THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Golden Harvest Entertainment (Holdings) Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

嘉禾
Golden Harvest

GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1132)

VERY SUBSTANTIAL DISPOSAL

DISPOSAL OF INTEREST IN GOLDEN SCREEN CINEMAS SDN BHD

A letter from the Board is set out on pages 3 to 7 of this circular.

A notice convening the special general meeting of Golden Harvest Entertainment (Holdings) Limited to be held at Ballroom B, 2/F., Langham Hotel Hong Kong, 8 Peking Road Tsimshatsui, Kowloon, Hong Kong on Friday, 19 January 2007 at 10:30 a.m. is set out on pages 99 to 100 of this circular.

Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

21 December 2006

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DEFINITIONS

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

"Announcement"	the announcement dated 29 November 2006 issued by the Company
"associate"	has the meaning as defined in the Listing Rules
"Board"	board of Directors of the Company
"Company"	Golden Harvest Entertainment (Holdings) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Completion"	means the completion of the transfer of the Sale Shares
"connected person"	has the meaning as defined in the Listing Rules
"Designated Stock Exchange"	a stock exchange which is an appointed stock exchange for the purposes of The Companies Act 1981 of Bermuda in respect of which the shares of the Company are listed or quoted and where such appointed stock exchange deems such listing or quotation to be the primary listing or quotation of the shares of the Company
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of the Sale Shares by the Seller pursuant to the Share Sale Agreement
"Group"	the Company and its subsidiaries
"GSC"	Golden Screen Cinemas Sdn Bhd, a company incorporated in Malaysia
"Hong Kong"	the Hong Kong Special Administrative Region of the Peoples' Republic of China
"Latest Practicable Date"	14 December 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information included herein
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Parties"	collectively, the Purchaser, the Seller and the Company
"Purchaser"	PPB Leisure Holdings Sdn Bhd, a company incorporated in Malaysia which is a wholly-owned subsidiary of PPB Group Berhad (a listed company on the Kuala Lumpur Stock Exchange)
"Remaining Group"	the Group excluding its interests in GSC assuming Completion has taken place
"Sale Shares"	12,269,466 ordinary shares of RM1.00 each representing approximately 40.22% of the issued and paid up share capital of GSC

"Seller"	Golden Harvest Films Distribution Holding Limited, a company incorporated in the British Virgin Islands with limited liability which is a wholly-owned subsidiary of the Company
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	a special general meeting of the Company to be held to consider and, if thought fit, approve the Share Sale Agreement and the respective transactions contemplated thereunder
"Share(s)"	ordinary shares of HK$0.10 each in the share capital of the Company
"Share Sale Agreement"	the share sale and separation agreement dated 28 November 2006 entered into between the Company, the Purchaser and the Seller in respect of the Disposal
"Shareholders"	the shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed to it under the Companies Ordinance (Chapter 32, Laws of Hong Kong) and "subsidiaries" shall be construed accordingly
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"NT$"	New Taiwan dollars, the lawful currency of Taiwan
"RM"	Malaysian Ringgit, the lawful currency of Malaysia
"RMB"	Renminbi, the lawful currency of the People's Republic of China
"S$"	Singapore dollars, the lawful currency of Singapore
"%"	per cent.

In this circular, for the purposes of illustration only, amounts quoted in RM have been converted into HK$ at a rate of HK$2.08 to RM1.00.

Golden Harvest

GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1132)

Executive Directors:
Raymond Chow Ting Hsing *(Chairman)*
Phoon Chiong Kit
David Chan Sik Hong
Roberta Chin Chow Chung Hang
Lau Pak Keung *(also alternate to Phoon Chiong Kit)*

Non-executive Director:
Eric Norman Kronfeld

Independent Non-executive Directors:
Paul Ma Kah Woh
Frank Lin
George Huang Shao-Hua
Prince Chatrichalerm Yukol

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business in Hong Kong:
16th Floor
The Peninsula Office Tower
18 Middle Road
Tsimshatsui
Kowloon
Hong Kong

21 December 2006

To the Shareholders and for information only to the holders of share options and convertible notes of the Company

Dear Sirs/Madam,

VERY SUBSTANTIAL DISPOSAL

DISPOSAL OF INTEREST IN GOLDEN SCREEN CINEMAS SDN BHD

A. INTRODUCTION

On 28 November 2006, the Directors announced that the Company, the Seller, and the Purchaser entered into the Share Sale Agreement in respect of the Disposal. Pursuant to the Share Sale Agreement, the Seller conditionally agreed to sell, and the Purchaser (an existing shareholder of GSC with a shareholding of 54.19%) conditionally agreed to purchase, the Seller's entire interest in GSC representing 40.22% of the issued and paid up share capital of GSC. The aggregate consideration to be paid by the Purchaser for the Sale Shares is RM91 million (approximately HK$189 million) which was determined after arm's length negotiations between the Parties. Upon Completion, the Company will have disposed of all its interest in GSC which will cease to be an associated company of the Company.

The purpose of this circular is (i) to give the Shareholders further information on the terms of the Share Sale Agreement and the Disposal pursuant to the terms thereunder; (ii) to provide the Shareholders with such information concerning the Company as required by the Listing Rules; and (iii) to give the Shareholders notice of the SGM.

B. THE SHARE SALE AGREEMENT

Date: 28 November 2006

Parties:

(1) PPB Leisure Holdings Sdn Bhd (the Purchaser)

The Purchaser is a company incorporated in Malaysia and a wholly-owned subsidiary of PPB Group Berhad, which is a listed company on the Bursa Malaysia. The Purchaser is an investment holding company with investments in exhibition and distribution of cinematography films, properties, software development and maintenance and amusement centre operations.

(2) Golden Harvest Films Distribution Holding Limited (the Seller)

The Seller is an investment holding company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company. The companies in which the Seller invests are principally engaged in the sale of film rights, distribution of motion pictures and film exhibition.

(3) Golden Harvest Entertainment (Holdings) Limited

The Company is an investment holding company incorporated in Bermuda. The principal activities of the Group, its jointly controlled entities and associated companies consist of worldwide film and video distribution, film exhibition in Hong Kong, mainland China, Taiwan, Singapore and Malaysia, and the operation of a film processing business in Hong Kong.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, the Purchaser, a third party independent of the Group and its connected persons, is not a connected person of the Company and does not have any shareholding interest in the Company.

Interest to be disposed of:

The Sale Shares, being 12,269,466 ordinary shares of RM1.00 each, represent approximately 40.22% of the issued and paid up share capital of GSC and are the Group's entire interest in GSC.

The aggregate investment costs of the Sale Shares after the restructuring of the Group in 1994 was approximately HK$81.5 million. According to the audited financial statements of GSC as at 31 December 2005, the book value of the Sale Shares was RM20.3 million (approximately HK$42.2 million).

Consideration:

The consideration payable by the Purchaser to the Seller for the Disposal is RM91 million (approximately HK$189 million). Pursuant to the Share Sale Agreement, the purchase consideration is payable in one lump sum at Completion.

The consideration was determined after arm's length negotiations on a "willing buyer-willing seller" basis and represents an excess of HK$118 million, before deducting estimated transaction costs of approximately HK$2 million, over the carrying value of the Sale Shares of HK$71 million, including unrealized exchange fluctuation reserves of HK$23 million, recorded by the Group as at 30 June 2006.

Conditions for the Disposal:

Completion of the Disposal is conditional upon fulfilment of, among others, the following conditions:

(a) the approval of the Foreign Investment Committee of Malaysia for the sale, purchase and transfer of the Sale Shares under the terms of the Share Sale Agreement having been obtained; and

(b) the passing by the requisite majority required under the Listing Rules of the shareholders of the Company (being the ultimate holding company of the Seller) in general meeting (excluding any shareholders who are not entitled to vote by reason of applicable provisions in the Listing Rules) of a resolution for the approval, confirmation and ratification of the Seller's and the Company's entry into the Share Sale Agreement, and the performance of the transactions contemplated therein by the Company.

Completion

Completion shall take place 30 days after the day on which the later of the conditions above is fulfilled or waived (in the case of the condition (a) above) or such other date as the Parties may agree in writing.

Following Completion, GSC will cease to be an associated company of the Company.

C. INFORMATION ON GSC

GSC is a company incorporated in Malaysia. It is principally engaged in the distribution and exhibition of cinematography films

The existing shareholders of GSC are the Purchaser, the Seller and several minor shareholders with a shareholding of 54.19%, 40.22% and an aggregate of 5.59% respectively.

D. LISTING RULES IMPLICATIONS FOR THE COMPANY

Based on the latest published results of the Group for the year ended 30 June 2006, the relevant percentage ratios resulting from the Disposal exceed 75%. Accordingly, pursuant to Rule 14.06 of the Listing Rules, the Disposal constitutes a very substantial disposal of the Company and is subject to, among other things, the approval of the shareholders of the Company at the SGM to be convened for the purpose.

To the best knowledge, information and belief of the Directors, no Shareholder is required to abstain from voting at the SGM to approve the Disposal.

E. REASONS FOR AND BENEFITS OF THE DISPOSAL

The principal activities of the Group, its jointly controlled entities and associated companies consist of worldwide film and video distribution, film exhibition in Hong Kong, mainland China, Taiwan, Singapore and Malaysia, and the operation of a film processing business in Hong Kong.

The Group is a leading cinema operator and film distributor in Asia with a strategic focus on film distribution in Asia supported by cinema operations in key Chinese language markets. In 2005, the Group made a strategic move to extend its cinema network to Taiwan and mainland China by acquiring, together with a few key Taiwanese partners, the largest cinema chain in Taiwan and launching the Group's flagship cinema in Shenzhen, respectively. Returns on investments from these projects are better than the Group's original expectations.

Given the gradual liberalization of the film distribution and exhibition markets in mainland China and the increase in investment opportunities in the territory, the Directors believe that it is an appropriate time for the Group to ride on this trend and redeploy the Group's resources to the Greater China market.

The opening of a number of new cinemas over the last few years has led to a highly competitive cinematic market in Malaysia. The proposed Disposal will release the Group from future capital commitments in GSC and allow the Group to deploy capital resources to the Greater China market. This will allow the Group to concentrate its capital in markets with better returns, improve its strategic focus and sharpen its existing strengths and competitive edge.

The terms of the Share Sale Agreement have been agreed after arm's length negotiations between the Parties. The Directors (including the independent non-executive Directors) consider that the Share Sale Agreement is on normal commercial terms and is fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

F. FINANCIAL IMPACT OF THE DISPOSAL AND USE OF PROCEEDS

The audited net profits attributable to the Sale Shares (i.e. 40.22% of the total audited net profits) for the two financial years immediate preceding the Disposal prepared under generally accepted accounting practices in Malaysia are set out below:

	31 December 2004	**31 December 2005**
Net profits before taxation	HK$9.0 million	HK$11.7 million
Net profits after taxation	HK$5.5 million	HK$6.4 million

Assuming the Disposal had been completed as 30 June 2006, the net asset value of the Group would have increased by HK$139 million, representing the increase of cash and bank balances from the net proceeds of HK$187 million (the consideration of HK$189 million less certain costs and expenses associated with the Disposal of approximately HK$2 million) and the reduction of interests in associates of HK$48 million, there is no impact on the other assets and liabilities of the Group. The estimated profit on the sale of Sale Shares would be approximately HK$116 million, representing the net proceeds of HK$187 million less the carrying value of GSC recorded by the Group as at 30 June 2006 (approximately HK$71 million, including unrealized exchange fluctuation reserves of HK$23 million). The actual profit will be recognised upon Completion and may vary from the estimated profit depending on the results of GSC from 1 July 2006 to Completion and fluctuations in the exchange rate between RM and HK$.

The estimated net proceeds of the Disposal amount to approximately HK$187 million, net of expenses. The Group intends to apply approximately 60% of the proceeds for investments in new businesses and, expansion of the Group's existing business and approximately 40% as general working capital.

Following the Disposal, the principal activities of the Group will remain unchanged. The Directors are of the view that the Disposal will not have a fundamental impact on the revenue and profits of the Group as, for the year ended 30 June 2006, GSC only contributed HK$7 million to the net profit of the Group as compared to approximately HK$18 million, approximately HK$16 million and approximately HK$7 million contributed by the Group's key associated company and jointly-controlled entity in Singapore, Taiwan and the Group's another joint venture in Malaysia, respectively.

G. RECOMMENDATION

Having regard to the information described above, the Board is of the opinion that the Disposal pursuant to the terms of the Share Sale Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolution to approve the same at the SGM.

H. SPECIAL GENERAL MEETING

A notice convening the SGM at which resolutions will be proposed to the Shareholders to consider, and if thought fit, to approve the Disposal and the ancillary transactions contemplated under the Share Sale Agreement, is set out on pages 99 to 100 of this circular.

A form of proxy for use at the SGM is also enclosed. Such form of proxy is also published on the website of the Stock Exchange (www.hkex.com.hk). Whether or not you are able to attend the SGM, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting if they so wish.

No Shareholders or other associates will be required to abstain from voting at the SGM pursuant to Rule 14.49 of the Listing Rules.

I. POLL PROCEDURE

The votes to be taken at the SGM in relation to the Share Sale Agreement will be taken on by a poll, the results of which will be announced after the SGM. Pursuant to Bye-law 66 of the Bye-laws of the Company, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is required under the Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded by:

(a) the chairman of such meeting; or

(b) at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; or

(c) any Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to attend and vote at the meeting; or

(d) any Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorized representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right; or

(e) if required by the listing rules of any Designated Stock Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

In accordance with Rule 13.39(4) of the Listing Rules, the Chairman will demand a poll in relation to the resolution approving the Share Sale Agreement at the SGM.

J. ADDITIONAL INFORMATION

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

Yours faithfully,
on behalf of the Board
Raymond Chow Ting Hsing
Chairman

(A) ACCOUNTANTS' REPORT OF THE GROUP

The following is the text of a report prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountant, Ernst & Young, Certified Public Accountants, Hong Kong. Terms defined herein apply to this report only.

ERNST & YOUNG
安永會計師事務所

18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

21 December 2006

The Board of Directors
Golden Harvest Entertainment (Holdings) Limited

Dear Sirs,

We set out below our report on the financial information regarding Golden Harvest Entertainment (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 30 June 2004, 2005 and 2006 (the "Relevant Periods"), prepared on the basis set out in Section 1 below, for inclusion in the circular (the "Circular") issued by the Company dated 21 December 2006 in connection with a very substantial disposal resulting from the proposed disposal of the Group's entire 40.22% equity interests in Golden Screen Cinemas Sdn. Bhd. ("GSC"), pursuant to the Share Sale and Separation Agreement dated 28 November 2006 entered into between PPB Leisure Holdings Sdn. Bhd. (a company incorporated in Malaysia and a major shareholder of GSC), Golden Harvest Films Distribution Holding Limited (a wholly-owned subsidiary of the Company) and the Company.

The Company was incorporated in Bermuda with limited liability under Section 90 of the Bermuda Companies Act 1981 (as amended) on 6 October 1994 and is engaged in investment holding. As at the date of this report, the Company had direct and indirect interests in the principal subsidiaries and jointly-controlled entities set out in Section 1 below.

We have acted as auditors of the Group for the Relevant Periods.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods in accordance with accounting principles generally accepted in Hong Kong. We have audited the consolidated financial statements of the Group for each of the three years ended 30 June 2004, 2005 and 2006 in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

For the purpose of this report, we have examined the audited consolidated financial statements of the Group for the Relevant Periods in accordance with the HKSAs and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The summaries of the consolidated income statements, the consolidated statements of changes in equity and the consolidated cash flows statements of the Group for the Relevant Periods and of the consolidated balance sheets of the Group and the balance sheets of the Company as at 30 June 2004, 2005 and 2006 (the "Summaries") as set out in this report have been prepared, and are presented on the basis as set out in Section 1 below.

The Summaries together with the notes thereto are the responsibility of the directors of the Company. It is our responsibility to form an independent opinion on such information and to report our opinion to you. In forming our opinion, we also evaluated the overall adequacy of the presentation of the Summaries together with the notes thereto. We believe that our work provides a reasonable basis for our opinion.

In our opinion, the Summaries together with the notes thereto give, for the purpose of this report, a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2004, 2005 and 2006, respectively, and of the consolidated results and cash flows of the Group for the Relevant Periods.

1. BASIS OF PREPARATION

The Summaries have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Summaries have been prepared under the historical cost convention, except for certain buildings, of which the Group has adopted the transitional provision of paragraph 80A of HKAS 16 and have been measured at 1995 fair value. The Summaries are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

The HKICPA has issued a number of new and revised HKFRSs which are effective for the accounting periods beginning on 1 July 2005. The Summaries have early adopted these new and revised HKFRSs. The HKICPA has also issued several standards and interpretations that are not yet effective as at the date of this report. The directors of the Company anticipate that the adoption of these new standards and interpretations will have no material impact to the results of operations and financial position of the Group.

