財務報表附註30(b)及綜合權益變動報表。

### DISTRIBUTABLE RESERVES

As at 30 June 2007, the Company's reserve available for cash distribution and/or distribution in specie, comprising the contributed surplus and retained profits, amounted to HK\$273,141,000 (2006: Nil). In addition, the Company's share premium account and capital redemption reserve of HK\$125,733,000 and HK\$4,819,000, respectively, as at 30 June 2007 may be distributed to shareholders in certain circumstance prescribed by Section 54 of the Companies Act 1981 of Bermuda.

### 可分派儲備

本公司於二零零七年六月三十日之可供現金分派及／或實物分派之儲備(包括繳入盈餘及保留溢利)為273,141,000港元(二零零六年：無)。此外，本公司於二零零七年六月三十日之股份溢價賬結餘及資本贖回儲備分別為125,733,000港元及4,819,000港元，並可以根據一九八一年百慕達公司法第54條按若干情況向股東分派。

## REPORT OF THE DIRECTORS 董事會報告書

### DIRECTORS

The directors of the Company during the year and up to the date of this report were:

*Executive Directors:*

Raymond Chow Ting Hsing  
Phoon Chiong Kit  
David Chan Sik Hong  
Roberta Chin Chow Chung Hang  
Lau Pak Keung  
(appointed on 30 November 2006)  
(also alternate to Phoon Chiong Kit)

*Non-executive Director:*

Eric Norman Kronfeld

*Independent Non-executive Directors:*

Paul Ma Kah Woh  
Frank Lin  
George Huang Shao-Hua  
(appointed on 30 November 2006)  
Prince Chatrichalerm Yukol

In accordance with Bye-law 87 of the Company's Bye-laws, Roberta Chin Chow Chung Hang, Eric Norman Kronfeld, Paul Ma Kah Woh and Prince Chatrichalerm Yukol will retire and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### 董事

年內及截至本報告日期在任之本公司董事為：

*執行董事：*

鄒文懷  
潘從傑  
陳錫康  
陳鄒重珩  
劉柏強  
(於二零零六年十一月三十日獲委任)  
(亦為潘從傑之替任董事)

*非執行董事：*

Eric Norman Kronfeld

*獨立非執行董事：*

馬家和  
林輝波  
黃少華  
(於二零零六年十一月三十日獲委任)  
Prince Chatrichalerm Yukol

根據本公司之公司細則第87條，陳鄒重珩、Eric Norman Kronfeld、馬家和及Prince Chatrichalerm Yukol將於應屆股東週年大會退任，惟彼等符合資格並願意膺選連任。

擬於應屆股東週年大會上膺選連任之董事與本公司並無訂立不可由本公司於一年內終止合約而毋須賠償(法定賠償除外)之服務合約。

## REPORT OF THE DIRECTORS 董事會報告書

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

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

#### (i) Shares of the Company

Name of director 董事姓名	Capacity 身分	Notes 附註	Number of		Percentage of shareholding in the Company 於本公司之 股權百分比
			Number of shares (L) = Long position (S) = Short position 股份數目 (L) = 好倉 (S) = 淡倉	underlying shares (L) = Long position (S) = Short position 相關股份數目 (L) = 好倉 (S) = 淡倉	
Raymond Chow Ting Hsing 鄧文懷	Interests of controlled corporation 受控法團權益	1	29,312,151 (L)	–	22.84
			–	9,090,909 (L)/(S)	7.08
	Beneficial owner 實益擁有人		1,160,200 (L)	–	0.90
Phoon Chiong Kit 潘從傑	Beneficial owner 實益擁有人	2	750,000 (L)	–	0.58
			–	5,650,000 (L)	4.40
David Chan Sik Hong 陳錫康	Beneficial owner 實益擁有人	2	585,937 (L)	–	0.46
			–	625,000 (L)	0.49
Roberta Chin Chow Chung Hang 陳鄒重珩	Beneficial owner 實益擁有人	2	959,800 (L)	–	0.75
			–	100,000 (L)	0.08
Lau Pak Keung (also alternate to Phoon Chiong Kit) 劉柏強 (亦為潘從傑之替任董事)	Beneficial owner 實益擁有人	2	160,000 (L)	–	0.12
			–	200,000 (L)	0.16
Eric Norman Kronfeld	Beneficial owner 實益擁有人	2	–	185,000 (L)	0.14

### 董事及主要行政人員於股份、相關股份或債權證之權益及淡倉

於二零零七年六月三十日，本公司之董事及主要行政人員於本公司或其任何相聯法團(定義見證券及期貨條例(「證券及期貨條例」)第XV部)之股份、相關股份或債權證中，擁有本公司須根據證券及期貨條例第XV部第352條存置之登記冊所記錄；或根據香港聯合交易所有限公司(「聯交所」)證券上市規則(「上市規則」)所載上市發行人董事進行證券交易的標準守則(「標準守則」)已知會本公司與聯交所之權益及淡倉如下：

#### (i) 本公司股份

## REPORT OF THE DIRECTORS 董事會報告書

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES (CONTINUED)

#### (i) Shares of the Company (continued)

### 董事及主要行政人員於股份、相關股份或債權證之權益及淡倉 (續)

#### (i) 本公司股份 (續)

Name of director 董事姓名	Capacity 身分	Notes 附註	Number of		Percentage of shareholding in the Company 於本公司之 股權百分比
			Number of shares (L) = Long position (S) = Short position 股份數目 (L) = 好倉 (S) = 淡倉	underlying shares (L) = Long position (S) = Short position 相關股份數目 (L) = 好倉 (S) = 淡倉	
Paul Ma Kah Woh 馬家和	Beneficial owner 實益擁有人	2	–	235,000 (L)	0.18
Frank Lin 林輝波	Beneficial owner 實益擁有人	2	–	135,000 (L)	0.11
George Huang Shao-Hua 黃少華	Beneficial owner 實益擁有人	2	–	100,000 (L)	0.08
Prince Chatrichalem Yukol	Beneficial owner 實益擁有人	2	–	135,000 (L)	0.11

#### Notes:

- Raymond Chow Ting Hsing was deemed to be interested in 29,312,151 shares of the Company by virtue of his 100% beneficial holding in Planet Gold Associates Limited and Net City Limited, which held 18,321,058 shares and 10,991,093 shares of the Company, respectively. He was also deemed to be interested in 9,090,909 underlying shares of the Company by virtue of his 100% beneficial holding in Pleasant Villa Investments Limited, which held 9,090,909 underlying shares issuable upon full conversion of HK\$20,000,000 4% convertible notes issued by the Company on 22 August 2006.
- The underlying shares are the shares issuable upon the exercise of share options granted by the Company under the share option scheme of the Company.

#### 附註：

- 鑑於鄒文懷實益擁有 Planet Gold Associates Limited 及 Net City Limited 全部股權，而該等公司分別持有 18,321,058 股及 10,991,093 股本公司股份，故此彼被視為擁有 29,312,151 股本公司股份權益。鑑於彼實益擁有 Pleasant Villa Investments Limited 全部股權，而該公司持有可於悉數兌換本公司於二零零六年八月二十二日已發行之 20,000,000 港元 4 厘可換股票據後發行之 9,090,909 股相關股份，故彼亦被視為擁有 9,090,909 股本公司相關股份之權益。
- 相關股份為本公司根據其購股權計劃授出之購股權獲行使時可予發行之股份。

## REPORT OF THE DIRECTORS 董事會報告書

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES (CONTINUED)

#### (ii) Shares of associated corporations

Raymond Chow Ting Hsing is also the beneficial owner of the entire issued share capital of Golden Harvest Film Enterprises Inc., which beneficially holds 114,000,000 non-voting deferred shares of Golden Harvest Entertainment Company Limited, a wholly-owned subsidiary of the Company.

In addition to the above, Raymond Chow Ting Hsing has non-beneficial equity interests in certain subsidiaries which are held for the benefit of the Group.

Save as disclosed above and save for the disclosure referred to under "Share Option Scheme" set out in note 29 to the financial statements, as at 30 June 2007, none of the directors and chief executive of the Company had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares or debentures" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Company's directors, their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### SHARE OPTION SCHEME

Details of the share option scheme and movements in share options of the Company are set out in note 29 to the financial statements.

### 董事及主要行政人員於股份、相關股份或債權證之權益及淡倉 (續)

#### (ii) 相聯法團之股份

鄧文懷亦為Golden Harvest Film Enterprises Inc.全部已發行股本之實益擁有人，而該公司實益持有本公司全資附屬公司嘉禾娛樂事業有限公司114,000,000股無投票權遞延股份。

除上述者外，鄧文懷就本集團利益持有若干附屬公司股權，但並無實際權益。

除上文披露者及財務報表附註29所載「購股權計劃」一節之披露事項外，於二零零七年六月三十日，本公司各董事及主要行政人員於本公司或其任何相聯法團(定義見證券及期貨條例第XV部)之股份、相關股份或債權證中並無擁有任何本公司須根據證券及期貨條例第XV部第352條存置之登記冊所記錄；或根據標準守則已知會本公司與聯交所之權益或淡倉。

### 董事購買股份或債權證之權利

除上文「董事及主要行政人員於股份、相關股份或債權證之權益及淡倉」一節披露者外，本公司或其任何附屬公司於年內任何時間概無參與任何安排，致使本公司董事、彼等各自之配偶或未滿18歲子女可藉收購本公司或任何其他法人團體之股份或債權證而獲益。

### 購股權計劃

本公司之購股權計劃及購股權變動詳情載於財務報表附註29。

## REPORT OF THE DIRECTORS 董事會報告書

### DIRECTORS' INTERESTS IN CONTRACTS

Except for the disclosure under the heading "Connected/related party transactions" below and save as detailed in note 32 to the financial statements, no director had a beneficial interest in any material contract to which the Company or any of its subsidiaries was a party during the year.

### MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's purchases from its largest supplier and its five largest suppliers accounted for 8 and 30 percent of the Group's purchases, respectively.

The Group's sales to its largest customer and its five largest customers accounted for 3 and 8 percent of the Group's sales, respectively.

None of the directors, or any of its associates, or any shareholders of the Company (which to the best knowledge of the directors own more than 5 percent of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as is known to the directors of the Company, as at 30 June 2007, the following persons had the following interests or short positions in shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

**(i) Interests and short positions of substantial shareholders who were entitled to exercise or control the exercise of 10% or more of the voting power at any general meeting of the Company**

### 董事於合約之權益

除下文「關連交易／關連人士交易」一節所披露者及財務報表附註32所詳述者外，各董事並無於本公司或其任何附屬公司年內參與訂立任何重大合約中擁有實際權益。

### 主要客戶及供應商

年內，本集團向其最大供應商及五大供應商採購之購貨額分別佔本集團購貨額之8%及30%。

本集團向其最大客戶及五大客戶售出之銷售額則分別佔本集團銷售額之3%及8%。

本公司各董事或彼等任何聯繫人士或就董事所深知擁有本公司已發行股本5%以上之股東並無擁有本集團五大客戶及供應商任何權益。

### 主要股東及其他人士於股份及相關股份之權益及淡倉

就本公司董事所知，於二零零七年六月三十日，按本公司根據證券及期貨條例第XV部第336條存置之登記冊所記錄，下列人士於本公司股份或相關股份中持有以下權益或淡倉：

**(i) 有權於本公司任何股東大會行使或控制行使10%或以上投票權之主要股東之權益及淡倉**

Name of substantial shareholder 主要股東姓名／名稱	Capacity 身分	Notes 附註	Number of		Percentage of shareholding in the Company 於本公司之股權百分比
			Number of shares (L) = Long position (S) = Short position 股份數目 (L) = 好倉 (S) = 淡倉	underlying shares (L) = Long position (S) = Short position 相關股份數目 (L) = 好倉 (S) = 淡倉	
Raymond Chow Ting Hsing 鄒文懷	Interests of controlled corporation 受控法團權益	1 1, 7	29,312,151 (L) -	- 9,090,909 (L)/(S)	22.84 7.08
	Beneficial owner 實益擁有人		1,160,200 (L)	-	0.90



## REPORT OF THE DIRECTORS 董事會報告書

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)

## 主要股東及其他人士於股份及相關股份之權益及淡倉 (續)

(i) **Interests and short positions of substantial shareholders who were entitled to exercise or control the exercise of 10% or more of the voting power at any general meeting of the Company** (continued)

(i) 有權於本公司任何股東大會行使或控制行使10%或以上投票權之主要股東之權益及淡倉 (續)

Name of substantial shareholder 主要股東姓名/名稱	Capacity 身分	Notes 附註	Number of shares (L) = Long position (S) = Short position 股份數目 (L) = 好倉 (S) = 淡倉	Number of underlying shares (L) = Long position (S) = Short position 相關股份數目 (L) = 好倉 (S) = 淡倉	Percentage of shareholding in the Company 於本公司之股權百分比
Felicia Chow Yuan Hsi Hua 鄒袁曦華	Spouse's interests 配偶權益	1 1, 7	30,472,351 (L) –	– 9,090,909 (L)/(S)	23.74 7.08
Planet Gold Associates Limited	Beneficial owner 實益擁有人	1	18,321,058 (L)	–	14.27
Li Ka-shing 李嘉誠	Interests of controlled corporation 受控法團權益	2 2	22,256,750 (L) –	– 9,090,909 (L)	17.34 7.08
Mayspin Management Limited	Interests of controlled corporation 受控法團權益	2 2	22,256,750 (L) –	– 9,090,909 (L)	17.34 7.08
Garex Resources Limited	Beneficial owner 實益擁有人	2 2	18,801,750 (L) –	– 9,090,909 (L)	14.65 7.08
Typhoon Music (PRC) Limited	Beneficial owner 實益擁有人	3 3	15,500,000 (L) –	– 4,545,454 (L)	12.08 3.54
EMI Group Plc	Interests of controlled corporation 受控法團權益	3 3	15,500,000 (L) –	– 4,545,454 (L)	12.08 3.54
Virgin Music Group Limited	Interests of controlled corporation 受控法團權益	3 3	15,500,000 (L) –	– 4,545,454 (L)	12.08 3.54
EMI Group Worldwide Limited	Interests of controlled corporation 受控法團權益	3 3	15,500,000 (L) –	– 4,545,454 (L)	12.08 3.54
Norman Cheng Tung Hon 鄭東漢	Interests of controlled corporation 受控法團權益	3 3	15,500,000 (L) –	– 4,545,454 (L)	12.08 3.54

## REPORT OF THE DIRECTORS 董事會報告書

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)

#### (i) Interests and short positions of substantial shareholders who were entitled to exercise or control the exercise of 10% or more of the voting power at any general meeting of the Company (continued)

### 主要股東及其他人士於股份及相關股份之權益及淡倉 (續)

#### (i) 有權於本公司任何股東大會行使或控制行使10%或以上投票權之主要股東之權益及淡倉 (續)

Name of substantial shareholder 主要股東姓名／名稱	Capacity 身分	Notes 附註	Number of shares		Percentage of shareholding in the Company 於本公司之股權百分比
			(L) = Long position (S) = Short position 股份數目 (L) = 好倉 (S) = 淡倉	(L) = Long position (S) = Short position 相關股份數目 (L) = 好倉 (S) = 淡倉	
Typhoon Records Limited	Interests of controlled corporation 受控法團權益	3 3	15,500,000 (L)	–	12.08
			–	4,545,454 (L)	3.54
Lily Feng Yuen Cheung 馮元璋	Spouse's interests 配偶權益	3 3	15,500,000 (L)	–	12.08
			–	4,545,454 (L)	3.54
ITC Corporation Limited 德祥企業集團有限公司	Interests of controlled corporation 受控法團權益	4	–	22,727,272 (L)	17.71
ITC Investment Holdings Limited	Interests of controlled corporation 受控法團權益	4	–	22,727,272 (L)	17.71
Manker Assets Limited	Interests of controlled corporation 受控法團權益	4	–	22,727,272 (L)	17.71
Famex Investment Limited 其威投資有限公司	Interests of controlled corporation 受控法團權益	4	–	22,727,272 (L)	17.71
Hanny Holdings Limited 錦興集團有限公司	Interests of controlled corporation 受控法團權益	4	–	22,727,272 (L)	17.71
Hanny Magnetics (B.V.I.) Limited	Interests of controlled corporation 受控法團權益	4	–	22,727,272 (L)	17.71
Quick Target Limited	Beneficial owner 實益擁有人	4	–	22,727,272 (L)	17.71

## REPORT OF THE DIRECTORS 董事會報告書

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)

主要股東及其他人士於股份及相關股份之權益及淡倉 (續)

## (ii) Interests and short positions of other persons recorded in the register kept under Section 336 of the SFO

(ii) 根據證券及期貨條例第336條存置之登記冊所記錄其他人士之權益及淡倉

Name of substantial shareholder 主要股東姓名/名稱	Capacity 身分	Notes 附註	Number of shares (L) = Long position (S) = Short position 股份數目 (L) = 好倉 (S) = 淡倉	Number of underlying shares (L) = Long position (S) = Short position 相關股份數目 (L) = 好倉 (S) = 淡倉	Percentage of shareholding in the Company 於本公司之股權百分比
Net City Limited	Beneficial owner 實益擁有人	1	10,991,093 (L)	–	8.56
Pleasant Villa Investments Limited	Beneficial owner 實益擁有人	1	–	9,090,909 (L)/(S)	7.08
Jackie Chan Kong Sang 陳港生	Beneficial owner 實益擁有人	5	500,000 (L)	–	0.39
	Founder of a discretionary trust 全權信託創辦人	5	500,000 (L)	–	0.39
	Interests of controlled corporation 受控法團權益	5	5,560,000 (L)	–	4.33
See Corporation Limited	Beneficial owner 實益擁有人	6	–	9,090,909 (L)	7.08
Macau Prime Properties Holdings Limited 澳門祥泰地產集團有限公司	Interests of controlled corporation 受控法團權益	7	–	9,090,909 (L)	7.08
Macau Prime Management Group Limited 澳門祥泰管理集團有限公司	Interests of controlled corporation 受控法團權益	7	–	9,090,909 (L)	7.08
Macau Prime Finance Limited	Security interest 證券權益	7	–	9,090,909 (L)	7.08

## REPORT OF THE DIRECTORS 董事會報告書

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Notes:

- Raymond Chow Ting Hsing ("Mr. Chow") was deemed to be interested in 29,312,151 shares of the Company by virtue of his 100% beneficial holding in Planet Gold Associates Limited and Net City Limited, which held 18,321,058 shares and 10,991,093 shares of the Company, respectively. He was also deemed to be interested in 9,090,909 underlying shares of the Company by virtue of his 100% beneficial holding in Pleasant Villa Investments Limited, which held 9,090,909 underlying shares issuable upon full conversion of HK\$20,000,000 4% convertible notes issued by the Company on 22 August 2006. Felicia Chow Yuan Hsi Hua, the spouse of Mr. Chow, was deemed to be interested in the same shares in which Mr. Chow was interested.
- Li Ka-shing was deemed to be interested in 22,256,750 shares and 9,090,909 underlying shares of the Company by virtue of his 100% beneficial holding in Mayspin Management Limited which in turn owned the entire interests in Garex Resources Limited which held 18,801,750 shares and 9,090,909 underlying shares of the Company issuable upon full conversion of HK\$20,000,000 4% convertible notes issued by the Company on 22 August 2006, in Podar Investment Limited which held 3,125,000 shares of the Company, and in Oscar Resources Limited which held 330,000 shares of the Company.
- EMI Group Plc had 100% control of Virgin Music Group Limited, which had 100% control of EMI Group Worldwide Limited, which in turn had a 50% shareholding in Typhoon Music (PRC) Limited. Norman Cheng Tung Hon ("Mr. Cheng") had 100% control of Typhoon Records Limited, which had a 50% shareholding in Typhoon Music (PRC) Limited. Each of EMI Group Plc, Virgin Music Group Limited, EMI Group Worldwide Limited, Mr. Cheng and Typhoon Records Limited was deemed to be interested in 15,500,000 shares and 4,545,454 underlying shares of the Company issuable upon full conversion of HK\$10,000,000 4% convertible note issued by the Company to Typhoon Music (PRC) Limited on 22 August 2006. Lily Feng Yuen Cheung, the spouse of Mr. Cheng, was deemed to be interested in the same shares in which Mr. Cheng was interested.

