

千戒萬戒 不可戒!
六個小小大丈夫



七擒七縱
七色狼



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Showing
2008
Annual Report



神槍手與智多星
BULLET & BRAIN



我老婆係賭聖

漢傳媒集團有限公司
SEE CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 491)



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2008
Annual Report



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. Li Fui Lung, Danny
Mr. Ng Hoi Yue, Herman
Mr. Fong Shing Kwong, Michael

COMPANY SECRETARY

Ms. Ng Yuk Yee, Feona

QUALIFIED ACCOUNTANT

Mr. Chow Chun Man, Jimmy

AUDIT COMMITTEE

Mr. Li Fui Lung, Danny
Mr. Ng Hoi Yue, Herman
Mr. Fong Shing Kwong, Michael

REMUNERATION COMMITTEE

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

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

LEGAL ADVISER

Richards Butler

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Corporated Information (Continued)

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Office D & E, 20th Floor, EGL Tower
No. 83 Hung To Road, Kwun Tong
Kowloon, Hong Kong

WEBSITE

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

STOCK CODE

491

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 28 Three Pacific Place
1 Queen's Road East
Hong Kong

CHAIRMAN'S STATEMENT

On behalf of the board of Directors (the "Board"), I am pleased to announce the results of See Corporation Limited (hereafter referred to as the "Company") and its subsidiaries (the "Group") for the year ended 30 June 2008.

BUSINESS REVIEW AND PROSPECTS

Film and TV programme production and Artiste & Model management remained the core operations of the Group and accounted for the largest percentages of our turnover and gross profit during the year ended 30 June 2008. We expect this to remain the case for the foreseeable future.

The Group produced and released three films during the year, namely "Bullet & Brain – 神槍手與智多星", "Beauty & the 7 Beasts – 七擒七縱七色狼" and "My Wife is the Gambling God – 我老婆係賭聖", all of which were well-received in the market. In the first half of 2008, we have been working on quite a number of the film and TV programme productions. Films including "The Way We Are – 天水圍的日與夜", "The Forbidden Legend: Sex & Chopsticks – 金瓶梅" and "The Vampire Who Admires Me – 有隻僵屍暗戀你" will be released in the second half of 2008. Films including "Colour of Justice – 黑白戰警", "Night and Fog – 天水圍的夜與霧" and "The Underdog Knight – 硬漢" and TV Programmes like "Rough Justice – 十大奇冤", "The Kung Fu Master Huang Fei Hong – 仁者黃飛鴻" and "The Dragon Gate – 龍門驛站" are expected to be released in 2009.

The Group will continue to produce high quality films and TV programmes for the greater china region, especially for the Hong Kong and Mainland China markets. Piracy was still a serious problem for the film industry and the Group will tackle this problem carefully by distributing its films and TV programmes through reliable channels.

During the year under review, the artistes and model management operation was slowing due to the loss of management contracts with a few top models and Hong Kong artistes as a result of the keen competition in the market. However, the Group will continue our existing practice to look for new talents and artistes with high potentials to join our team as we believed that "Stars can be made".

Although our music album production business yields only a small percentage of the Group's total earnings, it plays a significant role in raising the profile of our artistes and the Group as a whole. We have released three new music albums during the year, and three more will be released in the second half of 2008.

We have organised a number of events during the year and mostly featured with our models and artistes, such as promotional activities, live music shows and fashion shows. The Group did not organise any large-scale music concerts during fiscal 2008, but we are going to organise a music concert for EO2 in the second half of 2008.

TVB Pay Vision, in which the Group holds a 49% interest, did achieve some improvements in terms of its number of subscribers and turnover in fiscal 2008. The Group's share of TVB Pay Vision's loss in 2008 was significantly lower than that in the preceding year.

Chairman's Statement (Continued)

We are facing a challenging year ahead with the recent global economic uncertainties caused by the sub-prime mortgage related credit crisis in United States as well as the austerity measures implemented in mainland China for preventing overheating economy and inflation.

We are cautiously optimistic in respect to our core operations as long as we monitor and control our risk carefully.

We strongly believe that good stories and quality production are always well received by audience. We must therefore take the greatest care in choosing attractive stories and scripts for our film and TV programme production projects. The Group will reduce our exposure to such risks by forming joint ventures to produce some of our medium-sized films and TV programmes in the next 12 months.

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

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

APPRECIATION

Last but not least, I would like to take this opportunity to thank all the management and staff members for their dedicated efforts and continuing contributions during the year to the Group, as well as the unreserved support to myself as the Chairman. I look forward to growing the business together with the energetic team, and bringing the Group to a new next-level which continuously focus on financial and operating discipline, and strive for better results for our shareholders.

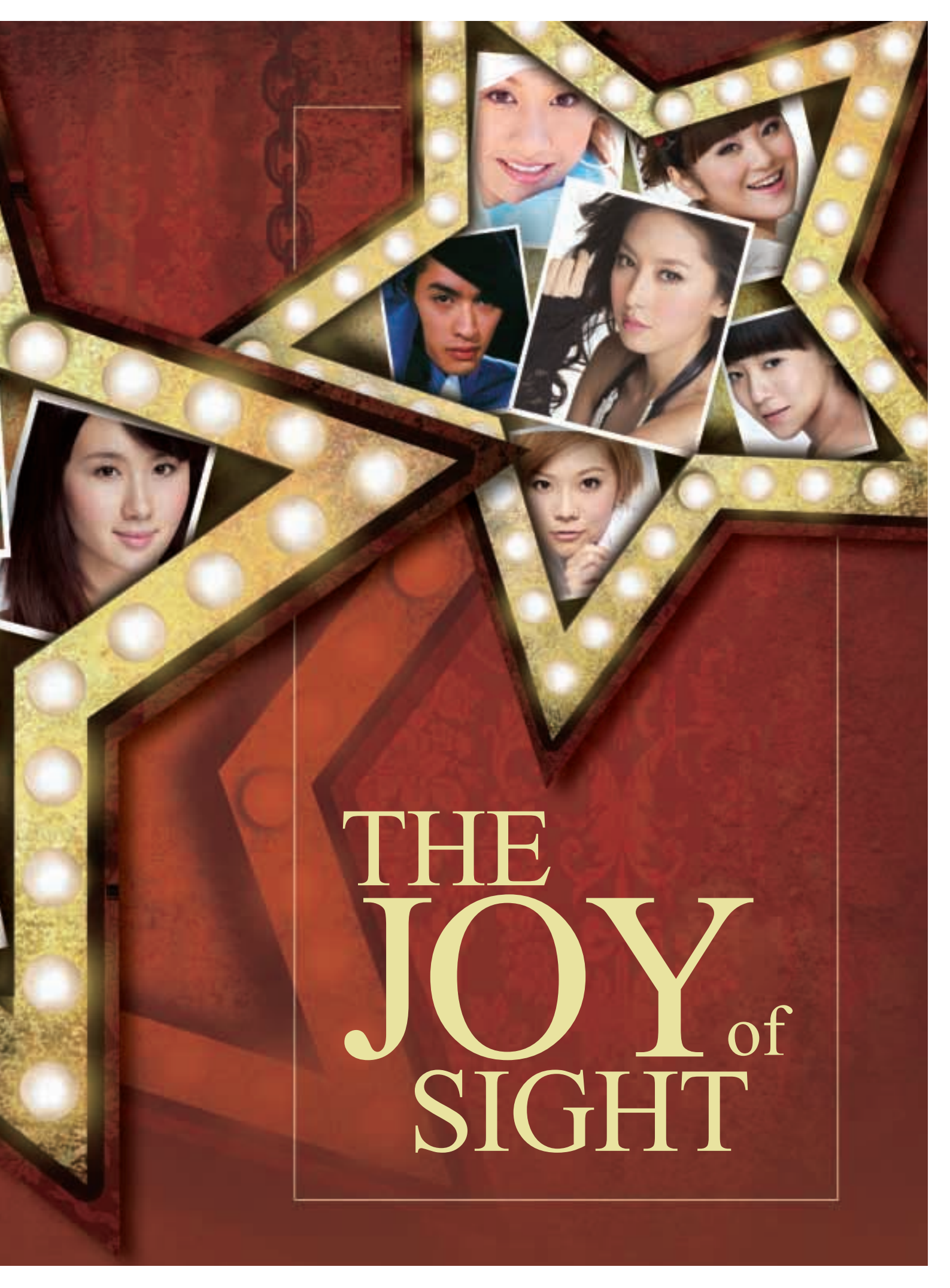
Yu Kam Kee, Lawrence

B.B.S., M.B.E., J.P.

Chairman

Hong Kong, 24 October 2008





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MANAGEMENT DISCUSSION AND ANALYSIS

Results

The Group's total turnover during the year ended 30 June 2008 was HK\$40.5 million, a decrease of 8 percent on the figure of HK\$43.8 million for the financial year in 2007. The Group's gross profit was HK\$13.7 million, compared with HK\$13.8 million in the previous year. The lower turnover were mainly caused by the lower turnover in the artiste and model management operation.

Meanwhile, the Group's operations recorded a profit of HK\$12.3 million during the year under review, compared with a loss of HK\$30.3 million in the previous year. The improvement in the operating result was mainly contributed by (i) the substantial increase in the fair value of our financial assets, due to the buoyant stock market and (ii) the substantial decrease in the share of loss of our associates. The Group's share of the loss of our associates was HK\$0 million, compared with HK\$75.7 million in the previous year. Our loss on operations during the year was HK\$7.2 million, down from the 2007 figure of HK\$121.1 million.

The loss attributable to equity holders was HK\$7.2 million, compared with HK\$120 million loss in previous year. The loss per share for the year ended 30 June 2008 was HK\$0.01, compared with HK\$0.33 in fiscal year 2007.

REVIEW OF OPERATIONS

The Group was principally engaged in the entertainment and media business. Our activities can be categorised as (i) film and TV programme production; (ii) music production; (iii) event production; (iv) artiste and model management; (v) a pay TV operation and (vi) investment in securities.

Film and TV programme production

The Group derived a turnover of HK\$24.7 million from film and TV programme production activities during the year ended 30 June 2008, a 4 percent increase on the figure of HK\$23.8 million for the previous year. The gross profit derived from these activities was HK\$7.9 million, compared with HK\$7.8 million in fiscal year 2007. Turnover of this segment for the year was mainly contributed by the movies produced and released during the year, namely "Bullet & Brain", "Beauty & the 7 Beasts" and "My Wife is the Gambling God", and these movies have been well-received in the market.

As of 30 June 2008, the total net book value of the Group's film rights stood at HK\$13.9 million. The write down on film rights during the year amounted to HK\$28.3 million. The Group's total investment in film and TV programme productions that were in progress on 30 June 2008 amounted to HK\$106.1 million. These included "The Way We Are – 天水圍的日與夜", "The Forbidden Legend: Sex & Chopsticks – 金瓶梅" and "The Vampire Who Admires Me – 有隻僵屍暗戀你" which will be released in the second half of 2008, as well as other films and TV programmes that are expected to be released in 2009, namely "Colour of Justice – 黑白戰警", "Night and Fog – 天水圍的夜與霧" and "The Underdog Knight – 硬漢" for films and "Rough Justice – 十大奇冤" "The Kung Fu Master Huang Fei Hong – 仁者黃飛鴻" and "The Dragon Gate – 龍門驛站" for TV programmes.

Management Discussion and Analysis (Continued)

Music production

The Group released three new music albums during the year, namely “潮音樂全主打” by various artistes, “Summer Never Ends” by 鄧穎芝 and “東瀛•遊記” by Wada Hiromi. The turnover of the Group’s music album production business during the year was HK\$0.4 million, compared with HK\$0.2 million in fiscal year 2007.

New music albums namely “今天 將來” by JJ 賈曉晨 and “真心唱歌” by 高皓正 will be released in the second half of 2008. Although music production only accounts for a small portion of the Group’s total earnings, the Group will continue to produce music albums for our artistes as it will boost the popularity of our artistes as well as the Group’s image.

Event production

The Group organised a number of events during the year, it mainly included promotional activities, live music shows and fashion shows featured with the Group’s artistes and models. Turnover from the event production for the year were HK\$0.5 million compared with the previous year’s figures of HK\$1.0 million.

Artiste and model management

The Group continued to manage a group of top models and Hong Kong artistes including Kathy Chow, Meng Yao, Annie Man, Yedda Chao, EO2, JJ 賈曉晨, 高皓正, Wada Hiromi and 鄧穎芝.