Basis of consolidation

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

As at the date of this report, the Company had direct and indirect interests in the following principal subsidiaries and jointly-controlled entities, all of which are private companies (or if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), and the particulars of which are set out below:

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation and principal operations	Issued and fully paid share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Cine Art Laboratory Limited	Hong Kong	Ordinary HK$2,500 Deferred* HK$997,500	100	Film developing and printing
City Entertainment Corporation Limited	Hong Kong	Ordinary HK$2	100	Theatre operation
Conneway Films Company Limited	Hong Kong	Ordinary HK$31,610,000	100	Theatre operation
Gala Film Distribution Limited	Hong Kong	Ordinary HK$49,990,000 Deferred* HK$10,000	100	Distribution of motion pictures
Global Entertainment and Management Systems Sdn. Bhd. ("GEMS")	Malaysia	Ordinary RM300,000	100	Investment holding
Golden Harvest Cinemas Holding Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
Golden Harvest Entertainment Company Limited	Hong Kong	Ordinary HK$100 Deferred* HK$114,000,000	100	Investment holding
Golden Harvest Entertainment International Limited	British Virgin Islands	Ordinary US$1,000	100	Investment holding
Golden Harvest Films Distribution Holding Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
Golden Harvest (Marks) Limited	British Virgin Islands	Ordinary US$1	100	Holding of trademarks

Name	Place of incorporation and principal operations	Issued and fully paid share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Golden Harvest (Shenzhen) Cinemas Company Limited **	People's Republic of China ("PRC")/ Mainland China	Registered RMB10,000,000	100	Theatre operation
Golden Screen Limited	Hong Kong	Ordinary HK$8,750,000	100	Investment holding
Golden Sky Pacific Limited	Hong Kong	Ordinary HK$2	100	Investment holding
Panasia Films Limited	Hong Kong	Ordinary HK$2,600,000	100	Distribution of motion pictures and its related audio visual products and acting as an advertising agent
Real Merry Limited	Hong Kong	Ordinary HK$16,831,002	100	Theatre operation
Shanghai Golden Harvest Media Management Company Limited ***	PRC/ Mainland China	Registered US$500,000	90	Distribution of motion pictures
Splendid Ventures Limited	Hong Kong	Ordinary HK$2	100	Theatre operation
United Harvest Asia Limited	Hong Kong	Ordinary HK$2	100	Provision of finance to group companies

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

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

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

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

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the Relevant Periods 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.

Particulars of the jointly-controlled entities are as follows:

Name	Place of incorporation and principal operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
TGV Cinemas Sdn. Bhd. ("TGV") #	Malaysia	50	50	50	Theatre operation
Vie Show Cinemas Co., Ltd. * (formerly known as "Warner Village Cinemas Co., Ltd.")	Taiwan	40	40	40	Theatre operation and leisure operation

All of the above investments in jointly-controlled entities are indirectly held by the Company.

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

* *Subsequent to 30 June 2006, Warner Village Cinemas Co., Ltd. changed its name to Vie Show Cinemas Co., Ltd. ("Vie Show Cinemas").*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Joint venture companies

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

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

A joint venture company is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture company;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly-controlled entities

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

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

Associates

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

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

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

Goodwill

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

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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

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

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

Negative Goodwill

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

Impairment of assets

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

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

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

Property, plant and equipment and depreciation

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

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

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

	Company and subsidiaries	**Jointly-controlled entities**
Buildings	4%	N/A
Leasehold improvements	8.33% – 33.33%	4.78% – 20%
Machinery and equipment	10% – 33.33%	6.50% – 50%
Furniture and fixtures	10% – 33.33%	6.67% – 20%
Motor vehicles	20%	20%
Air-conditioning systems	20%	N/A

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

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

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

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

Club memberships

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

Trademarks

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

Financial assets

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss or loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

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

Assets carried at amortised cost

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

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

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

Derecognition of financial assets

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

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

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

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

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

Convertible note

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

Transaction costs are apportioned between the liability and equity components of the convertible note based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

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

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

Inventories

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

Film rights and amortisation

(i) Film rights

Film rights represent films and television drama series and are stated at cost less accumulated amortisation and any impairment losses.

Amortisation is charged to the income statement based on the proportion of actual income earned during the year to the total estimated income from the sale of film rights. Where there is an impairment in value, the unamortised balance is written down to its estimated recoverable amount.

(ii) Films in progress

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

Related parties

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

(a) the party, directly or indirectly through one or more intermediaries:

- (i) controls, is controlled by, or is under common control with, the Group;
- (ii) has an interest in the Group that gives it significant influence over the Group; or
- (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Income tax

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

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

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

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

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, jointly-controlled entities and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, jointly-controlled entities and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

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

Foreign currencies

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

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

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

Leases

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

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

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

Employee benefits

Share-based payment transactions

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Black-Scholes option pricing model (the "Black-Scholes Model"), further details of which are given in note 28. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

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

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

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

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

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

Paid leave carried forward

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

Employment Ordinance long service payments

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

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

Retirement benefits schemes

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

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

Cash and cash equivalents

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

For the purpose of the balance sheets, cash and bank balances comprise cash on hand and at banks, including non-pledged term deposits, which are not restricted as to use.

Provisions

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

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

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

Revenue recognition

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

(a) film royalties income, theatre advertising income and video distribution income, on an accrual basis;

(b) film distribution commission income, film developing and printing service income, advertising agency fee income, production control fee income and consultancy service income, on completion of the services;

(c) box office takings, when the services have been rendered to the buyers;

(d) income from confectionery sales and compact disc sales, at the point of sales when the confectionery and audio visual products are given to the customers;

(e) rental income, in the period in which the properties are sub-let and on the straight-line basis over the lease terms;

(f) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(g) dividends, when the shareholder's right to receive payment is established.

Estimation uncertainty

Impairment allowances for accounts and other receivables

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

3. FINANCIAL INFORMATION

Consolidated Income Statements

The following is a summary of the consolidated income statements of the Group for the Relevant Periods, which is prepared on the basis set out in Section 1 above:

	Notes	2004 HK$'000	2005 HK$'000	2006 HK$'000
REVENUE	*4*	218,477	276,586	512,285
Cost of sales		(94,093)	(138,349)	(232,033)
Gross profit		124,384	138,237	280,252
Interest income		14	217	785
Other income and gains		12,506	17,221	41,051
Selling and distribution costs		(106,071)	(155,074)	(267,740)
General and administrative expenses		(52,488)	(56,781)	(52,490)
Other operating expenses, net		(5,751)	(14,503)	(10,599)
Recognition of Negative Goodwill	*30(a), 30(b)*	–	43,032	–
Impairment of film rights		(3,543)	–	–
Impairment of interests in an associate		(1,413)	–	–
Finance costs	*6*	(363)	(3,101)	(7,450)
Share of profits and losses of associates		21,732	20,221	24,143
PROFIT/(LOSS) BEFORE TAX	*5*	(10,993)	(10,531)	7,952
Tax	*7*	(512)	(2,399)	(2,737)
PROFIT/(LOSS) FOR THE YEAR		(11,505)	(12,930)	5,215
Attributable to equity holders of the Company		(11,505)	(12,930)	5,215
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*9*			
Basic		HK(1.3 cents)	HK(1.1 cents)	HK0.4 cent
Diluted		N/A	N/A	N/A

Consolidated Balance Sheets

The following is a summary of the consolidated balance sheets of the Group as at the end of each of the Relevant Periods, which is prepared on the basis set out in Section 1 above:

		2004	2005	2006
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*10*	52,590	236,236	246,799
Interests in associates	*13*	182,613	159,374	195,902
Due from jointly-controlled entities	*12*	–	61,344	42,775
Prepaid land lease payments	*14*	777	759	741
Prepaid rental		–	5,190	11,502
Club memberships		4,380	4,380	3,590
Rental and other deposits		11,869	54,706	53,130
Trademarks	*15*	79,421	79,421	79,421
Pledged bank deposits	*19*	–	1,139	1,870
Total non-current assets		331,650	602,549	635,730
CURRENT ASSETS				
Inventories	*16*	556	571	726
Film rights	*17*	20,184	18,384	16,279
Accounts receivable	*18*	22,471	18,304	12,005
Prepayments, deposits and other receivables		23,387	46,508	35,441
Due from a jointly-controlled entity	*12*	–	18,000	14,400
Pledged bank balances	*19*	–	486	1,972
Cash and bank balances	*19*	22,575	65,632	54,369
Total current assets		89,173	167,885	135,192
CURRENT LIABILITIES				
Accounts payable	*20*	52,070	75,583	62,028
Accrued liabilities and other payables		30,509	84,638	83,368
Due to associates	*13*	–	–	1,113
Customer deposits		2,330	3,380	3,492
Interest-bearing bank loans	*21*	–	24,697	37,201
Current portion of finance lease payables	*21,22*	471	413	328
Loans from joint venture partners	*23*	–	18,000	14,400
Provision for employee benefits	*24*	1,319	1,680	1,943
Tax payable		11,114	12,295	9,924
Total current liabilities		97,813	220,686	213,797
NET CURRENT LIABILITIES		(8,640)	(52,801)	(78,605)
TOTAL ASSETS LESS CURRENT LIABILITIES		323,010	549,748	557,125

	Notes	2004 HK$'000	2005 HK$'000	2006 HK$'000
NON-CURRENT LIABILITIES				
Convertible note	21, 25	–	–	19,618
Interest-bearing bank loans	21	–	65,325	57,087
Non-current portion of finance lease payables	21, 22	709	298	1,152
Loans from joint venture partners	23	–	62,051	42,742
Deposits received		–	3,686	4,284
Provision for long service payments	24	3,800	3,670	4,102
Deferred tax	26	462	5,585	7,274
Total non-current liabilities		4,971	140,615	136,259
Net assets		318,039	409,133	420,866
EQUITY				
Equity attributable to equity holders of the Company				
Issued share capital	27	88,429	133,031	133,031
Equity component of a convertible note	25	–	–	95
Reserves	29(a)	229,610	276,102	287,740
Total equity		318,039	409,133	420,866

Balance sheets of the Company

	Notes	2004 HK$'000	2005 HK$'000	2006 HK$'000
NON-CURRENT ASSETS				
Interests in subsidiaries	11	320,314	411,362	430,425
CURRENT ASSETS				
Prepayments		135	176	177
Cash and bank balances		20	23	22
Total current assets		155	199	199
CURRENT LIABILITIES				
Accrued liabilities and other payables		460	593	824
NET CURRENT LIABILITIES		(305)	(394)	(625)
TOTAL ASSETS LESS CURRENT LIABILITIES		320,009	410,968	429,800
NON-CURRENT LIABILITIES				
Convertible note	25	–	–	19,618
Net assets		320,009	410,968	410,182
EQUITY				
Issued share capital	27	88,429	133,031	133,031
Equity component of a convertible note	25	–	–	95
Reserves	29(b)	231,580	277,937	277,056
Total equity		320,009	410,968	410,182

Consolidated statements of changes in equity

The following is a summary of the consolidated statements of changes in equity of the Group for the Relevant Periods, which is prepared on the basis set out in Section 1 above:

	Attributable to equity holders of the Company												
	Issued share capital HK$'000	Equity component of a convertible note HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Revaluation reserve HK$'000	Reserve funds HK$'000 *	Surplus reserve HK$'000 **	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total reserves HK$'000	Total HK$'000
At 1 July 2003	80,089	–	565,577	–	145	(12,483)	3,853	–	480	(33,729)	(298,090)	225,753	305,842
Issue of shares	8,340	–	15,012	–	–	–	–	–	–	–	–	15,012	23,352
Share issue expenses	–	–	(924)	–	–	–	–	–	–	–	–	(924)	(924)
Exchange adjustments on translation of:													
– overseas subsidiaries	–	–	–	–	–	–	–	–	–	(654)	–	(654)	(654)
– overseas associates	–	–	–	–	–	–	–	–	–	2,016	–	2,016	2,016
Deferred tax credited to equity *(note 26)*	–	–	–	–	–	–	30	–	–	–	–	30	30
Total income and expenses recognised directly in equity	–	–	–	–	–	–	30	–	–	1,362	–	1,392	1,392
Loss for the year	–	–	–	–	–	–	–	–	–	–	(11,505)	(11,505)	(11,505)
Realisation of exchange fluctuation reserve on disposal of subsidiaries and associates	–	–	–	–	–	–	–	–	–	(118)	–	(118)	(118)
At 30 June 2004	88,429	–	579,665	–	145	(12,483)	3,883	–	480	(32,485)	(309,595)	229,610	318,039

	Issued share capital	Equity component of a convertible note	Attributable to equity holders of the Company										Total
			Share premium account	Share option reserve	Capital redemption reserve	Capital reserve	Revaluation reserve	Reserve funds	Surplus reserve	Exchange fluctuation reserve	Accumulated losses	Total reserves	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *	*HK$'000* **	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2004	88,429	–	579,665	–	145	(12,483)	3,883	–	480	(32,485)	(309,595)	229,610	318,039
Issue of shares	44,602	–	66,903	–	–	–	–	–	–	–	–	66,903	111,505
Share issue expenses	–	–	(6,687)	–	–	–	–	–	–	–	–	(6,687)	(6,687)
Exchange adjustments on translation of:													
– overseas subsidiaries	–	–	–	–	–	–	–	–	–	(570)	–	(570)	(570)
– overseas jointly-controlled entities	–	–	–	–	–	–	–	–	–	(1,059)	–	(1,059)	(1,059)
– overseas associates	–	–	–	–	–	–	–	–	–	655	–	655	655
Deferred tax credit to equity *(note 26)*	–	–	–	–	–	–	30	–	–	–	–	30	30
Total income and expenses recognised directly in equity	–	–	–	–	–	–	30	–	–	(974)	–	(944)	(944)
Loss for the year	–	–	–	–	–	–	–	–	–	–	(12,930)	(12,930)	(12,930)
Total income and expenses for the year	–	–	–	–	–	–	30	–	–	(974)	(12,930)	(13,874)	(13,874)
Transfer from associates	–	–	–	–	–	–	–	–	–	701	(12,830)	(12,129)	(12,129)
Transfer to a jointly-controlled entity	–	–	–	–	–	–	–	–	–	(701)	12,681	11,980	11,980
Transfer to a subsidiary	–	–	–	–	–	–	–	–	–	–	149	149	149
Transfer to reserves *(note 29(a))*	–	–	–	–	–	12,483	–	–	–	–	(12,483)	–	–
Equity-settled share option arrangement *(note 28)*	–	–	–	150	–	–	–	–	–	–	–	150	150
At 30 June 2005	133,031	–	639,881	150	145	–	3,913	–	480	(33,459)	(335,008)	276,102	409,133

	Attributable to equity holders of the Company												
	Issued share capital HK$'000	Equity component of a convertible note HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Revaluation reserve HK$'000	Reserve funds HK$'000 *	Surplus reserve HK$'000 **	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total reserves HK$'000	Total HK$'000
At 1 July 2005	133,031	–	639,881	150	145	–	3,913	–	480	(33,459)	(335,008)	276,102	409,133
Issue of a convertible note *(note 25)*	–	95	–	–	–	–	–	–	–	–	–	–	95
Exchange adjustments on translation of:													
– overseas subsidiaries	–	–	–	–	–	–	–	–	–	(1,494)	–	(1,494)	(1,494)
– overseas jointly-controlled entities	–	–	–	–	–	–	–	–	–	(1,050)	–	(1,050)	(1,050)
– overseas associates	–	–	–	–	–	–	–	–	–	8,543	–	8,543	8,543
Deferred tax credit to equity *(note 26)*	–	–	–	–	–	–	30	–	–	–	–	30	30
Total income and expenses recognised directly in equity	–	–	–	–	–	–	30	–	–	5,999	–	6,029	6,029
Profit for the year	–	–	–	–	–	–	–	–	–	–	5,215	5,215	5,215
Total income and expenses for the year	–	–	–	–	–	–	30	–	–	5,999	5,215	11,244	11,244
Transfer to reserves	–	–	–	–	–	–	–	495	–	–	(495)	–	–
Equity-settled share option arrangement *(note 28)*	–	–	–	394	–	–	–	–	–	–	–	394	394
At 30 June 2006	133,031	95	639,881	544	145	–	3,943	495	480	(27,460)	(330,288)	287,740	420,866

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

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

Consolidated cash flow statements

The following is a summary of the consolidated cash flow statements of the Group for the Relevant Periods, which is prepared on the basis set out in Section 1 above:

	Notes	**2004** *HK$'000*	**2005** *HK$'000*	**2006** *HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax		(10,993)	(10,531)	7,952
Adjustments for:				
Interest income		(14)	(217)	(785)
Finance costs		363	3,101	7,450
Depreciation		16,069	25,293	40,884
Amortisation of prepaid land lease payments		18	18	18
Loss on disposal of items of property, plant and equipment		1,345	3,577	346
Recognition of Negative Goodwill on acquisitions of a subsidiary and a jointly-controlled entity		–	(43,032)	–
Gain on disposal of associates		(47)	–	–
Impairment of interests in an associate		1,413	–	–
Loss on disposal of subsidiaries		161	–	–
Provision for impairment on club memberships		–	–	270
Exchange gains arising from the translation of balances with overseas jointly-controlled entities and associates and other monetary assets and liabilities denominated in foreign currencies as at the balance sheet date		(2,352)	(321)	(3,298)
Share of profits and losses of associates		(21,732)	(20,221)	(24,143)
Impairment of film rights		3,543	–	–
Impairment allowances/(write-back of impairment allowances) for accounts and other receivables, net		(2,927)	411	(699)
Write-off of bad debts		–	–	24
Equity-settled share option expenses		–	150	394
Exchange adjustments		(636)	118	(1,121)
Operating profit/(loss) before working capital changes		(15,789)	(41,654)	27,292