### 主要股東及其他人士於股份及相關股份之權益及淡倉 (續)

附註：

- 鑑於鄒文懷(「鄒先生」)實益擁有Planet Gold Associates Limited及Net City Limited全部股權，而該等公司分別持有18,321,058股及10,991,093股本公司股份，故彼被視為擁有29,312,151股本公司股份權益。鑑於彼實益擁有Pleasant Villa Investments Limited全部股權，而該公司持有可於悉數兌換本公司於二零零六年八月二十二日已發行之20,000,000港元4厘可換股票據後發行之9,090,909股相關股份，故彼亦被視為擁有9,090,909股本公司相關股份之權益。鄒先生之配偶鄒袁曦華被視為於鄒先生擁有權益之股份中擁有相同權益。
- 鑑於李嘉誠實益擁有Mayspin Management Limited全部股權，而Mayspin Management Limited擁有Garex Resources Limited(持有18,801,750股本公司股份及可於悉數兌換本公司於二零零六年八月二十二日已發行之20,000,000港元4厘可換股票據後發行之9,090,909股相關股份)、Podar Investment Limited持有3,125,000股本公司股份及Oscar Resources Limited持有330,000股本公司股份全部權益，故此彼亦被視為擁有22,256,750股本公司股份及9,090,909股相關股份之權益。
- EMI Group Plc於Virgin Music Group Limited中擁有全部控制權，Virgin Music Group Limited擁有EMI Group Worldwide Limited全部控制權，而EMI Group Worldwide Limited擁有Typhoon Music (PRC) Limited 50%股權。鄭東漢(「鄭先生」)擁有Typhoon Records Limited全部控制權，而Typhoon Records Limited擁有Typhoon Music (PRC) Limited 50%股權。EMI Group Plc、Virgin Music Group Limited、EMI Group Worldwide Limited、鄭先生及Typhoon Records Limited各被視為擁有由Typhoon Music (PRC) Limited所擁有15,500,000股本公司股份及可於悉數兌換本公司於二零零六年八月二十二日向Typhoon Music (PRC) Limited發行之10,000,000港元4厘可換股票據後發行之4,545,454股相關股份之權益。鄭先生之配偶馮元璋被視為擁有鄭先生於本公司股份中之相同權益。

## REPORT OF THE DIRECTORS 董事會報告書

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Notes: (continued)

4. Hanny Holdings Limited ("Hanny Holdings"), via its 100% control of Hanny Magnetics (B.V.I.) Limited ("Hanny Magnetics"), indirectly held the entire interest in Quick Target Limited ("Quick Target") which in turn owned 22,727,272 underlying shares of the Company issuable upon full conversion of HK\$50,000,000 4% convertible notes issued by the Company on 22 August 2006 ("Underlying Shares"). ITC Corporation Limited ("ITC Corporation"), via its 100% direct or indirect holding of ITC Investment Holdings Limited ("ITC Investment"), Manker Assets Limited ("Manker") and Famex Investment Limited ("Famex"), owned more than 30% equity interest in Hanny Holdings. Each of ITC Corporation, ITC Investment, Manker, Famex, Hanny Holdings and Hanny Magnetics was deemed to be interested in the Underlying Shares held by Quick Target.
5. Jackie Chan Kong Sang was deemed to be interested in 6,560,000 shares of the Company of which 500,000 shares were beneficially owned; 500,000 shares were held by a discretionary trust of which he was a founder; and 5,560,000 shares were beneficially held through Everlasting Property Limited, a company 100% controlled by him.
6. See Corporation Limited was deemed to be interested in 9,090,909 underlying shares of the Company issuable upon full conversion of a HK\$20,000,000 4% convertible note issued by the Company on 23 May 2006.
7. Macau Prime Properties Holdings Limited ("Macau Prime Properties") had 100% control of Macau Prime Management Group Limited ("Macau Prime Management"), which had 100% control of Macau Prime Finance Limited ("Macau Prime Finance"). The HK\$20,000,000 4% convertible note issued by the Company on 22 August 2006 ("Convertible Note") to Pleasant Villa Investments Limited was pledged to Macau Prime Finance and as a result, each of Macau Prime Properties, Macau Prime Management and Macau Prime Finance was deemed to be interested in 9,090,909 underlying shares of the Company issuable upon full conversion of the Convertible Note.

Save as disclosed above, no other person had an interest or a short position in shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO.

### 主要股東及其他人士於股份及相關股份之權益及淡倉 (續)

附註：(續)

4. 錦興集團有限公司(「錦興」)·透過擁有Hanny Magnetics (B.V.I.) Limited (「Hanny Magnetics」)全部控制權·間接持有Quick Target Limited (「Quick Target」)全部權益·而Quick Target擁有可於悉數兌換本公司於二零零六年八月二十二日已發行之50,000,000港元4厘可換股票據後發行之22,727,272股相關股份(「相關股份」)·德祥企業集團有限公司(「德祥」)·透過直接或間接擁有ITC Investment Holdings Limited (「ITC Investment」)·Manker Assets Limited (「Manker」)及其威投資有限公司(「其威」)全部控制權·擁有錦興多於30%股權·德祥·ITC Investment·Manker·其威·錦興及Hanny Magnetics各被視為擁有由Quick Target所持有相關股份之權益。
5. 陳港生被視為擁有6,560,000股本公司股份權益·其中500,000股為實益擁有·500,000股由彼創立之全權信託持有·另5,560,000股則透過其全權控制之Everlasting Property Limited實益持有。
6. See Corporation Limited被視為擁有悉數兌換本公司於二零零六年五月二十三日發行之20,000,000港元4厘可換股票據時可予發行之9,090,909股本公司相關股份之權益。
7. 澳門祥泰地產集團有限公司(「澳門祥泰地產」)擁有澳門祥泰管理集團有限公司(「澳門祥泰管理」)全部控制權·而澳門祥泰管理則擁有Macau Prime Finance Limited (「Macau Prime Finance」)全部控制權·本公司於二零零六年八月二十二日向Pleasant Villa Investments Limited發行之20,000,000港元4厘可換股票據(「可換股票據」)已抵押予Macau Prime Finance·因此·澳門祥泰地產·澳門祥泰管理及Macau Prime Finance各被視為擁有悉數兌換可換股票據時可予發行之9,090,909股本公司相關股份之權益。

除上文披露者外·按本公司須根據證券及期貨條例第XV部第336條存置之登記冊所記錄·並無其他人士於本公司股份或相關股份中擁有任何權益或淡倉。

## REPORT OF THE DIRECTORS 董事會報告書

### PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year, the Company repurchased certain of its shares on the Stock Exchange. The directors consider that the share repurchases are beneficial to shareholders of the Company who retain their investments in the Company. Details of the share repurchase are set out below:

### 購買、出售及贖回上市證券

年內，本公司於聯交所購回其若干股份。董事認為，股份購回對投資於本公司之股東有利。股份購回詳情載列如下：

Month/Year 月份／年份		Number of shares repurchased 購回股份數目	Highest price per share 每股 最高價格 HK\$ 港元	Lowest price per share 每股 最低價格 HK\$ 港元	Aggregated consideration (excluding transaction costs) 總代價 (不包括 交易成本) HK\$'000 千港元
Before share consolidation*	股份合併前*				
December 2006	二零零六年十二月	3,322,000	0.191	0.170	600
January 2007	二零零七年一月	8,842,000	0.232	0.210	1,996
February 2007	二零零七年二月	2,500,000	0.260	0.250	644
March 2007	二零零七年三月	7,858,000	0.325	0.300	2,435
April 2007	二零零七年四月	11,242,000	0.360	0.325	3,860
May 2007	二零零七年五月	236,000	0.345	0.345	81
		<u>34,000,000</u>			
After share consolidation*	股份合併後*				
May 2007	二零零七年五月	848,400	3.50	3.20	2,874
June 2007	二零零七年六月	426,000	3.60	3.40	1,488
		<u>1,274,400</u>			
					<u>13,978</u>

\* Pursuant to an ordinary resolution passed on 9 May 2007, the issued and unissued ordinary shares of HK\$0.1 each in the capital of the Company were consolidated on the basis of every ten shares into one share of HK\$1.00 each.

\* 根據於二零零七年五月九日通過之普通決議案，本公司股本中每股面值0.1港元之已發行及未發行普通股按每十股合併為一股面值1.00港元股份之基準合併。

## REPORT OF THE DIRECTORS 董事會報告書

### PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES (CONTINUED)

The shares repurchased during the year were subsequently cancelled by the Company and further details of these transactions are set out in note 28(c) to the financial statements.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

### CONNECTED/RELATED PARTY TRANSACTIONS Issue of convertible notes

The Company entered into four separate subscription agreements for the subscription of HK\$100,000,000 4% convertible notes (the "Notes") due 2008 Series II on 10 July 2006 (the "Subscription Agreements") with each of Quick Target Limited, Pleasant Villa Investments Limited ("Pleasant Villa"), Garex Resources Limited ("Garex Resources") and Typhoon Music (PRC) Limited ("Typhoon") in the amounts of HK\$50,000,000, HK\$20,000,000, HK\$20,000,000 and HK\$10,000,000, respectively.

Pleasant Villa is wholly-owned by Raymond Chow Ting Hsing ("Mr. Chow"), the Chairman and a substantial shareholder of the Company; Garex Resources is ultimately owned by Li Ka-shing ("Mr. Li"), a substantial shareholder of the Company while Typhoon is a substantial shareholder of the Company. As three of the subscribers, namely Pleasant Villa, Garex Resources and Typhoon, are connected persons of the Company, the issue of the Notes under the Subscription Agreements constituted a connected transaction of the Company under the Listing Rules and was subject to the reporting, announcement and independent shareholders' approval requirements of the Listing Rules. Further details of the issue of the Notes are set out in the circular of the Company dated 31 July 2006.

### Acquisition of the entire equity interests in companies

On 16 October 2006, the Group entered into agreements with World Media Group Limited ("WMG") and independent third parties to acquire the entire equity interests in three companies (the "Target Companies") at an aggregate consideration of approximately HK\$22,600,000. WMG is an associate of Mr. Chow and a substantial shareholder of the Target Companies, and accordingly, the transaction constituted a connected transaction of the Company under the Listing Rules and was subject to the reporting, announcement and independent shareholders' approval requirements of the Listing Rule. Further details of acquisition are set out in the circular of the Company dated 7 November 2006.

### 購買、出售及贖回上市證券(續)

年內購回之股份已由本公司隨後註銷，該等交易之進一步詳情載於財務報表附註28(c)。

除上文所披露者外，本公司或其任何附屬公司並無於年內購買、出售或贖回本公司任何上市證券。

### 關連交易／關連人士交易 發行可換股票據

本公司於二零零六年七月十日與Quick Target Limited、Pleasant Villa Investments Limited (「Pleasant Villa」)、Garex Resources Limited (「Garex Resources」)及Typhoon Music (PRC) Limited (「Typhoon」)就分別按50,000,000港元、20,000,000港元、20,000,000港元及10,000,000港元認購100,000,000港元於二零零八年到期之第二系列4厘可換股票據(「票據」)訂立四份獨立認購協議(「認購協議」)。

Pleasant Villa由主席兼主要股東鄧文懷(「鄧先生」)全資擁有；Garex Resources由本公司主要股東李嘉誠(「李先生」)最終擁有，而Typhoon則為本公司之主要股東。根據上市規則，由於三名認購人Pleasant Villa、Garex Resources及Typhoon均屬本公司之關連人士，故根據認購協議發行票據構成本公司之關連交易，須遵守上市規則有關申報、公告及獨立股東批准之規定。有關票據發行之詳情載於本公司於二零零六年七月三十一日發出之通函內。

### 收購公司全部股本權益

於二零零六年十月十六日，本集團與World Media Group Limited (「WMG」)及獨立第三方就以總代價約22,600,000港元收購三間公司(「目標公司」)所有股本權益訂立多份協議。WMG為鄧先生之聯繫人士，亦為目標公司之主要股東，因此，根據上市規則，該交易構成本公司之關連交易，須遵守上市規則有關申報、公告及獨立股東批准之規定。收購之進一步詳情載於本公司日期為二零零六年十一月七日之通函。

## REPORT OF THE DIRECTORS 董事會報告書

### CONNECTED/RELATED PARTY TRANSACTIONS

(CONTINUED)

#### Purchase of equipment for film exhibition and screen advertising businesses

During the year, the Group purchased certain equipment from GDC Technology Limited ("GDC Technology") for its film exhibition and screen advertising businesses in Hong Kong and Mainland China (the "Purchases"). On 18 January 2007, one of the substantial shareholders of the Company, Mr. Li, became indirectly interested in 32.49% of the issued share capital of GDC Technology and accordingly, GDC Technology has become an associate of Mr. Li and a connected party of the Company. The Group's purchases from GDC Technology since that time therefore constituted continuing connected transactions of the Company. The aggregate consideration of the Purchases from 18 January 2007 to 30 June 2007 was approximately HK\$5,600,000 and the transactions were subject to reporting and announcement but exempt from shareholders' approval requirements of the Listing Rule. Details of the transactions are disclosed in the announcement of the Company dated 15 August 2007. On 11 September 2007, Mr. Li's interests in GDC Technology was reduced to below 30% of the issued share capital of GDC Technology and GDC Technology has ceased to be a connected party of the Company since then.

The independent non-executive directors have reviewed these continuing connected transactions and confirmed that the transactions were entered into in the ordinary and usual course of business of the Company and on normal commercial terms and are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company has received a letter from the auditors in respect of the continuing connected transactions and they have confirmed that the transactions have received the approval of the Company's board of directors and have not exceeded the cap disclosed in the Company's announcement dated 15 August 2007.

Save as disclosed above, details of the other material connected and related party transactions for the year ended 30 June 2007 are set out in note 32 to the financial statements. These other connected or continuing connected transactions constituted de minimis transactions as defined in the Listing Rules and were exempt from the reporting, announcement and independent shareholders' approval requirements. The independent non-executive directors have also reviewed and confirmed that these other connected or continuing connected transactions were conducted in the ordinary and usual course of the business of the Group, on normal commercial terms or on terms no less favourable to the Group than terms to or from independent third parties, and in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

### 關連交易／關連人士交易 (續)

#### 購入戲院經營及影廳廣告業務所用設備

年內，本集團向GDC Technology Limited (「GDC Technology」) 購入其在香港及中國內地之戲院經營及影廳廣告業務所需若干設備(「購買設備」)。於二零零七年一月十八日，本公司其中一名主要股東李先生間接擁有GDC Technology已發行股本32.49%權益，因此GDC Technology成為李先生之聯繫人士，故屬本公司關連人士。因此，自當時起，本集團向GDC Technology所購買設備均構成本公司之持續關連交易。購買設備於二零零七年一月十八日至二零零七年六月三十日期間之總代價約為5,600,000港元，故該交易須遵守上市規則之申報及公告規定，但豁免遵守股東批准規定。有關交易之詳情載於本公司日期為二零零七年八月十五日之公佈。於二零零七年九月十一日，李先生於GDC Technology之權益減至低於GDC Technology已發行股本之30%，因此GDC Technology自當時起不再為本公司之關連人士。

獨立非執行董事已審閱該等持續關連交易，並確認該交易乃屬本公司日常及一般業務，並按公平合理之正常商業條款進行，且符合本公司股東整體利益。

本公司已收到核數師就該持續關連交易發出之函件，並確認交易已獲本公司董事會批准，且並無超出本公司於二零零七年八月十五日所發出公告內披露之上限。

除上文披露者外，截至二零零七年六月三十日止年度其他重大關連及關連人士交易詳情載於財務報表附註32。該等其他關連或持續關連交易構成上市規則所界定最低豁免交易，可獲豁免遵守申報、公告及獨立股東批准規定。獨立非執行董事已審閱及確認，該等其他關連或持續關連交易乃於本集團日常及一般業務中，按正常商業條款或按不遜於本集團向或自獨立第三者提供之條款，根據規管有關交易而條款屬公平合理且符合本公司股東整體利益之有關協議進行。



**REPORT OF THE DIRECTORS 董事會報告書****DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES****Advance to an entity**

The Group has made available to Dartina Development Limited (“Dartina”), which is a 50% owned associated company of the Company, an advance which stood at HK\$91,715,000 as at 30 June 2007. The balance of the said advance (which is interest-free, unsecured and has no fixed repayment terms and is not expected to be repaid within the next twelve months) as at 30 June 2007 represented more than 8% under the Assets Ratio as defined in the Listing Rules.

**根據上市規則第13.20條作出披露****向實體墊款**

本集團向本公司擁有50%權益之聯營公司嘉年華影業有限公司(「嘉年華」)提供墊款，於二零零七年六月三十日之結餘為91,715,000港元。上述墊款為免息、無抵押及無固定還款期，並預期毋須於未來十二個月內償還。其於二零零七年六月三十日之結餘超過上市規則界定之8%資產比率。

**DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES****Financial assistance and guarantee to affiliated companies**

The Group has made advances to certain affiliated companies which were recorded using the equity method of accounting in the Group’s financial statements (including Dartina, Keen Fortune Production Limited and Rich Will Limited which were 50% owned associated company of the Company). As at 30 June 2007, the aggregate amount of the said advances of approximately HK\$98,664,000 represented more than 8% under the Assets Ratio as defined in the Listing Rules. The combination of balance sheets of these affiliated companies and the Group’s attributable interests in these affiliated companies as at 30 June 2007 are as follows:

**根據上市規則第13.22條作出披露****向聯屬公司提供財務資助及擔保**

本集團向若干聯屬公司(包括嘉年華、Keen Fortune Production Limited及富懷有限公司—本公司擁有各50%權益之聯營公司)提供墊款，而有關聯屬公司採用權益會計法計入本集團之財務報表內。於二零零七年六月三十日，上述墊款合共約98,664,000港元，超過上市規則界定之8%資產比率。於二零零七年六月三十日，該等聯屬公司之合併資產負債表及本集團於該等聯屬公司之應佔權益如下：

		<b>Combination of balance sheets of affiliated companies</b>
		<b>聯屬公司之合併資產負債表</b>
		HK\$'000
		千港元
Non-current assets	非流動資產	364,553
Current assets	流動資產	128,119
Current liabilities	流動負債	(238,193)
Non-current liabilities	非流動負債	(87,026)
		167,453
Group’s attributable interests	本集團應佔權益	77,627

## REPORT OF THE DIRECTORS 董事會報告書

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company has maintained a sufficient public float as required under the Listing Rules throughout the year.

### AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Raymond Chow Ting Hsing**

*Chairman*

Hong Kong

17 October 2007

### 足夠公眾持股量

截至本報告刊發日期，按照本公司可公開獲取之資料及據董事所知，本公司於年內一直維持上市規則規定之足夠公眾持股量。

### 核數師

安永會計師事務所將退任，本公司將於應屆股東週年大會提呈續聘其為本公司核數師之決議案。

代表董事會

主席

鄒文懷

香港

二零零七年十月十七日

# CORPORATE GOVERNANCE REPORT

## 企業管治報告

### CODE ON CORPORATE GOVERNANCE PRACTICES

The Board of Directors (the "Board") recognises the importance of good corporate governance to maintain the Group's competitiveness and lead to its healthy growth. The Company has taken steps not only to comply with code provisions as set out in The Code on Corporate Governance Practices (the "CCGP") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") but also with the aim at enhancing the corporate governance practices of the Group as a whole.