Turnover and gross profit of our artiste and model management operation for the year were HK\$12.5 million and HK\$3.0 million respectively, compared with the previous year’s figures of HK\$18.7 million and HK\$5.6 million.

Pay TV operation

The operating result of TVB Pay Vision, a paid TV operator in which the Group holds a 49% interest, improved significantly in 2008 as a result of the increase in its number of subscribers. Turnover of TVB Pay Vision grew by 26 percent to HK\$255.1 million from HK\$202.4 million during the 12 months up to 30 June 2008, and its net loss in the same period declined by 20 percent from HK\$298.2 million to HK\$239.8 million. The Group’s share of loss of TVB Pay Vision were nil in 2008 compare to HK\$75.7 million, in fiscal 2007.

Investment in securities

Turnover of the investment in securities operation for the year were HK\$2.4 million compared with nil in fiscal 2007. The carrying value of the total segment assets of the investment in securities operation outstanding as at 30 June 2008 and 2007 were HK\$256.0 million and HK\$4.8 million, respectively.

GEOGRAPHICAL REVIEW

During the year under review, the Group continued to focus on the Hong Kong and Mainland China markets. The revenue derived from Hong Kong and Mainland China amounted to HK\$38.8 million and HK\$1.3 million, respectively, representing 96 percent and 3 percent of our total turnover.

Management Discussion and Analysis (Continued)

FUTURE BUSINESS PROSPECTS AND PLANS

The Group has dedicated its efforts in strengthening and opening up distribution channels for their films and TV production in Mainland China. Given the continued opening and expansion of the films and TV production market in mainland China, we strongly believe that there is a great potential for the distribution of our films and TV production in Mainland China.

We are facing a challenging year ahead with the recent global economic uncertainties caused by the sub-prime mortgage related credit crisis in United States as well as the austerity measures implemented in mainland China for preventing the overheating economy and inflation. We are cautiously optimistic in respect to the prospects of the film and TV production industry in Hong Kong. The Group will be cautious in the selection of stories and scripts for the production of our films and TV programmes. Stringent measures will be adopted in the cost control and risk management for the Group's Films and TV projects.

FINANCIAL REVIEW AND LIQUIDITY

As at 30 June 2008, the Group's net assets amounted to HK\$287.8 million, compared with HK\$134.7 million on the same date last year. The current ratio, representing current assets divided by current liabilities was 14.3. On 15 November 2007, the Group raised approximately HK\$100 million by way of rights issue of 1,292,534,660 rights shares at a price of HK\$0.12 each on the basis of two rights shares for every share held by the shareholders. The Group's cash and bank balances amounted to HK\$46.2 million on the balance sheet date. The Group issued convertible notes for principal amounts of HK\$170 million and HK\$100 million in August 2005 and in December 2007, respectively. On 30 June 2008, the fair value of the liability component of these convertible notes was approximately HK\$250.6 million. On the balance sheet date, the Group had a short-term loan from a third party of HK\$5.7 million and short-term bank borrowing of HK\$9.9 million. The gearing ratio, as a ratio of total borrowings over total assets was 0.47.

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

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

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

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

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

EMPLOYEE SCHEMES

As at 30 June 2008, the Group has 51 employees (All based in Hong Kong). The remuneration policy and package of the Group's employees are periodically reviewed and approved by the executive directors. Apart from provident fund scheme and in-house training programmes, medical insurance scheme, discretionary bonuses and share options may also be awarded to employees according to the assessment of individual performances.

PLEDGE OF ASSETS

As at 30 June 2008, certain assets of the Group with aggregate carrying value of HK\$21 million (2007: HK\$21 million) were pledged to secure banking facilities granted to the Company.

MAJOR LITIGATION AND ARBITRATION PROCEEDINGS

1. The Company and its ex-subsiary, P.N. Electronics Ltd. ("PNE") have been involved in arbitration proceedings with North American Foreign Trading Corporation ("NAFT") in respect of a gross receivable of HK\$18 million and related damages from various parties for goods shipped by PNE and NAFT in 1996. The arbitration proceedings were initiated by NAFT against the Company and PNE claiming for alleged damages in New York, USA. The Company has upon legal advice, vigorously contested the alleged claims and has counterclaimed the said sum of HK\$18 million as well as other damages. The arbitration proceedings have been dormant for a substantial period of time.
2. On 13 October 2003, a Writ of Summons and Statement of Claim was issued by BII Finance Company Limited ("BII Finance") against the Company under a guarantee allegedly given by the Company in favour of BII Finance in respect of certain liabilities of Welback Enterprises Limited. The claim is for a sum of approximately HK\$3,583,000 and US\$248,000 (approximately HK\$1,936,000), together with interest.

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

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

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



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CORPORATE GOVERNANCE REPORT

The board (the "Board") of directors (the "Directors") of the Company is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 30 June 2008.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

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

The Board has adopted all the code provisions (the "Code Provisions") as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as the code of the Company (the "Code"). During the year, save and except as hereinafter mentioned, the Company has complied with all the Code Provisions of the CG Code.

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

BOARD COMPOSITION

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

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

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

- Mr. Yu Kam Kee, Lawrence, *B.B.S., M.B.E., J.P.*, the Chairman, is responsible for formulating the Company's long term goal and strategy. He is the leader for the Board and takes the role of overseeing the effectiveness of the Board in achieving the Company's long term goal and strategy.
- Mr. Wong Yat Cheung, the Managing Director, is responsible for overseeing and developing the Company's media and entertainment businesses. He is also responsible for soliciting other investment opportunities for the Company.

Corporate Governance Report (Continued)

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

BOARD MEETINGS

The Board met regularly throughout the year to discuss the business development, operational and financial performance of the Company. Pursuant to Code Provision A.1.3 of the CG Code, notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. Notices of all Board Meetings are served to all Directors at least 14 days before Board Meetings except for one Board Meeting which was held with shorter notice period due to an ad hoc and important issue. All Directors present consented to short notice convening the aforesaid meeting.

The attendance rates of individual Board members at the Board Meetings (either in person or by phone) held during the year ended 30 June 2008 are set out in the following table:

<u>Name of Directors</u>	<u>Total number of Board Meetings held</u>	<u>Number of Board Meetings attended by individual Director</u>
	4	
Executive Directors		
Yu Kam Kee, Lawrence, <i>B.B.S., M.B.E., J.P. (Chairman)</i>		4
Wong Yat Cheung (<i>Managing Director</i>)		4
Yu Kam Yuen, Lincoln		0 (<i>Note 1</i>)
Tong Chin Shing		1 (<i>Note 2</i>)
Independent Non-executive Directors		
Li Fui Lung, Danny		4
Ng Hoi Yue, Herman		4
Shek Lai Him, Abraham, <i>S.B.S., J.P.</i>		4
Fong Shing Kwong, Michael		2

Notes:

1. Mr. Yu Kam Yuen, Lincoln resigned as Executive Director on 13 December 2007. Before his resignation, there was only 1 Board Meeting held during the year ended 30 June 2008.
2. Mr. Tong Chin Shing retired as Executive Director on 7 December 2007. Before his retirement, there was only 1 Board Meeting held during the year ended 30 June 2008.

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

Corporate Governance Report (Continued)

CHAIRMAN AND MANAGING DIRECTOR

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has signed appointment letters with all of the Independent Non-executive Directors of the Company. Pursuant to such appointment letters, each of the Independent Non-executive Directors of the Company is appointed for a fixed term of directorship of three years and is subject to retirement by rotation and re-election at the annual general meeting of the Company.

MANAGEMENT FUNCTIONS

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Company's Code and Guidelines and the Model Code throughout the year ended 30 June 2008.

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

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

The Directors acknowledge their responsibility for preparing the financial statements for each financial period to give a true and fair view of the state of affairs of the Company. In preparing the financial statements for the year ended 30 June 2008, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The statement of the external auditors of the Company regarding their reporting responsibilities on the financial statement of the Company is set out on pages 35 and 36 of this annual report.

REMUNERATION OF DIRECTORS

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

One remuneration committee meeting was held during the year to review the remuneration package of each director and each member of senior management.

Corporate Governance Report (Continued)

The attendance rates of individual committee members at the remuneration committee meeting (either in person or by phone) held during the year ended 30 June 2008 are set out in the following table:

Attendance of Remuneration Committee Members

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

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

AUDIT COMMITTEE

An audit committee currently comprising three Independent Non-executive Directors, being Messrs. Li Fui Lung, Danny, Ng Hoi Yue, Herman and Fong Shing Kwong, Michael was duly established. Amongst the audit committee members, two members have the appropriate professional qualification and experience in financial matters as required by the Listing Rules.

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

Four audit committee meetings were held during the year mainly to review the appointment of auditors, the financial performance of the Company for the year ended 30 June 2007 and for the six months ended 31 December 2007 and the internal control system and related issues.

Corporate Governance Report (Continued)

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

Attendance of Audit Committee Members

Name of Committee Members	Total number of Audit Committee Meetings held	Number of Audit Committee Meetings attended by individual Committee Member
	4	
Li Fui Lung, Danny (<i>Chairman</i>)		4
Ng Hoi Yue, Herman		4
Shek Lai Him, Abraham, <i>S.B.S., J.P.</i>		4
Fong Shing Kwong, Michael		3

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

AUDITORS' REMUNERATION

The total auditors' remuneration in respect of statutory audit and non-audit services provided by HLB Hodgson Impey Cheng, the Company's external auditors, during the year ended 30 June 2008 are set out at the table below:

Services rendered	Fees paid/payable
Statutory audit fees	HK\$600,000
Fees for non-audit services	
Review of interim results	HK\$100,000
Review of annual results and annual results announcement	Nil
Taxation services	HK\$150,000
Total auditors' remuneration for the year	HK\$850,000

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

- Safeguarding assets
- Ensuring completeness, accuracy and validity of financial records and reports
- Promoting adherence to policies, procedures, regulations and laws
- Promoting effectiveness and efficiency of operations

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

Finance

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

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

Operational

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

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

Compliance

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

On 16 October 2008, the Company made an announcement regarding the late disclosure of various acquisitions (the "Acquisitions") made by the Group during the year. The Directors, when approved the Acquisitions at the material time, considered that the Acquisitions shall be exempted under Rule 14.04(1)(g) of the Listing Rules.

However, after further discussions and exchange of the Company's view on the Listing Rules implications on the Acquisitions with the Stock Exchange, the Stock Exchange considered that the Acquisitions were within the scope of Chapter 14 of the Listing Rules pursuant to Rule 14.04(1)(a) of the Listing Rules. As a result, the late disclosure of the Acquisitions is considered as non-compliance with such provision of the Listing Rules.

The late disclosure of the Acquisitions was unintentional and primarily attributable to the different interpretation of the relevant provisions of the Listing Rules. The Company will prepare and dispatch a circular containing, among other things, further details of the Acquisitions to the Shareholders as soon as practicable.

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

COMMUNICATION WITH SHAREHOLDERS

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

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

Pursuant to Code Provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. However, the Chairman of the Board was absent from the annual general meeting ("AGM") due to his prior business engagement and he has designated Mr. Wong Yat Cheung, the Managing Director, to attend the AGM on his behalf. Mr. Wong Yat Cheung together with other Directors maintained an on-going dialogue with shareholders and answered all questions raised by the shareholders throughout the AGM.

The background is a collage of film-related elements. On the left, a marquee sign with glowing lights is partially visible, showing a scene from a movie. In the center, a large, detailed film reel is shown. Below it, a film strip is visible. The overall color palette is muted, with greys, browns, and golds.

THE JOY_{of} SENSE

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting the report of the Directors of the Group for the year ended 30 June 2008.

PRINCIPAL ACTIVITIES

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

SEGMENT INFORMATION

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2008 are set out in the consolidated income statement on page 37.

The states of affairs of the Group and the Company as at 30 June 2008 are set out in the balance sheets on pages 38 and 40 respectively.

The cashflows of the Group are set out in the statement on pages 42 and 43.