	Notes	2004 HK$'000	2005 HK$'000	2006 HK$'000
Increase in inventories		(155)	(15)	(155)
Decrease in film rights		3,971	1,800	2,105
Decrease in accounts receivable		486	19,005	6,974
Decrease/(increase) in prepayments, deposits and other receivables		8,007	(5,255)	10,201
Increase/(decrease) in accounts payable		(17,624)	2,613	(13,555)
Increase/(decrease) in accrued liabilities and other payables		(6,950)	8,746	(1,478)
Increase/(decrease) in customer deposits		(2,107)	1,050	112
Increase in prepaid rental		–	(3,520)	(6,312)
Refund/(payment) of rental and other deposits, net		1,265	(1,312)	1,576
Increase/(decrease) in provision for employee benefits		(296)	361	263
Increase/(decrease) in provision for long service payments		709	(139)	432
Cash generated from/(used in) operations		(28,483)	(18,320)	27,455
Interest received		14	217	785
Interest and finance charges paid		(264)	(2,927)	(7,149)
Interest element on finance lease rental payments		(99)	(78)	(93)
Hong Kong profits tax paid		–	(182)	(2)
Overseas tax paid		(445)	(1,283)	(4,094)
Overseas tax refunded		474	166	216
Net cash inflow/(outflow) from operating activities		(28,803)	(22,407)	17,118

	Notes	2004 HK$'000	2005 HK$'000	2006 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(1,694)	(52,315)	(51,725)
Proceeds from disposal of items of property, plant and equipment		210	17	1,267
Acquisition of subsidiaries	*30(a)*	(101)	(5,367)	–
Investments in jointly-controlled entities	*30(b)*	–	(86,374)	–
Proceeds from disposal of associates	*30(d)*	1,632	–	–
Repayment from associates, net		324	17,106	1,635
Proceeds from disposal of subsidiaries	*30(c)*	898	–	–
Increase/(decrease) in deposits received		–	(305)	598
Additions to trademarks		(218)	–	–
Repayment from jointly-controlled entities		–	–	21,725
Repayment to joint venture partners		–	–	(21,725)
Increase in pledged bank balances		–	(1,625)	(2,217)
Net cash inflow/(outflow) from investing activities		1,051	(128,863)	(50,442)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of a convertible note, net		–	–	19,713
Proceeds from issue of new shares, net		22,428	104,818	–
New bank loans raised		–	94,755	29,337
Repayment of bank loans		–	(4,442)	(25,241)
Capital element of finance lease payables		(439)	(469)	(1,365)
Net cash inflow from financing activities		21,989	194,662	22,444
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(5,763)	43,392	(10,880)
Cash and cash equivalents at beginning of year		28,357	22,575	65,632
Exchange adjustments		(19)	(335)	(383)
CASH AND CASH EQUIVALENTS AT END OF YEAR		22,575	65,632	54,369
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Non-pledged cash and bank balances	*19*	22,575	49,493	34,389
Non-pledged time deposits	*19*	–	16,139	19,980
CASH AND CASH EQUIVALENTS AT END OF YEAR		22,575	65,632	54,369

4. REVENUE AND SEGMENT INFORMATION

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

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

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

(a) the film and video distribution segment engages in worldwide distribution of films and audio visual products related to films and television programmes;

(b) the film exhibition segment engages in film exhibition in Hong Kong, Malaysia, Singapore, Taiwan and Mainland China; and

(c) the others segment comprises film processing business, which provide film processing services and sell soundtrack albums, and film and television drama series production.

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

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

(a) **Business segments**

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the Relevant Periods.

	Film and video distribution			Film exhibition			Others			Eliminations			Consolidated		
	2004	**2005**	**2006**	**2004**	**2005**	**2006**	**2004**	**2005**	**2006**	**2004**	**2005**	**2006**	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:															
Sales to external customers	51,225	52,508	46,039	146,271	211,198	451,374	20,981	12,880	14,872	–	–	–	218,477	276,586	512,285
Inter-segment sales	1,762	3,427	1,634	–	–	–	294	294	278	(2,056)	(3,721)	(1,912)	–	–	–
Other revenue	5,748	1,583	2,324	2,470	13,924	31,249	1,811	910	998	(1,305)	(884)	(678)	8,724	15,533	33,893
Total	58,735	57,518	49,997	148,741	225,122	482,623	23,086	14,084	16,148	(3,361)	(4,605)	(2,590)	227,201	292,119	546,178
Segment results	126	(13,657)	(5,221)	(24,394)	(51,679)	(10,468)	(6,934)	(7,252)	(995)	–	–	–	(31,202)	(72,588)	(16,684)
Interest income and unallocated gains													3,796	1,905	7,943
Recognition of Negative Goodwill	–	–	–	–	43,032	–	–	–	–	–	–	–	–	43,032	–
Impairment of film rights	(3,543)	–	–	–	–	–	–	–	–	–	–	–	(3,543)	–	–
Impairment of interests in an associate	–	–	–	(1,413)	–	–	–	–	–	–	–	–	(1,413)	–	–
Finance costs													(363)	(3,101)	(7,450)
Share of profits and losses of associates	2,372	999	2,554	19,360	19,222	21,589	–	–	–	–	–	–	21,732	20,221	24,143
Profit/(loss) before tax													(10,993)	(10,531)	7,952
Tax													(512)	(2,399)	(2,737)
Profit/(loss) for the year													(11,505)	(12,930)	5,215
Segment assets	58,201	54,977	40,159	64,698	450,586	430,700	13,123	9,654	7,233	–	–	–	136,022	515,217	478,092
Interests in associates	405	66	355	182,208	159,308	195,547	–	–	–	–	–	–	182,613	159,374	195,902
Trademarks													79,421	79,421	79,421
Unallocated assets													22,767	16,422	17,507
Total assets													420,823	770,434	770,922

	Film and video distribution			Film exhibition			Others			Eliminations			Consolidated		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment liabilities	25,041	35,791	27,107	23,841	173,481	150,521	5,286	7,236	3,066	–	–	–	54,168	216,508	180,694
Unallocated liabilities													48,616	144,793	169,362
Total liabilities													102,784	361,301	350,056
Other segment information:															
Depreciation	529	215	283	12,976	23,247	39,153	971	534	210	–	–	–	14,476	23,996	39,646
Unallocated amounts													1,593	1,297	1,238
													16,069	25,293	40,884
Amortisation of prepaid land lease payments	–	–	–	–	–	–	18	18	18	–	–	–	18	18	18
Amortisation of film rights	14,093	13,498	8,577	–	–	–	–	–	–	–	–	–	14,093	13,498	8,577
Impairment allowances/ (write-back of impairment allowances) for accounts and other receivables, net	(3,282)	3	(422)	151	427	8	204	(19)	(285)	–	–	–	(2,927)	411	(699)
Provision for impairment of club memberships	–	–	–	–	–	–	–	–	270	–	–	–	–	–	270
Capital expenditure	68	125	714	1,314	50,416	52,101	133	–	4	–	–	–	1,515	50,541	52,819
Unallocated amounts													179	1,774	2,426
													1,694	52,315	55,245

(b) Geographical segments

The following table presents revenue and certain assets and expenditure information for the Group's geographical segments for the years ended 30 June 2004, 2005 and 2006.

Group

	Hong Kong			Mainland China			Taiwan			Malaysia			Elsewhere in Asia			Others			Eliminations			Consolidated		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$"000*
Segment revenue:																								
Sales to external customers	201,748	184,783	177,589	3,697	14,810	43,538	1,582	51,331	215,795	642	24,842	74,831	1,183	3,825	1,355	11,681	716	1,089	(2,056)	(3,721)	(1,912)	218,477	276,586	512,285
Other segment information:																								
Segment assets	152,718	143,193	122,192	4,663	38,484	44,995	314	276,129	233,615	–	73,107	94,464	1,069	469	249	25	257	84	–	–	–	158,789	531,639	495,599
Interests in associates																						182,613	159,374	195,902
Trademarks																						79,421	79,421	79,421
																						420,823	770,434	770,922
Capital expenditure	1,607	20,565	8,463	68	30,800	2,919	–	506	14,222	–	444	29,641	19	–	–	–	–	–	–	–	–	1,694	52,315	55,245

5. PROFIT/(LOSS) BEFORE TAX

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

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Cost of inventories sold	9,410	5,733	6,631
Cost of services provided *	70,590	119,118	216,825
Amortisation of film rights **	14,093	13,498	8,577
Amortisation of prepaid land lease payments	18	18	18
Auditors' remuneration	1,348	1,834	2,131
Depreciation	16,069	25,293	40,884
Loss on disposal of items of property, plant and equipment	1,345	3,577	346
Loss on disposal of subsidiaries	161	–	–
Operating lease rental payments in respect of land and buildings:			
Minimum lease payments	37,002	56,994	107,098
Contingent rents	1,424	4,485	14,475
	38,426	61,479	121,573
Staff costs, excluding directors' remuneration *(see note 32)*			
Wages, salaries and staff welfare ***	45,763	50,452	69,420
Pension contributions	1,557	1,668	2,802
	47,320	52,120	72,222
Provision for impairment on club memberships	–	–	270
Provision/(write-back of provision) for long service payments, net	709	(139)	432
Write-off of bad debts	–	–	24
Write-off of aged liabilities	(12,044)	–	–
Gain on disposal of associates	(47)	–	–
Exchange (gains)/losses, net	(1,109)	146	(1,176)
Exchange gains arising from the translation of balances with overseas jointly-controlled entities and associates and other monetary assets and liabilities denominated in foreign currencies as at the balance sheet date	(2,352)	(321)	(3,298)
Impairment allowances/(write-back of impairment allowances) for accounts and other receivables, net	(2,927)	411	(699)
Interest income on bank deposits	(14)	(217)	(785)
Rental income	(365)	(5,532)	(20,795)
Less: outgoings	–	4,580	14,374
	(365)	(952)	(6,421)

* *The cost of services provided includes approximately HK$2,974,000, HK$2,890,000 and HK$2,853,000 for the years ended 30 June 2004, 2005 and 2006, respectively, relating to staff costs which is also included in the amount disclosed above.*

** *The amortisation of film rights for the Relevant Periods is included in "Cost of sales" on the face of the consolidated income statement.*

*** *Balance also included the amount of "Provision/(write-back of provision) for long service payments, net" disclosed above.*

6. FINANCE COSTS

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Interest on bank loans wholly repayable within five years	–	2,446	6,848
Bank loans arrangement fee	–	399	47
Interest on accounts payable	264	178	319
Interest on a convertible note	–	–	143
Interest on finance leases	99	78	93
	363	3,101	7,450

7. TAX

Hong Kong profits tax has been provided at the rate of 17.5% for each of the Relevant Periods on the estimated assessable profits arising in Hong Kong. Taxes on profits assessable outside Hong Kong have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on country legislation, interpretations and practices in respect thereof.

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Group:			
Hong Kong	642	182	(62)
Elsewhere	(130)	21	(1,145)
	512	203	(1,207)
Jointly-controlled entities:			
Charge for the year – elsewhere	–	2,281	2,545
Deferred – elsewhere	–	(85)	1,399
	–	2,196	3,944
Total tax charge for the year	512	2,399	2,737

At the date of approval of the financial statements for each of the Relevant Periods, a subsidiary of the Group has ongoing disputes with the Hong Kong Inland Revenue Department (the "HKIRD") in respect of a non-taxable claim of certain non-Hong Kong sourced income for the years of assessment 1995/1996 and 1996/1997. The subsidiary is pursuing its objection to HKIRD's assessments and as at the date of approval of the financial statements as at 30 June 2004, 2005 and 2006, the directors consider that sufficient tax provision has been made in this regard.

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

	Group		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Profit/(loss) before tax	(10,993)	(10,531)	7,952
Tax at statutory rates	(1,924)	(1,843)	1,392
Higher tax rate for specific provinces or local authority	3,406	4,700	5,287
Effect on opening deferred tax of decrease in tax rates	(951)	–	–
Adjustments in respect of current tax of previous periods	(2,159)	182	(3,675)
Profits and losses attributable to associates	(10,251)	(9,852)	(10,067)
Income not subject to tax	(3,103)	(9,212)	(3,685)
Expenses not deductible for tax	6,555	5,992	3,971
Temporary differences not recognised	1,644	(54)	319
Tax losses not recognised	9,522	13,008	10,077
Tax losses from previous periods utilised	(2,227)	(522)	(882)
Tax charge at the Group's effective rate	512	2,399	2,737

The share of tax attributable to associates amounting to HK$10,251,000, HK$9,852,000 and HK$10,067,000 for the years ended 30 June 2004, 2005 and 2006, respectively, are included in "Share of profits and losses of associates" on the face of the consolidated income statement.

8. NET LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The net losses attributable to equity holders of the Company dealt with in the financial statements of the Company for the years ended 30 June 2004, 2005 and 2006 were HK$11,297,000, HK$14,009,000 and HK$1,275,000, respectively.

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amounts is based on the net profit/(loss) attributable to ordinary equity holders of the Company for the years ended 30 June 2004, 2005 and 2006 of HK$11,505,000 (net loss), HK$12,930,000 (net loss) and HK$5,215,000 (net profit), respectively, and the 877,223,566 ordinary shares, weighted average of 1,140,535,574 ordinary shares and 1,330,309,375 ordinary shares in issue for the years ended 30 June 2004, 2005 and 2006, respectively.

No disclosure of diluted earnings/(loss) per share amounts for each of the Relevant Periods is shown as the exercise prices of the Company's outstanding share options granted were higher than the average market price of the Company's ordinary shares during each of the Relevant Periods and thus the share options have no dilutive effect, and the convertible note outstanding for the year ended 30 June 2006 also has no dilutive effect.

10. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Leasehold improvements	Machinery and equipment	Furniture and fixtures	Motor vehicles	Air-conditioning systems	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation:								
At 1 July 2003	4,556	69,203	29,758	21,490	3,373	588	–	128,968
Additions	–	468	1,085	141	–	–	–	1,694
Disposals	–	(815)	(1,206)	(788)	(357)	–	–	(3,166)
Disposal of subsidiaries	–	(165)	(294)	(2,607)	–	–	–	(3,066)
Exchange adjustments	–	–	9	–	39	–	–	48
At 30 June 2004	4,556	68,691	29,352	18,236	3,055	588	–	124,478
At 1 July 2004	4,556	68,691	29,352	18,236	3,055	588	–	124,478
Acquisition of jointly-controlled entities	–	147,003	36,057	16,213	–	–	521	199,794
Additions	–	28,999	15,816	7,279	–	–	221	52,315
Disposals	–	(2,224)	(6,471)	(6,220)	–	(53)	–	(14,968)
Exchange adjustments	–	(1,475)	(38)	(230)	18	–	1	(1,724)
At 30 June 2005	4,556	240,994	74,716	35,278	3,073	535	743	359,895
At 1 July 2005	4,556	240,994	74,716	35,278	3,073	535	743	359,895
Additions	–	21,467	18,964	9,469	2,583	–	2,762	55,245
Disposals	–	(904)	(3,409)	(4,434)	(2,712)	–	–	(11,459)
Exchange adjustments	–	(1,120)	1,437	(3,864)	87	–	36	(3,424)
At 30 June 2006	4,556	260,437	91,708	36,449	3,031	535	3,541	400,257

	Buildings	Leasehold improvements	Machinery and equipment	Furniture and fixtures	Motor vehicles	Air-conditioning systems	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accumulated depreciation:								
At 1 July 2003	1,602	30,229	15,344	10,006	925	569	–	58,675
Provided during the year	182	8,713	3,865	2,666	632	11	–	16,069
Disposals	–	(225)	(999)	(300)	(87)	–	–	(1,611)
Disposal of subsidiaries	–	(63)	(125)	(1,104)	–	–	–	(1,292)
Exchange adjustments	–	–	21	–	26	–	–	47
At 30 June 2004	1,784	38,654	18,106	11,268	1,496	580	–	71,888
At 1 July 2004	1,784	38,654	18,106	11,268	1,496	580	–	71,888
Acquisition of jointly-controlled entities	–	19,727	17,829	–	–	–	–	37,556
Provided during the year	182	12,792	6,081	5,617	617	4	–	25,293
Disposals	–	(2,102)	(4,660)	(4,563)	–	(49)	–	(11,374)
Exchange adjustments	–	113	53	119	11	–	–	296
At 30 June 2005	1,966	69,184	37,409	12,441	2,124	535	–	123,659
At 1 July 2005	1,966	69,184	37,409	12,441	2,124	535	–	123,659
Provided during the year	182	20,135	9,923	10,055	589	–	–	40,884
Disposals	–	(31)	(3,210)	(4,425)	(2,180)	–	–	(9,846)
Exchange adjustments	–	34	854	(2,209)	82	–	–	(1,239)
At 30 June 2006	2,148	89,322	44,976	15,862	615	535	–	153,458
Net book value:								
At 30 June 2004	2,772	30,037	11,246	6,968	1,559	8	–	52,590
At 30 June 2005	2,590	171,810	37,307	22,837	949	–	743	236,236
At 30 June 2006	2,408	171,115	46,732	20,587	2,416	–	3,541	246,799
Analysis of cost or valuation:								
At 30 June 2004:								
At cost	–	68,691	29,352	18,236	3,055	588	–	119,922
At valuation	4,556	–	–	–	–	–	–	4,556
	4,556	68,691	29,352	18,236	3,055	588	–	124,478
At 30 June 2005:								
At cost	–	240,994	74,716	35,278	3,073	535	743	355,339
At valuation	4,556	–	–	–	–	–	–	4,556
	4,556	240,994	74,716	35,278	3,073	535	743	359,895
At 30 June 2006:								
At cost	–	260,437	91,708	36,449	3,031	535	3,541	395,701
At valuation	4,556	–	–	–	–	–	–	4,556
	4,556	260,437	91,708	36,449	3,031	535	3,541	400,257

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

The net book values of the Group's property, plant and equipment held under finance leases included in the total amount of machinery and equipment and motor vehicles amounted to HK$48,000 and HK$1,361,000 at 30 June 2004, HK$26,000 and HK$794,000 at 30 June 2005, and HK$4,000 and HK$1,885,000 at 30 June 2006, respectively.