The Company has complied with the code provisions of CCGP throughout the year ended 30 June 2007 except that all the non-executive directors of the Company were not appointed for a specific term as required by code provision A.4.1 of the CCGP since they are subject to retirement by rotation and re-election at least once every three years at the annual general meetings of the Company in accordance with the relevant provisions of the Company's Bye-laws.

### DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own code on terms no less exacting than those set out in the Model Code of the Listing Rules. The Company has made specific enquiries with all the directors and all of them have confirmed that they had complied with the requirements set out in the Model Code and the Company's code for the year ended 30 June 2007.

### BOARD OF DIRECTORS

The Board is composed of the Chairman, the Managing Director, three executive directors (including one alternate director who was appointed as an executive director on 30 November 2006), one non-executive director and four independent non-executive directors (including one director newly appointed on 30 November 2006), whose biographical details are set out in the "Directors and Senior Management" on pages 4 to 9 of this annual report.

The Board is collectively responsible for overseeing the management of the business and affairs of the Group. The Board meets regularly throughout the year to discuss the overall strategies as well as operation and financial performances. Matters relating to (i) the formulation of the Group's strategy and directions; (ii) any material conflict of interest for substantial shareholders of the Company or directors; (iii) approval of the Group's annual results, annual budgets, and other significant operational and financial transactions; (iv) changes to the Company's capital structure; and (v) major appointments to the Board are reserved for decisions by the Board. The day-to-day operation of the Group is delegated to the management, under the leadership of Managing Director and supported by his management team.

### 企業管治常規守則

董事會(「董事會」)深明良好企業管治以維持本集團競爭力及推動業務穩健增長之重要性。本公司已採取措施，不單為遵守香港聯合交易所有限公司證券上市規則(「上市規則」)附錄14所載企業管治常規守則(「企業管治守則」)所載守則條文，亦旨在提高本集團整體企業管治常規。

本公司於截至二零零七年六月三十日止年度內一直遵守企業管治守則之守則條文，惟本公司所有非執行董事並未按企業管治守則第A.4.1條守則條文所規定按指定任期委任除外，然而彼等須按本公司之公司細則相關規定，最少每三年於本公司股東週年大會輪值退任一次，並重選連任。

### 董事進行證券交易

本公司已採納條款與上市規則之標準守則同樣嚴格之守則。本公司已向全體董事作出具體查詢，彼等均確認，於截至二零零七年六月三十日止年度內一直遵守標準守則及本公司守則所載規定。

### 董事會

董事會成員包括主席、董事總經理、三名執行董事(包括一名於二零零六年十一月三十日獲委任為執行董事之替任董事)、一名非執行董事及四名獨立非執行董事(包括一名於二零零六年十一月三十日新委任之董事)。彼等之履歷詳情載於本年報第4至第9頁「董事及高級管理人員」內。

董事會共同負責監督本集團業務及事務之管理工作。董事會於年內定期會面，以討論整體策略以及營運與財務表現。有關(i)制定本集團策略及方向；(ii)本公司主要股東或董事之任何重大利益衝突；(iii)批准本集團年度業績、年度預算及其他重大營運與財務交易；(iv)更改本公司之股本結構；及(v)就董事會作出重大委任之事項均由董事會決定。管理層獲授權在董事總經理之領導及彼之管理隊伍支援下負責管理本集團之日常營運。

## CORPORATE GOVERNANCE REPORT 企業管治報告

### BOARD OF DIRECTORS (CONTINUED)

During the year ended 30 June 2007, six board meetings were held and the attendance of directors is as follows:

### 董事會 (續)

截至二零零七年六月三十日止年度內曾舉行六次董事會會議，董事之出席情況如下：

Members 成員		Meetings Attended/Eligible to Attend 曾出席／合資格出席會議
<i>Executive Directors</i> 執行董事		
Raymond Chow Ting Hsing ( <i>Chairman</i> )	鄒文懷 (主席)	6/6
Phoon Chiong Kit ( <i>Managing Director</i> )	潘從傑 (董事總經理)	6/6
David Chan Sik Hong	陳錫康	6/6
Roberta Chin Chow Chung Hang	陳鄒重珩	6/6
Lau Pak Keung (appointed on 30 November 2006) (also alternate to Phoon Chiong Kit)	劉柏強 (於二零零六年十一月三十日獲委任為執行董事) (亦為潘從傑之替任董事)	4/4
<i>Non-executive Director</i> 非執行董事		
Eric Norman Kronfeld	Eric Norman Kronfeld	6/6
<i>Independent Non-executive Directors</i> 獨立非執行董事		
Paul Ma Kah Woh	馬家和	5/6
Frank Lin	林輝波	6/6
George Huang Shao-Hua (appointed on 30 November 2006)	黃少華 (於二零零六年十一月三十日獲委任)	4/4
Prince Chatrichalerm Yukol	Prince Chatrichalerm Yukol	2/6

During the year ended 30 June 2007, the Board at all times complied with the requirements of rules 3.10(1) and (2) of the Listing Rules relating to appointment of a sufficient number of independent non-executive directors and an independent non-executive director with appropriate professional qualifications. The Board has received from each independent non-executive director a written confirmation of his independence and the Board considers all of them to be independent pursuant to rule 3.13 of the Listing Rules.

截至二零零七年六月三十日止年度，董事會一直遵守上市規則第3.10(1)及(2)條有關委任獨立非執行董事之足夠數目及其中一名獨立非執行董事須具合適專業資格之規定。董事會已接獲各獨立非執行董事就彼等之獨立身分之書面確認，董事會認為，根據上市規則第3.13條，全體獨立非執行董事均屬獨立人士。

To the best knowledge of the Company, there is no financial, business, family or other material relationship among members of the Board except that Roberta Chin Chow Chung Hang is the daughter of Raymond Chow Ting Hsing. Save as disclosed herein, there is also no relationship between the Chairman and the Managing Director.

據本公司所深知，除陳鄒重珩為鄒文懷之女兒外，董事會成員間並無任何財務、業務、家族或其他重大關係。除本文披露者外，主席與董事總經理間並無關係。

## CORPORATE GOVERNANCE REPORT 企業管治報告

### CHAIRMAN AND MANAGING DIRECTOR

In order to have a clear division between the management of the Board and the day-to-day management of the business operation of the Company, the role of the Chairman is separate from that of the Managing Director.

The Chairman focuses on overall corporate development and strategic direction of the Group and provides leadership of the Board and oversees the effective functioning of the Board.

The Managing Director is responsible for providing leadership for all day-to-day management matters as well as recommending and implementing the Group's strategies and policies. Such division of responsibilities helps to reinforce their independence and to ensure a balance of power and authority.

### NON-EXECUTIVE DIRECTORS

All non-executive directors of the Company were not appointed for a specific term since they are subject to retirement by rotation and re-election at least once every three years at the annual general meetings of the Company in accordance with the relevant provisions of the Company's Bye-laws.

### REMUNERATION OF DIRECTORS

The Company has established a Remuneration Committee on 8 October 2004 and has formulated its written terms of reference in accordance with code provision B.1.3. The Remuneration Committee consists of one executive director, Raymond Chow Ting Hsing, one non-executive director, Eric Norman Kronfeld (chairman of the Remuneration Committee), and three independent non-executive directors, Paul Ma Kah Woh, Frank Lin and Prince Chatrichalerm Yukol.

The principal responsibilities of the Remuneration Committee include making recommendation to the Board on the Company's policy and structure for the remuneration packages of all the directors and senior management of the Company according to its terms of reference, including benefits in kind, pension rights and compensation payments, including any compensation payable for the loss or termination of their office or appointment. The remuneration is based on factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors and senior management, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

### 主席與董事總經理

為清晰界定董事會管理與本公司業務營運之日常管理，主席與董事總經理之角色已獨立區分。

主席集中處理本集團整體企業發展及策略方向，並領導董事會及監督董事會有效運作。

董事總經理負責領導所有日常管理事務，以及就本集團策略及政策提供建議並落實執行。職責區分有助加強彼等獨立處事，並確保權力及職權間取得平衡。

### 非執行董事

本公司所有非執行董事並無指定任期，因彼等須根據本公司之公司細則有關規定在本公司股東週年大會上最少每三年輪值退任一次及重選連任。

### 董事酬金

本公司已於二零零四年十月八日成立薪酬委員會，並根據守則條文第B.1.3條書面訂明其職權範圍。薪酬委員會成員包括一名執行董事鄧文懷、一名非執行董事Eric Norman Kronfeld(薪酬委員會主席)及三名獨立非執行董事馬家和、林輝波及Prince Chatrichalerm Yukol。

薪酬委員會之主要職責包括根據其職權範圍，向董事會就本公司全體董事及高級管理人員之薪酬組合政策及架構作出推薦意見，其中包括實物利益、退休金權利及賠償費用(包括就離職或終止職務或委任而應付之任何賠償)。薪酬乃參照可與比較公司支付之薪金、董事及高級管理人員付出之時間及職責、本集團各地區之僱傭條件及與表現掛鉤薪酬方案之適用程度等因素而釐定。

## CORPORATE GOVERNANCE REPORT 企業管治報告

### REMUNERATION OF DIRECTORS (CONTINUED)

The Remuneration Committee held two meetings during the year ended 30 June 2007 to review and make recommendation to the Board on the directors' fees of all the existing non-executive directors, to review the remuneration package of all existing executive directors and senior management. The Remuneration Committee also reviewed and approved the terms of service contracts of the executive directors, and the granting of share options, under the share option scheme, to the executive directors and senior management. The attendance of the members of the Remuneration Committee is as follows:

Members 成員		Meeting Attended/Eligible to Attend 曾出席／合資格出席會議
Eric Norman Kronfeld ( <i>Chairman</i> )	Eric Norman Kronfeld (主席)	2/2
Raymond Chow Ting Hsing	鄒文懷	2/2
Paul Ma Kah Woh	馬家和	2/2
Frank Lin	林輝波	2/2
Prince Chatrichalerm Yukol	Prince Chatrichalerm Yukol	1/2

Details of emoluments of each director are set out in note 33 to the financial statements of this annual report.

### 董事酬金 (續)

薪酬委員會於截至二零零七年六月三十日止年度曾舉行兩次會議，以檢討全體現有非執行董事之董事袍金，以及檢討全體現有執行董事及高級管理人員之薪酬待遇並就此向董事會作出推薦建議。薪酬委員會亦已檢討及批准執行董事之服務合約條款以及根據購股權計劃向執行董事及高級管理人員授出購股權。薪酬委員會成員之出席情況如下：

各董事之酬金詳情載於本年報財務報表附註33。

### NOMINATION OF DIRECTORS

The Board is empowered under the Company's Bye-laws to appoint any person as a director either to fill a casual vacancy on or, subject to authorisation by the members in a general meeting, as an additional member of the Board. The selection criteria are mainly based on the professional qualifications and experience of the candidate. A newly appointed director must retire and be subject to re-election at the first general meeting after his appointment. A retiring director shall be eligible for re-election.

The Board reviews regularly its composition to ensure a balance of skills and experience appropriate for the requirements of the business of the Company. During the year, the Board nominated an existing alternate director as an executive director of the Company and an experienced and high calibre individual as independent non-executive director of the Company. The nomination and appointment were approved by shareholders of the Company at the annual general meeting held on 30 November 2006.

### 董事提名

根據本公司之公司細則，董事會獲授權委任任何人士出任董事，以填補臨時空缺或在股東於股東大會授權之規限下，作為董事會之新增成員。甄選條件主要按候選人之專業資格及經驗為基準。新委任董事必須於獲委任後首個股東大會退任及重選連任。退任董事將合資格重選連任。

董事會定期檢討其成員組合，以確保成員之技能與經驗能取得平衡，能夠符合本公司業務需要。年內，董事會提名一名現有替任董事為本公司執行董事，及提名一名富經驗及具才幹之人士出任本公司獨立非執行董事。本公司股東已於二零零六年十一月三十日舉行之股東週年大會批准有關提名及委任。

## CORPORATE GOVERNANCE REPORT 企業管治報告

### AUDITORS' REMUNERATION

For the year ended 30 June 2007, the fees paid/payable to the Group's auditors, Messrs. Ernst & Young, are set out as follows:

Services Rendered 所提供服務		Fees Paid/Payable 已付/應付費用 HK\$'000 千港元
Audit Services	審核服務	2,138
Non-audit Services	非審核服務	1,900

### AUDIT COMMITTEE

The Company established an Audit Committee on 9 October 1998 and formulated written terms of reference in accordance with the requirements of the Listing Rule. The Audit Committee's current members comprise four independent non-executive directors including one member which was newly appointed on 1 April 2007. The Chairman of the Committee is a qualified accountant with extensive experience in financial reporting and management.

During the year ended 30 June 2007, two audit committee meetings were convened and the individual attendance of members are set out as follows:

Members 成員		Meetings Attended/Eligible to Attend 曾出席/合資格出席會議
Paul Ma Kah Woh ( <i>Chairman</i> )	馬家和 (主席)	2/2
Frank Lin	林輝波	2/2
George Huang Shao-Hua (appointed on 1 April 2007)	黃少華 (於二零零七年四月一日獲委任)	0/0
Prince Chatrichalerm Yukol	Prince Chatrichalerm Yukol	1/2

The principal duties of the Audit Committee include monitoring integrity of the financial statements of the Company, reviewing the effectiveness of Company's internal control and risk management as delegated by the Board and making recommendation to the Board on the appointment and engagement of the external auditors for the audit and non-audit services.

During the year, the Audit Committee reviewed the accounting principles and policies adopted by the Group and discussed financial reporting matters including review of the interim and audited financial statements. In addition, the Audit Committee also reviewed the engagement of the external auditors and the adequacy and effectiveness of the Company's internal control and risk management systems and made recommendations to the Board.

### 核數師酬金

截至二零零七年六月三十日止年度，已付/應付本集團核數師安永會計師事務所之費用載列如下：

### 審核委員會

本公司於一九九八年十月九日成立審核委員會，並根據上市規則書面訂明其職權範圍。審核委員會現有成員包括四名獨立非執行董事。其中一名新成員於二零零七年四月一日獲委任。委員會主席為合資格會計師，於財務申報及管理方面，擁有豐富經驗。

截至二零零七年六月三十日止年度曾召開兩次審核委員會會議，個別成員之出席情況如下：

審核委員會之主要職務包括監控本公司財務報表是否完整全面、按董事會授權檢討本公司之內部監控及風險管理事宜，以及就委聘外聘核數師進行審核及非審核服務向董事會作出推薦意見。

年內，審核委員會曾審閱本集團採納之會計原則及政策，並討論財務申報事宜，包括審閱中期及經審核財務報表。此外，審核委員會亦審閱外聘核數師之委聘、本公司內部監控及風險管理制度是否足夠及有效，並向董事會作出推薦意見。

## CORPORATE GOVERNANCE REPORT 企業管治報告

### RESPONSIBILITIES TO FINANCIAL STATEMENTS

The directors acknowledge their responsibilities to prepare the financial statements in each financial year with supports from finance department and to ensure that the relevant accounting policies are observed and the accounting standards issued by the Hong Kong Institute of Certified Public Accountants are complied with in the preparation of such financial statements and to report the financial affairs of the Company in a true and fair manner.

The statement by the auditors of the Company regarding their responsibilities on the financial statements of the Group is set out in Independent Auditors' Report on pages 47 to 48.

### GOING CONCERN

The directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

### INTERNAL CONTROLS

The Board has overall responsibilities for maintaining a sound and effective internal control system with the aim at (i) safeguarding the Group's assets against unauthorised use or disposition; (ii) maintaining proper accounting records and (iii) ensuring compliance with relevant legislation and regulations. The internal control system of the Group comprises a well-established organisation structure and comprehensive policies and standards. The Board, through the Audit Committee, has reviewed the effectiveness of the Group's internal control system covering all material controls, including financial, operational and compliance controls and risk management function, where some findings have been identified and reported to the Board. There are no material internal control deficiencies that may affect the shareholders of the Company had come to the attention of the Audit Committee or the Board. The directors of the Board are of the opinion that the Company has complied with the code provision C.2.1 on internal controls as set out in the CCGP contained in Appendix 14 of the Listing Rules.

### 對財務報表之責任

董事瞭解彼等之責任為於財務部門支援下，編製每個財政年度之財務報表、確保遵照有關會計政策及香港會計師公會頒佈之會計準則編製有關財務報表，以及真實公平地呈報本公司之財務狀況。

本公司核數師就其對本集團財務報表之責任之聲明載於第47至48頁之獨立核數師報告書內。

### 持續經營基準

董事確認，據彼等經作出一切合理查詢後所深知、全悉及確信，彼等並不知悉有任何可能對本公司持續經營能力構成重大疑問之任何重大不明朗事項或情況。

### 內部監控

董事會有整體責任維持穩健兼有效之內部監控制度，旨在(i)保障本集團資產不會在無經授權下遭使用或處置；(ii)維持妥善會計記錄及(iii)確保遵從有關法例及規例。本集團之內部監控系統包括完善之組織結構及周全政策與準則。董事會已透過審核委員會審閱本集團內部監控制度之效益，涉及財務、營運及守規監控與風險管理職能等所有重大監控事宜，而當中發現已向董事會匯報。審核委員會或董事會概不知悉內部監控有任何可能影響本公司股東之重大不足之處。董事會認為，本公司一直遵守上市規則附錄14內企業管治守則項下有關內部監控之第C.2.1條守則條文規定。



# INDEPENDENT AUDITORS' REPORT

## 獨立核數師報告



To the shareholders of  
**Golden Harvest Entertainment (Holdings) Limited**  
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Golden Harvest Entertainment (Holdings) Limited set out on pages 49 to 118, 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 FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these 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 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 financial statements based on our audit. Our 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 financial statements are free from material misstatement.