The Directors do not recommend a payment of dividend nor transfer of any amount to reserves for the year ended 30 June 2008.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on pages 115 and 116.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTIONS

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

RESERVES

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

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors

Mr. Yu Kam Kee, Lawrence, *B.B.S., M.B.E., J.P. (Chairman)*

Mr. Wong Yat Cheung (*Managing Director*)

Mr. Yu Kam Yuen, Lincoln

(resigned on 13 December 2007)

Mr. Tong Chin Shing

(retired on 7 December 2007)

Independent Non-executive Directors

Mr. Li Fui Lung, Danny

Mr. Ng Hoi Yue, Herman

Hon. Shek Lai Him, Abraham, *S.B.S., J.P.*

(retired on 1 October 2008)

Mr. Fong Shing Kwong, Michael

Pursuant to Bye-law 87(2) of the Company's Bye-Laws, Mr. Li Fui Lung, Danny and Mr. Ng Hoi Yue, Herman shall retire from office by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at that meeting.

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

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

Report of the Directors (Continued)

PROFILE OF THE DIRECTORS

Profile of the Directors of the Company as at the date of this report are set out on pages 33 and 34.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2008, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

(A) Shares

As at 30 June 2008, the interests of the Directors and chief executive in the share capital of the Company and its associated corporations as defined in the SFO were as follows:

Name of Director	Name of Company	Number of Shares	Capacity	Approximate Percentage of Interest
Yu Kam Kee, Lawrence	See Corporation Limited	41,276,820	Beneficial owner	2.13%
Wong Yat Cheung	Mega-Vision Productions Limited	2,000,000	Beneficial owner	20%

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

(B) Share options

The Company has a share option scheme under which Directors may, at their discretion, grant options to employees, including any directors, of the Company or its subsidiaries to subscribe for shares in the Company, subject to the terms and conditions stipulated. During the year ended 30 June 2008, there were no outstanding share options granted to the Directors of the Company.

Save as aforesaid, as at 30 June 2008, to the knowledge of the Company:

- (i) none of the Directors, or chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and the chief executive are taken or deemed to have under the provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rule;
- (ii) none of the Directors or chief executive or their spouses or children under 18 had any right to subscribe for the shares, underlying shares or debentures of the Company, or had exercised any right during the year ended 30 June 2008.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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

Report of the Directors (Continued)

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2008, shareholders (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of Shareholder	Long Position/ Short Position	Capacity	Number of Shares held/ involved	Number of Underlying Shares held/ involved	Approximate Percentage of Interest
Ms. Ng Yuen Lan, Macy ("Ms. Ng") (Note)	Long Position	Interest of spouse	437,837,595	–	22.58%
	Long Position	Interest of Spouse	–	407,407,407	21.01%
Dr. Chan Kwok Keung, Charles ("Dr. Chan") (Note)	Long Position	Interest of controlled corporation	347,837,595	–	17.94%
	Long Position	Beneficial owner	90,000,000	–	4.64%
	Long Position	Interest of controlled corporation	–	407,407,407	21.01%
ITC Corporation Limited ("ITC") (Note)	Long Position	Interest of controlled corporation	347,837,595	–	17.94%
	Long Position	Interest of controlled corporation	–	407,407,407	21.01%
ITC Investment Holdings Limited ("ITC Investment") (Note)	Long Position	Interest of controlled corporation	347,837,595	–	17.94%
	Long Position	Interest of controlled corporation	–	407,407,407	21.01%
Mankar Assets Limited ("Mankar") (Note)	Long Position	Interest of controlled corporation	347,837,595	–	17.94%
	Long Position	Interest of controlled corporation	–	407,407,407	21.01%

Report of the Directors (Continued)

SUBSTANTIAL SHAREHOLDERS (Continued)

Name of Shareholder	Long Position/ Short Position	Capacity	Number of Shares held/ involved	Number of Underlying Shares held/ involved	Approximate Percentage of Interest
Famex Investment Limited ("Famex") (Note)	Long Position	Interest of controlled corporation	347,837,595	–	17.94%
	Long Position	Interest of controlled corporation	–	407,407,407	21.01%
Hanny Holdings Limited ("Hanny")	Long Position	Beneficial owner	347,837,595	–	17.94%
	Long Position	Beneficial owner	–	407,407,407	21.01%

Note:

Famex holds approximately 49.90% shareholding interests in Hanny. Famex is a direct wholly-owned subsidiary of Mankar. Mankar is a direct wholly-owned subsidiary of ITC Investment, which in turn is a direct wholly-owned subsidiary of ITC. Dr. Chan directly holds approximately 0.47% of the issued share capital of Hanny. Dr. Chan directly holds approximately 4.69% of the issued share capital of ITC and indirectly holds approximately 30.08% of the issued share capital of ITC through his indirect wholly-owned company, Galaxyway Investments Limited, respectively. Ms. Ng is the spouse of Dr. Chan. Famex, Mankar, ITC Investment, ITC, Dr. Chan and Ms. Ng are deemed to be interested in 347,837,595 shares and 407,407,407 underlying shares directly held by Hanny.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company and recorded in the register maintained under Section 336 of the SFO as at 30 June 2008.

CONVERTIBLE BONDS, SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

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

On 5 December 2007 the Company issued 1% convertible notes in the aggregate principal amount of HK\$100 million to Hanny at the conversion price of HK\$0.40 per share of HK\$0.01 each of the share capital of the Company, subject to adjustment and upon the terms contained therein.

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

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

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, 19% of the Group's purchases were attributable to the Group's five largest suppliers with the largest supplier accounting for 4% of the Group's purchases. In addition, 48% of the Group's turnover was attributable to the Group's five largest customers with the largest customer accounting for 22% of the Group's turnover.

As at 30 June 2008, to the knowledge of the Directors of the Company, none of the Directors, their associates or any shareholders owning more than 5% of the Company's share capital had any beneficial interests in the Group's five largest suppliers and customers.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 30 June 2008, the following Director(s) were considered to have interests in the following businesses, being businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

Name of Director	Name of Entity the businesses of which are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the Entity which are considered to compete or likely to compete with the businesses of the Group	Nature of Interests of the Director in the Entity
Wong Yat Cheung	Affluence Pictures Limited	Film production and related business	As a director and a shareholder
	Bad Boy Film Culture Limited	Film production and related business	As a director
	Bob & Partners Co., Limited	Film production and related business	As a director
	Film Dynasty Limited	Film production and related business	As a director
	Jing's Production Limited	Film production and related business	As a director and a shareholder
	Most Valuable Productions Limited	Film production and related business	As a director and a shareholder
	Rich & Famous Film & TV Production Limited	Film production and related business	As a director and a shareholder
	Rich & Famous Talent Management Group Limited	Artiste management business	As a director and a shareholder
	Universal Media & Entertainment Group Limited	Function and artiste management business	As a director and a shareholder

Save as disclosed above, during the year ended 30 June 2008, none of the Directors have any interest in business which competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group.

Report of the Directors (Continued)

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this report, there is sufficient public float of the Company's issued shares as required under the Listing Rules throughout the year ended 30 June 2008.

SUBSEQUENT EVENTS

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

AUDITORS

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

On Behalf of the Board
Yu Kam Kee, Lawrence

B.B.S., M.B.E., J.P.

Chairman

Hong Kong, 24 October 2008

PROFILE OF THE DIRECTORS

EXECUTIVE DIRECTORS

Mr. Yu Kam Kee, Lawrence, *B.B.S., M.B.E., J.P.*, aged 63, was appointed as an Executive Director and the Chairman of the Company on 24 August 2004 and a member of the remuneration committee of the Company on 26 October 2005. He has undergone training at Bayer AG and Cassella AG in Germany and has accumulated many years of extensive experience in the chemical industry. He is the Honorary Life President of the Hong Kong Dyestuffs Merchants Association Limited. He also serves on many charitable and social organisations. He is now the Co-Chairman of the Campaign Committee of The Community Chest of Hong Kong, Governor of the Hong Kong Automobile Association, Director of the Hong Kong Football Association Limited and Chairman of the Campaign Committee of the Road Safety Council. He is also the Senior Advisor of China Renji Medical Group Ltd., the non-executive chairman of Trasy Gold Ex Limited and an independent non-executive director of both Great China Holdings Limited and Global Flex Holdings Limited, shares of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Wong Yat Cheung, aged 53, was appointed as an Executive Director and Managing Director of the Company on 13 February 2007. He is a prominent director, producer and scriptwriter in Hong Kong, both in terms of box-office success and breaking new grounds for film production. He graduated from the Chinese University of Hong Kong in 1978 and holds a bachelor's degree in Chinese Language and Literature. Having over 21 years experience in the Hong Kong film and television industry, he has produced over 100 films and TV drama-series. Some of his reputable film sequels are "The Romancing Star", "God of Gamblers" and "Young and Dangerous", all of which set new movie box-office records as well as new trends for the Hong Kong movie scene. He was recently awarded by UA Cinemas as the Movie Director with the Highest Box-Office Record between 1985 and 2005. Mr. Wong does not hold any directorship in any other listed company. He is also a director of certain subsidiaries of the Company.

Profile of the Directors (Continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Fui Lung, Danny, aged 55, was appointed as an Independent Non-executive Director and a member of the audit committee of the Company on 23 October 2001 and a member of the remuneration committee of the Company on 26 October 2005. He graduated with a Bachelor of Science Degree from the University of Hong Kong and subsequently obtained postgraduate certificate in accountancy from the University of Stirling in Scotland. He has over 27 years experience in the accounting profession and after qualifying as Chartered Accountant in 1980 with Ernst & Whinney in Scotland, has worked as finance manager, controller and internal auditor in major multinational companies. Upon his appointment with the Company, Mr. Li has been acting as the Chairman of the Company's audit committee. Mr. Li is the sole proprietor of Messrs. Danny Li & Company, a certified public accountants firm in Hong Kong, and has been practising as a certified public accountant in Hong Kong for more than 7 years. He is a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in Scotland and the Institute of Chartered Accountants in Australia. He is also an independent non-executive director of Centraland Limited whose shares are listed on the Singapore Stock Exchange.

Mr. Ng Hoi Yue, Herman, aged 44, was appointed as an Independent Non-executive Director and a member of the audit committee of the Company on 16 May 2002 and a member of the remuneration committee of the Company on 26 October 2005. Mr. Ng is an associate member of The Institute of Chartered Accountants in England and Wales and a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has been practising as a certified public accountant in Hong Kong since 1989. He is also an independent non-executive director of Henry Group Holdings Limited whose shares are listed on the Stock Exchange.

Mr. Fong Shing Kwong, Michael, aged 60, was appointed as an Independent Non-executive Director and a member of the audit committee and the remuneration committee of the Company on 5 December 2005. He is presently an executive director of New World China Land Limited, a company listed on the Main Board of the Stock Exchange, and a director of Kiu Lok Service Management Co Ltd.. Mr. Fong has over 31 years of experience in the hospitality industry.

INDEPENDENT AUDITORS' REPORT



Chartered Accountants
Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SEE CORPORATION LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of See Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 114 which comprise the consolidated and company balance sheets as at 30 June 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

Independent Auditors' Report (Continued)

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2008 and of the Group's loss 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.