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

Had the Group's buildings been carried at cost less accumulated depreciation and any impairment losses, the net book values of the buildings would be zero at 30 June 2004, 2005 and 2006.

As at 30 June 2006, certain of the Group's property, plant and equipment which are situated in the Mainland China and a property which is situated in Hong Kong with net book values of approximately HK$9,028,000 (2005: HK$28,800,000; 2004: Nil) and HK$2,408,000 (2005: Nil; 2004: Nil), respectively, were pledged as security to banks for a bank loan and an overdraft facility granted to the Group *(note 21)*.

11. INTERESTS IN SUBSIDIARIES

		Company	
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Unlisted shares, at cost	167,647	167,647	167,647
Due from subsidiaries	741,247	845,585	864,648
	908,894	1,013,232	1,032,295
Provision for impairment	(588,580)	(601,870)	(601,870)
	320,314	411,362	430,425

The balances with subsidiaries are unsecured, interest-free and not expected to be repaid within the next twelve months.

12. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

The balances with jointly-controlled entities are unsecured, interest-free and not expected to be repaid within the next twelve months except for HK$18,000,000 and HK$14,400,000 as at 30 June 2005 and 2006, respectively, due from a jointly-controlled entity which is expected to be repaid within the next twelve months and classified as a current asset. The carrying amounts of balances with jointly-controlled entities approximate to their fair value.

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

	Group		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Share of the jointly-controlled entities' assets and liabilities:			
Current assets	–	67,243	45,934
Non-current assets	–	202,255	223,610
Current liabilities	–	(68,853)	(63,884)
Non-current liabilities	–	(128,482)	(109,135)
Net assets	–	72,163	96,525
Share of the jointly-controlled entities' results:			
Revenue	–	73,347	286,236
Other income	–	10,233	21,348
Total revenue	–	83,580	307,584
Total expenses	–	(81,817)	(280,872)
Tax	–	(2,196)	(3,944)
Profit/(loss) after tax	–	(433)	22,768

13. INTERESTS IN ASSOCIATES

	Group		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Share of net assets other than goodwill	57,581	69,980	102,666
Due from associates	126,571	91,689	95,551
Due to associates	(126)	(882)	(902)
	184,026	160,787	197,315
Provision for impairment	(1,413)	(1,413)	(1,413)
	182,613	159,374	195,902

The balances with associates are unsecured, interest-free and not expected to be repaid within the next twelve months except for nil, nil and HK$1,113,000 as at 30 June 2004, 2005 and 2006, respectively, due to associates which is expected to be repaid within the next twelve months and has been included under current liabilities.

The Group's share of the post-acquisition retained profits of associates as at 30 June 2004, 2005 and 2006 amounted to HK$29,244,000 (accumulated losses), HK$21,853,000 (accumulated losses), and HK$2,290,000 (retained profits), respectively.

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

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	732,816	628,952	658,901
Total liabilities	554,109	444,303	405,956
Revenue	754,863	582,979	677,311
Profit after tax	50,987	46,164	50,104

Particulars of the principal associates are as follows:

Name	**Particulars of issued shares held**	**Place of incorporation and principal operations**	**Percentage of paid-up share capital held by the Group**	**Principal activities**
Dartina Development Limited	Ordinary shares of HK$1 each	Hong Kong	50	Investment holding
Golden Access Pte Ltd #	Ordinary shares of S$1 each	Singapore	50	Computer programming
GSC #	Ordinary shares of RM1 each	Malaysia	40.22	Distribution of motion pictures and theatre operation
Golden Village Entertainment (Singapore) Pte Ltd	Ordinary shares of S$1 each	Singapore	50	Investment holding
Golden Village Pictures Pte Ltd	Ordinary shares of S$1 each	Singapore	50	Distribution of motion pictures
Golden Village Holdings Pte Ltd	Ordinary shares of S$1 each	Singapore	50	Investment holding
Golden Village Multiplex Pte Ltd	Ordinary shares of S$1 each	Singapore	50	Theatre operation
Keen Fortune Production Limited	Ordinary shares of US$1 each	British Virgin Islands	50	Dormant
Rich Will Limited	Ordinary shares of HK$1 each	Hong Kong	50	Dormant

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

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the years ended 30 June 2004, 2005 and 2006 or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

14. PREPAID LAND LEASE PAYMENTS

	Group		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Carrying amount at 1 July	795	777	759
Amortised during the year	(18)	(18)	(18)
Carrying amount at 30 June	777	759	741

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

As at 30 June 2006, the prepaid land lease payments was pledged as security to a bank for an overdraft facility granted to the Group *(note 21)*.

15. TRADEMARKS

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

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

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

(i) the trademarks, which were acquired by the Group in 2001, have been in use for a considerable number of years and will continue to be used for the long term; and

(ii) the Group has incurred and intends to continue to incur significant advertising and promotion expenses, which are charged to income statement when incurred, to maintain and increase the market value of its trademarks.

Adonis Appraisal Limited, a firm of independent professional appraiser, has confirmed, in their valuation of the Group's trademarks, that the market value of the trademarks exceeded the carrying value as at 30 June 2004. Vigers Appraisal & Consulting Ltd., a firm of independent professionally qualified valuers, has confirmed, in their valuation of the Group's trademarks, that the market value of the trademarks exceeded the carrying value as at 30 June 2005 and 2006. Accordingly, the directors consider that no impairment provision is necessary at the balance sheet date.

16. INVENTORIES

	Group		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	426	396	403
Chemicals	39	54	52
Machinery parts	91	121	142
Audio visual products	–	–	129
	556	571	726

17. FILM RIGHTS

As at 30 June 2004, the balance of film rights included an impairment loss of HK$3,543,000 which was charged to the consolidated income statement for the year ended 30 June 2004. As at 30 June 2005 and 2006, there was no impairment loss on film rights charged to the consolidated income statement for the years ended 30 June 2005 and 2006, respectively.

18. ACCOUNTS RECEIVABLE

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

	Group		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Current to 3 months	19,929	15,380	10,188
4 to 6 months	1,084	2,254	1,752
7 to 12 months	528	31	65
Over 1 year	930	639	–
	22,471	18,304	12,005

The accounts receivable of the Group included trading balances due from Golden Harvest Private Group companies totalling HK$20,000, HK$481,000 and nil as at 30 June 2004, 2005 and 2006, respectively. All of the balances with the Golden Harvest Private Group companies were unsecured, repayable in accordance with normal trading terms and interest-free.

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

The accounts receivable of the Group at 30 June 2004, 2005 and 2006 also included amounts due from GH Media Management Pte Ltd of nil, HK$332,000 and nil, respectively, GH Pictures (China) Limited of HK$36,000, nil and nil, respectively, Best Creation International Limited of HK$269,000, HK$269,000 and nil, respectively, and Wigston Co. Limited of nil, HK$179,000 and nil, respectively. The amounts were unsecured and had no fixed repayment terms. Raymond Chow Ting Hsing, Phoon Chiong Kit and David Chan Sik Hong, who are directors of the Company, and Stephen Chu Siu Tsun, who was a then director of the Company, and a relative of Raymond Chow Ting Hsing, were/are also directors and/or beneficial shareholders of certain of these related companies.

19. CASH AND CASH EQUIVALENTS AND PLEDGED BANK BALANCES

	Group			Company		
	2004	**2005**	**2006**	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	22,575	49,979	36,361	20	23	22
Time deposits	–	17,278	21,850	–	–	–
	22,575	67,257	58,211	20	23	22
Less: Pledged bank balances and time deposits						
Pledged for long term bank loans	–	(486)	(1,972)	–	–	–
Pledged as guarantees to landlords	–	(1,139)	(1,870)	–	–	–
Cash and cash equivalents	22,575	65,632	54,369	20	23	22

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

20. ACCOUNTS PAYABLE

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

	Group		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Current to 3 months	27,437	57,128	42,027
4 to 6 months	534	4,539	6,163
7 to 12 months	920	896	1,226
Over 1 year	23,179	13,020	12,612
	52,070	75,583	62,028

The accounts payable of the Group included trading balances due to Golden Harvest Private Group companies totalling HK$40,000, HK$67,000 and HK$207,000 at 30 June 2004, 2005 and 2006, respectively. The amounts are unsecured, interest-free and repayable in accordance with normal trading terms. The carrying amounts of the accounts payable approximate to their fair values.

The accounts payable of the Group at 30 June 2004, 2005 and 2006 also included amounts due to GH Pictures (China) Limited of HK$20,421,000, HK$9,987,000 and HK$8,979,000, respectively, Best Creation International Limited of nil, nil and HK$45,000, respectively, Harvest Crown Limited of HK$390,000, HK$618,000 and HK$698,000, respectively, and Pinetree Production Services, Inc. of nil, HK$206,000 and nil, respectively. These amounts are unsecured and have no fixed repayment terms. Except for the amounts of HK$20,065,000, HK$9,769,000, HK$8,979,000 as at 30 June 2004, 2005 and 2006, respectively, due to GH Pictures (China) Limited which bear interest at Hong Kong dollars short term time deposits rate plus 1% per annum, the other balances are interest-free and have no fixed repayment terms. Raymond Chow Ting Hsing, Phoon Chiong Kit and David Chan Sik Hong, who are directors of the Company, Stephen Chu Siu Tsun, who was a then director of the Company, and a relative of Raymond Chow Ting Hsing were/are also directors and/or beneficial shareholders of certain of these related companies.

21. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate	Maturity	Group			Company		
			2004	2005	2006	2004	2005	2006
	(%)		*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current								
Bank loans – unsecured	4	April 2007	–	–	2,328	–	–	–
Bank loans – secured	8	June 2007	–	24,697	34,873	–	–	–
Total current portion of bank loans			–	24,697	37,201	–	–	–
Finance lease payables *(note 22)*	8	June 2007	470	413	328	–	–	–
Convertible note *(note 25)* #	7	November 2006	–	–	143	–	–	143
			470	25,110	37,672	–	–	143
Non-current								
Bank loans – unsecured	4	2008-2011	–	–	13,259	–	–	–
Bank loans – secured	7	2008-2010	–	65,325	43,828	–	–	–
Total non-current portion of bank loans			–	65,325	57,087	–	–	–
Finance lease payables *(note 22)*	8	2008-2010	710	298	1,152	–	–	–
Convertible note *(note 25)*	7	2008	–	–	19,618	–	–	19,618
			710	65,623	77,857	–	–	19,618
			1,180	90,733	115,529	–	–	19,761

\# *Interest charged in relation to the convertible note is included in "Accrued liabilities and other payables" on the face of the balance sheets of the Company and of the Group.*

	Group 2004	Group 2005	Group 2006	Company 2004	Company 2005	Company 2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Analysed into:						
Bank loans repayable:						
Within one year	–	24,697	37,201	–	–	–
In the second year	–	21,577	22,428	–	–	–
In the third to fifth years, inclusive	–	43,748	34,659	–	–	–
	–	90,022	94,288	–	–	–
Convertible note and other borrowings repayable:						
Within one year	470	413	471	–	–	143
In the second year	412	298	19,971	–	–	19,618
In the third to fifth years, inclusive	298	–	799	–	–	–
	1,180	711	21,241	–	–	19,761
	1,180	90,733	115,529	–	–	19,761

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

As at 30 June 2004

	HK Dollars	US Dollars	Chinese Renminbi	Malaysian Ringgit	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other borrowings	1,180	–	–	–	1,180
	1,180	–	–	–	1,180

As at 30 June 2005

	HK Dollars	US Dollars	Chinese Renminbi	Malaysian Ringgit	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank loans	5,000	75,622	9,400	–	90,022
Other borrowings	711	–	–	–	711
	5,711	75,622	9,400	–	90,733

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

Except for the finance lease payables and the convertible note with carrying amounts totalling of HK$1,180,000, HK$711,000 and 21,241,000 as at 30 June 2004, 2005 and 2006, respectively, all other borrowings of the Group bear interest at floating interest rates.

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

The Group's overdraft facility amounting to HK$2,250,000 (2005: Nil; 2004: Nil) which had not been utilised as at 30 June 2006, is secured by the leasehold property and the prepaid land lease payments of the Group *(notes 10 and 14)*.

The Group's bank loans as at 30 June 2005 and 2006 were secured by:

(i) the assets of a wholly-owned subsidiary;

(ii) its 70% shareholding in a wholly-owned subsidiary;

(iii) its 40% equity interest in a jointly-controlled entity;

(iv) the property, plant and equipment of a subsidiary *(note 10)*; and

(v) pledged bank balances *(note 19)*.

22. FINANCE LEASE PAYABLES

The total future minimum lease payments under finance leases and their present values, were as follows:

Group	Minimum lease payments 2004 *HK$'000*	Minimum lease payments 2005 *HK$'000*	Minimum lease payments 2006 *HK$'000*	Present value of minimum lease payments 2004 *HK$'000*	Present value of minimum lease payments 2005 *HK$'000*	Present value of minimum lease payments 2006 *HK$'000*
Amounts payable:						
Within one year	548	456	437	470	413	328
In the second year	456	309	434	412	298	353
In the third to fifth years, inclusive	308	–	869	298	–	799
Total minimum finance lease payments	1,312	765	1,740	1,180	711	1,480
Future finance charges	(132)	(54)	(260)			
Total net finance lease payables	1,180	711	1,480			
Portion classified as current liabilities	(471)	(413)	(328)			
Non-current portion	709	298	1,152			

23. LOANS FROM JOINT VENTURE PARTNERS

Loans from joint venture partners are unsecured, interest-free and except for HK$18,000,000 and HK$14,400,000 as at 30 June 2005 and 2006, respectively, which is expected to be repaid within the next twelve months and classified as a current liability, are not expected to be repaid within the next twelve months. The carrying amounts of the loans from joint venture partners approximate to their fair values.

24. PROVISIONS

Group

	Long service payments	**Other employee benefits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 July 2003	3,091	1,615	4,706
Additional provision/(write-back)	709	(296)	413
At 30 June 2004	3,800	1,319	5,119
Portion classified as current liabilities	–	(1,319)	(1,319)
Non-current portion at 30 June 2004	3,800	–	3,800
At 1 July 2004	3,800	1,319	5,119
Acquisition of a jointly controlled entity	9	–	9
Additional provision/(write-back)	(139)	361	222
At 30 June 2005	3,670	1,680	5,350
Portion classified as current liabilities	–	(1,680)	(1,680)
Non-current portion at 30 June 2005	3,670	–	3,670
At 1 July 2005	3,670	1,680	5,350
Additional provision	432	263	695
At 30 June 2006	4,102	1,943	6,045
Portion classified as current liabilities	–	(1,943)	(1,943)
Non-current portion at 30 June 2006	4,102	–	4,102

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

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

25. CONVERTIBLE NOTE

On 23 May 2006, the Company issued a 4% convertible note with a principal amount of HK$20,000,000. The note is convertible at the option of the note holder into ordinary shares on or before 15 May 2008 at a price of HK$0.22 per share. There was no conversion up to 30 June 2006. If the conversion right is not exercised by the note holder, the convertible note not converted will be redeemed on 23 May 2008 at 104% of the principal amount of the note. The note carries interest at a rate of 4% per annum, which is payable half-yearly in arrears on 23 May and 23 November.

The fair value of the liability portion of the convertible note was estimated at the issuance date using the Group's prevailing borrowing rate and an equivalent market interest rate for a similar note without a conversion option, and has been ascertained by Vigers Appraisal & Consulting Ltd., a firm of independent professionally qualified valuers. The residual amount is assigned as the equity component and included in shareholders' equity.