致嘉禾娛樂事業(集團)有限公司全體股東  
(於百慕達註冊成立之有限公司)

本核數師已審核刊於第119頁至第188頁嘉禾娛樂事業(集團)有限公司之財務報表，當中包括於二零零七年六月三十日的綜合及公司資產負債表、截至該日止年度的綜合收益表、綜合權益變動表和綜合現金流量表以及主要會計政策概要和其他附註解釋。

### 董事就財務報表須承擔的責任

貴公司董事須負責根據香港會計師公會頒佈的香港財務報告準則及香港公司條例披露規定，編製及真實公平地列報該等財務報表。這責任包括設計、實施及維護與編製真實而公平之財務報表相關的內部控制，以確使財務報表不存在因於欺詐或錯誤而導致的重大錯誤陳述；選擇並應用適當的會計政策；及按情況下作出合理的會計估計。

### 核數師的責任

我們的責任是根據我們的審核對此等財務報表發表意見，並按照百慕達一九八一年《公司法》第90條僅向全體股東報告。除此之外，本報告別無其他目的。本核數師不會就本報告內容向任何其他人士負上或承擔任何責任。

我們已根據香港會計師公會頒佈的香港審計準則進行審核。這些準則要求我們遵守道德規範，並規劃及執行審核，以合理確定此等財務報表是否不存有任何重大錯誤陳述。

## INDEPENDENT AUDITORS' REPORT (continued) 獨立核數師報告 (續)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the 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 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 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 financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

#### Ernst & Young

*Certified Public Accountants*  
18/F, Two International Finance Centre  
8 Finance Street, Central  
Hong Kong

17 October 2007

審核涉及執行程式以獲取有關財務報表所載金額及披露資料的審核憑證。所選定程式取決於核數師的判斷，包括評估由於欺詐或錯誤而導致財務報表存有重大錯誤陳述的風險。在評估該等風險時，核數師考慮與該公司編製及真實公平地列報財務報表相關的內部控制，以設計適當的審核程式，但並非為對公司的內部控制的效能發表意見。審核亦包括評價董事所採用的會計政策的適當性及所作出的會計估計的合理性，以及評價財務報表的整體列報方式。

我們相信，我們所獲得的審核憑證是充足和適當地為我們的審核意見提供基礎。

### 意見

我們認為，該等財務報表已根據香港財務報告準則真實而公平地反映 貴公司及 貴集團於二零零七年六月三十日的事務狀況，及 貴集團截至該日止年度的利潤及現金流量，並已按照香港公司條例的披露規定妥為編製。

#### 安永會計師事務所

執業會計師  
香港  
中環金融街8號  
國際金融中心二期18樓

二零零七年十月十七日

# CONSOLIDATED INCOME STATEMENT

YEAR ENDED 30 JUNE 2007

	<i>Notes</i>	<b>2007</b> <b>HK\$'000</b>	2006 HK\$'000
REVENUE	4, 5	<b>565,700</b>	512,285
Cost of sales		<b>(257,915)</b>	(232,033)
Gross profit		<b>307,785</b>	280,252
Interest income		<b>5,445</b>	785
Other income and gains		<b>40,631</b>	41,051
Selling and distribution costs		<b>(286,238)</b>	(267,740)
General and administrative expenses		<b>(70,139)</b>	(52,490)
Other operating expenses, net		<b>(11,878)</b>	(10,599)
Gain on disposal of interests in an associate		<b>115,970</b>	–
Loss on disposal of interests in a jointly-controlled entity		<b>(5,717)</b>	–
Finance costs	7	<b>(16,619)</b>	(7,450)
Share of profits and losses of associates		<b>20,801</b>	24,143
<b>PROFIT BEFORE TAX</b>	<b>6</b>	<b>100,041</b>	7,952
Tax	8	<b>(3,478)</b>	(2,737)
<b>PROFIT FOR THE YEAR</b>		<b>96,563</b>	5,215
Attributable to:			
Equity holders of the Company		<b>96,717</b>	5,215
Minority interests		<b>(154)</b>	–
		<b>96,563</b>	5,215
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	<b>10</b>		
Basic		<b>HK73.4 cents</b>	HK3.9 cents
Diluted		<b>HK57.8 cents</b>	N/A

# CONSOLIDATED BALANCE SHEET

30 JUNE 2007

	<i>Notes</i>	<b>2007</b> <b>HK\$'000</b>	2006 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	<b>261,466</b>	246,799
Interests in associates	13	<b>169,369</b>	195,902
Due from jointly-controlled entities	14	<b>26,069</b>	42,775
Prepaid land lease payments	15	<b>723</b>	741
Prepaid rental		<b>8,704</b>	11,502
Club memberships		<b>3,590</b>	3,590
Rental and other deposits		<b>51,507</b>	53,130
Trademarks	16	<b>79,421</b>	79,421
Deferred tax assets	27	<b>1,503</b>	–
Pledged bank deposits	20	<b>2,049</b>	1,870
<b>Total non-current assets</b>		<b>604,401</b>	635,730
<b>CURRENT ASSETS</b>			
Inventories	17	<b>708</b>	726
Film rights	18	<b>33,090</b>	16,279
Accounts receivable	19	<b>13,450</b>	12,005
Prepayments, deposits and other receivables		<b>42,674</b>	35,441
Due from a jointly-controlled entity	14	<b>14,787</b>	14,400
Pledged bank balance	20	<b>2,141</b>	1,972
Cash and cash equivalents	20	<b>219,162</b>	54,369
<b>Total current assets</b>		<b>326,012</b>	135,192
<b>CURRENT LIABILITIES</b>			
Accounts payable	21	<b>46,946</b>	62,028
Accrued liabilities and other payables		<b>80,914</b>	83,335
Due to associates	13	<b>236</b>	1,113
Customer deposits		<b>5,622</b>	3,492
Convertible notes	26	<b>20,262</b>	–
Interest-bearing bank loans	22	<b>25,311</b>	37,201
Current portion of finance lease payables	23	<b>353</b>	328
Loans from joint venture partners	24	<b>14,787</b>	14,400
Provision for employee benefits	25	<b>2,079</b>	1,943
Tax payable		<b>3,788</b>	9,924
<b>Total current liabilities</b>		<b>200,298</b>	213,764
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>125,714</b>	(78,572)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>730,115</b>	557,158

**CONSOLIDATED BALANCE SHEET**

30 JUNE 2007

	<i>Notes</i>	<b>2007</b> <b>HK\$'000</b>	2006 HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Convertible notes	26	<b>100,590</b>	19,618
Interest-bearing bank loans	22	<b>48,686</b>	57,087
Non-current portion of finance lease payables	23	<b>799</b>	1,152
Loans from joint venture partners	24	<b>26,069</b>	42,775
Deposits received		<b>3,700</b>	4,284
Provision for long service payments	25	<b>4,257</b>	4,102
Deferred tax	27	<b>7,999</b>	7,274
<b>Total non-current liabilities</b>		<b>192,100</b>	136,292
<b>Net assets</b>		<b>538,015</b>	420,866
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Issued share capital	28	<b>128,357</b>	133,031
Equity component of convertible notes	26	<b>880</b>	95
Reserves	30(a)	<b>408,223</b>	287,740
		<b>537,460</b>	420,866
<b>Minority interests</b>		<b>555</b>	–
<b>Total equity</b>		<b>538,015</b>	420,866

**Raymond Chow Ting Hsing**  
*Director*

**Phoon Chiong Kit**  
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2007

	Attributable to equity holders of the Company										Total HK\$'000
	Issued share capital HK\$'000	Equity component of convertible notes HK\$'000	Share premium account HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Revaluation reserve HK\$'000	Reserve funds HK\$'000 **	Surplus reserve HK\$'000 ***	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	
At 1 July 2005	133,031	-	639,881	150	145	3,913	-	480	(33,459)	(335,008)	409,133
Issue of a convertible note (note 26)	-	95	-	-	-	-	-	-	-	-	95
Exchange adjustments on translation of:											
- overseas subsidiaries	-	-	-	-	-	-	-	-	(1,494)	-	(1,494)
- overseas jointly-controlled entities	-	-	-	-	-	-	-	-	(1,050)	-	(1,050)
- overseas associates	-	-	-	-	-	-	-	-	8,543	-	8,543
Deferred tax credited to equity (note 27)	-	-	-	-	-	30	-	-	-	-	30
Total income and expenses recognised directly in equity	-	-	-	-	-	30	-	-	5,999	-	6,029
Profit for the year	-	-	-	-	-	-	-	-	-	5,215	5,215
Total income and expenses for the year	-	-	-	-	-	30	-	-	5,999	5,215	11,244
Transfer to reserves	-	-	-	-	-	-	495	-	-	(495)	-
Equity-settled share option arrangement	-	-	-	394	-	-	-	-	-	-	394
At 30 June 2006	133,031	95	639,881*	544*	145*	3,943*	495*	480*	(27,460)*	(330,288)*	420,866

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2007

	Attributable to equity holders of the Company												Minority interests	Total equity
	Issued share capital	Equity component of convertible notes	Share premium account	Share option reserve	Capital redemption reserve	Contributed surplus	Revaluation reserve	Reserve funds	Surplus reserve	Exchange fluctuation reserve	Retained profits/(accumulated losses)	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2006	133,031	95	639,881	544	145	-	3,943	495	480	(27,460)	(330,288)	420,866	-	420,866
Capital reorganisation (note 30(b)(i))	-	-	(500,000)	-	-	500,000	-	-	-	-	-	-	-	-
Setting off accumulated losses (note 30(b)(i))	-	-	-	-	-	(420,000)	-	-	-	-	420,000	-	-	-
Repurchase of shares (note 28(c))	(4,674)	-	(14,148)	-	4,674	-	-	-	-	-	-	(14,148)	-	(14,148)
Issue of convertible notes (note 26)	-	785	-	-	-	-	-	-	-	-	-	785	-	785
Capital injection from a minority shareholder	-	-	-	-	-	-	-	-	-	-	-	-	776	776
Exchange adjustments on translation of:														
- overseas subsidiaries	-	-	-	-	-	-	-	-	-	(1,464)	-	(1,464)	-	(1,464)
- overseas jointly-controlled entities	-	-	-	-	-	-	-	-	-	1,260	-	1,260	-	1,260
- overseas associates	-	-	-	-	-	-	-	-	-	8,329	-	8,329	-	8,329
Realisation on disposal of interests in:														
- a jointly-controlled entity (note 31(b))	-	-	-	-	-	-	-	-	-	339	-	339	(67)	272
- an associate	-	-	-	-	-	-	-	-	-	20,204	-	20,204	-	20,204
Deferred tax credited to equity (note 27)	-	-	-	-	-	-	31	-	-	-	-	31	-	31
Total income and expenses recognised directly in equity	-	-	-	-	-	-	31	-	-	28,668	-	28,699	(67)	28,632
Profit for the year	-	-	-	-	-	-	-	-	-	-	96,717	96,717	(154)	96,563
Total income and expenses for the year	-	-	-	-	-	-	31	-	-	28,668	96,717	125,416	(221)	125,195
Transfer to reserves	-	-	-	-	-	-	-	644	-	-	(644)	-	-	-
Equity-settled share option arrangement	-	-	-	4,541	-	-	-	-	-	-	-	4,541	-	4,541
<b>At 30 June 2007</b>	<b>128,357</b>	<b>880</b>	<b>125,733*</b>	<b>5,085*</b>	<b>4,819*</b>	<b>80,000*</b>	<b>3,974*</b>	<b>1,139*</b>	<b>480*</b>	<b>1,208*</b>	<b>185,785*</b>	<b>537,460</b>	<b>555</b>	<b>538,015</b>

\* These reserve accounts comprise the consolidated reserves of HK\$408,223,000 (2006: HK\$287,740,000) in the consolidated balance sheet.

\*\* In accordance with the relevant regulations in the People's Republic of China (the "PRC"), the Company's subsidiary established in the PRC is required to transfer a certain percentage of its profits after tax to the reserve funds. Subject to certain restrictions set out in the relevant PRC regulations and in the subsidiary's articles of association, the reserve funds may be used either to offset losses, or for capitalisation by way of paid-up capital.

\*\*\* The surplus reserve represents an amount transferred from retained profits in accordance with statutory requirements and the articles of association of an associate in Taiwan. The surplus reserve may only be applied to make up any losses and for capitalisation by way of fully paid bonus issues of the shares of the associate in Taiwan.

# CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 30 JUNE 2007

	<i>Notes</i>	<b>2007</b> <b>HK\$'000</b>	2006 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>100,041</b>	7,952
Adjustments for:			
Interest income		<b>(5,445)</b>	(785)
Finance costs		<b>16,619</b>	7,450
Depreciation		<b>41,771</b>	40,884
Amortisation of prepaid land lease payments		<b>18</b>	18
Loss on disposal of items of property, plant and equipment		<b>1,945</b>	346
Provision for impairment on club memberships		<b>–</b>	270
Exchange gains arising from the translation of balances with overseas jointly-controlled entities and associates and other monetary assets and liabilities denominated in foreign currencies as at the balance sheet date		<b>(6,984)</b>	(3,298)
Gain on disposal of interests in an associate	<i>13</i>	<b>(115,970)</b>	–
Loss on disposal of interests in a jointly-controlled entity	<i>31(b)</i>	<b>5,717</b>	–
Share of profits and losses of associates		<b>(20,801)</b>	(24,143)
Impairment allowance/(write-back of impairment allowances) for accounts and other receivables, net		<b>1,327</b>	(699)
Write-off of bad debts		<b>–</b>	24
Equity-settled share option expenses		<b>4,541</b>	394
Exchange adjustments		<b>872</b>	(1,088)
		<b>23,651</b>	27,325
Decrease/(increase) in inventories		<b>18</b>	(155)
Decrease in film rights		<b>1,892</b>	2,105
Decrease/(increase) in accounts receivable		<b>(1,407)</b>	6,974
Decrease/(increase) in prepayments, deposits and other receivables		<b>(9,161)</b>	10,201
Decrease in accounts payable		<b>(5,808)</b>	(13,555)
Decrease in accrued liabilities and other payables		<b>(4,715)</b>	(1,511)
Increase in customer deposits		<b>2,130</b>	112
Increase/(decrease) in prepaid rental		<b>1,752</b>	(6,312)
Refund/(payment) of rental and other deposits, net		<b>(2,529)</b>	1,576
Increase in provision for employee benefits		<b>136</b>	263
Increase/(decrease) in provision for long service payments		<b>(117)</b>	432
Cash generated from operations		<b>5,842</b>	27,455
Interest received		<b>4,842</b>	785
Interest and finance charges paid		<b>(11,615)</b>	(7,149)
Interest element on finance lease rental payments		<b>(109)</b>	(93)
Hong Kong profits tax paid		<b>(6,903)</b>	(2)
Overseas tax paid		<b>(4,823)</b>	(4,094)
Overseas tax refunded		<b>192</b>	216
Net cash inflow/(outflow) from operating activities		<b>(12,574)</b>	17,118



**CONSOLIDATED CASH FLOW STATEMENT**

YEAR ENDED 30 JUNE 2007

	<i>Notes</i>	<b>2007</b> <b>HK\$'000</b>	2006 HK\$'000
Net cash inflow/(outflow) from operating activities		<b>(12,574)</b>	17,118
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		<b>(66,016)</b>	(51,725)
Proceeds from disposal of items of property, plant and equipment		<b>582</b>	1,267
Acquisition of subsidiaries	<i>31(a)</i>	<b>(22,779)</b>	–
Net proceeds from disposal of interests in a jointly-controlled entity	<i>31(b)</i>	<b>7,588</b>	–
Repayment from jointly-controlled entities		<b>16,319</b>	21,725
Repayment to joint venture partners		<b>(16,319)</b>	(21,725)
Net proceeds from disposal of interests in an associate		<b>195,237</b>	–
Repayment from/(advance to) associates, net		<b>(882)</b>	1,635
Increase/(decrease) in deposits received		<b>(140)</b>	598
Increase in pledged bank balances		<b>(594)</b>	(2,217)
Increase in time deposits with original maturity of over three months		<b>(10,031)</b>	–
Net cash inflow/(outflow) from investing activities		<b>102,965</b>	(50,442)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net proceeds from issue of convertible notes	<i>26</i>	<b>99,000</b>	19,713
Repurchase of the Company's shares	<i>28(c)</i>	<b>(14,148)</b>	–
Capital contribution by a minority shareholder		<b>776</b>	–
New bank loans raised		<b>32,349</b>	29,337
Repayment of bank loans		<b>(53,947)</b>	(25,241)
Repayment of finance lease obligations		<b>(328)</b>	–
Capital element of finance lease payables		<b>–</b>	(1,365)
Net cash inflow from financing activities		<b>63,702</b>	22,444
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>154,093</b>	(10,880)
Cash and cash equivalents at beginning of year		<b>54,369</b>	65,632
Exchange adjustments		<b>669</b>	(383)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>209,131</b>	54,369
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Non-pledged cash and bank balances		<b>40,357</b>	34,389
Non-pledged time deposits with original maturity of less than three months when acquired		<b>168,774</b>	19,980
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>209,131</b>	54,369

## BALANCE SHEET

30 JUNE 2007

	<i>Notes</i>	<b>2007</b> <b>HK\$'000</b>	2006 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Interests in subsidiaries	12	<b>627,685</b>	430,425
<b>CURRENT ASSETS</b>			
Due from a subsidiary	12	<b>33,000</b>	–
Prepayments		<b>192</b>	177
Cash and bank balances		<b>319</b>	22
Total current assets		<b>33,511</b>	199
<b>CURRENT LIABILITIES</b>			
Accrued liabilities and other payables		<b>2,329</b>	824
Convertible notes	26	<b>20,262</b>	–
Total current liabilities		<b>22,591</b>	824
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>10,920</b>	(625)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>638,605</b>	429,800
<b>NON-CURRENT LIABILITIES</b>			
Convertible notes	26	<b>100,590</b>	19,618
Net assets		<b>538,015</b>	410,182
<b>EQUITY</b>			
Issued share capital	28	<b>128,357</b>	133,031
Equity component of convertible notes	26	<b>880</b>	95
Reserves	30(b)	<b>408,778</b>	277,056
Total equity		<b>538,015</b>	410,182

**Raymond Chow Ting Hsing**  
*Director*

**Phoon Chiong Kit**  
*Director*

# NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

## 1. CORPORATE INFORMATION

Golden Harvest Entertainment (Holdings) Limited is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal activity of the Company is investment holding. The principal activities of the Group consist of worldwide film and video distribution, film exhibition in Hong Kong, Mainland China, Taiwan, Singapore and Malaysia, and the operation of a film processing business in Hong Kong.

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain buildings, where the Group adopted the transitional provision of paragraph 80A of HKAS 16 and which have been measured at 1995 fair value, further details of which are included in notes 3 and 11 to the financial statements. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000) except where otherwise indicated.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries and the Group's share of the financial statements of the Group's jointly-controlled entities for the year ended 30 June 2007. The results of subsidiaries and jointly-controlled entities are consolidated and proportionately consolidated, respectively, from the date of acquisition, being the date on which the Group obtains control and joint control, and continue to be consolidated and proportionately consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the subsidiary of a jointly-controlled entity.

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. The adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

The principal changes in accounting policies are as follows:

#### (a) HKAS 21 The Effects of Changes in Foreign Exchange Rates

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 30 June 2007 or 30 June 2006.

#### (b) HKAS 39 Financial Instruments: Recognition and Measurement

##### (i) Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*. The adoption of this amendment has had no material impact on these financial statements.

##### (ii) Amendment for cash flow hedge accounting of forecast intragroup transactions

This amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

##### (iii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

The adoption of HK(IFRIC)-Ints 4, 7, 8 and 9 have had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKAS 1 Amendment	Capital Disclosures
HKAS 23 (Revised)	Borrowing Cost
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 14	HKAS19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction

HKAS 1 Amendment shall be applied for accounting period beginning on 1 July 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKAS 23 (Revised) shall be applied for accounting period beginning on 1 July 2009 and will supersede HKAS 23 issued in 2004. The standard requires borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset to form part of the cost of that asset. Other borrowing costs are recognised as an expense.

HKFRS 7 shall be applied for accounting period beginning on 1 July 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments.

HKFRS 8 shall be applied for accounting period beginning on 1 July 2009. The standard requires the disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenues from the Group's major customers. This standard will supersede HKAS 14 *Segment Reporting*.

HK(IFRIC)-Int 10 and HK(IFRIC)-Int 11 should be applied for the accounting period beginning on 1 July 2007; and HK(IFRIC)-Int 12, HK(IFRIC)-Int 13 and HK(IFRIC)-Int 14 shall be applied for the accounting period beginning on 1 July 2008.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment, HKFRS 7 and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

#### Joint venture companies

A joint venture company is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

- (a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture company;
- (b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;
- (c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or
- (d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

#### Jointly-controlled entities

A jointly-controlled entity is a joint venture company that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in its jointly-controlled entities are accounted for by proportionate consolidation, which involves recognising its share of each of the jointly-controlled entities' assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The jointly-controlled entity is proportionately consolidated until the date on which the Group ceases to have joint control over the jointly-controlled entity.

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### **Associates**

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

In the current year, the Group's share of the post-acquisition results and reserves of its associates was calculated from the latest available audited and management financial statements of the associates which were made up to 30 June 2007.

#### **Goodwill**

Goodwill arising on the acquisition of subsidiaries, jointly-controlled entities and associates is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities as at the date of acquisition. Goodwill arising on the acquisition is recognised in the consolidated balance sheet as an asset and in the case of associates, the goodwill was included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit are disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill arising on acquisitions before 1 July 2001 was eliminated against the consolidated capital reserve in the year of acquisition. The Group applied the transitional provision of HKFRS 3 that permitted such goodwill to remain eliminated against the consolidated capital reserve and that required such goodwill not to be recognised in the consolidated income statement when the Group disposes of all or part of the business to which that goodwill relates or when a cash-generating unit to which the goodwill relates becomes impaired.