HLB Hodgson Impey Cheng

Chartered Accountants

Certified Public Accountants

Hong Kong, 24 October 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2008

	<i>Notes</i>	2008 HK\$'000	2007 HK\$'000
Turnover	6	40,455	43,792
Cost of sales		(26,740)	(29,993)
Gross profit		13,715	13,799
Other revenue	8	7,596	10,066
Other income	8	117	2,784
Distribution costs		(4,226)	(6,460)
Administrative expenses		(47,765)	(41,694)
Other operating expenses		(47,082)	(21,195)
Change in fair value of financial assets at fair value through profit or loss		89,919	12,376
Profit/(loss) from operations	9	12,274	(30,324)
Impairment loss recognised in respect of goodwill		(1,092)	–
Finance costs	10	(20,468)	(15,116)
Share of results of associates	21(a)	–	(75,654)
Gain on disposal of subsidiaries		2,082	–
Loss before taxation		(7,204)	(121,094)
Taxation	12	–	–
Loss for the year	13	(7,204)	(121,094)
Attributable to:			
Equity holders of the Company		(7,204)	(120,033)
Minority interests		–	(1,061)
		(7,204)	(121,094)
Loss per share attributable to equity holders of the Company			
Basic and diluted	14	HK\$(0.01)	HK\$(0.33)

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

CONSOLIDATED BALANCE SHEET

At 30 June 2008

	<i>Notes</i>	2008 HK\$'000	2007 HK\$'000
Non-current assets			
Intangible assets	18	49	65
Leasehold land	19	14,263	14,280
Property, plant and equipment	20	10,246	10,596
Interests in associates	21	72,365	72,365
Goodwill	23	–	1,092
		96,923	98,398
Current assets			
Film rights	24	13,894	30,041
Film production in progress	25	106,149	17,910
Music production in progress		676	2,500
Inventories	26	400	331
Trade and other receivables, deposits and prepayments	27	50,713	41,373
Loan receivables	28	–	40,000
Financial assets at fair value through profit or loss	29	256,017	19,050
Held-to-maturity investments	30	–	17,341
Pledged bank deposits	31	763	743
Cash and bank balances	32	46,168	85,301
		474,780	254,590
Less: Current liabilities			
Trade and other payables	33	17,561	17,677
Short-term loan – unsecured	34	5,742	45,742
Bank overdraft – secured	35	9,938	9,894
		33,241	73,313
Net current assets		441,539	181,277
Total assets less current liabilities		538,462	279,675
Less: Non-current liabilities			
Convertible notes	36	250,613	144,939
Net assets		287,849	134,736

Consolidated Balance Sheet (Continued)

At 30 June 2008

	<i>Notes</i>	2008 HK\$'000	2007 HK\$'000
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	37	19,388	6,462
Reserves		268,461	128,274
		287,849	134,736
Minority interests			
		–	–
		287,849	134,736

Approved and authorised for issue by the board of directors on 24 October 2008 and signed on its behalf by:

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

Wong Yat Cheung
Executive Director

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

BALANCE SHEET

At 30 June 2008

	Notes	2008 HK\$'000	2007 HK\$'000
Non-current assets			
Intangible assets	18	49	65
Property, plant and equipment	20	1,381	2,035
Investment in subsidiaries	22	455,075	202,631
		456,505	204,731
Current assets			
Trade and other receivables, deposits and perpayments	27	39,876	11,723
Loan receivables	28	–	40,000
Financial assets at fair value through profit or loss	29	–	14,267
Held-to-maturity investments	30	–	17,341
Pledged bank deposits	31	763	743
Cash and bank balances	32	39,349	79,344
		79,988	163,418
Less: Current liabilities			
Trade and other payables	33	4,166	6,684
Short-term loan – unsecured	34	5,742	45,742
		9,908	52,426
Net current assets		70,080	110,992
Total assets less current liabilities		526,585	315,723
Less: Non-current liabilities			
Convertible notes	36	250,613	144,939
Net assets		275,972	170,784
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	37	19,388	6,462
Reserves	38	256,584	164,322
		275,972	170,784

Approved and authorised for issue by the board of directors on 24 October 2008 and signed on its behalf by:

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

Wong Yat Cheung
Executive Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

At 30 June 2008

	Attributable to the equity holders of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Convertible		Sub-total HK\$'000	Minority interests HK\$'000	Total HK\$'000
				notes	Accumulated			
				reserve	deficits			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 July 2006	129,253	268,129	-	45,920	(288,281)	155,021	1,061	156,082
Capital reduction	(127,961)	-	127,961	-	-	-	-	-
Amount transferred to								
write off accumulated deficits	-	-	(127,961)	-	127,961	-	-	-
Issue of shares pursuant to rights issue	5,170	-	-	-	-	5,170	-	5,170
Premium arising from issue of shares								
pursuant to rights issue	-	98,233	-	-	-	98,233	-	98,233
Shares issue expenses on rights issue	-	(3,655)	-	-	-	(3,655)	-	(3,655)
Net loss for the year	-	-	-	-	(120,033)	(120,033)	(1,061)	(121,094)
At 30 June 2007 and 1 July 2007	6,462	362,707	-	45,920	(280,353)	134,736	-	134,736
Issue of shares pursuant to rights issue	12,926	-	-	-	-	12,926	-	12,926
Premium arising from issue of shares								
pursuant to rights issue	-	142,178	-	-	-	142,178	-	142,178
Shares issue expenses on rights issue	-	(4,845)	-	-	-	(4,845)	-	(4,845)
Convertible notes – equity component	-	-	-	10,058	-	10,058	-	10,058
Net loss for the year	-	-	-	-	(7,204)	(7,204)	-	(7,204)
At 30 June 2008	19,388	500,040	-	55,978	(287,557)	287,849	-	287,849

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2008

	2008 HK\$'000	2007 HK\$'000
Cash flows from operating activities		
Loss before taxation	(7,204)	(121,094)
Adjustments for:		
Gain on disposal of subsidiaries	(2,082)	–
Impairment loss recognised in respect of goodwill	1,092	–
Write down on film rights	28,297	10,546
Write down on film production in progress	3,621	–
Write down on music production in progress and inventories	3,414	–
Impairment loss recognised in respect of trade and other receivables, deposits and prepayments	11,750	10,649
Interest income	(4,954)	(5,989)
Interest expense	20,431	15,116
Change in fair value of financial assets at fair value through profit or loss	(89,919)	(12,376)
Change in fair value of held-to-maturity investments	–	(2,522)
Depreciation of property, plant and equipment	1,223	1,260
Share of results of associates	–	75,654
Amortisation of leasehold land	17	17
Amortisation of trademark	16	172
Amortisation of film rights	13,183	16,057
Loss on disposal of property, plant and equipment	369	224
Loss on disposal of intangible assets	–	760
Operating cash flows before working capital changes	(20,746)	(11,526)
Increase in film rights	(25,333)	(34,185)
(Increase) decrease in film production in progress	(91,860)	11,193
Increase in music production in progress and inventories	(1,659)	(739)
Increase in trade and other receivables, deposits and prepayments	(21,090)	(13,703)
Decrease (increase) in loan receivables	40,000	(40,000)
Increase in financial assets at fair value through profit or loss	(147,048)	–
Decrease in held-to-maturity investments	17,341	–
Increase (decrease) in trade and other payables	1,371	(9,093)
Cash used in operations	(249,024)	(98,053)
Tax paid	–	–
Net cash used in operating activities	(249,024)	(98,053)

Consolidated Cash Flow Statement (Continued)

For the year ended 30 June 2008

	2008 HK\$'000	2007 HK\$'000
Cash flows from investing activities		
Interest income received	4,954	5,989
Payments for trademark and artiste contract rights	–	(5)
Purchase of property, plant and equipment	(1,242)	(755)
Cash effect on disposal of subsidiaries (net of cash and cash equivalents disposed of)	–	–
Net cash generated from investing activities	3,712	5,229
Cash flows from financing activities		
Proceeds from issue of shares pursuant to rights issue	155,104	103,403
Proceeds from issue of convertible notes	100,000	–
Decrease in short-term loan	(40,000)	(63,258)
Issue costs of shares	(4,845)	(3,655)
Interest expense paid	(4,104)	(5,847)
Net cash generated from financing activities	206,155	30,643
Net decrease in cash and cash equivalents	(39,157)	(62,181)
Cash and cash equivalents at the beginning of the year	76,150	138,331
Cash and cash equivalents at the end of the year	36,993	76,150
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	46,168	85,301
Pledged bank deposits	763	743
Bank overdraft	(9,938)	(9,894)
	36,993	76,150

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

1. CORPORATE INFORMATION

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

The address of the registered office of the Company is Clarendon House, Church Street, Hamilton HM11, Bermuda and the address of the principal place of business of the Company is Office D & E, 20th Floor, EGL Tower, No. 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 22 to the financial statements.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (HK\$'000) except otherwise indicated.

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

In the current year, the Group has applied, for the first time, the following new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 July 2007.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment ²
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions ³

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 November 2006

³ Effective for annual periods beginning on or after 1 March 2007

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

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

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets ⁴
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 12	Service Concession Arrangements ³
HK(IFRIC) – Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ³
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁵

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 January 2008

⁴ Effective for annual periods beginning on or after 1 July 2008

⁵ Effective for annual periods beginning on or after 1 October 2008

The Group is in the process of assessing the potential impact of these new HKFRSs but is not yet in position to determine whether these new HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

(b) Basis of consolidation

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

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

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Investment in subsidiaries

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

(d) Interests in associates

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

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

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

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

(e) Goodwill

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

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

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Goodwill (Continued)

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

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

(f) Property, plant and equipment

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

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

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

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

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leasehold land

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

(h) Film rights

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

(i) Film and music production in progress

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

(j) Intangible assets

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

(i) *Artiste contract rights*

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

(ii) *Trademarks*

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

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Revenue recognition

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

- (i) Sales of goods are recognised when goods are delivered and title has passed.
- (ii) Revenue from licensing of the distribution rights over films and television programmes is recognised when the master materials of films are delivered to customers and the title has passed.
- (iii) Revenue from provision of model and artiste services are recognised when services rendered.
- (iv) Revenue from event productions is recognised when the events are completed or the services are provided.
- (v) Realised profits or losses from financial assets at fair value through profit or loss are recognised on a trade date basis.
- (vi) Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.
- (vii) Rental income, including rentals invoices and advance from properties under operating leases, recognised on a straight-line basis over the term of the relevant leases.

(l) Inventories

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Leases

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

The Group as lessor

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

The Group as lessee

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

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

(o) Financial instruments

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (Continued)

i. Financial assets

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at fair value through profit or loss, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial asset is classified as held for trading if:

- (i) it has been acquired principally for the purpose of selling in the near future; or
- (ii) it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- (iii) it is a derivative that is not designated and effective as a hedging instrument.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (Continued)

i. Financial assets (Continued)

Financial assets at fair value through profit or loss (Continued)

Financial assets at fair value through profit or loss are not those financial assets acquired principally for the purpose of selling in the short term but designated by management on inception. A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- (ii) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- (iii) it forms part of a contract containing one or more embedded derivatives and HKAS 39 permits the entire combined contract (asset or liability) to be designated as fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables including other receivables, pledged bank deposits and cash and cash equivalents are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (Continued)

i. Financial assets (Continued)

Available-for-sale financial assets

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

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

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. The Group designated certain debt securities as held-to-maturity investments. At each balance sheet date subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (Continued)

i. Financial assets (Continued)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- (i) significant financial difficulty of the issuer or counterparty; or
- (ii) default or delinquency in interest or principal payments; or
- (iii) it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (Continued)

i. Financial assets (Continued)

Impairment of financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

ii. Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis other than those financial liabilities designated as at fair value through profit or loss, of which the interest expense is included in net gains or losses.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (Continued)

ii. Financial liabilities and equity (Continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss has two subcategories, including financial liabilities held for trading and those designated at fair value through profit or loss on initial recognition.

A financial liability is classified as held-for-trading if:

- (i) it has been incurred principally for the purpose of repurchasing in the near future; or
- (ii) it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- (iii) it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- (ii) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- (iii) it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract to be designated as fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in income statement in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liability.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (Continued)

ii. *Financial liabilities and equity* (Continued)

Other financial liabilities

Other financial liabilities including creditors and accruals, securities trading and margin payable, deposits and receipts in advance, bank and other borrowings and amounts due to associates are subsequently measured at amortised cost, using the effective interest rate method.

Convertible notes

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

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

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (Continued)

ii. *Financial liabilities and equity* (Continued)

Convertible notes (Continued)

If the conversion option of convertible notes exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible notes is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible notes based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the income statement.

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

Derecognition

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

(q) Impairment of assets

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

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Impairment of assets (Continued)

i. Calculation of recoverable amount

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

ii. Reversals of impairment losses

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

(r) Cash and cash equivalents

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

(s) Provisions

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Borrowings

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

(u) Contingent liabilities and contingent assets

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

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

(v) Employee benefits

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

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

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Employee benefits (Continued)

- (iii) The fair value of the employee services received in exchange for the grant of the share options and restricted share awards is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined with reference to the fair value of the share options and restricted share awards granted. At each balance sheet date, the Company revises its estimates of the number of share options that are expected to become exercisable and the number of restricted share awards that become vested. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity in the balance sheet will be made over the remaining vesting period.
- (iv) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(w) Related parties

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

- (i) the party, directly or indirectly through one or more intermediaries, (a) controls, is controlled by, or is under common control with, the Group; (b) has an interest in the Group that gives it significant influence over the Group; or (c) has joint control over the Group;
- (ii) the party is an associate;
- (iii) the party is a jointly-controlled entity;
- (iv) the party is a member of the key management personnel of the Group or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) 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 (iv) or (v); or
- (vii) 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 to the consolidated financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(i) *Estimated impairment of intangible assets and goodwill*

The Group performs annual tests on whether there has been impairment of intangible assets and goodwill in accordance with the accounting policy stated in note 3(e). The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

(ii) *Estimated impairment of trade receivables and other receivables*

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

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying accounting policies (Continued)

(iii) *Estimated Impairment of film and music production in progress*

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

(iv) *Estimated impairment of films rights*

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

(v) *Useful lives of property, plant and equipment*

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

(vi) *Provision for obsolete inventories*

Management reviews the condition of inventories of the Group at each balance sheet date and makes provision for obsolete and slow-moving inventory items identified that are no longer suitable for sale. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. Management reassesses the estimation at each balance sheet date.

5. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include equity investments, short-term loans, trade receivables, trade payables, cash and cash equivalents and convertible notes. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Foreign currency risk management

The Group operates mainly in Hong Kong and majority of transactions are dominated in Hong Kong dollars and Renminbi ("RMB"). The Group is exposed to limited foreign exchange risk as most assets and liabilities are denominated in Hong Kong dollars and RMB. Therefore, the Group is exposed to foreign exchange risk arising from these currency exposures. Hong Kong dollars are pegged to the United States dollars and the foreign exchange exposure between them are considered limited. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group is exposed to foreign exchange risk in respect of exchange fluctuation of Hong Kong dollars against RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign current assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(ii) Price risk

The Group's equity investments classified as financial assets at fair value through profit or loss which are measured at fair value at each balance sheet date and expose the Group to equity price risk. The Group's equity price risk is mainly concentrated on equity securities operating in produce and sales of videos and films and trading in metals and securities, which are quoted in the Stock Exchange. The management manages this exposure by maintaining a portfolio of investments with different risk profiles. In addition, the Group will monitor the price risk and will consider hedging the risk exposure should the need rise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date.

If equity prices had been 5% higher/lower, the Group's:

- loss before taxation for the year ended 30 June 2008 would increase/decrease by HK\$12,801,000 (2007: increase/decrease by HK\$239,000) as a result of the changes in fair value of financial assets at fair value through profit or loss.

The Group's sensitivity to equity prices has increased during the current year mainly due to the increase in equity investments by value.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

5. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

(iii) Cash flow and fair value interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its short-term loans. Short-term loans at variable rates expose the Group to fair value interest rate risk (see note 34 for details of these loans). The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

As at 30 June 2008 and 2007, a reasonably possible change of 50 basis-points interest rates on borrowings would have no material impact on the Group's results for the year and equity as at the year end.

Credit risk

As at 30 June 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, the management of the Group has credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's credit risk is primarily attributable to trade or other receivables. The Group has no significant concentrations of credit risk. The exposures to these credit risks are monitored on an ongoing basis.

Liquidity risk

The Group manages liquidity risk by maintaining adequate bank deposits and cash, monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The liquidity risk is under continuous monitoring by management. Reports with maturity dates of bank borrowings and thus the liquidity requirement are provided to management for review periodically. Management will raise or refinance bank borrowings whenever necessary.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

5. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are based on the contractual undiscounted payments, as follows:

At 30 June 2008						
	Weighted average effective interest rate	Within 1 year HK\$'000	Within 2 to 5 years HK\$'000	Total Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
Non-derivative financial liabilities						
Trade and other payables	-	17,561	-	-	17,561	17,561
Short-term loan-unsecured	-	5,742	-	-	5,742	5,742
Convertible notes	8%	-	270,000	-	270,000	250,613
Total		23,303	270,000	-	293,303	273,916

At 30 June 2007						
	Weighted average effective interest rate	Within 1 year HK\$'000	Within 2 to 5 years HK\$'000	Total Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
Non-derivative financial liabilities						
Trade and other payables	-	17,677	-	-	17,677	17,677
Short-term loan-unsecured	-	45,742	-	-	45,742	45,742
Convertible notes	8.55%	-	170,000	-	170,000	144,939
Total		63,419	170,000	-	233,419	208,358

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

5. FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities (including derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and
- the fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transaction as input. For an option-based derivative, the fair value is estimated using option pricing model.

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate their fair values:

	2008		2007	
	Carrying amount HK\$'000	Fair value HK\$'000	Carrying amount HK\$'000	Fair value HK\$'000
Financial liabilities				
Convertible notes	250,613	221,800	144,939	153,218

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts which include short-term loan, bank overdraft and convertible notes, cash and cash equivalents, and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

5. FINANCIAL RISK MANAGEMENT (Continued)

Capital management (Continued)

The Group aimed at maintaining a gearing ratio of not more than 100%. The gearing ratios as at 30 June 2008 and 2007 are as follows:

	2008 HK\$'000	2007 HK\$'000
Total debt (<i>note i</i>)	266,293	200,575
Less: Cash and cash equivalents	(36,993)	(76,150)
Net debt	229,300	124,425
Equity (<i>note ii</i>)	287,849	134,736
Net debt to equity ratio	80%	92%
Total debt to equity ratio	93%	149%

Notes:

- (i) Debt comprises the unsecured short-term loan, secured bank overdraft and unsecured convertible notes as detailed in note 34, note 35 and note 36 to the financial statements respectively.
- (ii) Equity includes all capital and reserves of the Group.

Based on recommendations of the directors, the Group will balance its overall capital structure through issue of new shares, new borrowings raised and repayment of borrowings.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

6. TURNOVER

Turnover of the Group represents revenue from (i) film and TV programme production, (ii) event production, (iii) artiste and model management, (iv) music production and (v) investment in securities. The amounts of each significant category of turnover recognised during the year are as follows:

	The Group	
	2008 HK\$'000	2007 HK\$'000
Turnover		
Film and TV programme production	24,670	23,805
Event production	519	1,047
Artiste and model management	12,531	18,721
Music production	354	219
Net gains from the sale of investments at fair value through profit or loss, net (<i>note i</i>)	2,381	–
	40,455	43,792

Note:

- (i) Net gains from the sale of investments at fair value through profit or loss represents the proceeds from the sale of investments at fair value through profit or loss of HK\$36,696,000 (2007: Nil) less the cost of sales and carrying amount of the investments sold of HK\$34,315,000 (2007: Nil).

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

7. SEGMENT INFORMATION

(a) Business segments

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

The following table presents revenue and results, certain assets, liabilities and expenditures information for the Group's business segments of 2008:

	Film and TV programme production HK\$'000	Event production HK\$'000	Artiste and model management HK\$'000	Music production HK\$'000	Investment in securities HK\$'000	Others HK\$'000	Consolidated HK\$'000
Segment revenue	24,670	519	12,531	354	2,381	-	40,455
Segment results	7,897	382	3,011	44	2,381	-	13,715
Interest income and unallocated gains							7,713
Unallocated corporate expenses							(51,991)
Other operating expenses	(38,125)	-	(2,020)	(3,414)	-	(3,523)	(47,082)
Change in fair value of financial assets at fair value through profit or loss	-	-	-	-	89,919	-	89,919
Profit from operations							12,274
Impairment loss recognised in respect of goodwill							(1,092)
Finance costs							(20,468)
Gain on disposal of subsidiaries							2,082
Loss before taxation							(7,204)
Taxation							-
Loss for the year							(7,204)
Attributable to:							
Equity holders of the Company							(7,204)
Minority interests							-
							(7,204)
Segment assets	134,719	387	3,030	1,609	256,017	175,941	571,703
Segment liabilities	6,148	11,037	4,197	1,072	-	261,400	283,854
Other segment information:							
Capital expenditures	903	-	306	-	-	33	1,242
Depreciation	107	130	111	-	-	875	1,223
Amortisation	13,183	-	16	-	-	17	13,216
Impairment loss recognised in respect of:							
Trade and other receivables, deposits and prepayments	6,207	-	2,020	-	-	3,523	11,750
Goodwill	-	-	-	-	-	1,092	1,092
Write down on:							
Film rights	28,297	-	-	-	-	-	28,297
Film production in progress	3,621	-	-	-	-	-	3,621
Music production in progress and inventories	-	-	-	3,414	-	-	3,414

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

7. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

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

	Film and TV programme production HK\$'000	Event production HK\$'000	Artiste and model management HK\$'000	Music production HK\$'000	Investment in securities HK\$'000	Others HK\$'000	Consolidated HK\$'000
Segment revenue	23,805	1,047	18,721	219	–	–	43,792
Segment results	7,848	307	5,613	31	–	–	13,799
Interest income and unallocated gains							12,850
Unallocated corporate expenses							(48,154)
Other operating expenses	(14,985)	–	(2,270)	–	–	(3,940)	(21,195)
Change in fair value of financial assets at fair value through profit or loss	–	–	–	–	12,376	–	12,376
Loss from operations							(30,324)
Finance costs							(15,116)
Share of results of associates							(75,654)
Loss before taxation							(121,094)
Taxation							–
Loss for the year							(121,094)
Attributable to:							
Equity holders of the Company							(120,033)
Minority interests							(1,061)
							(121,094)
Segment assets	75,358	894	8,436	3,168	4,783	260,349	352,988
Segment liabilities	2,596	10,877	3,269	1,142	10	200,358	218,252
Other segment information:							
Capital expenditures	274	–	184	–	–	297	755
Depreciation	139	176	86	–	–	859	1,260
Amortisation	16,057	–	172	–	–	17	16,246
Impairment loss recognised in respect of trade and other receivables, deposits and prepayments	4,439	–	2,270	–	–	3,940	10,649
Write down on film rights	10,546	–	–	–	–	–	10,546

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

7. SEGMENT INFORMATION (Continued)

(b) Geographical segments

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

For the year ended 30 June 2008

	North America HK\$'000	Europe HK\$'000	Hong Kong HK\$'000	China HK\$'000	Others HK\$'000	Total HK\$'000
Revenue from external customers	10	–	38,777	1,308	360	40,455

For the year ended 30 June 2007

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

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

8. OTHER REVENUE AND OTHER INCOME

	2008 HK\$'000	2007 HK\$'000
Other revenue		
Bank interest income	550	457
Rental income	1,351	1,392
Management fee income	999	1,211
Other interest income	4,404	5,532
Others	292	1,474
	7,596	10,066
Other income		
Change in fair value of held-to-maturity investments	–	2,522
Sundry income	117	262
	117	2,784

9. PROFIT/(LOSS) FROM OPERATIONS

	2008 HK\$'000	2007 HK\$'000
Profit/(Loss) from operations is stated after (crediting)/charging:		
Cost of inventories (included in cost of sales)	310	188
Amortisation of film rights (included in cost of sales)	13,183	16,057
Auditors' remuneration	600	600
Amortisation of trademark	16	172
Amortisation of leasehold land	17	17
Depreciation of property, plant and equipment	1,223	1,260
Operating leases in respect of land and buildings	5,054	4,726
Impairment loss recognised in respect of trade and other receivables, deposits and other perpayments	11,750	10,649
Write down on film production in progress	3,621	–
Write down on film rights	28,297	10,546
Write down on inventories	2,784	–
Write down on music production in progress	630	–
Loss on disposal of intangible assets	–	760
Loss on disposal of property, plant and equipment	369	224
Change in fair value of financial assets at fair value through profit or loss	(89,919)	(12,376)

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

10. FINANCE COSTS

	2008	2007
	HK\$'000	HK\$'000
<hr/>		
Interest on:		
Bank borrowings wholly repayable		
– within five years	684	810
Short-term borrowings	3,910	4,836
Imputed interest on convertible notes	15,732	9,269
Others	142	201
	<hr/>	<hr/>
	20,468	15,116
	<hr/>	

11. EMPLOYEE BENEFIT EXPENSES

	2008	2007
	HK\$'000	HK\$'000
<hr/>		
Employee benefit expenses are analysed as follows:		
Salaries and other benefits	13,814	12,832
Provident fund contributions	496	491
	<hr/>	<hr/>
	14,310	13,323
	<hr/>	

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

12. TAXATION

No provision for Hong Kong profits tax has been made as the Company and its subsidiaries incurred taxation loss for the year (2007: Nil).

No provision for deferred tax liabilities has been made as the Group and the Company had no material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The Group has not recognised deferred tax assets in respect of losses due to the unpredictability of the future profit streams.