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

Group and Company

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Nominal value of the convertible note issued during the year	–	–	20,000
Issuing costs	–	–	(287)
Equity component	–	–	(95)
Liability component at date of issue	–	–	19,618
Interest charged #	–	–	143
Liability component at 30 June	–	–	19,761
Analysed for reporting purpose as:			
Current liability – accrued liabilities and other payables	–	–	143
Non-current liability	–	–	19,618
	–	–	19,761

\# *Interest charged is included in current liabilities under the heading of "Accrued liabilities and other payables" on the face of the balance sheets of the Company and of the Group.*

26. DEFERRED TAX

The movements in deferred tax liabilities during the year are as follows:

	Accelerated tax depreciation *HK$'000*	Revaluation of leasehold buildings *HK$'000*	Total *HK$'000*
At 1 July 2003	–	492	492
Deferred tax credit to equity during the year	–	(30)	(30)
At 30 June 2004	–	462	462
At 1 July 2004	–	462	462
Acquisition of a jointly-controlled entity	5,237	–	5,237
Deferred tax credited to the income statement	(85)	–	(85)
Deferred tax credit to equity during the year	–	(30)	(30)
Exchange adjustments	1	–	1
At 30 June 2005	5,153	432	5,585
At 1 July 2005	5,153	432	5,585
Deferred tax charged to the income statement	1,399	–	1,399
Deferred tax credited to equity during the year	–	(30)	(30)
Exchange adjustments	320	–	320
At 30 June 2006	6,872	402	7,274

The Group has tax losses arising in Hong Kong of approximately HK$333,843,000, HK$421,640,000, HK$399,260,000 and outside Hong Kong of approximately HK$50,774,000, HK$82,196,000 and HK$58,195,000 as at 30 June 2004, 2005 and 2006, respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose, except for the balances of approximately HK$9,316,000, HK$10,193,000 and HK$10,717,000 at 30 June 2004, 2005 and 2006, respectively, in the PRC and HK$3,091,000, HK$50,928,000 and HK$30,706,000 at 30 June 2004, 2005, 2006, respectively, in Taiwan which can be only carried forward for five years under the relevant legislation, interpretations and practices. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries and jointly-controlled entities that have been loss-making for some time.

At 30 June 2004, 2005 and 2006, there were no significant unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, jointly-controlled entities or associates as the Group has no significant liability to additional tax should such amounts be remitted.

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

27. SHARE CAPITAL

	Company		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Authorised:			
2,000,000,000 ordinary shares of HK$0.10 each	200,000	200,000	200,000
Issued and fully paid:			
2004: 884,287,500; 2005: 1,330,309,375; 2006: 1,330,309,375 ordinary shares of HK$0.10 each	88,429	133,031	133,031

During the Relevant Periods, the movements in share capital were as follows:

(a) On 11 July 2003, the Company entered into a placing agreement (the "Placing Agreement") with FB Gemini Capital Limited ("FB Gemini"), an independent placing agent. Pursuant to the Placing Agreement, FB Gemini agreed to procure third party individuals and institutional investors to subscribe for 83,400,000 new shares of the Company at a price of HK$0.28 per share. 83,400,000 new shares were issued on 1 August 2003 and the net proceeds of HK$22.4 million were used to provide additional working capital of the Group.

(b) On 14 July 2004, the Company entered into a subscription agreement (the "Subscription Agreement"). Pursuant to the Subscription Agreement, the Company issued and allotted 155,000,000 ordinary shares at a price of HK$0.25 per share to Typhoon Music (PRC) Limited, an independent third party, on 11 August 2004. The net proceeds from the allotment of shares, after the deduction of related expenses, amounted to HK$36.3 million. The Company has applied the net proceeds for general working capital purposes, including paying down certain indebtedness of the Group, film financing and for the new cinema operation business in Shenzhen.

(c) On 25 January 2005, the Company passed a board resolution to make a rights issue of 259,821,875 shares of HK$0.1 each to shareholders at an exercise price of HK$0.25 per share on the basis of the one rights share for every four shares held on 22 December 2004 (the "Rights Issue"). The transaction was completed on 28 January 2005. The net proceeds from the Rights Issue, after deduction of related expenses amounted to approximately HK$60.9 million. The Company used the net proceeds from the Rights Issue for the purpose of financing part of the acquisition of the 40% equity interest in Vie Show Cinemas. The exercise price of HK$0.25 per share represented no premium to the closing price of HK$0.25 per share as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 January 2005, being the completion date.

(d) On 3 March 2005, the Company further placed 31,200,000 new shares at a price of HK$0.25 per share to an independent third party, Asset Managers (China) Fund Co., Ltd., in order to strengthen the Group's financial position by providing additional general working capital. The net proceeds from the share placement, after deducting of related expenses, amounted to approximately HK$7.6 million.

A summary of the transactions during the Relevant Periods with reference to the above movements in the Company's issued ordinary share capital is as follows:

	Number of shares in issue	Issued share capital *HK$'000*	Share premium account *HK$'000*	Total *HK$'000*
At 1 July 2003	800,887,500	80,089	565,577	645,666
Shares placement (a)	83,400,000	8,340	15,012	23,352
Share issue expenses	–	–	(924)	(924)
At 30 June 2004 and 1 July 2004	884,287,500	88,429	579,665	668,094
Issue of shares (b)	155,000,000	15,500	23,250	38,750
Rights issue (c)	259,821,875	25,982	38,973	64,955
Shares placement (d)	31,200,000	3,120	4,680	7,800
	446,021,875	44,602	66,903	111,505
Share issue expenses	–	–	(6,687)	(6,687)
At 30 June 2005, 1 July 2005 and 30 June 2006	1,330,309,375	133,031	639,881	772,912

28. SHARE OPTION SCHEME

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

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

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

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

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

The Company completed a rights issue on the basis of one share for every four existing shares on 28 January 2005. All the relevant share option holders have been notified that the number of shares comprised in each of the share options granted prior to the Rights Issue and for the time being outstanding and the exercise price thereunder were modified in accordance with the adjustments set out in the opinion dated 29 July 2005 from FB Gemini acting as an expert in relation to the impact of the Rights Issue on the share options. The effective date of the adjustment was the date on which the Rights Issue became unconditional (i.e. 14 January 2005). The number of shares comprised in each of the share options for the time being outstanding and the exercise price thereunder were modified by factors of 1.25 and 0.80, respectively.

After adjustments, the aggregate number of the shares of the Company issuable under share options granted under the Scheme and an earlier share option scheme of the Company (the "Terminated Scheme"), which had been terminated on 28 November 2001 was 45,275,000 as at 30 June 2005.

As at 30 June 2004, 2005 and 2006, the aggregate number of the shares of the Company issuable under share options granted under the Scheme and the Terminated Scheme were 28,100,000, 45,275,000 and 45,275,000, respectively, of which 23,500,000, 39,525,000 and 39,525,000 shares of the Company remain issuable under share options granted under the Scheme, respectively (which represented approximately 2.66%, 2.97% and 2.97% of the Company's shares in issue as at 30 June 2004, 2005 and 2006, respectively), and 4,600,000, 5,750,000 and 5,750,000 shares of the Company remain issuable under share options granted under the Terminated Scheme, respectively (which represented approximately 0.52%, 0.43% and 0.43% of the Company's shares in issue as at 30 June 2004, 2005 and 2006, respectively).

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

The following share options under the Scheme and the Terminated Scheme were outstanding during the Relevant Periods:

Name or category of participant	Date of grant of share option	Pre-adjusted exercise price HK$	Post-adjusted exercise price HK$	Exercise period	Number of share options: Outstanding options at 1 July 2003	Cancelled during the year ended 30 June 2004	Outstanding options at 30 June 2004 and 1 July 2004	Granted during the year ended 30 June 2005	Adjustment to share options due to Rights Issue during the year ended 30 June 2005	Lapsed during the year ended 30 June 2005	Outstanding options at 30 June 2005, 1 July 2005, and 30 June 2006
Directors											
Phoon Chiong Kit	25/07/2000	0.78	0.624	25/07/2000 to 24/07/2010 *Note (a)*	4,600,000	–	4,600,000	–	1,150,000	–	5,750,000
	31/10/2001	0.62	0.496	30/11/2001 to 30/10/2011 *Note (b)*	10,000,000	–	10,000,000	–	2,500,000	–	12,500,000
	09/12/2004	*Note (d)*	*Note (d)*	10/01/2005 to 30/10/2011 *Note (c)*	–	–	–	15,000,000	3,750,000	–	18,750,000
David Chan Sik Hong	31/10/2001	0.62	0.496	30/11/2001 to 30/10/2011 *Note (b)*	5,000,000	–	5,000,000	–	1,250,000	–	6,250,000
Eric Norman Kronfeld	31/03/2005	0.26	0.260	31/03/2005 to 30/10/2011	–	–	–	350,000	–	–	350,000
Paul Ma Kah Woh	31/03/2005	0.26	0.260	31/03/2005 to 30/10/2011	–	–	–	350,000	–	–	350,000
Frank Lin	31/03/2005	0.26	0.260	31/03/2005 to 30/10/2011	–	–	–	350,000	–	–	350,000
Prince Chatrichalerm Yukol	31/03/2005	0.26	0.260	31/03/2005 to 30/10/2011	–	–	–	350,000	–	–	350,000
Stephen Chu Siu Tsun	31/10/2001	0.62	–	30/11/2001 to 30/10/2011 *Note (b)*	8,000,000	–	8,000,000	–	–	(8,000,000) *Note (e)*	–
Other participant											
In aggregate	31/10/2001	0.62	0.496	30/11/2001 to 30/10/2011 *Note (b)*	1,500,000	(1,000,000)	500,000	–	125,000	–	625,000
					29,100,000	(1,000,000)	28,100,000	16,400,000	8,775,000	(8,000,000)	45,275,000

Notes:

(a) 50%, 25% and 25% of the share options granted are exercisable during the periods from 25 July 2000 to 24 July 2010, 25 July 2001 to 24 July 2010 and 25 July 2002 to 24 July 2010, respectively.

(b) 30%, 30% and 40% of the share options granted are exercisable during the periods from 30 November 2001 to 30 October 2011, 1 August 2002 to 30 October 2011 and 1 August 2003 to 30 October 2011, respectively.

(c) 33.33%, 33.33% and 33.34% of the share options granted are exercisable during the periods from 10 January 2005 to 30 October 2011, 10 January 2006 to 30 October 2011 and 10 January 2007 to 30 October 2011, respectively.

(d) The exercise prices of the share options granted which are exercisable during the periods from 10 January 2005 to 30 October 2011, 10 January 2006 to 30 October 2011 and 10 January 2007 to 30 October 2011 are HK$0.208 (adjusted for the Rights Issue), HK$0.256 (adjusted for the Rights Issue) and HK$0.304 (adjusted for the Rights Issue) per share, respectively.

(e) Stephen Chu Siu Tsun resigned as a director of the Company on 25 October 2004 and ceased to be an employee with effect from 1 November 2004. As such, the 8,000,000 outstanding share options granted to him lapsed pursuant to the provisions of the share options scheme.

No share options were exercised during the Relevant Periods.

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

The fair value of the share options granted during the year ended 30 June 2005 but had not vested by 1 July 2005 was HK$762,000.

The fair value of equity-settled share options granted during the year ended 30 June 2005 was estimated as at the date of grant, using the Black-Scholes Model, taking into account the terms and conditions upon which the options were granted. The following table listed the inputs to the model used for the year ended 30 June 2005.

Dividend yield (%)	–
Expected volatility (%)	58.21
Historical volatility (%)	58.21
Risk-free interest rate (%)	2.08
Expected life of option (year)	3.00
Weighted average share price (HK$)	0.20 (adjusted for the Rights Issue)

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

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

At 30 June 2006, the Company had 45,275,000 share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 45,275,000 additional ordinary share of the Company and additional share capital of HK$4,527,500 and share premium account of HK$13,835,000 (before issue expenses).

At 30 June 2004, 2005 and 2006, the Company had 28,100,000, 45,275,000 and 45,275,000 share options outstanding under the Scheme and the Terminated Scheme, which represented approximately 3.2%, 3.4% and 3.4% of the Company's shares in issue as at that date, respectively.

29. RESERVES

(a) Group

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

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

Movement of goodwill, which were eliminated against consolidated capital reserves, arising from the acquisition of subsidiaries and associates prior to 1 July 2001 during the Relevant Periods were as follows:

	Goodwill eliminated against consolidated capital reserve
	HK$'000
30 June 2004	
At 1 July 2003:	
Cost	154,313
Accumulated impairment	(141,830)
Net carrying amount at 1 July 2003 and 30 June 2004	12,483
30 June 2005	
At 1 July 2004:	
Cost	154,313
Accumulated impairment	(141,830)
Net carrying amount at 1 July 2004	12,483
Impairment provided during the year *(Note)*	(12,483)
Net carrying amount at 30 June 2005	–
30 June 2006	
At 1 July 2005:	
Cost	154,313
Accumulated impairment	(154,313)
Net carrying amount at 1 July 2005 and 30 June 2006	–

Note: During the year ended 30 June 2005, impairment of goodwill arising on the acquisitions of subsidiaries and associates in prior years that remained eliminated against the consolidated capital reserve were transferred to the consolidated accumulated losses as a movement in reserves.

(b) Company

	Share premium account HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2003	565,577	–	145	191,644	(528,577)	228,789
Issue of shares	15,012	–	–	–	–	15,012
Share issue expenses	(924)	–	–	–	–	(924)
Loss for the year	–	–	–	–	(11,297)	(11,297)
At 30 June 2004	579,665	–	145	191,644	(539,874)	231,580
At 1 July 2004	579,665	–	145	191,644	(539,874)	231,580
Issue of shares	66,903	–	–	–	–	66,903
Share issue expenses	(6,687)	–	–	–	–	(6,687)
Loss for the year	–	–	–	–	(14,009)	(14,009)
Equity-settled share option arrangement	–	150	–	–	–	150
At 30 June 2005	639,881	150	145	191,644	(553,883)	277,937
At 1 July 2005	639,881	150	145	191,644	(553,883)	277,937
Loss for the year	–	–	–	–	(1,275)	(1,275)
Equity-settled share option arrangement	–	394	–	–	–	394
At 30 June 2006	639,881	544	145	191,644	(555,158)	277,056

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued, in exchange for the issued share capital of the subsidiaries, and the aggregate net asset value of the subsidiaries acquired at the date of acquisition. Under the Bermuda Companies Act 1981 (as amended), the contributed surplus of the Company is distributable to shareholders under certain conditions.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Interests in an associate	–	11,506	–
Prepayments, deposits and other receivables	413	35	–
Cash and cash equivalents	400	12,951	–
Accrued liabilities and other payables	(100)	(12)	–
Amounts due from/(to) related companies	289	(41)	–
Amounts due to shareholders	–	(14,216)	–
Net assets	1,002	10,223	–
Negative Goodwill on acquisition	–	(3,709)	–
	1,002	6,514	–
Satisfied by:			
Cash	501	18,318	–
Amounts due to shareholders	–	(14,216)	–
Reclassification to interests in subsidiaries from interests in associates	501	2,412	–
	1,002	6,514	–

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

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Cash consideration	(501)	(18,318)	–
Less: cash and cash equivalents acquired	400	12,951	–
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(101)	(5,367)	–

In March 2005, the Group acquired the remaining 66.67% equity interests in GEMS at a consideration of approximately HK$18,318,000. The consideration was financed by the Group's banking facilities. The principal activity of GEMS is holding investment in TGV, which is principally engaged in theatre operation in Malaysia. The Group's interest in TGV increased to 50% through the acquisition of GEMS.

Since its further acquisition, GEMS did not contribute any revenue to the Group but contributed net profit of HK$1,512,000 to the net loss attributable to shareholders for the year ended 30 June 2005.

If the acquisition had taken place on 1 July 2004, there would have no effect on the Group's revenue, and the net loss attributable to shareholders of the Group for the year ended 30 June 2005 would have been approximately HK$11,337,000.

The subsidiary acquired during the year ended 30 June 2004 made no significant contribution to the Group in respect of turnover and net loss attributable to shareholders for the year ended 30 June 2004.

(b) Acquisitions of jointly-controlled entities

For the year ended 30 June 2005, the investments in jointly-controlled entities have been shown in the consolidated cash flow statements as a single item. The cash flow effect can be analysed as follows:

(i) Vie Show Cinemas

	2004 *HK$'000*	**2005** *HK$'000*	**2006** *HK$'000*
Net assets attributable by Vie Show Cinemas:			
Property, plant and equipment	–	124,054	–
Prepaid rental	–	1,670	–
Long term deposits	–	41,525	–
Cash and bank balances	–	25,039	–
Accounts receivable	–	14,786	–
Prepayments, deposits and other receivables	–	13,636	–
Accounts payable	–	(16,330)	–
Accrued liabilities and other payables	–	(26,111)	–
Shareholders' loan	–	(112,637)	–
Deposits received	–	(3,991)	–
Provision for long service payments	–	(9)	–
Net assets	–	61,632	–
Negative Goodwill recognised as income	–	(39,323)	–
	–	22,309	–
Satisfied by:			
Cash	–	123,134	–
Shareholders' loan acquired	–	(112,055)	–
Transaction costs associated with the investment	–	11,230	–
	–	22,309	–

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

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Cash consideration	–	(123,134)	–
Less: cash and cash equivalents acquired	–	25,039	–
Net outflow of cash and cash equivalents in respect of the acquisition of Vie Show Cinemas	–	(98,095)	–

(ii) TGV

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Net assets attributable by TGV:			
Property, plant and equipment	–	38,184	–
Time deposits	–	10,445	–
Cash and bank balances	–	1,276	–
Accounts receivable	–	463	–
Prepayments, deposits and other receivables	–	4,668	–
Accounts payable	–	(4,529)	–
Accrued liabilities and other payables	–	(7,436)	–
Tax payable	–	(480)	–
Deferred tax	–	(5,237)	–
Shareholders' loan	–	(25,287)	–
Net assets	–	12,067	–
Satisfied by:			
Reclassification from interests in an associate	–	12,067	–

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of TGV is as follows:

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Cash consideration *(note)*	–	–	–
Less: cash and cash equivalents acquired	–	11,721	–
Net inflow of cash and cash equivalents in respect of the acquisition of TGV	–	11,721	–

Note: The increase in the Group's equity interests in TGV was resulted indirectly from the acquisition of the subsidiary disclosed in note 30(a).