#### **Negative Goodwill**

On acquisition of subsidiaries and jointly-controlled entities, if the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of an entity being acquired recognised as at the date of acquisition exceeds the cost of the business combination ("Negative Goodwill"), the Group shall reassess the identification and measurement of the identifiable assets, liabilities and contingent liabilities of that entity and the measurement of the cost of the business combination; and recognise immediately in the consolidated income statement any excess remaining after that reassessment.

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### **Impairment of non-financial assets other than goodwill**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, deferred tax assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

#### **Property, plant and equipment and depreciation**

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, 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 an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

The transitional provision set out in paragraph 80A of HKAS 16 *Property, Plant and Equipment* issued by the HKICPA has been adopted for certain properties which are stated at valuation. As a result, those assets stated at revalued amounts based on revaluations which were reflected in the financial statements for the year ended 30 June 1995 have not been revalued by class at the balance sheet date.



## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### **Property, plant and equipment and depreciation** *(continued)*

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

	<b>Company and subsidiaries</b>	<b>Jointly- controlled entities</b>
Buildings	4%	N/A
Leasehold improvements	8.33% – 33.33%	4.78% – 20%
Machinery and equipment	10% – 33.33%	6.50% – 27.27%
Furniture and fixtures	10% – 33.33%	5% – 20%
Motor vehicles	20%	N/A
Air-conditioning systems	20%	N/A

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset. On disposal or retirement, the attributable revaluation surplus not previously dealt with in retained profits or accumulated losses is transferred directly to retained profits or accumulated losses.

Construction in progress represents an asset under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

#### **Club memberships**

Club memberships are stated at cost less any impairment losses. Cost includes fees and expenses directly related to the acquisition of the club memberships.

#### **Trademarks**

Trademarks with indefinite life are stated at cost less any impairment losses.

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### **Financial assets**

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

#### **Impairment of financial assets**

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

#### *Assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### **Impairment of financial assets** *(continued)*

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

#### **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### **Financial liabilities at amortised cost (including interest-bearing loans and borrowings)**

Financial liabilities including trade and other payables and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### **Convertible notes**

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

#### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value after making due allowances for obsolete or slow-moving items. Cost is determined on the first-in, first-out basis and includes all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices, less any further costs expected to be incurred to completion and disposal.

#### **Film rights and amortisation**

##### *(i) Film rights*

Film rights represent films and television drama series and are stated at cost less accumulated amortisation and any 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 sale of film rights. Where there is an impairment in value, the unamortised balance is written down to its estimated recoverable amount.

##### *(ii) Films in progress*

Films in progress are stated at cost less any impairment losses. Costs include all direct costs associated with the production of films or television drama series. Impairment losses are made for costs which are in excess of the expected future revenue generated by these films or television drama series. Costs are transferred to film rights upon completion.

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### **Related parties**

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

- (a) the party, directly or indirectly through one or more intermediaries:
  - (i) controls, is controlled by, or is under common control with, the Group;
  - (ii) has an interest in the Group that gives it significant influence over the Group; or
  - (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

#### **Income tax**

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, jointly-controlled entities and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### **Income tax** *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, jointly-controlled entities and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### **Foreign currencies**

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain subsidiaries, jointly-controlled entities and associates outside Hong Kong are currencies other than the Hong Kong dollars. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of an entity outside Hong Kong, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### **Foreign currencies** *(continued)*

For the purpose of the consolidated cash flow statement, the cash flows of subsidiaries and jointly-controlled entities outside Hong Kong are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of subsidiaries and jointly-controlled entities outside Hong Kong which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

#### **Leases**

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

#### **Employee benefits**

##### *Share-based payment transactions*

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Black-Scholes option pricing model (the "Black-Scholes Model"), further details of which are given in note 29. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Employee benefits** (continued)

##### *Share-based payment transactions* (continued)

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested on 1 July 2005 and to those granted on or after 1 July 2005.

##### *Paid leave carried forward*

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

##### *Employment Ordinance long service payments*

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance (the "Employee Ordinance") in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.



## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### **Employee benefits** *(continued)*

##### *Retirement benefits schemes*

The Group operates a defined contribution retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. Contributions to the Scheme are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the Scheme. The Group's employer contributions are fully and immediately vested with the employees when contributed to the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund.

The employees of the Group's subsidiaries which operate in Mainland China are members of the state-sponsored retirement scheme (the "State Scheme") operated by the government of Mainland China. Contributions to the State Scheme are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the State Scheme.

#### **Cash and cash equivalents**

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

#### **Provisions**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Provisions for long service payments are made based on relevant labour laws and regulations governing retirement payments and are reviewed by the directors on an annual basis and adjusted where applicable.

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) film royalties income, screen advertising income and video distribution income, on an accrual basis;
- (b) film distribution commission income, film developing and printing service income, advertising agency fee income, production control fee income and consultancy service income, on completion of the services;
- (c) box office takings, when the services have been rendered to the buyers;
- (d) income from confectionery sales and audio visual sales, at the point of sales when the confectionery and audio visual products are given to the customers;
- (e) rental income, in the period in which the properties are sub-let and on the straight-line basis over the lease terms;
- (f) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and
- (g) dividends, when the shareholder's right to receive payment is established.

#### **Estimation uncertainty**

##### *Impairment allowances for accounts and other receivables*

Impairment allowances for accounts and other receivables are made on assessment of the recoverability of accounts and other receivables. The identification of impairment allowances requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables and impairment or its reversal in the period in which such estimate has been changed.

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 4. SEGMENT INFORMATION

Segment information is presented by way of segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the film and video distribution segment engages in worldwide distribution of films and audio visual products related to films and television programmes;
- (b) the film exhibition segment engages in film exhibition and screen advertising in Hong Kong, Mainland China, Taiwan, Singapore and Malaysia; and
- (c) the others segment comprises film processing business, which provide film processing services and film and television drama series production.

In determining the Group's geographical segments, revenue are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 4. SEGMENT INFORMATION (CONTINUED)

#### (a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments.

	Film and		Film exhibition		Others		Eliminations		Consolidated	
	video distribution									
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Segment revenue:										
Sales to external customers	59,647	46,039	488,794	451,374	17,259	14,872	-	-	565,700	512,285
Inter-segment sales	6,160	1,634	-	-	1,053	278	(7,213)	(1,912)	-	-
Other revenue	1,769	2,324	31,781	31,249	340	998	(341)	(678)	33,549	33,893
Total	67,576	49,997	520,575	482,623	18,652	16,148	(7,554)	(2,590)	599,249	546,178
Segment results	(6,902)	(5,221)	(19,144)	(10,468)	(875)	(995)	-	-	(26,921)	(16,684)
Interest income and unallocated gains									12,527	7,943
Gain on disposal of interests in an associate	-	-	115,970	-	-	-	-	-	115,970	-
Loss on disposal of interests in a jointly-controlled entity	-	-	(5,717)	-	-	-	-	-	(5,717)	-
Finance costs									(16,619)	(7,450)
Share of profits and losses of associates	3,809	2,554	16,992	21,589	-	-	-	-	20,801	24,143
Profit before tax									100,041	7,952
Tax									(3,478)	(2,737)
Profit for the year									96,563	5,215

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 4. SEGMENT INFORMATION (CONTINUED)

#### (a) Business segments (continued)

##### Group

	Film and		Film exhibition		Others		Eliminations		Consolidated	
	video distribution									
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Segment assets	64,723	40,159	426,826	430,700	8,736	7,233	-	-	500,285	478,092
Interests in associates	262	355	169,107	195,547	-	-	-	-	169,369	195,902
Trademarks									79,421	79,421
Unallocated assets									181,338	17,507
Total assets									930,413	770,922
Segment liabilities	23,982	27,107	145,222	150,521	5,327	3,066	-	-	174,531	180,694
Unallocated liabilities									217,867	169,362
Total liabilities									392,398	350,056
Other segment information:										
Depreciation	298	283	40,167	39,153	213	210	-	-	40,678	39,646
Unallocated amounts									1,093	1,238
									41,771	40,884
Amortisation of prepaid land lease payments	-	-	-	-	18	18	-	-	18	18
Amortisation of film rights	11,058	8,577	-	-	-	-	-	-	11,058	8,577
Impairment allowances/(write-back of impairment allowances) for accounts and other receivables, net	(99)	(422)	(2)	8	1,428	(285)	-	-	1,327	(699)
Provision for impairment of club memberships	-	-	-	-	-	270	-	-	-	270
Capital expenditure	429	714	64,399	52,101	102	4	-	-	64,930	52,819
Unallocated amounts									1,086	2,426
									66,016	55,245

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 4. SEGMENT INFORMATION (CONTINUED)

#### (b) Geographical segments

The following table presents revenue and certain assets and expenditure information for the Group's geographical segments.

#### Group

	Hong Kong		Mainland China		Taiwan		Malaysia		Elsewhere in Asia		Others		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:																
Sales to external customers	196,740	177,589	52,847	43,538	213,849	215,795	98,049	74,831	3,035	1,355	1,180	1,089	-	(1,912)	565,700	512,285
Other segment information:																
Segment assets	305,290	122,192	50,058	44,995	194,082	233,615	131,987	94,464	191	249	15	84	-	-	681,623	495,599
Interests in associates															169,369	195,902
Trademarks															79,421	79,421
															930,413	770,922
Capital expenditure	13,070	8,463	6,599	2,919	10,955	14,222	35,392	29,641	-	-	-	-	-	-	66,016	55,245

### 5. REVENUE

Revenue, which is also the Group's turnover, represents proceeds from the sale of film, video and television rights, motion picture distribution and theatre operation, advertising agency fees earned, invoiced value of film developing and printing services rendered, production control fees earned, consultancy fee income, and proceeds from the sale of audio visual products.

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2007 HK\$'000	2006 HK\$'000
Cost of inventories sold	8,003	6,631
Cost of services provided *	238,854	216,825
Amortisation of film rights **	11,058	8,577
Amortisation of prepaid land lease payments	18	18
Auditors' remuneration	2,204	2,131
Depreciation	41,771	40,884
Loss on disposal of items of property, plant and equipment	1,945	346
Operating lease rental payments in respect of land and buildings:		
Minimum lease payments	109,673	107,098
Contingent rents	16,422	14,475
	<b>126,095</b>	121,573
Staff costs, excluding directors' remuneration (see note 33)		
Wages, salaries and staff welfare ***	77,009	69,420
Equity-settled share option expenses	1,141	–
Pension contributions	2,687	2,802
	<b>80,837</b>	72,222
Provision for impairment on club memberships	–	270
Provision/(write-back of provision) for long service payments, net	(95)	432
Write-off of bad debts	–	24
Exchange (gains)/losses, net	1,258	(1,176)
Exchange gains arising from the translation of balances with overseas jointly-controlled entities and associates and other monetary assets and liabilities denominated in foreign currencies as at the balance sheet date	(6,984)	(3,298)
Impairment allowances/(write-back of impairment allowances) for accounts and other receivables, net	1,327	(699)
Interest income on bank deposits	(4,212)	(785)
Interest income on loan to a jointly-controlled entity	(1,233)	–
	<b>(5,445)</b>	(785)
Rental income	(26,879)	(26,166)
Less: outgoings	16,062	14,374
	<b>(10,817)</b>	(11,792)

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 6. PROFIT BEFORE TAX (CONTINUED)

- \* The cost of services provided includes approximately HK\$2,826,000 (2006: HK\$2,853,000) relating to staff costs which is also included in the amount disclosed above.
- \*\* The amortisation of film rights for the year is included in "Cost of sales" on the face of the consolidated income statement.
- \*\*\* Balance includes the amount of "Provision/(write-back of provision) for long service payments, net" which is also included in the amount disclosed above.

### 7. FINANCE COSTS

	2007 HK\$'000	2006 HK\$'000
Interest on bank loans wholly repayable within five years	6,887	6,848
Bank loans arrangement fee	480	47
Interest on convertible notes	7,186	143
Interest on loans from joint venture partners	1,812	–
Interest on accounts payable	145	319
Interest on finance leases	109	93
	<b>16,619</b>	7,450

### 8. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable outside Hong Kong have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on country legislation, interpretations and practices in respect thereof.

	2007 HK\$'000	2006 HK\$'000
Group:		
Hong Kong	312	(62)
Elsewhere	1,237	(1,145)
	<b>1,549</b>	(1,207)
Jointly-controlled entities:		
Charge for the year – elsewhere	3,186	2,545
Deferred – elsewhere	(1,257)	1,399
	<b>1,929</b>	3,944
Total tax charge for the year	<b>3,478</b>	2,737



## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 8. TAX (CONTINUED)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates ranging from 17.5% to 33% for the locations in which the Company, its subsidiaries and jointly-controlled entities are domiciled to the tax expense at the effective tax rates, is as follows:

#### Group

	2007 HK\$'000	2006 HK\$'000
Profit before tax	100,041	7,952
Tax at statutory rates	17,507	1,392
Higher tax rate for specific provinces or local authority	7,043	5,287
Adjustments in respect of current tax of previous periods	326	(3,675)
Profits and losses attributable to associates	(13,922)	(10,067)
Income not subject to tax	(21,320)	(3,685)
Expenses not deductible for tax	3,609	3,971
Temporary differences not recognised	(101)	319
Tax losses not recognised	10,570	10,077
Tax losses from previous years utilised	(234)	(882)
Tax charge at the Group's effective rate	3,478	2,737

The share of tax attributable to associates amounting to HK\$13,922,000 (2006: HK\$10,067,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

### 9. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 30 June 2007 includes a profit of HK\$136,655,000 (2006: loss of HK\$1,275,000) which has been dealt with in the financial statements of the Company (note 30(b)).

### 10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue, as adjusted to the consolidation of shares, during the year.

The comparative basic earnings per share has been adjusted to reflect the consolidation of shares during the year, as further detailed in note 28(b) to the financial statement.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible notes. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

**NOTES TO FINANCIAL STATEMENTS**

30 JUNE 2007

**10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY** *(CONTINUED)*

The calculations of basic and diluted earnings per share of the convertible notes outstanding in current year are based on:

<b>Shares</b>	Number of shares
Issued ordinary shares as at 1 July 2006	133,030,937
Effect of shares repurchased	(1,226,791)
Weighted average number of ordinary shares in issue during the year used in the calculation of the basic earnings per share	131,804,146
Effect of dilution – weighted average number of ordinary shares:	
Convertible notes	47,945,205
	179,749,351
 <b>Earnings</b>	 HK\$'000
Profit for the year attributable to ordinary equity holders of the Company	96,717
Interests on convertible notes	7,186
Profit attributable to ordinary equity holders of the Company before interests on convertible notes	103,903

The convertible note outstanding in prior year had no diluting effect on the basic earnings per share.

The share options had no diluting effect on the basic earnings per share for both the current year and prior year as the exercise price of the Company's outstanding share options was higher than the average market price of the Company's ordinary shares during both years.

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 11. PROPERTY, PLANT AND EQUIPMENT

#### Group

	Buildings	Leasehold improvements	Machinery and equipment	Furniture and fixtures	Motor vehicles	Air- conditioning systems	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation:								
At 1 July 2005	4,556	240,994	74,716	35,278	3,073	535	743	359,895
Additions	-	21,467	18,964	9,469	2,583	-	2,762	55,245
Disposals	-	(904)	(3,409)	(4,434)	(2,712)	-	-	(11,459)
Exchange adjustments	-	(1,120)	1,437	(3,864)	87	-	36	(3,424)
At 30 June 2006 and 1 July 2006	4,556	260,437	91,708	36,449	3,031	535	3,541	400,257
Additions	-	25,262	27,164	4,486	617	-	8,487	66,016
Transfers	-	-	3,026	748	-	-	(3,774)	-
Disposals	-	(10,276)	(4,520)	(2,806)	(380)	-	-	(17,982)
Disposal of interests in a jointly-controlled entity	-	(10,554)	(1,241)	(2,153)	-	-	(23)	(13,971)
Exchange adjustments	-	3,795	2,466	145	29	-	89	6,524
<b>At 30 June 2007</b>	<b>4,556</b>	<b>268,664</b>	<b>118,603</b>	<b>36,869</b>	<b>3,297</b>	<b>535</b>	<b>8,320</b>	<b>440,844</b>
Accumulated depreciation:								
At 1 July 2005	1,966	69,184	37,409	12,441	2,124	535	-	123,659
Provided during the year	182	20,135	9,923	10,055	589	-	-	40,884
Disposals	-	(31)	(3,210)	(4,425)	(2,180)	-	-	(9,846)
Exchange adjustments	-	34	854	(2,209)	82	-	-	(1,239)
At 30 June 2006 and 1 July 2006	2,148	89,322	44,976	15,862	615	535	-	153,458
Provided during the year	182	21,314	12,263	7,413	599	-	-	41,771
Disposals	-	(8,941)	(3,761)	(2,483)	(270)	-	-	(15,455)
Disposal of interests in a jointly-controlled entity	-	(2,062)	(147)	(836)	-	-	-	(3,045)
Exchange adjustments	-	1,371	1,226	45	7	-	-	2,649
<b>At 30 June 2007</b>	<b>2,330</b>	<b>101,004</b>	<b>54,557</b>	<b>20,001</b>	<b>951</b>	<b>535</b>	<b>-</b>	<b>179,378</b>

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### Group

	Buildings	Leasehold improvements	Machinery and equipment	Furniture and fixtures	Motor vehicles	Air- conditioning systems	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net book value:								
<b>At 30 June 2007</b>	<b>2,226</b>	<b>167,660</b>	<b>64,046</b>	<b>16,868</b>	<b>2,346</b>	<b>-</b>	<b>8,320</b>	<b>261,466</b>
At 30 June 2006	2,408	171,115	46,732	20,587	2,416	-	3,541	246,799
Analysis of cost or valuation:								
At 30 June 2007:								
At cost	-	268,664	118,603	36,869	3,297	535	8,320	436,288
At valuation	4,556	-	-	-	-	-	-	4,556
	<b>4,556</b>	<b>268,664</b>	<b>118,603</b>	<b>36,869</b>	<b>3,297</b>	<b>535</b>	<b>8,320</b>	<b>440,844</b>
At 30 June 2006:								
At cost	-	260,437	91,708	36,449	3,031	535	3,541	395,701
At valuation	4,556	-	-	-	-	-	-	4,556
	4,556	260,437	91,708	36,449	3,031	535	3,541	400,257

The buildings are situated in Hong Kong and are held under long term leases.

The net book values of the Group's property, plant and equipment held under finance leases included in the total amount of motor vehicles at 30 June 2007 amounted to HK\$1,458,000 (2006: HK\$1,885,000). As at 30 June 2006, the net book values of the Group's property, plant and equipment held under finance leases also included in the total amount of machinery and equipment amounted to HK\$4,000.

The buildings were revalued on 30 September 1994 by an independent firm of professionally qualified valuers, C.Y. Leung & Company Limited, at HK\$4,556,000 at open market value assuming sale with vacant possession. The surplus arising from the revaluation was credited to the revaluation reserve account. The Group has taken advantage of the transitional provision, as permitted under paragraph 80A of HKAS 16, of not making further regular valuations on its revalued assets.

Had the Group's buildings been carried at cost less accumulated depreciation and any impairment losses, the net book values of the buildings would be zero at 30 June 2007 and 2006.

As at 30 June 2007, certain of the Group's property, plant and equipment which are situated in the Mainland China and a property which is situated in Hong Kong with a net book value of approximately HK\$13,639,000 and HK\$2,226,000, respectively, were pledged as security to banks for a bank loan and an overdraft facility granted to the Group (note 22).