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

	2008		2007	
	HK\$'000	%	HK\$'000	%
Loss before taxation	(7,204)		(121,094)	
Tax at domestic income tax rate	(1,189)	(16.5)	(21,191)	(17.5)
Tax effect of income that is not taxable in determining taxable profit	(31,853)	(442.1)	(3,654)	(3.0)
Tax effect of expenses that are not deductible in determining taxable profit	3,194	44.3	15,715	13.0
Tax effect of unrecognised tax losses	29,848	414.3	9,130	7.5
Tax charge at the Group's effective rate for the year	-	-	-	-

On 27 February 2008, the Financial Secretary of the Government of the Hong Kong Special Administrative Region announced a cut in the Profits Tax rate applicable to the Group's operation in Hong Kong from 17.5% to 16.5%. The changes have been taken into account in the preparation of the Group's 2008 financial statements.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

13. NET LOSS FOR THE YEAR

Of the Group's net loss for the year of approximately HK\$7,204,000 (2007: HK\$121,094,000), HK\$55,129,000 (2007: HK\$56,059,000) has been dealt with in the financial statements of the Company.

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

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

	2008	2007
	HK\$'000	HK\$'000
Loss attributable to equity holders of the Company for the purpose of basic loss per ordinary share	7,204	120,033
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares for the purpose of basic loss per share	1,462,912	365,360

The weighted average number of ordinary shares for the purpose of basic loss per share for the year ended 30 June 2008 and 30 June 2007 has been adjusted for the rights issue on 15 November 2007.

For the year ended 30 June 2007 and 30 June 2008, diluted loss per share is the same as the basic loss per share as the outstanding convertible notes had anti-dilutive effect on the basic loss per share.

15. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend in respect of the year ended 30 June 2008 (2007: Nil).

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

16. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The emoluments paid or payable to each of the four (2007: five) executive directors and four (2007: four) independent non-executive directors are as follows:

The Group

Name of Director	Fees HK\$'000	Salaries HK\$'000	Housing HK\$'000	Provident fund contributions HK\$'000	Total HK\$'000
2008:					
<i>Executive directors</i>					
Mr. Yu Kam Kee, Lawrence	1,200	-	-	-	1,200
Mr. Wong Yat Cheung	-	1,800	350	12	2,162
Mr. Yu Kam Yuen, Lincoln ⁽¹⁾	50	-	-	-	50
Mr. Tong Chin Shing ⁽²⁾	-	-	-	-	-
<i>Independent non-executive directors</i>					
Mr. Li Fui Lung, Danny	120	-	-	-	120
Mr. Ng Hoi Yue, Herman	100	-	-	-	100
Mr. Shek Lai Him, Abraham ⁽³⁾	200	-	-	-	200
Mr. Fong Shing Kwong, Michael	200	-	-	-	200
	1,870	1,800	350	12	4,032
2007:					
<i>Executive directors</i>					
Mr. Yu Kam Kee, Lawrence	300	-	-	-	300
Mr. Wong Yat Cheung ⁽⁴⁾	-	1,800	-	12	1,812
Mr. Carl Chang ⁽⁵⁾	200	1,606	280	8	2,094
Mr. Yu Kam Yuen, Lincoln	100	-	-	-	100
Mr. Tong Chin Shing	-	-	-	-	-
<i>Independent non-executive directors</i>					
Mr. Li Fui Lung, Danny	115	-	-	-	115
Mr. Ng Hoi Yue, Herman	100	-	-	-	100
Mr. Shek Lai Him, Abraham	200	-	-	-	200
Mr. Fong Shing Kwong, Michael	200	-	-	-	200
	1,215	3,406	280	20	4,921

(1) Mr. Yu Kam Yuen, Lincoln resigned as Executive Director on 13 December 2007.

(2) Mr. Tong Chin Shing retired as Executive Director on 7 December 2007.

(3) Mr. Shek Lai Him, Abraham retired as Executive Director on 1 October 2008.

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

(5) Mr. Carl Chang resigned as Executive Director on 24 April 2007.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

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

(a) Directors' emoluments (Continued)

The emoluments of the directors fell within the following bands:

	Number of directors	
	2008	2007
Nil to HK\$1,000,000	6	7
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,000,001 to HK\$2,500,000	1	1
	8	9

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2007: two) directors of the Company, details of whose emoluments are set out above. The aggregate emoluments of the remaining three (2007: three) individuals are as follows:

	2008 HK\$'000	2007 HK\$'000
Salaries and other allowance	2,110	1,708
Retirement benefit scheme contributions	34	36
	2,144	1,744

The emoluments of those individuals within the following bands:

	Number of directors	
	2008	2007
Nil to HK\$1,000,000	3	3
HK\$1,000,001 to HK\$1,500,000	–	–
	3	3

For the year ended 30 June 2008 and 2007, no emoluments were paid by the Group to the five highest paid individuals, including the director, as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emolument during the year.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

17. EMPLOYEE BENEFITS

Retirement Benefit Scheme

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

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

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

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

Equity Compensation Benefits

Share Options

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

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

17. EMPLOYEE BENEFITS (Continued)

Equity Compensation Benefits (Continued)

Share Options (Continued)

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

18. INTANGIBLE ASSETS

The Group

	Trademark HK\$'000	Artiste contract rights HK\$'000	Total HK\$'000
Cost:			
At 1 July 2006	1,245	120	1,365
Additions	5	–	5
Disposal	(1,169)	–	(1,169)
At 30 June 2007, 1 July 2007 and at 30 June 2008	81	120	201
Accumulated amortisation and impairment:			
At 1 July 2006	253	120	373
Provided for the year	172	–	172
Written back on disposals	(409)	–	(409)
At 30 June 2007 and 1 July 2007	16	120	136
Provided for the year	16	–	16
At 30 June 2008	32	120	152
Net book value:			
At 30 June 2008	49	–	49
At 30 June 2007	65	–	65

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

18. INTANGIBLE ASSETS (Continued)

The Group (Continued)

Notes:

- (i) The amortisation expense has been included in the line item administrative expenses in the consolidated income statement.
- (ii) The above intangible assets have definite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Trademarks	5 years
Artiste contract rights	40 years

The Company

	Trademark	
	2008	2007
	HK\$'000	HK\$'000
Cost:		
Beginning of year	81	76
Additions	–	5
End of year	81	81
Accumulated amortisation and impairment:		
Beginning of year	16	–
Provided for the year	16	16
End of year	32	16
Net book value:		
End of year	49	65

Notes:

- (i) The directors of the Company considered that the carrying amounts of the intangible asset were approximate to its fair value.
- (ii) The above intangible assets have definite useful lives. Such intangible assets are amortised on a straight-line basis over five years.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

19. LEASEHOLD LAND

The Group

	2008 HK\$'000	2007 HK\$'000
Cost:		
Beginning of year	14,321	14,321
Additions	–	–
End of year	14,321	14,321
Accumulated amortisation:		
Beginning of year	41	24
Provided for the year	17	17
End of year	58	41
Net book value:		
End of year	14,263	14,280

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

At 30 June 2008, the Group's leasehold land with a net book value of approximately HK\$14,263,000 (2007: HK\$14,280,000) was pledged to secure the banking facilities granted to the Company.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

20. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings HK\$'000	Leasehold improvement HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:					
At 1 July 2006	7,558	2,389	1,587	900	12,434
Additions	–	125	630	–	755
Disposals	–	–	(51)	(250)	(301)
At 30 June 2007 and 1 July 2007	7,558	2,514	2,166	650	12,888
Additions	–	867	375	–	1,242
Disposals	–	(399)	(63)	–	(462)
At 30 June 2008	7,558	2,982	2,478	650	13,668
Accumulated depreciation and impairment:					
At 1 July 2006	268	484	312	45	1,109
Charge for the year	189	484	411	176	1,260
Written back on disposals	–	–	(19)	(58)	(77)
At 30 June 2007 and 1 July 2007	457	968	704	163	2,292
Charge for the year	189	449	455	130	1,223
Written back on disposals	–	(71)	(22)	–	(93)
At 30 June 2008	646	1,346	1,137	293	3,422
Net book value:					
At 30 June 2008	6,912	1,636	1,341	357	10,246
At 30 June 2007	7,101	1,546	1,462	487	10,596

At 30 June 2008, the Group's buildings with carrying amounts of HK\$6,912,000 (2007: HK\$7,101,000) were pledged to secure the banking facilities granted to the Company.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

20. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company

	Leasehold improvement HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
Cost:			
At 1 July 2006	1,988	1,168	3,156
Additions	53	244	297
Disposals	–	(24)	(24)
<hr/>			
At 30 June 2007 and 1 July 2007	2,041	1,388	3,429
Additions	16	18	34
<hr/>			
At 30 June 2008	2,057	1,406	3,463
<hr/>			
Accumulated depreciation and impairment:			
At 1 July 2006	470	263	733
Charge for the year	399	271	670
Written back on disposals	–	(9)	(9)
<hr/>			
At 30 June 2007 and 1 July 2007	869	525	1,394
Charge for the year	409	279	688
<hr/>			
At 30 June 2008	1,278	804	2,082
<hr/>			
Net book value:			
At 30 June 2008	779	602	1,381
<hr/>			
At 30 June 2007	1,172	863	2,035
<hr/>			

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

21. INTERESTS IN ASSOCIATES

	2008 HK\$'000	2007 HK\$'000
Share of net assets of associates (<i>note a</i>)	–	–
Goodwill arising on acquisition of associates (<i>note b</i>)	72,365	72,365
	72,365	72,365

Notes:

(a) Share of net assets of associates

	2008 HK\$'000	2007 HK\$'000
Beginning of year	–	75,654
Share of results of associates for the year	–	(75,654)
End of year	–	–

(b) Goodwill arising on acquisition of associates

	2008 HK\$'000	2007 HK\$'000
Beginning of year	72,365	72,365
Impairment loss recognised during the year	–	–
End of year	72,365	72,365

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

21. INTERESTS IN ASSOCIATES (Continued)

Notes (Continued):

- (c) At 30 June 2008, the directors of the Company assessed the recoverable amount of goodwill arising on the acquisition of associates by reference to the valuation as at 30 June 2008 performed by Norton Appraisals Limited ("Norton Appraisals"), an independent firm of professional valuers, and considered that no impairment loss should be made (2007: Nil) to the consolidated income statement. The valuation of the goodwill was determined based on the present value of the expected future cash flow arising from the business of the associates.

The recoverable amount of the Cash Generated Unit ("CGU") is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period of five years. Cash flows beyond the 5-year period are represented by its continuing value using 3% growth rate (2007: zero).

Key assumptions used for value-in-use calculations:

	2008	2007
Discount rate	15.67%	18.40%

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

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

21. INTERESTS IN ASSOCIATES (Continued)

Notes (Continued):

(d) Details of the Group's interests in associates as at 30 June 2008 are as follows:

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

* an associate held indirectly by the Group

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

The summarised financial information in respect of the Group's interests in associates for the year ended 30 June 2008 and 2007 are set out below:

	2008 HK\$'000	2007 HK\$'000
Turnover	255,099	202,425
Loss for the year	(239,815)	(298,241)
Loss attributable to the Group for the year	-	(75,654)
Total assets	336,645	381,730
Total liabilities	(719,872)	(525,143)
Net liabilities	(383,227)	(143,413)
Net assets attributable to the Group	-	-

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

22. INVESTMENT IN SUBSIDIARIES

The Company

	2008 HK\$'000	2007 HK\$'000
Unlisted shares, at cost	1	1
Impairment loss recognised	(1)	(1)
	–	–
Amounts due from subsidiaries	785,403	532,959
Provision for impairment	(330,328)	(330,328)
	455,075	202,631

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

The fair value of the amounts due from subsidiaries classified under non-current asset as at 30 June 2008 determined based on the present value of the estimated future cash flows discounted using the prevailing market rate as at the balance sheet date was approximate to its carrying value.