(c) Disposal of subsidiaries

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Net assets disposed of:			
Property, plant and equipment	1,774	–	–
Inventories	16	–	–
Accounts receivable	7	–	–
Prepayments, deposits and other receivables	28	–	–
Cash and cash equivalents	376	–	–
Accounts payable	(390)	–	–
Minority interests	(22)	–	–
Realisation of exchange fluctuation reserves	(35)	–	–
	1,754	–	–
Loss on disposal	(161)	–	–
	1,593	–	–
Satisfied by:			
Cash	1,274	–	–
Due from an associate	319	–	–
	1,593	–	–

An analysis of the net cashflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Cash consideration	1,274	–	–
Less: cash and cash equivalents disposed of	(376)	–	–
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	898	–	–

The results of the subsidiaries disposed of in the year ended 30 June 2004 had no significant impact on the Group's consolidated revenue or loss after tax for the year.

(d) Major non-cash transaction

During the year ended 30 June 2004, the Group disposed of its equity interests in certain of its associates resulting in a net gain of HK$47,000. Pursuant to the disposal, certain advances to these associates of approximately HK$16,504,000 were waived by the Group. Further, amounts due from certain associates of HK$5,202,000 which were under liquidation were also waived by the Group.

(e) During the year ended 30 June 2006, the Group entered into finance lease arrangements in respect of motor vehicles with a total capital value at the inception of the finance leases of HK$2,134,000.

(f) During the year ended 30 June 2006, deposits of HK$1,386,000 included in prepayments, deposits and other receivables as at 30 June 2005 were transferred to property, plant and equipment.

31. RELATED PARTY TRANSACTIONS

Save as disclosed in notes 11, 12, 13, 18, 20, 23, 32 and 33 to the financial statements, the Group also had the following material transactions with related parties.

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

(a) Transactions with the Golden Harvest Private Group

During the years, the Group had transactions to which members of Golden Harvest Private Group were parties. The significant transactions are summarised below:

		Group		
		2004	**2005**	**2006**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Film distribution commission income	*(i)*	62	38	–
Film developing and printing services income	*(ii)*	19	–	–

Notes:

(i) The Group acted as the distributor of the films produced by certain companies within the Golden Harvest Private Group and commission income was charged according to prices and conditions similar to those offered to other customers of the Group.

Raymond Chow Ting Hsing, a director and a substantial shareholder of the Company during the Relevant Periods, is interested, directly or indirectly, in the above transactions as a director and/or beneficial shareholder of the members of the Golden Harvest Private Group of which the commission income was derived from.

(ii) The service income related to the provision of film developing and printing services to certain companies within the Golden Harvest Private Group and was charged according to prices and conditions similar to those offered to other customers of the Group.

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

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

(b) Transactions with related parties

		Group		
		2004	**2005**	**2006**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Rental income from a related company	*(i), (ii)*	365	122	120
Interest expense to a related company	*(i), (iii)*	264	178	319
Distribution consultancy fee paid to a related company	*(i), (iv)*	881	429	363
Film royalties income from an associate	*(i), (v)*	367	669	268
Management fee income from associates	*(i), (vi)*	1,027	384	351
Purchase of items of property, plant and equipment from an associate	*(i), (vii)*	–	–	242
Accounting service fee paid to an associate	*(i), (viii)*	85	87	88
Office rental paid to an associate	*(i), (ix)*	–	–	98
Ticketing system maintenance/ development costs paid to an associate	*(i), (x)*	518	221	1,008
Theatre rental paid to an associate	*(i), (xi)*	124	139	82
Sale of a motor vehicle to a director	*(i), (xii)*	–	–	436
Corporate guarantee given in respect of banking facilities granted to an associate	*(i), (xiii)*	17,100	17,325	18,338
Film distribution commission income from related companies	*(i), (xiv)*	445	164	–
Consultancy fee paid to a related company	*(i), (xv)*	–	585	–
Film distribution commission income from an associate	*(i), (xvi)*	331	–	–
Film sourcing service fee paid to an associate	*(i), (xvii)*	132	132	–

Notes:

(i) Raymond Chow Ting Hsing, Phoon Chiong Kit, David Chan Sik Hong and Eric Norman Kronfeld, who are directors of the Company and Stephen Chu Siu Tsun, who was a then director of the Company, are/was interested, directly or indirectly, in the above transactions as directors and/or beneficial shareholders of certain of these companies.

(ii) The rental income was charged at a rate of approximately HK$30,000 per month from 1 July 2003 to 30 June 2004, HK$30,000 per month from 1 July 2004 to 31 October 2004 and HK$10,000 per month from 1 November 2004 to 30 June 2006 for sub-letting a portion of the Group's office premises to an associate of the Golden Harvest Private Group.

(iii) The interest expense to an associate of the Golden Harvest Private Group was charged at Hong Kong dollar short-term time deposit rate plus 1% per annum.

(iv) The distribution consultancy fee paid represented the film production and distribution consulting services provided by a related company to the Group and was charged according to the terms of the agreement dated 1 July 2004 for the years ended 30 June 2005 and 2006. The fee paid for the year ended 30 June 2004 was charged according to the terms of the agreement dated 1 October 2001.

(v) The royalty income was charged according to the terms of the respective distribution agreements.

(vi) The management fee income represented the following:

- accounting services provided to two associates of the Group which were charged at rates of HK$10,000 per month for the Relevant Periods and HK$14,000 per month from July 2003 to June 2004, HK$22,000 per month from July 2004 to June 2005, HK$22,000 per month from July 2005 to March 2006 and HK$11,000 per month from April 2006 to June 2006, respectively; and

- for the year ended 30 June 2004, an amount of approximately HK$739,000 related to consultancy services provided to two associates of the Group which were charged at rates of HK$120,000 per month from July to December 2003 and RMB5,000 per month from July to October 2003, respectively.

(vii) The selling price of items of property, plant and equipment was mutually agreed between the parties concerned.

(viii) The accounting service fee was charged at a rate of S$1,500 per month for the years ended 30 June 2004, 2005 and 2006.

(ix) The rental expense was charged at a rate of approximately S$1,747 per month for sub-letting a portion of office premises of an associate to the Group for the year ended 30 June 2006.

(x) The ticketing system maintenance/development costs paid were charged according to prices and conditions similar to those offered to other customers of the associate.

(xi) The theatre rental was charged according to prices and conditions similar to those offered to other customers of the associate.

(xii) A motor vehicle was sold to a director by a wholly-owned subsidiary during the year ended 30 June 2006 and the selling price was with reference to market value.

(xiii) The corporate guarantee was given by the Group in respect of banking facilities granted to an associate at nil consideration.

(xiv) The Group acted as the distributor of the films produced by the related companies and the film distribution commission income was charged according to the terms of the distribution agreements dated 21 April 1997 and 2 August 1999 or charged according to prices and conditions similar to those offered to other customers of the Group.

(xv) The consultancy fee paid represented the consultancy service in relation to the rights issue exercise provided by a related company to the Group and was charged according to the terms of the agreement dated 15 March 2005.

(xvi) The Group acted as the distributor of a film produced by an associate and the film distribution commission income was charged according to the terms of the distribution agreement dated 6 January 2003.

(xvii) The film sourcing service fee was charged at a rate of HK$11,000 per month for the years ended 30 June 2004 and 2005.

Certain transactions amounting to HK$799,000 (2005: HK$1,037,000; 2004: HK$899,000) included in notes (iv), (xii), (xiv) and (xv) above with one related company and a director for the year ended 30 June 2006 (2005: three related companies; 2004: three related companies) constituted connected transactions as defined in the Listing Rules.

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

(c) Compensation of key management personnel of the Group

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other short-term employee benefits	12,306	17,271	14,986
Post-employment benefits	128	133	113
Share-based payment	–	150	394
Total compensation paid to key management personnel	12,434	17,554	15,493

The total compensation paid to key management personnel also included the executive directors' emoluments as disclosed in note 32.

32. REMUNERATION OF DIRECTORS AND OF THE FIVE HIGHEST PAID INDIVIDUALS

Directors' remuneration

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

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Fees:			
Executive directors	–	–	–
Non-executive director	–	120	120
Independent non-executive directors	120	350	350
	120	470	470
Basic salaries, allowances and benefits in kind:			
Executive directors	12,240	15,530	13,000
Non-executive director	–	–	–
Independent non-executive directors	–	–	–
	12,240	15,530	13,000
Pension contributions:			
Executive directors	97	91	71
Non-executive director	–	–	–
Independent non-executive directors	–	–	–
	97	91	71
Employee share option benefits:			
Executive directors	–	150	394
	12,457	16,241	13,935

	Fees	Basic salaries, allowances and benefits in kind	Pension contributions	Employee share option benefits	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 30 June 2004					
Independent non-executive directors:					
Paul Ma Kah Woh	–	–	–	–	–
Frank Lin	60	–	–	–	60
Prince Chatrichalerm Yukol	60	–	–	–	60
	120	–	–	–	120
Executive directors:					
Raymond Chow Ting Hsing	–	3,705	–	–	3,705
Phoon Chiong Kit	–	4,535	73	–	4,608
Stephen Chu Siu Tsun	–	2,400	12	–	2,412
David Chan Sik Hong	–	1,600	12	–	1,612
	–	12,240	97	–	12,337
Non-executive director:					
Eric Norman Kronfeld	–	–	–	–	–
	120	12,240	97	–	12,457
For the year ended 30 June 2005					
Independent non-executive directors:					
Paul Ma Kah Woh	150	–	–	–	150
Frank Lin	100	–	–	–	100
Prince Chatrichalerm Yukol	100	–	–	–	100
	350	–	–	–	350
Executive directors:					
Raymond Chow Ting Hsing	–	3,939	–	–	3,939
Phoon Chiong Kit	–	6,469	64	150	6,683
Stephen Chu Siu Tsun	–	2,013	4	–	2,017
David Chan Sik Hong	–	1,867	12	–	1,879
Roberta Chin Chow Chung Hang	–	1,242	11	–	1,253
	–	15,530	91	150	15,771
Non-executive director:					
Eric Norman Kronfeld	120	–	–	–	120
	470	15,530	91	150	16,241

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

There was no other emolument payable to the independent non-executive directors for the years ended 30 June 2004, 2005 and 2006, respectively.

At 30 June 2004, 2005 and 2006, certain directors held share options of the Company, the details of which are set out in note 28. The fair values of the share options, which had been charged to the income statements for the years ended 30 June 2005 and 2006, were determined as at the date of the grant and were included in the above disclosure of directors' emoluments. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

Five highest paid individuals

The five highest paid individuals during the years ended 30 June 2004, 2005 and 2006 included four, five and four directors, respectively, and details of their remuneration has been included in the directors' remuneration disclosures above. The remuneration of the remaining one non-director, highest paid employee for the years ended 30 June 2004 and 2006 is as follows:

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Basic salaries, allowances and benefits in kind	1,720	–	1,458
Pension contributions	12	–	12
	1,732	–	1,470

The above remuneration of the non-director, highest paid employee fell within the bands of HK$1,500,001 – HK$2,000,000 and HK$1,000,001 – HK$1,500,000 for the years ended 30 June 2004 and 2006, respectively.

33. CONTINGENT LIABILITIES

Contingent liabilities at the balance sheet date were as follows:

	Group			Company		
	2004	2005	2006	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Guarantee of banking facilities granted to:						
Subsidiaries	–	–	–	–	95,622	84,021
An associate	17,100	17,325	18,338	17,100	17,325	18,338
	17,100	17,325	18,338	17,100	112,947	102,359

As at 30 June 2004, 2005 and 2006, banking facilities of nil, HK$90,022,000 and HK$78,701,000, respectively, and HK$16,644,000, HK$9,933,000 and HK$3,179,000, respectively, had been utilised by the subsidiaries and an associate, respectively.

In addition to the above, the Group's share of a guarantee provided by an associate amounted to approximately HK$11,589,000, HK$14,093,000 and HK$16,233,000 as at 30 June 2004, 2005 and 2006, respectively, in respect of a banking facility granted to that associate.

34. COMMITMENTS

	Group		
	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
(a) Capital commitments in respect of acquisition of items of property, plant and equipment:			
Contracted for	1,888	7,804	4,314
Authorised, but not contracted for	29,159	78,971	72,637
	31,047	86,775	76,951

(b) Operating lease arrangements

(i) As lessor

The Group leases certain of its buildings under operating lease arrangements for terms ranging from 1 to 13 years. The terms of the leases generally also required the tenants to provide for periodic rent adjustments according to the then prevailing marketing conditions.

The Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Total future minimum lease receivables under non-cancellable operating leases for land and buildings:			
Within one year	–	12,015	18,921
In the second to fifth years, inclusive	–	32,587	34,840
After five years	–	3,914	1,458
	–	48,516	55,219

The Group did not receive any contingent rent for the years ended 30 June 2004, 2005 and 2006.

(ii) As lessee

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

	Group		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Total future minimum lease payments under non-cancellable operating leases for land and buildings:			
Within one year	33,760	119,604	107,818
In the second to fifth years, inclusive	94,507	411,797	422,503
After five years	33,584	676,721	598,556
	161,851	1,208,122	1,128,877

Certain non-cancellable operating leases included in the above were subject to contingent rent payments, which were charged at 17% to 28%, 5% to 28% and 5% to 28% of their monthly or annual gross box office takings in excess of the base rents as determined in the respective lease agreements for the years ended 30 June 2004, 2005 and 2006, respectively. In addition, 10% of theatre confectionery sales and advertising income is also charged under certain leases for the Relevant Periods.

The Company had no significant commitment at 30 June 2004, 2005 and 2006.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate. The interest rates and terms of repayment of the bank and other borrowings are disclosed in note 21.

Foreign currency risk

The Group's assets and liabilities are principally denominated in Hong Kong dollars except for certain assets and liabilities associated with the investments located in Singapore, Malaysia, Taiwan and Mainland China including the bank and other borrowings as disclosed in note 21 to this report. Management has assessed the foreign currency risk and exposures in these territories from time to time. Since the exchange rates of these foreign currencies have been either relatively stable or favourable to the Group for the past three years, the directors are of view that the Group's exposure to foreign currency risk is minimal.

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

Credit risk

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

Liquidity risk

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

36. POST BALANCE SHEET EVENTS

Subsequent to 30 June 2006, the following events occurred:

(a) On 10 July 2006, the Company and each of Quick Target Limited, Pleasant Villa Investments Limited, Garex Resources Limited and Typhoon Music (PRC) Limited entered into subscription agreements (the "Agreements"). Pursuant to the Agreements, the Group agreed to issue, and the subscribers agreed to subscribe for the 4% convertible notes due 2008 with an aggregate principal amount of HK$100,000,000 (the "Notes"). On 22 August 2006, the subscription was completed and the net proceeds of the issue of the Notes amounted to approximately HK$99,000,000. The Group intends to apply the net proceeds for the investments in new businesses, expansion of existing businesses and the discharge of its current liabilities.

The Notes are convertible at the option of the note holders into ordinary shares on or before 14 August 2008 at a price of HK$0.22 per share. Any note not converted will be redeemed on 21 August 2008 at a price of 104% of the principal amount of the Notes.

The above transaction constituted a connected transaction as defined in the Listing Rules. Further details of the issue of the Notes are set out in the circular of the Company dated 31 July 2006.

(b) On 16 October 2006, the Group entered into agreements with World Media Group Limited, a company of Golden Harvest Private Group and independent third parties to acquire the entire equity interests of three companies, GH Pictures (China) Limited, GH Media Management Pte Ltd and GH Media Management Limited (the "Target Companies"), at a total consideration of approximately HK$22.6 million. The Target Companies hold a film library of 39 Chinese language films. The consideration will be financed by the internal resources of the Group. This transaction constitutes a connected transaction as defined in the Listing Rules and is subject to independent shareholders' approval.

37. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 30 June 2006.

Yours faithfully,
ERNST & YOUNG
Certified Public Accountants
Hong Kong

(B) INDEBTEDNESS

As at 31 October 2006, being the latest practicable date for the purposed of this indebtedness statement prior to the printing of this circular, the Group and its share of the jointly-controlled entities had the following indebtedness:

(a) secured bank loans of approximately HK$73.8 million; which were secured by:

(i) the assets of a wholly-owned subsidiary;

(ii) its 70% shareholding in a wholly-owned subsidiary;

(iii) its 40% equity interest in a jointly-controlled entity;

(iv) the property, plant and equipment of a subsidiary; and

(v) pledged bank balances.