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 12. INTERESTS IN SUBSIDIARIES

	Company	
	2007 HK\$'000	2006 HK\$'000
Unlisted shares, at cost	167,647	167,647
Capital contribution in respect of employee share based compensation	3,566	–
Due from subsidiaries	911,614	864,648
	1,082,827	1,032,295
Provision for impairment	(455,142)	(601,870)
	627,685	430,425

The balances with subsidiaries are unsecured, interest-free and not expected to be repaid within the next twelve months except for HK\$33,000,000 (2006: Nil) due from a subsidiary which is expected to be repaid within the next twelve months and has been included under current assets. The carrying amounts of these amounts due from subsidiaries approximate their fair values.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation and principal operations	Issued and fully paid share/registered capital	Percentage of equity attributable to the Company	Principal activities
Cine Art Laboratory Limited	Hong Kong	Ordinary HK\$2,500 Deferred* HK\$997,500	100	Film developing and printing
City Entertainment Corporation Limited ("CECL")	Hong Kong	Ordinary HK\$150,000,000**	100	Theatre operation
Gala Film Distribution Limited	Hong Kong	Ordinary HK\$49,990,000 Deferred* HK\$10,000	100	Distribution of motion pictures
Global Entertainment and Management Systems Sdn. Bhd.	Malaysia	Ordinary RM300,000	100	Investment holding
GH Global Distribution Limited #	British Virgin Islands	Ordinary US\$1	100	Distribution of motion pictures
GH Pictures (China) Limited ## ("GHPC")	Cayman Islands	Ordinary US\$354,545	100	Holding of film rights

**NOTES TO FINANCIAL STATEMENTS**

30 JUNE 2007

**12. INTERESTS IN SUBSIDIARIES** (CONTINUED)

<b>Name</b>	<b>Place of incorporation and principal operations</b>	<b>Issued and fully paid share/registered capital</b>	<b>Percentage of equity attributable to the Company</b>	<b>Principal activities</b>
Golden Harvest Cinemas Holding Limited	British Virgin Islands	Ordinary US\$1	100	Investment holding
Golden Harvest China Entertainment Properties Company Limited (formerly known as "Real Merry Limited")	Hong Kong	Ordinary HK\$16,831,002	100	Theatre operation
Golden Harvest Entertainment Company Limited	Hong Kong	Ordinary HK\$100 Deferred* HK\$114,000,000	100	Investment holding
Golden Harvest Entertainment International Limited	British Virgin Islands	Ordinary US\$1,000	100	Investment holding
Golden Harvest Films Distribution Holding Limited	British Virgin Islands	Ordinary US\$1	100	Investment holding
Golden Harvest (Marks) Limited	British Virgin Islands	Ordinary US\$1	100	Holding of trademarks
Golden Harvest (Shenzhen) Cinemas Company Limited ***	PRC/ Mainland China	Registered RMB10,000,000	100	Theatre operation
Golden Harvest Treasury Limited #	British Virgin Islands	Ordinary US\$1	100	Provision of finance to group companies
Golden Screen Limited	Hong Kong	Ordinary HK\$8,750,000	100	Investment holding
Golden Sky Pacific Limited	Hong Kong	Ordinary HK\$2	100	Investment holding
M Cinemas Company Limited (formerly known as "Conneway Films Company Limited")	Hong Kong	Ordinary HK\$31,610,000	100	Theatre operation

**NOTES TO FINANCIAL STATEMENTS**

30 JUNE 2007

**12. INTERESTS IN SUBSIDIARIES** (CONTINUED)

<b>Name</b>	<b>Place of incorporation and principal operations</b>	<b>Issued and fully paid share/registered capital</b>	<b>Percentage of equity attributable to the Company</b>	<b>Principal activities</b>
Panasia Films Limited	Hong Kong	Ordinary HK\$2,600,000	100	Distribution of motion pictures and its related audio visual products and acting as an advertising agent
Shanghai Golden Harvest Media Management Company Limited ****	PRC/ Mainland China	Registered US\$500,000	90	Distribution of motion pictures
Splendid Ventures Limited	Hong Kong	Ordinary HK\$2	100	Theatre operation

Except for Golden Harvest Entertainment International Limited, all of the above subsidiaries are indirectly held by the Company.

\* For Golden Harvest Entertainment Company Limited, the deferred shares carry no rights to dividends and carry the right to receive one half of the surplus on a return of capital exceeding HK\$1,000,000,000,000,000. Apart from the above, all other deferred shares carry rights to dividends for any given financial year of the respective companies when the net profit available for distribution exceeds HK\$1,000,000,000. They also carry rights to receive one half of the surplus on a return of capital of the respective companies exceeding HK\$500,000,000,000. None of the deferred shares carry any rights to vote at general meetings.

\*\* On 14 February 2007, the authorised share capital of CECL was increased from HK\$10,000 to HK\$200,000,000 by the creation of additional 199,990,000 shares of HK\$1 each, ranking pari passu in all respects with the existing shares of CECL. On the same date, 149,999,998 ordinary shares of HK\$1 each were issued at par. Thereafter, the issued ordinary share capital of CECL was increased from HK\$2 to HK\$150,000,000.

\*\*\* Golden Harvest (Shenzhen) Cinemas Company Limited is a wholly-foreign owned enterprise under the PRC Law.

\*\*\*\* Shanghai Golden Harvest Media Management Company Limited is a Sino-foreign equity joint venture enterprise under the PRC Law.

# Newly incorporated during the year.

## During the year, the Group acquired the entire equity interests of GHPC. Further details of this acquisition are included in note 31(a) to the financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, 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.

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 13. INTERESTS IN ASSOCIATES

	Group	
	2007 HK\$'000	2006 HK\$'000
Share of net assets other than goodwill	<b>72,733</b>	102,666
Due from associates	<b>98,900</b>	95,551
Due to associates	<b>(851)</b>	(902)
	<b>170,782</b>	197,315
Provision for impairment	<b>(1,413)</b>	(1,413)
	<b>169,369</b>	195,902

The balances with associates are unsecured, interest-free and not expected to be repaid within the next twelve months except for HK\$236,000 (2006: HK\$1,113,000) due to an associate which is expected to be repaid within the next twelve months and has been included under current liabilities.

The following table illustrates the summarised financial information of the Group's associates, extracted from their financial statements:

	2007 HK\$'000	2006 HK\$'000
Total assets	<b>495,910</b>	658,901
Total liabilities	<b>326,426</b>	405,956
Revenue	<b>492,129</b>	677,311
Profit after tax	<b>25,869</b>	50,104



**NOTES TO FINANCIAL STATEMENTS**

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**13. INTERESTS IN ASSOCIATES** *(CONTINUED)*

Particulars of the principal associates are as follows:

<b>Name</b>	<b>Particulars of issued shares held</b>	<b>Place of incorporation and principal operations</b>	<b>Percentage of paid-up share capital held by the Group</b>	<b>Principal activities</b>
Dartina Development Limited	Ordinary shares of HK\$1 each	Hong Kong	50	Investment holding
Golden Access Pte Ltd #	Ordinary shares of S\$1 each	Singapore	50	Computer programming
Golden Village Entertainment (Singapore) Pte Ltd	Ordinary shares of S\$1 each	Singapore	50	Investment holding
Golden Village Pictures Pte Ltd	Ordinary shares of S\$1 each	Singapore	50	Distribution of motion pictures
Golden Village Holdings Pte Ltd	Ordinary shares of S\$1 each	Singapore	50	Investment holding
Golden Village Multiplex Pte Ltd	Ordinary shares of S\$1 each	Singapore	50	Theatre operation

# Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

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

On 28 February 2007, the Group completed the disposal of its entire equity interests in Golden Screen Cinemas Sdn. ("GSC"). The net proceeds of the disposal amounted to HK\$195,237,000 and the Group's share of the interests in GSC amounted to HK\$79,267,000 as at 28 February 2007, including the Group's share of results, net of tax, of GSC of HK\$8,152,000 in current year. The gain on disposal amounted to HK\$115,970,000 and was credited to the consolidated income statement in the current year.

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 14. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

At the balance sheet date, the balances with the jointly-controlled entities are unsecured and are detailed as follows:

	Group	
	2007 HK\$'000	2006 HK\$'000
Current:		
Interest-free	–	14,400
Interest at 2.5% to 3.5% per annum	<b>14,787</b>	–
	<b>14,787</b>	14,400
Non-current:		
Interest-free	<b>12,189</b>	42,775
Interest at 2.5% to 3.5% per annum	<b>13,880</b>	–
	<b>26,069</b>	42,775
	<b>40,856</b>	57,175

The carrying amounts of balances with jointly-controlled entities approximate their fair values.

Particulars of the jointly-controlled entities are as follows:

Name	Particulars of issued shares held	Place of incorporation and principal operations	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
TGV Cinemas Sdn. Bhd. ("TGV")	Registered capital of RM1 each	Malaysia	50	50	50	Theatre operation
Vie Show Cinemas Co., Ltd. ("Vie Show")*	Registered capital of NTD 10 each	Taiwan	35.71	35.71	35.71	Theatre operation and leisure operation

All of the above investments in jointly-controlled entities are indirectly held by the Company and not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

\* On 12 June 2007, the Group disposed 4.29% equity interests in Vie Show to one of the shareholders of Vie Show. The net proceeds of the disposal amounted to HK\$10,538,000 and the carrying value of the 4.29% interests in Vie Show amounted to HK\$16,255,000. The loss on disposal amounted to HK\$5,717,000 and was charged to the consolidated income statement in the current year (note 31(b)).

**NOTES TO FINANCIAL STATEMENTS**

30 JUNE 2007

**14. INTERESTS IN JOINTLY-CONTROLLED ENTITIES** (CONTINUED)

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

Share of the jointly-controlled entities' assets and liabilities:

	<b>Group</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Current assets	<b>53,646</b>	45,934
Non-current assets	<b>233,114</b>	223,610
Current liabilities	<b>(64,922)</b>	(63,851)
Non-current liabilities	<b>(108,684)</b>	(109,168)
Net assets	<b>113,154</b>	96,525

	<b>Group</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Share of the jointly-controlled entities' results:		
Turnover	<b>298,497</b>	286,236
Other revenue	<b>21,324</b>	21,348
Total revenue	<b>319,821</b>	307,584
Total expenses	<b>(293,648)</b>	(280,872)
Tax	<b>(1,929)</b>	(3,944)
Profit after tax	<b>24,244</b>	22,768

**15. PREPAID LAND LEASE PAYMENTS**

	<b>Group</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Carrying amount at 1 July	<b>741</b>	759
Amortised during the year	<b>(18)</b>	(18)
Carrying amount at 30 June	<b>723</b>	741

The Group's leasehold land included above is held under a long term lease and is situated in Hong Kong.

As at 30 June 2007, the prepaid land lease payments was pledged as security to a bank for an overdraft facility granted to the Group (note 22).

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 16. TRADEMARKS

The trademarks represent the perpetual licence for the use of the brand name "Golden Harvest" which takes the form of sign, symbol, name, logo, design or any combination thereof.

The trademarks with indefinite life are stated at cost less any impairment.

The directors are of the opinion that the Group's trademarks have indefinite useful life due to the following reasons:

- (i) the trademarks, which were acquired by the Group in 2001, have been in use for a considerable number of years and will continue to be used for the long term; and
- (ii) the Group has incurred and intends to continue to incur significant advertising and promotion expenses, which are charged to income statement when incurred, to maintain and increase the market value of its trademarks.

Vigers Appraisal & Consulting Ltd. ("Vigers Appraisal"), a firm of independent professionally qualified valuers, has confirmed, in their valuation of the Group's trademarks, that the market value of the trademarks exceeded the carrying value as at 30 June 2007. Accordingly, the directors consider that no impairment provision is necessary at the balance sheet date.

### 17. INVENTORIES

	<b>Group</b>	
	<b>2007</b> <b>HK\$'000</b>	2006 HK\$'000
Raw materials	<b>334</b>	403
Chemicals	<b>58</b>	52
Machinery parts	<b>123</b>	142
Audio visual products	<b>193</b>	129
	<b>708</b>	726

### 18. FILM RIGHTS

As at 30 June 2007, there was no impairment loss (2006: Nil) on film rights charged to the consolidated income statement for the year.

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 19. ACCOUNTS RECEIVABLE

The Group usually grants credit periods ranging from one to three months. Each customer has a credit limit and overdue balances are regularly reviewed by management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, the concentration of credit risk is not considered significant. Accounts receivable are non-interest-bearing. The carrying amounts of the accounts receivable approximate their fair values. An aged analysis of the accounts receivable, net of impairment allowances at 30 June, is as follows:

	Group	
	2007 HK\$'000	2006 HK\$'000
Current to 3 months	12,325	10,188
4 to 6 months	1,125	1,752
7 to 12 months	–	65
	<b>13,450</b>	12,005

The accounts receivable of the Group included HK\$68,000 due from a Golden Harvest Private Group company as at 30 June 2007 (2006: Nil). The balance with the Golden Harvest Private Group company was unsecured, repayable in accordance with normal trading terms and interest-free.

The Golden Harvest Private Group represents the private companies in the Golden Harvest Group, a group of companies controlled by Raymond Chow Ting Hsing, a director of the Company, which were not included in the Group reorganisation in November 1994.

### 20. CASH AND CASH EQUIVALENTS AND PLEDGED BANK BALANCES

	Group		Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Cash and bank balances	44,547	36,361	319	22
Time deposits	178,805	21,850	–	–
	<b>223,352</b>	58,211	<b>319</b>	22
Less: Pledged bank balances and time deposits				
Pledged for bank loans	(2,141)	(1,972)	–	–
Pledged as guarantees to landlords	(2,049)	(1,870)	–	–
Cash and cash equivalents	<b>219,162</b>	54,369	<b>319</b>	22

Cash at bank earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and five months depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate their fair values.

**NOTES TO FINANCIAL STATEMENTS**

30 JUNE 2007

**21. ACCOUNTS PAYABLE**

An aged analysis of the accounts payable at 30 June is as follows:

	<b>Group</b>	
	<b>2007</b> <b>HK\$'000</b>	2006 HK\$'000
Current to 3 months	<b>42,534</b>	42,027
4 to 6 months	<b>500</b>	6,163
7 to 12 months	<b>109</b>	1,226
Over 1 year	<b>3,803</b>	12,612
	<b>46,946</b>	62,028

The accounts payable of the Group included nil balance due to Golden Harvest Private Group companies as at 30 June 2007 (2006: HK\$207,000). The balance with the Golden Harvest Private Group companies were unsecured, interest-free and repayable in accordance with normal trading terms. The carrying amounts of the accounts payable approximate their fair values.

The accounts payable of the Group at 30 June 2006 also included amounts due to GHPC, Best Creation International Limited and Harvest Crown Limited of HK\$8,979,000, HK\$45,000 and HK\$698,000, respectively. The amounts were unsecured and had no fixed repayment terms. Except for an amount of HK\$8,979,000 due to GHPC which bore interest at Hong Kong dollars short term time deposits rate plus 1% per annum, the other balances were interest-free and had no fixed repayment terms. GHPC was acquired by the Group during the year (note 31(a)). Raymond Chow Ting Hsing, Phoon Chiong Kit and David Chan Sik Hong, who are directors of the Company, and a relative of Raymond Chow Ting Hsing are also directors and/or beneficial shareholders of certain of these related companies.

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 22. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	Group		Company	
			2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
<b>Current</b>						
Bank loans – unsecured	4	June 2008	<b>4,049</b>	2,328	–	–
Bank loans – secured	9	June 2008	<b>21,262</b>	34,873	–	–
Total current portion of bank loans			<b>25,311</b>	37,201	–	–
Finance lease payables ( <i>note 23</i> )	8	June 2008	<b>353</b>	328	–	–
Convertible notes ( <i>note 26</i> )	7	May 2008	<b>21,761</b>	143	<b>21,761</b>	143
			<b>47,425</b>	37,672	<b>21,761</b>	143
<b>Non-current</b>						
Bank loans – unsecured	4	2008-2012	<b>28,354</b>	13,259	–	–
Bank loans – secured	9	2008-2010	<b>20,332</b>	43,828	–	–
Total non-current portion of bank loans			<b>48,686</b>	57,087	–	–
Finance lease payables ( <i>note 23</i> )	8	2008-2010	<b>799</b>	1,152	–	–
Convertible notes ( <i>note 26</i> )	7	2008	<b>100,590</b>	19,618	<b>100,590</b>	19,618
			<b>150,075</b>	77,857	<b>100,590</b>	19,618
			<b>197,500</b>	115,529	<b>122,351</b>	19,761

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 22. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	Group		Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Analysed into:				
Bank loans repayable:				
Within one year	25,311	37,201	–	–
In the second year	20,770	22,428	–	–
In the third to fifth years, inclusive	27,090	34,659	–	–
Beyond five years	826	–	–	–
	<b>73,997</b>	94,288	–	–
Convertible notes and other borrowings repayable:				
Within one year	22,114	471	21,761	143
In the second year	100,973	19,971	100,590	19,618
In the third to fifth years, inclusive	416	799	–	–
	<b>123,503</b>	21,241	<b>122,351</b>	19,761
	<b>197,500</b>	115,529	<b>122,351</b>	19,761

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at 30 June 2007				
	HK Dollars HK\$'000	US Dollars HK\$'000	Chinese Renminbi HK\$'000	Malaysian Ringgit HK\$'000	Total HK\$'000
Bank loans	4,750	32,844	4,000	32,403	73,997
Convertible notes and other borrowings	123,503	–	–	–	123,503
	<b>128,253</b>	<b>32,844</b>	<b>4,000</b>	<b>32,403</b>	<b>197,500</b>

	As at 30 June 2006				
	HK Dollars HK\$'000	US Dollars HK\$'000	Chinese Renminbi HK\$'000	Malaysian Ringgit HK\$'000	Total HK\$'000
Bank loans	7,000	64,021	7,680	15,587	94,288
Convertible notes and other borrowings	21,241	–	–	–	21,241
	28,241	64,021	7,680	15,587	115,529



## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 22. INTEREST-BEARING BANK AND OTHER BORROWINGS *(CONTINUED)*

Except for the finance lease payables and the convertible notes with carrying amounts totaling HK\$123,503,000 (2006: HK\$21,241,000), all other borrowings of the Group bear interest at floating interest rates.

The carrying amounts of the Group's interest-bearing bank and other borrowings approximate their fair values. The fair values of the liability portion of the convertible notes are estimated using the Group's prevailing borrowing rate.

The Group's overdraft facility amounting to HK\$3,000,000 (2006: HK\$2,250,000) which has not been utilised at the balance sheet date, is secured by the leasehold property and the prepaid land lease payments of the Group (notes 11 and 15).

The Group's bank loans as at 30 June 2007 were secured by:

- (i) the assets of a wholly-owned subsidiary;
- (ii) its 35.71% equity interest in a jointly-controlled entity;
- (iii) the property, plant and equipment of a subsidiary (note 11); and
- (iv) pledged bank balances (note 20).

### 23. FINANCE LEASE PAYABLES

At 30 June 2007, the total future minimum lease payments under finance leases and their present values were as follows:

Group	Minimum lease payments 2007 HK\$'000	Minimum lease payments 2006 HK\$'000	Present value of minimum lease payments 2007 HK\$'000	Present value of minimum lease payments 2006 HK\$'000
Amounts payable:				
Within one year	434	437	353	328
In the second year	434	434	383	353
In the third to fifth years, inclusive	435	869	416	799
Total minimum finance lease payments	<b>1,303</b>	1,740	<b>1,152</b>	1,480
Future finance charges	<b>(151)</b>	(260)		
Total net finance lease payables	<b>1,152</b>	1,480		
Portion classified as current liabilities	<b>(353)</b>	(328)		
Non-current portion	<b>799</b>	1,152		

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 24. LOANS FROM JOINT VENTURE PARTNERS

At the balance sheet date, the loans from joint venture partners are unsecured and are detailed as follows:

	Group	
	2007 HK\$'000	2006 HK\$'000
Current:		
Interest-free	–	14,400
Interest at 2.5% to 3.5% per annum	<b>14,787</b>	–
	<b>14,787</b>	14,400
Non-current:		
Interest-free	<b>12,189</b>	42,775
Interest at 2.5% to 3.5% per annum	<b>13,880</b>	–
	<b>26,069</b>	42,775
	<b>40,856</b>	57,175

The carrying amounts of the loans from joint venture partners approximate their fair values.