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

In the opinion of the directors of the Company, the carrying amounts of the amounts due from subsidiaries as at 30 June 2008 were approximate to their fair values.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

22. INVESTMENT IN SUBSIDIARIES (Continued)

Details of the Company's significant subsidiaries as at 30 June 2008 are set out as follows:

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued shares/ registered capital	Proportion of nominal value of issued shares/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
Anyone Holdings Limited	British Virgin Islands ("BVI")	US\$1	100%	–	Property holding
Cross Challenge Limited	BVI	US\$2	100%	–	Investment holding
Day Achieve Limited	BVI	US\$1	100%	–	Investment holding
Ease Strong Limited	Hong Kong	HK\$1	100%	–	Provision of secretarial services
Enjoy Profits Limited	BVI	US\$1	100%	–	Investment holding
Future Alliance Limited	BVI	US\$1	100%	–	Investment holding
Grand Class Investment Limited	BVI	US\$1	100%	–	Investment holding
Icon International Model Management Limited (Formerly known as Look Models Hong Kong Limited)	Hong Kong	HK\$500,000	–	100%	Provision of modelling agency services
Media Platform Limited	BVI	US\$1	100%	–	Investment holding
Mega-Vision Pictures Limited	Hong Kong	HK\$1	–	80%	Media and entertainment business
Mega-Vision Productions Limited	Hong Kong	HK\$10,000,000	–	80%	Film and TV programme production

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

22. INVESTMENT IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued shares/ registered capital	Proportion of nominal value of issued shares/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
See Entertainment Limited	Hong Kong	HK\$1	–	100%	Investment in film production and provision of event management services
See Movie Limited	Hong Kong	HK\$1	–	100%	Distribution of motion pictures and television drama series
See Music Limited	Hong Kong	HK\$1	–	100%	Production of music video, music record and provision of promotion services
See People Limited	Hong Kong	HK\$1	–	100%	Provision of artiste management services
Seethru Limited	Hong Kong	HK\$1	–	100%	Production of TV commercials
Shineidea Limited	BVI	US\$1	100%	–	Investment in securities
Snazz Artistes Limited	Hong Kong	HK\$100	–	100%	Provision of artiste management services
Snazz Entertainment Group Limited	BVI	HK\$7,800	–	100%	Provision of entertainment and modelling services
Snazz Music Limited	Hong Kong	HK\$100	–	100%	Production of music record and provision of promotion services

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

22. INVESTMENT IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued shares/ registered capital	Proportion of nominal value of issued shares/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
Talent Bang Limited	Hong Kong	HK\$100	–	100%	Provision of modelling agency services
The Metropolis Wedding Group Limited	Hong Kong	HK\$1	–	100%	General investment, trading and management services
Wise Novel Investments Limited	BVI	US\$1	100%	–	Investment holding

Notes:

- (i) All are ordinary share capital unless otherwise stated.
- (ii) None of the subsidiaries had any loan capital subsisting at the end of the year or at any time during the year.
- (iii) The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

23. GOODWILL

	The Group	
	2008 HK\$'000	2007 HK\$'000
Cost:		
Beginning of year	1,245	1,245
Additions	–	–
Disposals	–	–
End of year	1,245	1,245
Accumulated amortisation and impairment:		
Beginning of year	153	153
Impairment loss recognised in respect of goodwill	1,092	–
End of year	1,245	153
Carrying amount:		
End of year	–	1,092

Notes:

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

	2008 HK\$'000	2007 HK\$'000
Provision of model agency services	–	1,092

- (b) At 30 June 2008, the directors of the Company assessed the recoverable amount of goodwill arising on the acquisition of subsidiaries by reference to the financial performance of the subsidiaries and determined that the goodwill amount cannot be recovered and full impairment loss of HK\$1,092,000 was recognised in the consolidated income statements accordingly.
- (c) At 30 June 2007, the directors of the Company assessed the recoverable amount of goodwill arising on the acquisition of subsidiaries by reference to the valuation as at 30 June 2007 performed by Norton Appraisals Limited ("Norton Appraisals"), an independent firm of professional valuers, and concluded that no impairment shall be recognised during the year ended 30 June 2007. The valuation of the goodwill was determined based on the present value of the expected future cash flow arising from the business of these subsidiaries.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

24. FILM RIGHTS

	The Group	
	2008 HK\$'000	2007 HK\$'000
Cost:		
Beginning of year	82,349	48,164
Additions	25,333	34,185
End of year	107,682	82,349
Accumulated amortisation and impairment:		
Beginning of year	52,308	25,705
Amortisation provided for the year	13,183	16,057
Write down for the year	28,297	10,546
End of year	93,788	52,308
Carrying amount:		
End of year	13,894	30,041

Note:

At 30 June 2008, the directors of the Company reassessed the recoverable amount of film rights by reference to the valuation report as at 30 June 2008 performed by Norton Appraisals and determined to provide an impairment loss of approximately HK\$28,297,000 (2007: HK\$10,546,000).

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

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

25. FILM PRODUCTION IN PROGRESS

	The Group	
	2008	2007
	HK\$'000	HK\$'000
Film production in progress	106,149	17,910

26. INVENTORIES

	The Group	
	2008	2007
	HK\$'000	HK\$'000
Finished goods	400	331

The finished goods were carried at net realisable value.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

27. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables, net	5,210	12,484	–	25
Other receivables, deposits and prepayments	45,503	28,889	39,876	11,698
	50,713	41,373	39,876	11,723

The Group allows an average credit period of 90 to 180 days (2007: 90-180 days) to its customers. The aged analysis of the trade receivables is as follow:

	The Group		The Company	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0 to 90 days	3,978	3,112	–	–
91 to 180 days	439	9,372	–	–
Over 181 days	10,076	6,107	25	25
	14,493	18,591	25	25
Less: Impairment loss recognised in respect of trade receivables	(9,283)	(6,107)	(25)	–
Total	5,210	12,484	–	25

Trade receivables of approximately HK\$1,130,000 (2007: Nil) that were past due which over 180 days but not impaired for. These balances related to a number of customers that have good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

In determining the recoverability of trade receivables, the directors of the Company considered any change in the credit quality of the trade receivables from the date credit were initially granted up to the reporting date. Accordingly, the directors of the Company considered provision for impairment in values be made in respect of trade receivables to their recoverable values and believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

27. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Movement in the allowance for doubtful debts:

	The Group	
	2008	2007
	HK\$'000	HK\$'000
Beginning of year	6,107	3,674
Impairment losses recognised in respect of trade receivables	3,176	2,433
End of year	9,283	6,107

28. LOAN RECEIVABLES

	The Group and the Company	
	2008	2007
	HK\$'000	HK\$'000
Loan to independent third parties	–	40,000

The Group had provided short-term loans to a number of independent third parties. Loan receivables were secured, chargeable with effective interest at 2.5% over the best lending rate quoted by the Hong Kong and Shanghai Banking Corporation Limited and repayable on demand.

The directors of the Company considered that the carrying amounts of loan receivables for the year ended 30 June 2007 were approximate to their fair values.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group		The Company	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted securities:				
– Conversion option element of convertible notes subscribed by the Group	–	14,267	–	14,267
Listed securities:				
– Equity securities listed in Hong Kong at fair value (note i)	256,017	4,783	–	–
	256,017	19,050	–	14,267

Note:

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

At 30 June 2008, the details of the Group's financial assets at fair value through profit or loss of which the carrying amount exceeds 10% of total assets of the Group are as follows:

Name	Place of incorporation	Principal activities	Particulars and percentage of issued shares held
Big Media Group Limited (SEHK stock code 8167)	Cayman Islands	Production and sales of videos and films, and the licensing of video and copyrights/ film rights	Ordinary shares, 2.7%
Wonson International Limited (SEHK stock code 651)	Bermuda	Metals trading and investment in securities	Ordinary shares, 4.12%

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

30. HELD-TO-MATURITY INVESTMENTS

	The Group and the Company	
	2008	2007
	HK\$'000	HK\$'000
Debt element of convertible notes	–	17,341

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

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

The convertible notes have been fully exercised by the Company on 15 May 2008.

31. PLEDGED BANK DEPOSITS

At 30 June 2008, the Group's and the Company's bank deposits amounted to HK\$763,000 (2007: HK\$743,000) have been pledged to a bank, which were carried at prevailing market interest rate which represent deposits pledged to banks as guarantee of the operating lease commitments and therefore have been classified as current assets. The pledged bank deposits will be released upon the settlement of relevant bank borrowings. The details of the operating lease commitments are set out in note 40 to the consolidated financial statements.

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

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

32. CASH AND BANK BALANCES

	The Group		The Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Cash at bank and on hand	46,168	85,301	39,349	79,344

Notes:

- (a) At the balance sheet date, the cash and bank balances of the Group and the Company are denominated in Hong Kong dollars.
- (b) Cash at bank earn interests at floating rates based on daily bank deposit rates. Short-term deposits during the year ended 30 June 2008 are made for varying period between one day and three months, depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates.

The carrying amounts of the cash and bank balances were approximate to their fair values.

33. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Trade payables	1,978	8,373	–	3,516
Other payables	15,583	9,304	4,166	3,168
	17,561	17,677	4,166	6,684

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

	2008		2007	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0 to 90 days	264	3,243	–	1,376
91 days or above	1,714	5,130	–	2,140
	1,978	8,373	–	3,516

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

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

34. SHORT-TERM LOAN – UNSECURED

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

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

35. BANK OVERDRAFT – SECURED

During the year ended 30 June 2008, the Company had been granted an overdraft facility from a bank. The bank overdraft is secured by the Group's building and leasehold land in Hong Kong with carrying amounts at 30 June 2008 of approximately HK\$6,912,000 (2007: HK\$7,101,000) and HK\$14,263,000 (2007: HK\$14,280,000) respectively, chargeable with interest at the lending bank's prime rate per annum or 1% per annum over Hong Kong Inter-bank Offer Rate, whichever is higher and repayable on demand.

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

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

36. CONVERTIBLE NOTES

	The Group and the Company	
	2008	2007
	HK\$'000	HK\$'000
Liability component		
2005 Convertible Notes (<i>note i</i>)	157,336	144,939
2007 Convertible Notes (<i>note ii</i>)	93,277	–
	250,613	144,939
Equity component		
2005 Convertible Notes (<i>note i</i>)	45,920	45,920
2007 Convertible Notes (<i>note ii</i>)	10,058	–
	55,978	45,920

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

36. CONVERTIBLE NOTES (Continued)

Notes:

(i) HK\$170,000,000 convertible notes due issued in 2005 and due in 2010 (the "2005 Convertible Notes")

On 21 April 2005, the Company entered into a subscription agreement (the "2005 Subscription Agreement") in relation of issuance of HK\$170,000,000 zero-coupon convertible notes due on 9 August 2010 to Hanny Holdings Limited ("Hanny").

Pursuant to the 2005 Subscription Agreement, Hanny may at any business date after the date of issue of the 2005 Convertible Notes up to and including the date prior to the fifth anniversary of the date of issue of the 2005 Convertible Notes convert the whole or any part in an amount or integral multiple of HK\$500,000 of the principal amount of the 2005 Convertible Notes into shares of HK\$0.01 each in the share capital of the Company, at the conversion price of HK\$0.12 per share (as adjusted after the rights issue, share consolidation and issuing of convertible notes of the Company in prior year and current year). The effective interest rate of the liability component is 8.55% per annum to the Company. Unless previously converted by Hanny, the 2005 Convertible Notes will be redeemed on the date of maturity at the principal amount of the 2005 Convertible Notes then outstanding.

The conversion price of the 2005 Convertible Notes of HK\$170,000,000 had been adjusted from HK\$0.12 per share to HK\$0.0406 per share as a result of the right issue taken place on 30 June 2006.

The conversion price of the 2005 Convertible Notes had been further adjusted from HK\$0.0406 per share to HK\$4.06 per share as a result of the share consolidation taken place on 31 October 2006.

The conversion price of the 2005 Convertible Notes had been further adjusted from HK\$4.06 per share to HK\$1.69 per share as a result of the rights issue taken place on 16 May 2007.

The conversion price of the 2005 Convertible Notes had been further adjusted from HK\$1.69 per share to HK\$1.09 per share as a result of the rights issue taken place on 15 November 2007.

The conversion price of the 2005 Convertible Notes had been further adjusted from HK\$1.09 per share to HK\$1.08 per share as a result of the issue of the 2007 Convertible Notes taken place on 5 December 2007.

The 2005 Convertible Notes are denominated in Hong Kong dollar, contain two components, liability and equity elements. The Company determined the fair value of the liability component using an equivalent market interest rate for a similar note without a conversion option. The residual amount is assigned as the equity component and included in shareholder's equity named as convertible notes reserves.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

36. CONVERTIBLE NOTES (Continued)

Notes (Continued):

(i) **HK\$170,000,000 convertible notes due issued in 2005 and due in 2010 (the "2005 Convertible Notes")** (Continued)

The movement of the liability component of the 2005 Convertible Notes for the year ended 30 June 2008 is as follow:

	2008	2007
	HK\$'000	HK\$'000
Beginning of year	144,939	135,670
Imputed interest expenses	12,397	9,269
End of year	157,336	144,939

(ii) **HK\$100,000,000 convertible notes due issued in 2007 and due in 2009 (the "2007 Convertible Notes")**

On 20 June 2007, the Company entered into another subscription agreement (the "2007 Subscription Agreement") in relation of issuance of HK\$100,000,000 1% convertible notes due in 2009 to Hanny. The 2007 Convertible Notes were issued on 5 December 2007.