(b) unsecured bank loans of approximately HK$18.6 million;

(c) convertible notes of approximately HK$119.7 million;

(d) loans from joint venture partners of HK$53.5 million; and

(e) finance lease payables of HK$1.4 million and repayable within five years.

As at 31 October 2006, the Group had given a guarantee of approximately HK$18.6 million for banking facilities granted to an associated company. In addition, the Group's share of a guarantee provided by an associated company was approximately HK$15.8 million in respect of a guarantee granted to that associated company.

As at 31 October 2006, one of the Group's banking facilities was secured by a property amounting to HK$3.1 million. Such banking facilities had not been utilised as at 31 October 2006.

Save as aforesaid or as otherwise mentioned herein and apart from intra-group liabilities and normal accounts payables in the ordinary course of business, the Group did not have any outstanding mortgages, charges, debentures, loan capital and overdrafts or other similar indebtedness, finance lease or hire purchase commitment, liabilities under acceptance of acceptance credits or any guarantees of other material contingent liabilities as at the close of business on 31 October 2006.

(C) WORKING CAPITAL

The Directors are of the opinion that after taking into account the proceeds from the Disposal, the credit facilities and financial resources available to the Group, the Group has sufficient working capital for its present requirements.

The Directors are not aware of any matter or fact which will render the Group not having sufficient working capital for its requirements after the completion of the Share Sale Agreement.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION

1. Unaudited Pro forma Consolidated Income Statement

The following is the unaudited pro forma consolidated income statement of the Group assuming that the Group's entire 40.22% equity interests in Golden Screen Cinemas Sdn. Bhd. ("GSC") had been disposed of for a consideration of RM91,000,000 (equivalent to approximately HK$189,000,000) at the commencement of the year ended 30 June 2006. The unaudited pro forma consolidated income statement was prepared based on the audited consolidated income statement of the Group for the year ended 30 June 2006 as set out in the accountants' report on the Group in Appendix 1 to this circular.

The unaudited pro forma consolidated income statement was prepared for illustrative purposes only and because of its nature, it may not give a true picture of the results of the Remaining Group for any further financial periods.

	2006 *HK$'000*	**Pro forma adjustments** *HK$'000*	*Notes*	**Adjusted balances** *HK$'000*
REVENUE	512,285	–		512,285
Cost of sales	(232,033)	–		(232,033)
Gross profit	280,252	–		280,252
Interest income	785			785
Other income and gains	41,051	–		41,051
Selling and distribution costs	(267,740)	–		(267,740)
General and administrative expenses	(52,490)	–		(52,490)
Other operating expenses, net	(10,599)	–		(10,599)
Finance costs	(7,450)	–		(7,450)
Gain on disposal of an associate	–	123,318	*2*	123,318
Share of profits and losses of associates	24,143	(7,334)	*1*	16,809
PROFIT BEFORE TAX	7,952	115,984		123,936
Tax	(2,737)	–		(2,737)
PROFIT FOR THE YEAR	5,215	115,984		121,199
Attributable to equity holders of the Company	5,215	115,984		121,199

2. Unaudited Pro forma Consolidated Balance Sheet

The following is the unaudited pro forma consolidated balance sheet of the Group assuming that the Group's entire 40.22% equity interests in GSC had been disposed of as at 30 June 2006. The unaudited pro forma consolidated balance sheet was prepared based on the audited consolidated balance sheet of the Group as at 30 June 2006 as set out in the accountants' report on the Group in Appendix 1 to this circular.

The unaudited pro forma consolidated balance sheet was prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Remaining Group at any future date.

	2006	**Pro forma adjustments**		**Adjusted balances**
	HK$'000	*HK$'000*	*Notes*	*HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	246,799	–		246,799
Interests in associates	195,902	(47,959)	*3, 4*	147,943
Due from jointly-controlled entities	42,775	–		42,775
Prepaid land lease payments	741	–		741
Prepaid rental	11,502	–		11,502
Club memberships	3,590	–		3,590
Rental and other deposits	53,130	–		53,130
Trademarks	79,421	–		79,421
Pledged bank deposits	1,870	–		1,870
Total non-current assets	635,730	(47,959)		587,771
CURRENT ASSETS				
Inventories	726	–		726
Film rights	16,279	–		16,279
Accounts receivable	12,005	–		12,005
Prepayment, deposits and other receivables	35,441	–		35,441
Due from a jointly-controlled entity	14,400	–		14,400
Pledged bank balance	1,972	–		1,972
Cash and bank balances	54,369	187,100	*2*	241,469
Total current assets	135,192	187,100		322,292
CURRENT LIABILITIES				
Accounts payable	62,028	–		62,028
Accrued liabilities and other payables	83,368	2	*4*	83,370
Due to associates	1,113	–		1,113
Customer deposits	3,492	–		3,492
Interest-bearing bank loans	37,201	–		37,201
Current portion of finance lease payables	328	–		328
Loans from joint venture partners	14,400	–		14,400
Provision for employee benefits	1,943	–		1,943
Tax payable	9,924	–		9,924
Total current liabilities	213,797	2		213,799

	2006 *HK$'000*	**Pro forma adjustments** *HK$'000*	*Notes*	**Adjusted balances** *HK$'000*
NET CURRENT ASSETS/ (LIABILITIES)	(78,605)	187,098		108,493
TOTAL ASSETS LESS CURRENT LIABILITIES	557,125	139,139		696,264
NON CURRENT LIABILITIES				
Convertible note	19,618	–		19,618
Interest-bearing bank loans	57,087	–		57,087
Non-current portion of finance lease payables	1,152	–		1,152
Loans from joint venture partners	42,742	–		42,742
Deposits received	4,284	–		4,284
Provision for long service payments	4,102	–		4,102
Deferred tax	7,274	–		7,274
Total non-current liabilities	136,259	–		136,259
Net assets	420,866	139,139		560,005
EQUITY				
Equity attributable to equity holders of the Company				
Issued share capital	133,031	–		133,031
Equity component of a convertible note	95	–		95
Reserves	287,740	139,139	*5*	426,879
Total equity	420,866	139,139		560,005

3. Unaudited Pro forma Consolidated Cash Flow Statement

The following is the unaudited pro forma consolidated cash flow statement of the Group assuming that the Group's entire 40.22% equity interests in GSC had been disposed of at the commencement of the year ended 30 June 2006. The unaudited pro forma consolidated cash flow statement was prepared based on the audited consolidated cash flow statement of the Group for the year ended 30 June 2006 as set out in the accountants' report on the Group in Appendix 1 to this circular.

The unaudited pro forma consolidated cash flow statement was prepared for illustrative purposes only and because of its nature, it may not give a true picture of the cash flows of the Remaining Group for any further financial periods.

	2006	**Pro forma adjustments**		**Adjusted balances**
	HK$'000	*HK$'000*	*Notes*	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	7,952	115,984		123,936
Adjustments for:				
Interest income	(785)	–		(785)
Finance costs	7,450	–		7,450
Depreciation	40,884	–		40,884
Amortisation of prepaid land lease payments	18	–		18
Loss on disposal of items of property, plant and equipment	346	–		346
Provision for impairment on club memberships	270	–		270
Exchange gains arising from the translation of balances with overseas jointly-controlled entities and associates and other monetary assets and liabilities denominated in foreign currencies as at the balance sheet date	(3,298)	–		(3,298)
Gain on disposal of an associate	–	(123,318)	*2*	(123,318)
Share of profits and losses of associates	(24,143)	7,334	*1*	(16,809)
Write-back of impairment allowances for accounts and other receivables, net	(699)	–		(699)
Write-off of bad debts	24	–		24
Equity-settled share option expenses	394	–		394
Exchange adjustments	(1,121)	–		(1,121)
Operating profit before working capital changes	27,292	–		27,292

	2006	**Pro forma adjustments**		**Adjusted balances**
	HK$'000	*HK$'000*	*Notes*	*HK$'000*
Operating profit before working capital changes	27,292	–		27,292
Increase in inventories	(155)	–		(155)
Decrease in film rights	2,105	–		2,105
Decrease in accounts receivables	6,974	–		6,974
Decrease in prepayments, deposits and other receivables	10,201	–		10,201
Decrease in accounts payable	(13,555)	–		(13,555)
Decrease in accrued liabilities and other payables	(1,478)	(88)	*4*	(1,566)
Increase in customer deposits	112	–		112
Increase in prepaid rental	(6,312)	–		(6,312)
Refund of rental and other deposits, net	1,576	–		1,576
Increase in provision for employee benefits	263	–		263
Increase in provision for long service payments	432	–		432
Cash generated from operations	27,455	(88)		27,367
Interest received	785	–		785
Interest and finance charges paid	(7,149)	–		(7,149)
Interest element on finance lease rental payments	(93)	–		(93)
Hong Kong profits tax paid	(2)	–		(2)
Overseas tax paid	(4,094)	–		(4,094)
Overseas tax refunded	216	–		216
Net cash inflow from operating activities	17,118	(88)		17,030
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of items of property, plant and equipment	(51,725)	–		(51,725)
Proceeds from disposal of items of property, plant and equipment	1,267	–		1,267
Proceeds from disposal of an associate	–	187,100	*2*	187,100
Repayment from associates, net	1,635	88	*4*	1,723
Increase in deposits received	598	–		598
Repayment from jointly-controlled entities	21,725	–		21,725
Repayment to joint venture partners	(21,725)	–		(21,725)
Increase in pledged bank balances	(2,217)	–		(2,217)
Net cash outflow from investing activities	(50,442)	187,188		136,746

	2006	Pro forma adjustments	Notes	Adjusted balances
	HK$'000	*HK$'000*	*Notes*	*HK$'000*
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issue of a convertible note, net	19,713	–		19,713
New bank loans raised	29,337	–		29,337
Repayment of bank loans	(25,241)	–		(25,241)
Capital element of finance lease payables	(1,365)	–		(1,365)
Net cash inflow from financing activities	22,444	–		22,444
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(10,880)	187,100		176,220
Cash and cash equivalents at beginning of year	65,632	–		65,632
Exchange adjustments	(383)	–		(383)
CASH AND CASH EQUIVALENTS AT END OF YEAR	54,369	187,100		241,469
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Non-pledged cash and bank balances	34,389	187,100	*2*	221,489
Non-pledged time deposits	19,980	–		19,980
CASH AND CASH EQUIVALENTS AT END OF YEAR	54,369	187,100		241,469

4. Notes to unaudited pro forma financial information

1. The adjustment reverses the share of profits of GSC for the year ended 30 June 2006.

2. The adjustment represents the gain on disposal of the Group's entire 40.22% equity interests in GSC, which was calculated based on the estimated net cash proceeds of HK$187,100,000 (after expenses) set off with the Group' share of net asset value of GSC of HK$38,395,000 and the realisation of exchange loss from exchange fluctuation reserve of HK$25,387,000 as at 1 July 2005.

3. The adjustment reflects the disposal of the Group's entire 40.22% equity interests in GSC with the Group's share of net asset value of GSC of HK$47,961,000 as at 30 June 2006.

4. The adjustment reflects the amount due to GSC of HK$2,000 as at 30 June 2006, which is reclassified as other payables upon the disposal of GSC. Accordingly, the repayment to GSC of approximately HK$88,000 during the year ended 30 June 2006 is reclassified as the decrease in other payables.

5. The adjustment reflects the gain on disposal of the Group's entire 40.22% equity interests in GSC of HK$115,984,000 and the realisation of exchange loss from exchange reserve of HK$23,155,000 as at 30 June 2006.

(B) LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

ERNST & YOUNG
安 永 會 計 師 事 務 所

18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

21 December 2006

The Board of Directors
Golden Harvest Entertainment (Holdings) Limited

Dear Sirs,

We report on the unaudited pro forma financial information of the Remaining Group (the "Group" (as defined herein), excluding Golden Screen Cinemas Sdn. Bhd. ("GSC") set out on pages 79 to 84 in this Appendix to the circular dated 21 December 2006 (the "Circular") issued by Golden Harvest Entertainment (Holdings) Limited (the "Company"), and together with its subsidiaries, referred to as the "Group") in connection with a very substantial disposal resulting from the proposed disposal (the "Disposal") of the Group's entire 40.22% equity interests in GSC. The pro forma financial information is unaudited and has prepared by the directors of the Company, solely for illustrative purposes, to provide information about how the Disposal and the transactions as described in the accompanying introduction to the unaudited pro forma financial information of the Remaining Group might have affected the historical financial information in respect of the Group.

The historical financial information is derived from the audited historical financial information of the Group, where applicable, appearing elsewhere in the Circular. The basis of preparation of the unaudited pro forma financial information is set out in the accompanying introduction and notes to the unaudited pro forma financial information of the Remaining Group.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to AG7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

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

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the directors' judgments and assumptions, and because of its nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position or results of:

– the Remaining Group had the transaction actually occurred as at the dates indicated therein; or

– the Remaining Group at any future date or for any future periods.

Opinion

In our opinion:

(a) the accompanying unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

Yours faithfully,
ERNST & YOUNG
Certified Public Accountants
Hong Kong

1. BUSINESS REVIEW

The economic recovery across Asia over the last few years has been beneficial to the film and entertainment industry as a whole, and is reflected in the continued growth of box office receipts across the territories in which the Group operates.

For the year ended 30 June 2006, taking into account the gain arising from the Disposal of approximately HK$123.3 million (assuming that completion had taken place on 1 July 2005) as set out in the unaudited pro forma consolidated income statement of the Remaining Group in Appendix II to this circular, the Remaining Group recorded a HK$121.2 million profit after tax. Excluding the one-off exceptional gain from the Disposal, the improved operating result was principally attributable to the Remaining Group's exhibition and distribution businesses in Hong Kong and overseas territories, including the Group's new investments in Shenzhen and Taiwan the full year results of which were accounted for this year. Furthermore, in order to improve operating results in Hong Kong, the Group closed down a loss-making cinema by terminating the lease early.

Film Distribution

Total box office receipts in Hong Kong increased by 7% to HK$966 million, with non-Chinese language films grossing HK$659 million, having increased by 18% from last year. The box office of Chinese language films remains weak, dropping by 11% to HK$307 million. As a distributor for both Chinese and non-Chinese language films, the Group achieved a 27% market share in terms of box office receipts.

Chinese Language Films

The Group distributed 13 Chinese language films during the year ended 30 June 2006 with a box office of HK$78 million. Due to a lack of good products, our market share decreased from 28% last year to 25% this year.

Non-Chinese Language Films

Due to the performance of blockbusters such as "Madagascar", "King Kong" and "Mission Impossible III", our non-Chinese language films performed well this year. The number of films released by the Group increased from 36 last year to 39 this year and the box office receipts increased by 64% to HK$179 million. Following the expiry of the Group's distribution contract with United International Pictures in the summer of 2006, the Group began and will continue to concentrate on its own film licensing business. In addition, "Panasia" licensed films such as "Train Man" and the recently released "Death Note I & II" (both Japanese movies) were well received by the market and achieved satisfactory results.

Film Exhibition

In 2004/2005, the Group made a strategic move to strengthen its exhibition business by acquiring the largest cinema chain in Taiwan, working together with a few Taiwan partners. The Group also increased its stake in one of its Malaysian cinema operations to 50% and launched its flagship cinema in Shenzhen. Following the Disposal, the Remaining Group will operate 29 cinemas with 227 screens across Asia and will remain a leading cinema operator in Asia.

In Hong Kong, the closure of an under-performing cinema and implementation of better cost control policies have led to a substantial reduction of losses at the Group's local cinemas.

In mainland China, the Group's 7-screen cinema located at MIXC Mall, City Crossing, Shenzhen, accounted for a 44% market share in Shenzhen and has attained top position nationwide in terms of box office takings in July and August 2006. Box office income for its first full year amounted to RMB36 million. The flexible multi-pricing policies and customer-oriented marketing promotions have been successful in developing a regular movie-going habit amongst customers.

In Singapore, market box office takings increased by 2% to S$121 million. The theatre takings of the Group's associated company Golden Village Multiplex Pte Ltd ("**GVM**") increased by 4% to S$54 million. Market share of GVM, currently at 44%, is likely to reach a record high level with the opening of a new 15-screen megaplex in October 2006. GVM contributed a net profit of HK$18 million to the Remaining Group, an increase of HK$4 million from the year ended 30 June 2005.

In Malaysia, with the opening of a number of new cinemas in the last couple of years the markets has been highly competitive. The market box office takings has risen to a record high of RM195 million for the year, an increase of 24% over last year. Following the Disposal, TGV Cinemas Sdn. Bhd ("**TGV**") would be the Group's remaining exhibition investment in Malaysia which opened 15 screens in the year of 2005/2006. Due to keen competition in the market, TGV's market share dropped from 33% in 2005 to 28% in 2006. However, the total net profit contribution to the Remaining Group amounted to HK$7 million.