### 25. PROVISIONS

Group	Long service payments HK\$'000	Other employee benefits HK\$'000	Total HK\$'000
At beginning of year	4,102	1,943	6,045
Additional provision/(write back)	(95)	136	41
Acquisition of subsidiaries	272	–	272
Paid in current year	(22)	–	(22)
At 30 June 2007	4,257	2,079	6,336
Portion classified as current liabilities	–	(2,079)	(2,079)
Non-current portion	4,257	–	4,257

Under the relevant labour laws and regulations governing retirement payments, the Company's directors have estimated and provided for the amount of provisions for long service payments. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

The Group provides for unused holiday leave carried forward by the Group's employees. The provision is based on the best estimate of the probable future costs of such paid leave earned during the year by the employees and carried forward at the balance sheet date.

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 26. CONVERTIBLE NOTES

On 23 May 2006, the Company issued 4% convertible note with a principal amount of HK\$20,000,000. The note is convertible at the option of the note holder into ordinary shares on or before 15 May 2008 at a price of HK\$2.2 per share (adjusted after consolidation of shares (note 28)). There was no conversion up to the balance sheet date. If the conversion right is not exercised by the note holder, the convertible note not converted will be redeemed on 22 May 2008 at 104% of the principal amount of the notes. The note carries interest at a rate of 4% per annum, which is payable half-yearly in arrears on 22 May and 22 November.

On 22 August 2006, the Company issued 4% convertible notes with principal amount totaling HK\$100,000,000 (the "Notes") to Quick Target Limited, Pleasant Villa Investments Limited ("Pleasant Villa"), Garex Resources Limited ("Garex Resources") and Typhoon Music (PRC) Limited ("Typhoon") in the amount of HK\$50,000,000, HK\$20,000,000, HK\$20,000,000 and HK\$10,000,000, respectively. The notes are convertible at the option of the note holders into ordinary shares on or before 14 August 2008 at a price of HK\$2.2 per share (adjusted after consolidation of shares (note 28)). There was no conversion up to the balance sheet date. If the conversion rights are not exercised by the note holders, the convertible notes not converted will be redeemed on 21 August 2008 at 104% of the principal amount of the notes. The notes carry interest at a rate of 4% per annum, which are payable half-yearly in arrears on 21 February and 21 August.

Pleasant Villa is wholly-owned by Raymond Chow Ting Hsing, a director and a substantial shareholder of the Company; Garex Resources is ultimately owned by Li Ka-shing, a substantial shareholder of the Company while Typhoon is a substantial shareholder of the Company. As three of the subscribers, Pleasant Villa, Garex Resources and Typhoon are connected persons of the Company, the transaction constitutes a connected transaction as defined in the Listing Rules. Further details of the issue of the Notes are set out in the circular of the Company dated 31 July 2006.

The fair values of the liability portion of the convertible notes were estimated at the issuance date using the Group's prevailing borrowing rate and an equivalent market interest rate for a similar note without a conversion option, and has been ascertained by Vigers Appraisal. The residual amount were assigned as the equity component and included in shareholders' equity.

**NOTES TO FINANCIAL STATEMENTS**

30 JUNE 2007

**26. CONVERTIBLE NOTES** (CONTINUED)

The net proceeds received from the issue of the convertible notes have been split between the liability and equity components, as follows:

**Group and Company**

	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Liability component at beginning of year	<b>19,761</b>	–
Nominal value of convertible notes issued during the year	<b>100,000</b>	20,000
Issuing costs	<b>(1,000)</b>	(287)
Equity component	<b>(785)</b>	(95)
Liability component at date of issue	<b>98,215</b>	19,618
Interest expenses	<b>7,186</b>	143
Interest paid	<b>(2,811)</b>	–
Interest payable <sup>#</sup>	<b>4,375</b>	143
Liability component at 30 June	<b>122,351</b>	19,761
Analysed for reporting purpose as:		
Current liability – Accrued liabilities and other payables	<b>1,499</b>	143
Current liability – Convertible notes	<b>20,262</b>	–
	<b>21,761</b>	143
Non-current liability – Convertible notes	<b>100,590</b>	19,618
	<b>122,351</b>	19,761

<sup>#</sup> Interests payable as at the balance sheet date are included in current liabilities under the heading of “Accrued liabilities and other payables” on the face of the balance sheets of the Company and of the Group.

**NOTES TO FINANCIAL STATEMENTS**

30 JUNE 2007

**27. DEFERRED TAX**

The movements in deferred tax (assets)/liabilities during the year are as follows:

**Deferred tax liabilities**

	<b>Depreciation allowance in excess of related depreciation</b> HK\$'000	<b>Revaluation of leasehold buildings</b> HK\$'000	<b>Total</b> HK\$'000
At 1 July 2005	5,153	432	5,585
Deferred tax charged to the income statement	1,399	–	1,399
Deferred tax credited to equity during the year	–	(30)	(30)
Exchange adjustment	320	–	320
At 30 June 2006 and at 1 July 2006	6,872	402	7,274
Deferred tax charged to the income statement	427	–	427
Deferred tax credited to equity during the year	–	(31)	(31)
Exchange adjustments	329	–	329
<b>At 30 June 2007</b>	<b>7,628</b>	<b>371</b>	<b>7,999</b>

**Deferred tax assets**

	<b>Depreciation allowance in excess of related depreciation</b> HK\$'000	<b>Losses available for offset against future taxable profit</b> HK\$'000	<b>Others</b> HK\$'000	<b>Total</b> HK\$'000
At 1 July 2005, 30 June 2006 and 1 July 2006	–	–	–	–
Deferred tax charged/(credited) to the income statement	2,077	(4,045)	284	(1,684)
Disposal of interests in a jointly-controlled entity	(222)	433	(30)	181
<b>At 30 June 2007</b>	<b>1,855</b>	<b>(3,612)</b>	<b>254</b>	<b>(1,503)</b>

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 27. DEFERRED TAX *(CONTINUED)*

The Group has tax losses arising in, and outside Hong Kong of approximately HK\$445,826,000 and HK\$54,697,000 (2006: HK\$399,260,000 and HK\$58,195,000), respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose, except for the balances of approximately HK\$8,769,000 and HK\$22,939,000 (2006: HK\$10,717,000 and HK\$30,706,000) which can be only carried forward for five years under the relevant legislation, interpretations and practices in the PRC and Taiwan, respectively. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 30 June 2007, there was no significant unrecognised deferred tax liability (2006: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, jointly-controlled entities or associates as the Group has no significant liability to additional tax should such amounts be remitted.

There is no income tax consequence attaching to the payment of dividends by the Company to its shareholders.

### 28. SHARE CAPITAL

	Notes	Company	
		2007 HK\$'000	2006 HK\$'000
<i>Authorised:</i>			
600,000,000 (2006: 2,000,000,000) ordinary shares of HK\$1.00 (2006: HK\$0.10) each	(a)	600,000	200,000
<i>Issued and fully paid:</i>			
128,356,537 (2006: 1,330,309,375) ordinary shares of HK\$1.00 (2006: HK\$0.10) each	(b)	128,357	133,031

A summary of the transactions during the current and prior years with reference to the movements in the Company's issued ordinary share capital is as follows:

	Notes	Number of shares in issue	Issued share capital HK\$'000
At 1 July 2005 and 30 June 2006		1,330,309,375	133,031
Repurchase of shares	(c)	(34,000,000)	(3,400)
		1,296,309,375	129,631
Consolidation of shares	(b)	(1,166,678,438)	–
Repurchase of shares	(c)	(1,274,400)	(1,274)
<b>At 30 June 2007</b>		<b>128,356,537</b>	<b>128,357</b>

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 28. SHARE CAPITAL (CONTINUED)

Notes:

- (a) Pursuant to an ordinary resolution passed on 30 November 2006, the authorised share capital of the Company was increased from HK\$200,000,000 to HK\$600,000,000 by the creation of 4,000,000,000 additional ordinary shares of HK\$0.10 each, ranking *pari passu* in all respects with the existing share capital of the Company.
- (b) Pursuant to an ordinary resolution passed on 9 May 2007, the issued and unissued ordinary shares of HK\$0.10 each of the Company were consolidated on the basis of every ten shares into one share of HK\$1.00 each. The Company's authorised share capital of HK\$600,000,000 divided into 6,000,000,000 ordinary shares of HK\$0.10 each was consolidated into 600,000,000 ordinary shares of HK\$1.00 each. On the same day, the Company's issued and fully paid share capital of HK\$129,630,938 divided into 1,296,309,375 ordinary shares of HK\$0.10 each was consolidated into 129,630,937 ordinary share of HK\$1.00 each.

The details of the effect of the consolidation of shares on the outstanding number and the exercise price of share options and the conversion price of convertible notes are set out in notes 29 and 26, respectively.

- (c) During the year, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited at a price of HK\$1.7 to HK\$3.6 per share (adjusted after the consolidation of shares) for a total consideration before expenses of HK\$13,978,000. Details of the repurchases are disclosed in the Report of the Directors under the heading of "Purchase, sale and redemption of listed securities" of this annual report.

The repurchased shares were cancelled and an amount equivalent to the nominal value of these shares of HK\$4,674,000 was transferred from the share premium account to the capital redemption reserve. The premium of HK\$9,304,000 paid on the repurchased shares and share repurchase expenses of HK\$170,000 were charged against the share premium account.

### 29. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, and other employees of the Group, shareholders of the Company, suppliers of goods or services to the Group and customers of the Group. The Scheme became effective on 30 November 2001 and, unless otherwise cancelled or amended, will remain in force for a period of 10 years from that date.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their associates, are subject to approval in advance by the independent non-executive directors (excluding independent non-executive director who is the grantee of the option). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5,000,000, within any 12-month period up to and including the date of the grant, are subject to the shareholders' approval in advance in a general meeting.

The offer of a grant of share options must be accepted within 30 days inclusive of, and from the day of the offer, upon payment of a nominal consideration of HK\$1 by the grantee. The exercise period of the share options granted is determinable by the directors, which may not exceed 10 years commencing on such date on or after the date of grant as the directors of the Company may determine in granting the share options and ending on such date as the directors of the Company may determine in granting the share options (which in any event must be prior to the close of business on 30 October 2011). Save as determined by the directors of the Company and provided in the offer of the grant of the relevant share option, there is no general requirement that a share option must be held for any minimum period before it can be exercised.

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 29. SHARE OPTION SCHEME (CONTINUED)

The exercise price of the share options is determinable by the directors, provided always that it shall be at least the higher of (i) the closing price of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of offer of grant of the share options; and (ii) the average Stock Exchange's closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

The maximum number of shares of the Company issuable upon exercise of all share options granted and to be granted under the Scheme and any other share option schemes of the Company (if any) is an amount equivalent to 10% of the shares of the Company in issue as at 28 November 2001. This limit can be refreshed by the shareholders of the Company in a general meeting in accordance with the provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The maximum number of shares issuable under share options granted to each eligible participant under the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to the shareholders' approval in a general meeting.

As at 30 June 2007, the aggregate number of the shares of the Company issuable under share options granted under the Scheme and an earlier share option scheme of the Company (the "Terminated Scheme", which had been terminated on 28 November 2001) was 8,345,000, of which 7,770,000 shares of the Company remain issuable under share options granted under the Scheme (which represented approximately 6.05% of the Company's shares in issue as at 30 June 2007), and 575,000 shares of the Company remain issuable under share options granted under the Terminated Scheme (which represented approximately 0.45 % of the Company's shares in issue as at 30 June 2007).

Share options do not confer rights on the holders to dividends or to vote at the shareholders' meetings.

#### Share options granted and lapsed during the year

During the year, before consolidation of shares of the Company as mentioned below, a total of 38,800,000 share options were granted to the directors of the Company and other employees of the Group at exercise prices ranging from HK\$0.393 to HK\$0.475 while 625,000 share options lapsed.

#### Adjustments to share options and exercise prices

Pursuant to an ordinary resolution passed on 9 May 2007, the issued and unissued share capital of HK\$0.10 each of the Company were consolidated on the basis of every ten shares into one consolidated share of HK\$1.00 (the "Share Consolidation"). As a result of the Share Consolidation, the number of shares issuable under the share options granted under the Scheme and the Terminated Scheme prior to the Share Consolidation and for the time being outstanding and the exercise prices thereunder were adjusted as stated in the table below.



## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 29. SHARE OPTION SCHEME (CONTINUED)

In this financial year, no share options were exercised and cancelled under the Scheme. The movements of share options during the year and the outstanding share options held by directors of the Company and other employees of the Group as at 30 June 2007 are shown in the following table:

Name or category of participant	Date of grant of share option	Pre-adjusted exercise price HK\$	Post-adjusted exercise price HK\$	Exercise period	Number of share options outstanding as at 1 July 2006	Granted during the year	Lapsed during the year	Adjustment to share options due to Share Consolidation	Number of share options outstanding as at 30 June 2007
<b>Director</b>									
Phoon Chiong Kit	25/07/2000	0.624	6.24	25/07/2000 to 24/07/2010 <i>Note (a)</i>	5,750,000	–	–	(5,175,000)	575,000
	31/10/2001	0.496	4.96	30/11/2001 to 30/10/2011 <i>Note (b)</i>	12,500,000	–	–	(11,250,000)	1,250,000
	09/12/2004	0.208	2.08	10/01/2005 to 30/10/2011 <i>Note (c)</i>	6,250,000	–	–	(5,625,000)	625,000
		0.256	2.56		6,250,000	–	–	(5,625,000)	625,000
		0.304	3.04		6,250,000	–	–	(5,625,000)	625,000
	12/04/2007	0.393	3.93	01/07/2007 to 30/10/2011	–	6,500,000	–	(5,850,000)	650,000
		0.432	4.32		–	6,500,000	–	(5,850,000)	650,000
		0.475	4.75		–	6,500,000	–	(5,850,000)	650,000
		<i>Note (d)</i>							
David Chan Sik Hong	31/10/2001	0.496	4.96	30/11/2001 to 30/10/2011 <i>Note (b)</i>	6,250,000	–	–	(5,625,000)	625,000
Roberta Chin Chow Chung Hang	12/04/2007	0.393	3.93	01/07/2007 to 30/10/2011 <i>Note (d)</i>	–	1,000,000	–	(900,000)	100,000
Lau Pak Keung (also alternate to Phoon Chiong Kit)	12/04/2007	0.393	3.93	01/07/2007 to 30/10/2011 <i>Note (d)</i>	–	2,000,000	–	(1,800,000)	200,000

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

## 29. SHARE OPTION SCHEME (CONTINUED)

Name or category of participant	Date of grant of share option	Pre-adjusted exercise price HK\$	Post-adjusted exercise price HK\$	Exercise period	Number of share options outstanding as at 1 July 2006	Granted during the year	Lapsed during the year	Adjustment to share options due to Share Consolidation	Number of share options outstanding as at 30 June 2007
<b>Director (continued)</b>									
Eric Norman Kronfeld	31/03/2005	0.260	2.60	31/03/2005 to 30/10/2011	350,000	–	–	(315,000)	35,000
	12/04/2007	0.393 <i>Note (d)</i>	3.93	01/07/2007 to 30/10/2011	–	1,500,000	–	(1,350,000)	150,000
Paul Ma Kah Woh	31/03/2005	0.260	2.60	31/03/2005 to 30/10/2011	350,000	–	–	(315,000)	35,000
	12/04/2007	0.393 <i>Note (d)</i>	3.93	01/07/2007 to 30/10/2011	–	2,000,000	–	(1,800,000)	200,000
Frank Lin	31/03/2005	0.260	2.60	31/03/2005 to 30/10/2011	350,000	–	–	(315,000)	35,000
	12/04/2007	0.393 <i>Note (d)</i>	3.93	01/07/2007 to 30/10/2011	–	1,000,000	–	(900,000)	100,000
George Huang Shao-Hua	12/04/2007	0.393 <i>Note (d)</i>	3.93	01/07/2007 to 30/10/2011	–	1,000,000	–	(900,000)	100,000
Prince Chatrichalerm Yukol	31/03/2005	0.260	2.60	31/03/2005 to 30/10/2011	350,000	–	–	(315,000)	35,000
	12/04/2007	0.393 <i>Note (d)</i>	3.93	01/07/2007 to 30/10/2011	–	1,000,000	–	(900,000)	100,000
<b>Other participant</b>									
In aggregate	31/10/2001	0.496	n/a	30/11/2001 to 30/10/2011 <i>Note (b)</i>	625,000	–	(625,000) <i>Note (e)</i>	–	–
	12/04/2007	0.393 <i>Note (d)</i>	3.93	01/07/2007 to 30/10/2011	–	9,800,000	–	(8,820,000)	980,000
					45,275,000	38,800,000	(625,000)	(75,105,000)	8,345,000

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 29. SHARE OPTION SCHEME (CONTINUED)

Notes:

- (a) 50%, 25% and 25% of the share options granted are exercisable during the periods from 25 July 2000 to 24 July 2010, 25 July 2001 to 24 July 2010 and 25 July 2002 to 24 July 2010, respectively.
- (b) 30%, 30% and 40% of the share options granted are exercisable during the periods from 30 November 2001 to 30 October 2011, 1 August 2002 to 30 October 2011 and 1 August 2003 to 30 October 2011, respectively.
- (c) 33.33%, 33.33% and 33.34% of the share options granted are exercisable during the periods from 10 January 2005 to 30 October 2011, 10 January 2006 to 30 October 2011 and 10 January 2007 to 30 October 2011, respectively.
- (d) The minimum pre-adjusted exercise price of HK\$0.393 per share was higher than the closing price of HK\$0.330 per share on 12 April 2007 and was also higher than the average closing price of HK\$0.358 per share based on the closing prices as stated in the daily quotations sheets issued by the Stock Exchange for five days immediately preceding 12 April 2007, as calculated in accordance with the Listing Rule.
- (e) The share options lapsed six months after a participant's death pursuant to the provisions of the Scheme.

Apart from the above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Company's directors, their respective spouses or children under 18 years of age to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

The fair value of the share options granted during the year was HK\$4,323,000, all of which has been recognised in the income statement for the year ended 30 June 2007. The fair value of the share option granted in prior years was approximately HK\$762,000, of which the Group recognised HK\$150,000, HK\$394,000 and HK\$218,000 for the years ended 30 June 2005, 2006 and 2007, respectively.

The fair value of equity-settled share options granted during the year ended 30 June 2007 was estimated as at the date of grant, using the Black-Scholes Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 30 June 2007.

Dividend yield (%)	–
Expected volatility (%)	42.50
Historical volatility (%)	42.50
Risk-free interest rate (%)	4.04
Expected life of option (year)	4.55
Weighted average share price (HK\$)	2.35 (adjusted for the "Share Consolidation")

The expected life of the options is based on the historical date over the past five years and is not necessary indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the balance sheet date, the Company had 8,345,000 share options outstanding under the Scheme and the Terminated Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 8,345,000 additional ordinary shares of the Company, represented approximately 6.5% of the Company's share in issue as at the balance sheet date, and additional share capital of HK\$8,345,000 and share premium account of HK\$25,742,000 (before issue expenses).

## NOTES TO FINANCIAL STATEMENTS

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### 30. RESERVES

#### (a) Group

The contributed surplus represents an amount transferred from the share premium account of the Company pursuant to the Company's capital reorganisation exercise in May 2007 (note 30(b)(i)).

The surplus reserve represents an amount transferred from retained profits in accordance with statutory requirements and the articles of association of an associate of Taiwan. The surplus reserve may only be applied to make up any losses and for the capitalisation by the way of fully paid bonus issues of the shares of the associate in Taiwan.