Pursuant to the 2007 Subscription Agreement, Hanny may at any business date after the date of issue of the 2007 Convertible Notes up to and including the date prior to the second anniversary of the date of issue of the 2007 Convertible Notes convert the whole or any part in an amount or integral multiple of HK\$1,000,000 of the principal amount of the 2007 Convertible Notes into shares of HK\$0.01 each in the share capital of the Company, at the conversion price of HK\$0.40 per share (as adjusted after the right issue, share consolidation and issuing of convertible notes of the Company in prior year and current year). The effective interest rate of the liability component is 7.07% per annum to the Company. Unless previously converted by Hanny, the 2007 Convertible Notes will be redeemed on the date of maturity at the principal amount of the 2007 Convertible Notes then outstanding.

The 2007 Convertible Notes are denominated in Hong Kong dollar, contains two components, liability and equity elements. The Company determined the fair value of the liability component based on the valuations performed by Norton Appraisals using an equivalent market interest rate for a similar note without a conversion option. The residual amount is assigned as the equity component and included in shareholder's equity named as convertible notes reserves.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

36. CONVERTIBLE NOTES (Continued)

Notes (Continued):

(ii) HK\$100,000,000 convertible notes due issued in 2007 and due in 2009 (the "2007 Convertible Notes") (Continued)

The movement of the liability component of the 2007 Convertible Notes for the year ended 30 June 2008 is as follow:

	2008 HK\$'000	2007 HK\$'000
Beginning of year	–	–
Fair value of the 2007 Convertible Notes at inception date	89,942	–
Imputed interest expenses	3,335	–
End of year	93,277	–

37. SHARE CAPITAL

	Number of shares	Nominal value HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each at 30 June 2007, 1 July 2007 and 30 June 2008	50,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each At 30 June 2006 and 1 July 2006	12,925,346,664	129,253
Capital reduction (<i>note i</i>)	–	(127,961)
Share consolidation (<i>note ii</i>)	(12,796,093,198)	–
Rights issue (<i>note iii</i>)	517,013,864	5,170
At 30 June 2007 and 1 July 2007	646,267,330	6,462
Rights issue (<i>note iv</i>)	1,292,534,660	12,926
At 30 June 2008	1,938,801,990	19,388

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

37. SHARE CAPITAL (Continued)

Notes:

The following movements in the Company's issued share capital took place during the year ended 30 June 2007 and 2008:

- (i) Pursuant to an ordinary resolution passed by the shareholders of the Company at a special general meeting on 31 October 2006, the capital reduction of nominal value of each existing share from HK\$0.01 to HK\$0.0001 by cancelling the Company's paid up capital to the extent of HK\$0.0099 on each existing share.
- (ii) Pursuant to an ordinary resolution passed by the shareholders of the Company at a special general meeting on 31 October 2006, every 100 issued shares of HK\$0.0001 each resulting from the capital reduction will be consolidated into one consolidate share of HK\$0.01 each.
- (iii) Pursuant to an ordinary resolution passed by the shareholders of the Company at a special general meeting on 23 April 2007, rights issue of 517,013,864 rights shares at price of HK\$0.2 each payable in full on acceptance on the basis that five rights shares for every existing share has been approved by the shareholders at the special general meeting. The rights issue has been completed on 16 May 2007.
- (iv) Pursuant to an ordinary resolution passed by the shareholders of the Company at a special general meeting on 22 October 2007, rights issue of 1,292,534,660 rights shares at price of HK\$0.12 each payable in full on acceptance on the basis that two rights shares for every existing share has been approved by the shareholders at the special general meeting. The rights issue has been completed on 15 November 2007.

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

Share options

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

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

38. RESERVES

The Group

Details of the movements in reserves of the Group during the years ended 30 June 2007 and 30 June 2008 were set out in the consolidated statement of changes in equity.

The Company

	Share premium HK\$'000	Contributed surplus HK\$'000	Convertible notes reserve HK\$'000	Accumulated deficits HK\$'000	Total HK\$'000
At 1 July 2006	268,129	–	45,920	(316,207)	(2,158)
Premium arising from issue of shares on rights issue (<i>note b</i>)	98,233	–	–	–	98,233
Shares issue expenses on rights issue	(3,655)	–	–	–	(3,655)
Capital reduction (<i>note c</i>)	–	127,961	–	–	127,961
Amount transferred to write off accumulated deficits (<i>note c</i>)	–	(127,961)	–	127,961	–
Net loss for the year	–	–	–	(56,059)	(56,059)
At 30 June 2007 and at 1 July 2007	362,707	–	45,920	(244,305)	164,322
Premium arising from issue of shares on rights issue (<i>note d</i>)	142,178	–	–	–	142,178
Shares issue expenses on rights issue	(4,845)	–	–	–	(4,845)
Convertible notes – equity component (<i>note e</i>)	–	–	10,058	–	10,058
Net loss for the year	–	–	–	(55,129)	(55,129)
At 30 June 2008	500,040	–	55,978	(299,434)	256,584

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

38. RESERVES (Continued)

Notes:

- (a) Under the Company Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, a company cannot declare or pay a dividend or make a distribution out of contributed surplus if:
 - (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
 - (ii) the realisable value of the Company's assets would thereby be less than the agreement of its liabilities and its issued share capital and share premium accounts.
- (b) On 13 March 2007, the Company proposed to raise approximately HK\$103.4 million before expenses by way of the right issue of 517,013,864 rights shares at a price of HK\$0.2 each on the basis that four rights shares in nil-paid form for every share held on the record date. The rights issue was approved by the shareholders at the special general meeting held on 23 April 2007.
- (c) Pursuant to a resolution passed by the shareholders of the Company at a special general meeting held on 31 October 2006, a capital reduction which involves (i) the nominal value of each existing share was reduced from HK\$0.01 to HK\$0.0001 by cancelling the Company's paid up capital to the extent of HK\$0.0099 on each existing share, and (ii) transferring the amount to write off the accumulated deficits.
- (d) On 13 September 2007, the Company proposed to raise approximately HK\$155 million before expenses by way of the right issue of 1,292,534,660 rights shares at a price of HK\$0.12 each on the basis that two rights shares in nil-paid form for every share held on the record date. The rights issue was approved by the shareholders at the special general meeting held on 13 November 2007.
- (e) In accordance with HKAS 32, convertible notes issued are split into their liability and equity components at initial recognition by recognising the liability component at its fair value which is determined using market interest rate for equivalent non-convertible notes and attributing to the equity component the difference between the proceeds from issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost. The equity component is recognised in the convertible notes reserve until the notes are either converted (in which case it is transferred to share premium) or the notes are redeemed (in which case it is released directly to accumulated deficits).

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

39. FINANCIAL INSTRUMENTS

Categories of financial instruments:

	2008 HK\$'000	2007 HK\$'000
Financial assets		
Loans and receivables (including cash and bank balances)	97,644	167,417
Financial assets designated as at fair value through profit or loss	256,017	19,050
Held-to-maturity investments	–	17,341
Financial liabilities		
Amortised cost	273,916	208,358

40. OPERATING LEASE COMMITMENTS

As lessee

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

	2008 HK\$'000	2007 HK\$'000
Within one year	6,469	3,611
In the second to fifth year inclusive	12,272	12,385
	18,741	15,996

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

41. DISPOSAL OF SUBSIDIARIES

On 19 June 2008, the Group disposed of 100% interest in two subsidiaries, including Great Central Trading Limited and Ruian Technology Company Limited at a consideration of US\$1, resulting in gain on disposal of approximately HK\$2,082,000.

The net liabilities of the subsidiaries at the date of disposal were as follows:

	2008 HK\$'000
<hr/>	
Net assets disposed of:	
Trade and other receivables	7
Trade and other payables	(2,089)
Amount due to the Group	(19,933)
<hr/>	
Net liabilities	(22,015)
Amount due to the Group written off on disposal	19,933
Gain on disposal of subsidiaries	2,082
<hr/>	
Total consideration	-
<hr/>	
Net cash outflow arising on disposal:	
Cash consideration	-
Bank balances and cash disposed of	-
<hr/>	
	-
<hr/>	

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

42. CONTINGENT LIABILITIES

- (i) As at 30 June 2008, the Company provided corporate guarantees amounting to approximately HK\$24 million to a financial institution in respect of banking facilities granted to WIIL group, approximately HK\$5.5 million of which was utilised by members of the WIIL group and such amount was claimed by the financial institution as disclosed in point (iii) below.
- (ii) The Company and its ex-subsiary, P.N. Electronics Ltd. ("PNE") have been involved in arbitration proceeding with North American Foreign Trading Corporation ("NAFT") in respect of a gross receivable of HK\$18 million and related damages from various parties for goods shipped by PNE and NAFT in 1996. The arbitration proceedings were initiated by NAFT against the Company and PNE claiming for alleged damages in New York, USA. The Company has upon legal advice, vigorously contested the alleged claims and has counterclaimed the said sum of HK\$18 million as well as other damages. The arbitration proceeding have been dormant for a substantial period of time.
- (iii) On 13 October 2003, a Writ of Summons and Statement of Claim was issued by BII Finance Company Limited ("BII Finance") against the Company under a guarantee allegedly given by the Company in favour of BII Finance in respect of certain liabilities of Welback Enterprises Limited. The claim is for a sum of approximately HK\$3,583,000 and US\$248,000 (approximately HK\$1,936,000), together with interest.

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

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

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

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

43. MATERIAL RELATED PARTY TRANSACTIONS

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

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

(a) Entities with common directors:

	2008 HK\$'000	2007 HK\$'000
Travelling service expenses (<i>note i</i>)	–	681
Film/TV Programme production cost (<i>note i</i>)	6,087	2,300

Note:

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

(b) Shareholders:

	2008 HK\$'000	2007 HK\$'000
Management fee paid to a shareholder	676	701
Convertible notes issued to a shareholder (<i>note i</i>)	250,613	144,939
Imputed interest expenses in respect of convertible notes issued to a shareholder	15,732	9,269
Repayment of short-term loan to a shareholder	–	109,000

Note:

- (i) The convertible notes payable by the Group is unsecured, interest free and repayable on 9 August 2010 and 4 December 2009. The details of the convertible notes are set out in note 36 to the financial statements.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2008

43. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of key management personnel:

	2008 HK\$'000	2007 HK\$'000
Salaries and other benefits	4,020	4,901
Provident fund contributions	12	20
	4,032	4,921

44. EVENTS AFTER THE BALANCE SHEET DATE

No significant subsequent event took place subsequent to 30 June 2008.

45. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 24 October 2008.

FIVE YEAR FINANCIAL SUMMARY

The following is a summary of the published results and the assets and liabilities of the Group for the five years ended 30 June 2008:

RESULTS

	Year ended 30 June				2008
	2004	2005	2006	2007	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<i>(note 1)</i>				
Turnover	49,555	55,983	37,334	43,792	40,455
Profit/(loss) for the year from continuing operations	49,266	(26,602)	(260,690)	(121,094)	(7,204)
Loss for the year from discontinued operations	–	(18,110)	(4,145)	–	–
Profit/(loss) for the year	49,266	(44,712)	(264,835)	(121,094)	(7,204)
Attributable to:					
Equity holders of the Company	49,266	(36,799)	(261,914)	(120,033)	(7,204)
Minority interests	–	(7,913)	(2,921)	(1,061)	–
	49,266	(44,712)	(264,835)	(121,094)	(7,204)

Five Year Financial Summary (Continued)

ASSETS AND LIABILITIES

	2004	2005	At 30 June		2008
	HK\$'000 (note 1)	HK\$'000	2006 HK\$'000	2007 HK\$'000	HK\$'000
Total assets	25,160	83,339	437,594	352,988	571,703
Total liabilities	(31,614)	(11,023)	(281,512)	(218,252)	(283,854)
Net (liabilities)/assets	(6,454)	72,316	156,082	134,736	287,849
Capital and reserves attributable to the Company's equity holders	(6,454)	70,879	155,021	134,736	287,849
Minority interests	–	1,437	1,061	–	–
	(6,454)	72,316	156,082	134,736	287,849

Notes:

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