The amount of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

#### (b) Company

	Notes	Share premium account HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Retained profit/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 July 2005		639,881	150	145	191,644	(553,883)	277,937
Loss for the year		-	-	-	-	(1,275)	(1,275)
Equity-settled share option arrangement		-	394	-	-	-	394
At 30 June 2006		639,881	544	145	191,644	(555,158)	277,056
At 1 July 2006		639,881	544	145	191,644	(555,158)	277,056
Capital reorganisation	(i)	(500,000)	-	-	500,000	-	-
Setting off the accumulated losses	(i)	-	-	-	(420,000)	420,000	-
Repurchase of shares	28(c)	(14,148)	-	4,674	-	-	(9,474)
Profit for the year		-	-	-	-	136,655	136,655
Equity-settled share option arrangement		-	4,541	-	-	-	4,541
<b>At 30 June 2007</b>		<b>125,733</b>	<b>5,085</b>	<b>4,819</b>	<b>271,644</b>	<b>1,497</b>	<b>408,778</b>

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 30. RESERVES (CONTINUED)

#### (b) Company (continued)

Note:

- (i) Pursuant to a special resolution passed on 9 May 2007, the share premium account of the Company was reduced by HK\$500,000,000 ("Share Premium Reduction") and the credit arising in the books of account of the Company from the Share Premium Reduction has been transferred to the contributed surplus account of the Company and an amount equal to HK\$420,000,000 in the contribution surplus account has been applied in setting off the accumulated losses of the Company of HK\$420,000,000.

The contributed surplus of the Company represented i) the difference between the nominal value of the Company's shares issued, in exchange for the issued share capital of the subsidiaries, and the aggregate net asset value of the subsidiaries acquired at the date of acquisition and ii) the net transfer of HK\$80,000,000 after the setting off the accumulated losses from the share premium account; pursuant to the Company's capital reorganisation exercise in May 2007. Under the Bermuda Companies Act 1981 (as amended), the contributed surplus of the Company is distributable to shareholders of the Company.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 3 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

### 31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

#### (a) Acquisition of subsidiaries

On 6 December 2006, the Group acquired the entire equity interests in GHPC, GH Media Management Pte Ltd ("GHMMPL") and GH Media Management Limited ("GHMML") from Golden Harvest Private Group and independent third parties. The purchase consideration for the acquisition was in the form of cash, with total cost of HK\$23,267,000.

The combined fair values of the identifiable assets and liabilities of the three companies as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	<b>Fair value recognised on acquisition</b>	<b>Carrying amount</b>
	HK\$'000	HK\$'000
Film rights	18,683	17,940
Amounts due from fellow subsidiaries	7,758	7,758
Cash and bank balances	488	488
Accrued liabilities and other payables	(2,847)	(2,847)
Tax payable	(543)	(543)
Provision for long service payment	(272)	(272)
Net assets	23,267	22,524
Satisfied by cash	23,267	

**NOTES TO FINANCIAL STATEMENTS**

30 JUNE 2007

**31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT** (CONTINUED)**(a) Acquisition of subsidiaries** (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the subsidiaries is as follows:

	2007 HK\$'000
Cash consideration	(23,267)
Cash and cash equivalents acquired	488
Net outflow of cash and cash equivalents in respect of the acquisition of the subsidiaries	<b>(22,779)</b>

Since acquisition, GHPC, GHMMPL and GHMML contributed HK\$1,857,000 to the Group's revenue and HK\$18,000 to the profit for the year ended 30 June 2007.

Had the combination taken place at the beginning of the year, the revenue from continuing operations and the loss from GHPC, GHMMPL and GHMML to the Group for the year would have been HK\$1,857,000 and HK\$342,000, respectively.

**(b) Disposal of interests in a jointly-controlled entity**

	2007 HK\$'000
Net assets disposed of:	
Property, plant and equipment	10,926
Prepaid rental	1,046
Rental and other deposits	4,312
Pledged bank deposits	246
Deferred tax assets	181
Cash and bank balance	2,950
Film rights	4
Accounts receivable	93
Prepayments, deposits and other receivables	1,274
Accounts payable	(1,739)
Accrued liabilities and other payables	(2,866)
Loans from joint venture partners	(6,332)
Deposits received	(444)
Minority interests	(67)
	<b>9,584</b>
Realisation of exchange fluctuation reserve	339
Assignment of loans from joint venture partners	6,332
Loss on disposal of interests in a jointly-controlled entity	(5,717)
	<b>10,538</b>
Satisfied by cash	<b>10,538</b>

**NOTES TO FINANCIAL STATEMENTS**

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**31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT** (CONTINUED)**(b) Disposal of interests in a jointly-controlled entity** (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of interests in a jointly-controlled entity is as follows:

	<b>2007 HK\$'000</b>
Cash consideration	<b>10,538</b>
Cash and cash equivalents disposed of	<b>(2,950)</b>
Net inflow of cash and cash equivalents in respect of the disposal of interests in a jointly-controlled entity	<b>7,588</b>

**32. RELATED PARTY TRANSACTIONS**

Save as disclosed elsewhere in the financial statements and the disclosure in "Connected/related party transactions" in the Report of the Directors, the Group also had the following material transactions with related parties.

The directors consider that all of these transactions were carried out in the ordinary and usual course of business of the Group.

**(a) Transaction with the Golden Harvest Private Group**

	<b>Group</b>	
	<b>2007 HK\$'000</b>	2006 HK\$'000
Purchase of film rights	<b>959</b>	–

The purchase price was charged on normal commercial terms. Raymond Chow Ting Hsing, a director and a substantial shareholder of the Company, is interested, directly or indirectly, in the above transaction as a director and/or beneficial shareholder of the members of the Golden Harvest Private Group of which the film rights were purchased from.

The above related transaction with the members of the Golden Harvest Private Group also constituted the de minimis connected transactions, as defined in the Listing Rules.

The directors have reviewed and confirmed that this connected transaction was conducted in the ordinary course of the business of the Group and on terms no less favourable than those offered to unrelated third parties.

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 32. RELATED PARTY TRANSACTIONS (CONTINUED)

#### (b) Transactions with related parties

	Notes	Group	
		2007 HK\$'000	2006 HK\$'000
Interest expenses on convertible notes paid/ payable to related companies	(i), (iii)	2,910	–
Interest expense paid to a related company	(ii), (iv)	145	319
Distribution consultancy fee paid to a related company	(ii), (v)	366	363
Purchase of film rights from a related company	(ii), (vi)	85	–
Management fee income from associates	(ii), (vii)	192	351
Accounting service fee paid to an associate	(ii), (viii)	95	88
Office rental paid to an associate	(ii), (ix)	105	98
Ticketing system maintenance/development costs paid/payable to an associate	(ii), (x)	1,087	1,008
Consultancy fee income from a jointly-controlled entity*	(ii), (xi)	274	–
Advertising agency fee paid to a jointly-controlled entity*	(ii), (xii)	238	–
Interest income from a jointly-controlled entity*	(ii), (xiii)	3,012	–
Sale of a motor vehicle to a director	(ii), (xiv)	–	436

\* The Group has proportionately consolidated 40% of its transactions with the jointly-controlled entities in the consolidated income statement.

#### Notes:

- (i) The related companies are the substantial shareholders of the Company or related to a substantial shareholder of the Company.
- (ii) Raymond Chow Ting Hsing, Phoon Chiong Kit and David Chan Sik Hong, who are a substantial shareholder or directors of the Company, are interested, directly or indirectly, in the above transactions as directors and/or beneficial shareholders of certain of these companies.
- (iii) The interest expenses were charged at an effective interest rate of 7% per annum, according to the estimation ascertained by Vigers Appraisal.
- (iv) The interest expense paid to an associate of the Golden Harvest Private Group was charged at Hong Kong dollar short-term time deposit rate plus 1% per annum for the period from 1 July 2006 to 5 December 2006.
- (v) The distribution consultancy fee paid represented the film production and distribution consulting services provided by a related company to the Group and was charged according to the terms of the agreement dated 1 July 2004.
- (vi) The purchase price was charged on normal commercial terms.



## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 32. RELATED PARTY TRANSACTIONS (CONTINUED)

#### (b) Transactions with related parties (continued)

Notes: (continued)

- (vii) The management fee income represented accounting services provided to two associates of the Group which were charged at rates of HK\$10,000 per month for the period July 2006 to December 2006 (2006: HK\$10,000 per month for the year ended 30 June 2006) and HK\$11,000 per month for the year ended 30 June 2007 (2006: HK\$22,000 per month from July 2005 to March 2006 and HK\$11,000 per month from April 2006 to June 2006), respectively.
- (viii) The accounting service fee was charged at a rate of S\$1,500 (2006: S\$1,500) per month.
- (ix) The rental expense was charged at a rate of approximately S\$1,747 per month for sub-letting a portion of office premises of an associate to the Group.
- (x) The ticketing system maintenance/development costs were charged according to prices and conditions similar to those offered to other customers of the associate.
- (xi) The consultancy service fee was charged at a rate of NT\$100,000 per month (2006: Nil).
- (xii) The advertising agency fee was charged on normal commercial terms.
- (xiii) The interest on the shareholder's loan to a jointly-controlled entity was charged at 2.5% to 3.5% per annum.
- (xiv) A motor vehicle was sold to a director by a wholly-owned subsidiary during the year ended 30 June 2006 and the selling price was with reference to market value.

The interest expenses on convertible notes disclosed in notes (i) and (iii) above constituted connected transactions as defined in the Listing Rules. Details of the issuance of convertible notes are disclosed in the Report of the Directors under the heading "Connected/related party transactions".

The transaction amounted to HK\$366,000 (2006: HK\$799,000) shown in notes (v) and (xiv) above with a related company (2006: a related company and a director) constituted the de minimis connected transactions as defined in the Listing Rules.

None of the other related party transactions set out above constituted connected transactions as defined in the Listing Rules.

#### (c) Compensation of key management personnel of the Group

	2007 HK\$'000	2006 HK\$'000
Salaries and other short-term employee benefits	27,230	14,986
Post-employment benefits	174	113
Share-based payment	3,400	394
Total compensation paid to key management personnel	30,804	15,493

The total compensation paid to key management personnel also included the executive directors' emoluments as disclosed in note 33 to the financial statements.

**NOTES TO FINANCIAL STATEMENTS**

30 JUNE 2007

**33. REMUNERATION OF DIRECTORS AND OF THE FIVE HIGHEST PAID INDIVIDUALS****Directors' remuneration**

The remuneration of the directors of the Company for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is analysed as follows:

	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Fees:		
Executive directors	–	–
Non-executive director	<b>120</b>	120
Independent non-executive directors	<b>409</b>	350
	<b>529</b>	470
Basic salaries, bonuses, allowances and benefits in kind:		
Executive directors	<b>26,013</b>	13,000
Non-executive director	–	–
Independent non-executive directors	–	–
	<b>26,013</b>	13,000
Employee share option benefits:		
Executive directors	<b>2,643</b>	394
Non-executive director	<b>175</b>	–
Independent non-executive directors	<b>582</b>	–
	<b>3,400</b>	394
Pension contributions:		
Executive directors	<b>139</b>	71
Non-executive director	–	–
Independent non-executive directors	–	–
	<b>139</b>	71
	<b>30,081</b>	13,935

**NOTES TO FINANCIAL STATEMENTS**

30 JUNE 2007

**33. REMUNERATION OF DIRECTORS AND OF THE FIVE HIGHEST PAID INDIVIDUALS***(CONTINUED)***Directors' remuneration** *(continued)*

	Fees HK\$'000	Basic salaries, bonuses, allowances and benefits in kind HK\$'000	Employee share option benefits HK\$'000	Pension contributions HK\$'000	Total emoluments HK\$'000
For the year ended 30 June 2007					
Executive directors:					
Raymond Chow Ting Hsing	–	10,452	–	–	10,452
Phoon Chiong Kit	–	8,470	2,294	108	10,872
David Chan Sik Hong	–	4,038	–	12	4,050
Roberta Chin Chow Chung Hang	–	1,521	116	12	1,649
Lau Pak Keung*	–	1,532	233	7	1,772
	–	26,013	2,643	139	28,795
Non-executive director:					
Eric Norman Kronfeld	120	–	175	–	295
Independent non-executive directors:					
Paul Ma Kah Woh	150	–	233	–	383
Frank Lin	100	–	116	–	216
George Huang Shao-Hua*	59	–	117	–	176
Prince Chatrichalerm Yukol	100	–	116	–	216
	409	–	582	–	991
	529	26,013	3,400	139	30,081

\* Lau Pak Keung and George Huang Shao-Hua were appointed as an executive director and an independent non-executive director on 30 November 2006, respectively.

**NOTES TO FINANCIAL STATEMENTS**

30 JUNE 2007

**33. REMUNERATION OF DIRECTORS AND OF THE FIVE HIGHEST PAID INDIVIDUALS***(CONTINUED)***Directors' remuneration** *(continued)*

	Fees HK\$'000	Basic salaries, bonuses, allowances and benefits in kind HK\$'000	Employee share option benefits HK\$'000	Pension contributions HK\$'000	Total emoluments HK\$'000
For the year ended 30 June 2006					
Executive directors:					
Raymond Chow Ting Hsing	–	3,717	–	–	3,717
Phoon Chiong Kit	–	5,900	394	47	6,341
David Chan Sik Hong	–	2,000	–	12	2,012
Roberta Chin Chow Chung Hang	–	1,383	–	12	1,395
	–	13,000	394	71	13,465
Non-executive director:					
Eric Norman Kronfeld	120	–	–	–	120
Independent non-executive directors:					
Paul Ma Kah Woh	150	–	–	–	150
Frank Lin	100	–	–	–	100
Prince Chatrichalerm Yukol	100	–	–	–	100
	350	–	–	–	350
	470	13,000	394	71	13,935

There was no other emolument payable to the independent non-executive directors during the year (2006: Nil).

At the balance sheet date, certain directors held share options of the Company, the details of which are set out in note 29 to the financial statements. The fair value of the share options, which had been charged to the income statement for the years ended 30 June 2007 and 2006, was determined as at the date of the grant and was included in the above disclosure of directors' emoluments. There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 33. REMUNERATION OF DIRECTORS AND OF THE FIVE HIGHEST PAID INDIVIDUALS

(CONTINUED)

#### Five highest paid individuals

Of the five highest paid individuals, all (2006: four) were directors of the Company and their remuneration has been included in the directors' remuneration disclosures above and the disclosure below. The remuneration of Lau Pak Keung, an executive director, who was the remaining one non-director, highest paid for the year ended 30 June 2006 before the appointment as an executive director in current year is as follows:

	<b>2007</b> <b>HK\$'000</b>	2006 HK\$'000
Basic salaries, allowances and benefits in kind	<b>718</b>	1,458
Pension contributions	<b>5</b>	12
	<b>723</b>	1,470

The above remuneration of the non-director, highest paid employee of 2007 and 2006 fell within the band of HK\$500,000 – HK\$1,000,000 and HK\$1,000,001 – HK\$1,500,000 respectively.

### 34. CONTINGENT LIABILITIES

Contingent liabilities at the balance sheet date were as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2007</b> <b>HK\$'000</b>	2006 HK\$'000	<b>2007</b> <b>HK\$'000</b>	2006 HK\$'000
Guarantees of banking facilities granted to:				
subsidiaries	–	–	<b>62,844</b>	84,021
an associate ( <i>note</i> )	–	18,338	–	18,338
	–	18,338	<b>62,844</b>	102,359

*Note:* The corporate guarantee of a banking facility granted to the associate was released during the year.

As at 30 June 2007, banking facilities of HK\$41,594,000 (2006: HK\$78,701,000) had been utilised by the subsidiaries.

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 35. COMMITMENTS

		<b>Group</b>	
		<b>2007</b>	2006
		<b>HK\$'000</b>	HK\$'000
<b>(a)</b>	Capital commitments in respect of acquisition of items of property, plant and equipment:		
	Contracted for	<b>14,498</b>	4,314
	Authorised, but not contracted for	<b>201,890</b>	72,637
		<b>216,388</b>	76,951

		<b>Group</b>	
		<b>2007</b>	2006
		<b>HK\$'000</b>	HK\$'000
<b>(b)</b>	Capital commitments in respect of capital contribution to joint ventures:		
	Authorised, but not contracted for	<b>26,124</b>	–

**(c)** Operating lease arrangements

(i) *As lessor*

The Group leases certain of its buildings under operating lease arrangements for terms ranging from 1 to 12 years. The terms of the leases generally also required the tenants to provide for periodic rent adjustments according to the then prevailing marketing conditions.

At 30 June 2007, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

		<b>Group</b>	
		<b>2007</b>	2006
		<b>HK\$'000</b>	HK\$'000
	Total future minimum lease receivables under non-cancellable operating leases for land and buildings:		
	Within one year	<b>15,613</b>	18,921
	In the second to fifth years, inclusive	<b>27,178</b>	34,840
	After five years	–	1,458
		<b>42,791</b>	55,219

During the year, the Group did not receive any contingent rent (2006: Nil).

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 35. COMMITMENTS (CONTINUED)

(c) Operating lease arrangements (continued)

(ii) As lessee

The Group leases certain of its office premises and cinemas under operating lease arrangements for terms ranging from 1 to 13 years.

	Group	
	2007 HK\$'000	2006 HK\$'000
Total future minimum lease payments under non-cancellable operating leases for land and buildings:		
Within one year	106,955	107,818
In the second to fifth years, inclusive	364,316	422,503
After five years	367,125	598,556
	<b>838,396</b>	1,128,877

Certain non-cancellable operating leases included in the above are subject to contingent rent payments, which are charged at 5% to 28% (2006: 5% to 28%) of their monthly or annual gross box office takings in excess of the base rents as determined in the respective lease agreements. In addition, 10% of theatre confectionery sales and advertising income is also charged under certain leases.

The Company had no significant commitment at the balance sheet date (2006: Nil).

### 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments comprise interest-bearing bank loans, convertible notes, finance leases, short term deposits and cash at banks. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities, such as accounts receivable and accounts payable, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Details of such risks are summarised below.

#### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate. The interest rates and terms of repayment of the bank and other borrowings are disclosed in note 22 to the financial statements.

#### Foreign currency risk

The Group's assets and liabilities are principally denominated in Hong Kong dollars except certain assets and liabilities associated with the investments located in Singapore, Malaysia, Taiwan and Mainland China including the bank and other borrowings as disclosed in note 22 to the financial statement. Management has assessed the foreign currency risk and exposures in these territories from time to time. Since the exchange rates of these foreign currencies have been either relatively stable or favourable to the Group for the past two years, the directors are of the view that the Group's exposure to foreign currency risk is minimal.

## NOTES TO FINANCIAL STATEMENTS

30 JUNE 2007

### 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

#### **Foreign currency risk** *(continued)*

However, management monitors the Group's foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

#### **Credit risk**

The Group has established credit control policies of which credit limits, credit approvals and other monitoring procedures for debts recovery are in place to minimise the credit risk. In addition, management reviews the recoverable amount of each individual receivable regularly to ensure that adequate impairment allowances are made for irrecoverable amounts. With such policies in place, the Group has been able to maintain its bad debts at minimal level.

#### **Liquidity risk**

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, convertible notes and other interest-bearing finance leases. Management monitors the liquidity position of the Group on a daily basis to ensure availability of sufficient liquid funds to meet its cash flow requirements in the short term. In addition, bank overdraft facility has been put in place for contingency purposes.

### 37. COMPARATIVE AMOUNTS

Current year balance of rental income included the rental income from advertising panel of HK\$4,813,000. The prior year balance of rental income from advertising panel of HK\$5,371,000 was classified as other income and gains is now included in the gross rental income to conform with the current year's presentation. The directors are in the opinion that such presentation would present more fairly the operations of the Group.

### 38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 17 October 2007.







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