In Taiwan, the Group's jointly-controlled investment Vie Show Cinemas Co., Ltd ("**VSC**"), contributed a net profit of HK$16 million to the Group. Market box office takings recorded a notable rebound since 2004 and further grew by 3% to NT$5,492 million for the year ended 30 June 2006. VSC has successfully turned a profit after the Group involved in its operation in 2005. For the year ended 30 June 2006, the cinema admissions of VSC rose 9% and its total revenue was up 15% to NT$2,204 million. In addition to the cinema operations, VSC also manages a retail mall at Hsin Yi in Taipei which is fully tenanted and yielding a good return in rental income.

2. PROSPECTS AND FUTURE PLANS

Hong Kong, supported by the Remaining Group's strong regional network, will continue to be the base of the Remaining Group's operations. The Remaining Group will continue to develop film exhibition and distribution businesses in the Greater China market and strengthen its Pan-Asian non-Chinese language films. As China is a market with good potential, the Remaining Group has plans to open two more cinemas with a total of 13 screens in Shenzhen in late 2007 or early 2008 and to add five more screens to the Remaining Group's existing cinema at City Crossing in Shenzhen. The Remaining Group anticipates that the addition of these new cinemas and screens will enable the Remaining Group to maintain its dominant position in the Shenzhen market.

In line with the positive economic outlook over the next few years, the Remaining Group is conservatively confident of the prospects of its investments (including its jointly controlled entities and associated companies) across Asia.

3. FINANCIAL RESOURCES AND LIQUIDITY

Assuming Completion had taken place on 30 June 2006 as set out in the unaudited pro forma consolidated balance sheet of the Remaining Group in Appendix II to this circular, the cash balance of the Remaining Group was HK$243.4 million and the net current assets amounted to HK$108.5 million. During the year, the Group issued a 4% convertible note to an independent third party with net proceeds of approximately HK$20 million. A subsidiary company also obtained a revolving facility of approximately HK$2 million for working capital purposes. In addition, the Group's jointly-controlled entity in Malaysia obtained a bank loan of HK$31 million (the Remaining Group's 50% share was HK$16 million) to finance the development of the new cinema sites. The gearing ratio, calculated on the basis of external borrowings over total assets, was 12.7%. As at 30 June 2006 the Remaining Group had contingent liabilities of HK$18 million (2005: HK$17 million) in respect of a guarantee of a banking facility granted to an associated company. Details of the contingent liabilities are set out in note 33 to the Accountants' Report in Appendix I to this circular. As at 30 June 2006, the aggregate amount of the Remaining Group's borrowings was HK$115.5 million. The terms of the borrowings are spread over a period of less than one year to five years. Details of the borrowings including the terms of the loans, interest rates, currencies and securities are indicated in note 21 to the Accountants' Report.

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

The Group's liquidity has greatly improved subsequent to the year ended 30 June 2006. The Group raised new funds from the issuance of HK$100 million 4% convertible notes and obtained a short-term banking facility of HK$15 million both in August 2006.

4. EMPLOYEES AND REMUNERATION POLICIES

Assuming Completion had taken place on 30 June 2006, the Remaining Group had 226 (2005: 228) permanent employees. The Group remunerates its employees largely based on industry practice. In addition to salaries, commissions and discretionary bonuses, share options are granted to certain employees based on individual merit. The Group also operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance and as at the balance sheet date, there was no forfeited contribution arising from employees leaving the retirement benefit scheme.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Disclosure of interests of Directors

As at the Latest Practicable Date, 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 its associated corporations (within the meaning of the SFO) 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 and short positions which they were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") and which have been notified to the Company and the Stock Exchange were as follows:

(i) Directors' interests in Shares

Name of Director	Nature of Interest	Notes	Number of Shares (L) = Long position (S) = Short position	Number of underlying Shares (L) = Long position (S) = Short position	Approximate %
Raymond Chow Ting Hsing	Interest of controlled corporations	*1*	293,121,527 (L) 235,585,591 (S)	–	22.03 17.70
Raymond Chow Ting Hsing	Interest of controlled corporations	*1*	–	90,909,090 (L)/(S)	6.83
Phoon Chiong Kit	Beneficial owner		7,500,000 (L)	–	0.56
Phoon Chiong Kit	Beneficial owner	*2*	–	37,000,000 (L)	2.78
David Chan Sik Hong	Beneficial owner		5,859,375 (L)	–	0.44
David Chan Sik Hong	Beneficial owner	*3*	–	6,250,000 (L)	0.47
Roberta Chin Chow Chung Hang	Beneficial owner		9,598,000 (L)	–	0.72
Lau Pak Keung (also alternate to Phoon Chiong Kit)	Beneficial owner		1,600,000 (L)	–	0.12

Name of Director	Nature of Interest	Notes	Number of Shares (L) = Long position (S) = Short position	Number of underlying Shares (L) = Long position (S) = Short position	Approximate %
Eric Norman Kronfeld	Beneficial owner	*4*	–	350,000 (L)	0.03
Paul Ma Kah Woh	Beneficial owner	*4*	–	350,000 (L)	0.03
Frank Lin	Beneficial owner	*4*	–	350,000 (L)	0.03
Prince Chatrichalerm Yukol	Beneficial owner	*4*	–	350,000 (L)	0.03

Notes:

1. Mr. Chow is deemed to be interested in 293,121,527 Shares by virtue of his 100% beneficial holding in Planet Gold Associates Limited and Net City Limited which hold 183,210,590 Shares and 109,910,937 Shares respectively. He is also deemed to be interested in 90,909,090 underlying Shares by virtue of his 100% beneficial holding in Pleasant Villa Investments Limited which holds 90,909,090 underlying Shares issuable upon full conversion of HK$20,000,000 4% convertible notes issued by the Company on 22 August, 2006.

2. The 37,000,000 underlying Shares are the Shares issuable upon the exercise of share options granted by the Company to Mr. Phoon Chiong Kit under the share option scheme of the Company (the "Share Option Scheme").

3. The 6,250,000 underlying Shares are the Shares issuable upon the exercise of share options granted by the Company to Mr. David Chan Sik Hong under the Share Option Scheme.

4. Each of Mr. Eric Norman Kronfeld, Mr. Paul Ma Kah Woh, Mr. Frank Lin and Prince Chatrichalerm Yukol is deemed to be interested in 350,000 underlying Shares issuable upon the exercise of share options granted by the Company to each of them under the Share Option Scheme.

(ii) Director's interest in associated corporations

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

In addition to the above, Mr. Chow has non-beneficial equity interests in certain subsidiaries held for the benefit of the Group.

(iii) Miscellaneous

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) 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 and short positions which they were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Disclosure of interests of Substantial Shareholders

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the Directors, the persons or entities who had an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital were as follows:

Name of Shareholder	Capacity	Notes	Number of Shares (L) = Long position (S) = Short position	Number of underlying Shares (L) = Long position (S) = Short position	Approximate %
Raymond Chow Ting Hsing	Interest of controlled corporations	*1*	293,121,527 (L) 235,585,591 (S)	–	22.03 17.70
Raymond Chow Ting Hsing	Interest of controlled corporations	*1*	–	90,909,090 (L/S)	6.83
Felicia Chow Yuan Hsi Hua	Spouse's interest	*1*	293,121,527 (L) 235,585,591 (S)	–	22.03 17.70
Felicia Chow Yuan Hsi Hua	Spouse's interest	*1*	–	90,909,090 (L/S)	6.83
Planet Gold Associates Limited	Beneficial owner	*1*	183,210,590 (L) 148,085,591 (S)	–	13.77 11.13
Net City Limited	Beneficial owner	*1*	109,910,937 (L) 87,500,000 (S)	–	8.26 6.58
Pleasant Villa Investments Limited	Beneficial owner	*1*	–	90,909,090 (L/S)	6.83
Li Ka-shing	Interest of controlled corporations	*2*	222,567,500 (L)	–	16.73
Li Ka-shing	Interest of controlled corporations	*2*	–	90,909,090 (L)	6.83
Mayspin Management Limited	Interest of controlled corporations	*2*	222,567,500 (L)	–	16.73
Mayspin Management Limited	Interest of controlled corporations	*2*	–	90,909,090 (L)	6.83
Garex Resources Limited	Beneficial owner	*2*	188,017,500 (L)	–	14.13
Garex Resources Limited	Beneficial owner	*2*	–	90,909,090 (L)	6.83

Name of Shareholder	Capacity	Notes	Number of Shares (L) = Long position (S) = Short position	Number of underlying Shares (L) = Long position (S) = Short position	Approximate %
Typhoon Music (PRC) Limited	Beneficial owner	*3*	155,000,000 (L)	–	11.65
Typhoon Music (PRC) Limited	Beneficial owner	*3*	–	45,454,545 (L)	3.42
EMI Group Plc	Interest of controlled corporations	*3*	155,000,000 (L)	–	11.65
EMI Group Plc	Interest of controlled corporations	*3*	–	45,454,545 (L)	3.42
Virgin Music Group Ltd.	Interest of controlled corporations	*3*	155,000,000 (L)	–	11.65
Virgin Music Group Ltd.	Interest of controlled corporations	*3*	–	45,454,545 (L)	3.42
EMI Group Worldwide Limited	Interest of controlled corporations	*3*	155,000,000 (L)	–	11.65
EMI Group Worldwide Limited	Interest of controlled corporations	*3*	–	45,454,545 (L)	3.42
Norman Cheng Tung Hon	Interest of controlled corporations	*3*	155,000,000 (L)	–	11.65
Norman Cheng Tung Hon	Interest of controlled corporations	*3*	–	45,454,545 (L)	3.42
Typhoon Records Limited	Interest of controlled corporations	*3*	155,000,000 (L)	–	11.65
Typhoon Records Limited	Interest of controlled corporations	*3*	–	45,454,545 (L)	3.42
Lily Feng Yuen Cheung	Spouse's interest	*3*	155,000,000 (L)	–	11.65
Lily Feng Yuen Cheung	Spouse's interest	*3*	–	45,454,545 (L)	3.42
PAMA Group Inc.	Beneficial interest	*4*	123,284,027 (L)	–	9.27
Chan Kwok Keung, Charles	Interest of controlled corporations	*5*	–	227,272,727 (L)	17.08

Name of Shareholder	Capacity	Notes	Number of Shares (L) = Long position (S) = Short position	Number of underlying Shares (L) = Long position (S) = Short position	Approximate %
Chinaview International Limited	Interest of controlled corporations	*5*	–	227,272,727 (L)	17.08
Galaxyway Investments Limited	Interest of controlled corporations	*5*	–	227,272,727 (L)	17.08
ITC Corporation Limited	Interest of controlled corporations	*5*	–	227,272,727 (L)	17.08
ITC Investment Holdings Limited	Interest of controlled corporations	*5*	–	227,272,727 (L)	17.08
Manker Assets Limited	Interest of controlled corporations	*5*	–	227,272,727 (L)	17.08
Famex Investment Limited	Interest of controlled corporations	*5*	–	227,272,727 (L)	17.08
Hanny Holdings Limited	Interest of controlled corporations	*5*	–	227,272,727 (L)	17.08
Hanny Magnetics (B.V.I.) Limited	Interest of controlled corporations	*5*	–	227,272,727 (L)	17.08
Quick Target Limited	Beneficial interest	*5*	–	227,272,727 (L)	17.08
Ng Yuen Lan Macy	Spouse's interest	*5*	–	227,272,727 (L)	17.08
See Corporation Limited	Beneficial interest	*6*	–	90,909,090 (L)	6.83
Macau Prime Properties Holdings Limited	Interest of controlled corporations	*7*	–	90,909,090 (L)	6.83
Macau Prime Management Group Limited (formerly known as Cheung Tai Hong Management Group Limited)	Interest of controlled corporations	*7*	–	90,909,090 (L)	6.83
Macau Prime Finance Limited (formerly known as China-HK International Finance Limited)	Interest of controlled corporations	*7*	–	90,909,090 (L)	6.83

Notes:

1. Mr. Chow is deemed to be interested in 293,121,527 Shares by virtue of his 100% beneficial holding in Planet Gold Associates Limited and Net City Limited, which holds 183,210,590 Shares and 109,910,937 Shares, respectively. He is also deemed to be interested in 90,909,090 underlying Shares by virtue of his 100% beneficial holding in Pleasant Villa Investments Limited, which holds 90,909,090 underlying Shares issuable upon full conversion of HK$20,000,000 4% convertible notes issued by the Company on 22 August 2006.

   Felicia Chow Yuan Hsi Hua, the spouse of Mr. Chow, is deemed to be interested in the same Shares and underlying Shares in which Mr. Chow is interested.

2. Li Ka-shing is deemed to be interested in 222,567,500 Shares and 90,909,090 underlying Shares by virtue of his 100% beneficial holding in Mayspin Management Limited which in turn owns the entire interest in each of Garex Resources Limited which holds 188,017,500 Shares and 90,909,090 underlying Shares issuable upon full conversion of HK$20,000,000 4% convertible notes issued by the Company on 22 August 2006, Podar Investment Limited which holds 31,250,000 Shares, and Oscar Resources Limited which holds 3,300,000 Shares.

3. EMI Group Plc has 100% control of Virgin Music Group Limited, which has 100% control of EMI Group Worldwide Limited, which in turn has a 50% shareholding in Typhoon Music (PRC) Limited. Norman Cheng Tung Hon has 100% control of Typhoon Records Limited, which has a 50% shareholding in Typhoon Music (PRC) Limited. Each of EMI Group Plc, Virgin Music Group Limited, EMI Group Worldwide Limited, Norman Cheng Tung Hon and Typhoon Records Limited is deemed to be interested in the 155,000,000 Shares and 45,454,545 underlying Shares upon full conversion of HK$10,000,000 4% convertible notes issued by the Company to Typhoon Music (PRC) Limited on 22 August 2006.

   Lily Feng Yuen Cheung, the spouse of Norman Cheng Tung Hon, is deemed to be interested in the same Shares and underlying Shares in which Norman Cheng Tung Hon is interested.

4. PAMA Group Inc. is the manager of DIF Investment Trust X and DIF Investment Trust XI, which is deemed to be interested in 123,284,027 Shares of the Company.

5. Hanny Holdings Limited ("Hanny Holdings"), via its 100% control of Hanny Magnetics (B.V.I.) Limited ("Hanny Magnetics"), indirectly holds the entire interest in Quick Target Limited ("Quick Target") which in turn owns 227,272,727 underlying Shares issuable upon full conversion of HK$50,000,000 4% convertible notes issued by the Company on 22 August 2006 ("Underlying Shares"). ITC Corporation Limited ("ITC Corporation"), via its 100% direct or indirect holding of ITC Investment Holdings Limited ("ITC Investment"), Manker Assets Limited ("Manker") and Famex Investment Limited ("Famex"), owns 33.41% equity interest in Hanny Holdings. Galaxyway Investments Limited ("Galaxyway"), a wholly-owned subsidiary of Chinaview International Limited ("Chinaview"), holds 34.52% equity interest in ITC Corporation and Chan Kwok Keung, Charles ("Dr. Chan") owns the entire issued share capital of Chinaview. Each of Dr. Chan, Chinaview, Galaxyway, ITC Corporation, ITC Investment, Manker, Famex, Hanny Holdings and Hanny Magnetics is deemed to be interested in the Underlying Shares held by Quick Target.

   Ng Yuen Lan Macy, the spouse of Dr. Chan, is deemed to be interested in the same underlying Shares in which Dr. Chan is interested.

6. See Corporation Limited is deemed to be interested in 90,909,090 underlying Shares issuable upon full conversion of HK$20,000,000 4% convertible notes issued by the Company on 23 May 2006.

7. Macau Prime Properties Holdings ("Macau Prime Properties") has 100% control of Macau Prime Management Group Limited ("Macau Prime Management"), which has 100% control of Macau Prime Finance Limited ("Macau Prime Finance"). The shares of Pleasant Villa were pledged to Macau Prime Finance and as a result, each of Macau Prime Properties, Macau Prime Management and Macau Prime Finance is deemed to be interested in 90,909,090 underlying Shares issuable upon full conversion of HK$20,000,000 4% convertible notes issued by the Company on 22 August 2006.

Save as disclosed herein and so far as is known to the Directors, as at the Latest Practicable Date, no person had an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or no person was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or was proposing to enter into, any service contract with any member of the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTEREST IN COMPETING BUSINESS

To the best knowledge of the Directors, none of the Directors or their respective associates had any interest in a business, which competes or may compete with the business of the Group.

5. LITIGATION

Save as disclosed below, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claims which would materially and adversely affect the operations of the Company and no litigation or arbitration or claim which would materially and adversely affect the operations of the Company was known to the Directors to be pending or threatened by or against any member of the Group.

In 2005, the Group commenced legal proceedings in Hong Kong to wind up Dartina Development Limited, the holding company of the Group's Singapore joint venture, Golden Village Multiplex Pte Ltd ("**GVM**"), with its Australian partner, Village Cinemas Australia Pty Limited. The petition was caused by disputes regarding the performance of the operational management of GVM. Legal proceedings are still continuing.

6. MATERIAL CHANGE

Save as disclosed in this circular the Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 June 2006, being the date to which its annual financial statements were made up.

7. INTERESTS IN ASSETS

Save as disclosed in the circular of the Company dated 7 November 2006, since 30 June 2006, the date of the annual financial statements of the Group, none of the Directors or the expert has any direct or indirect interest in any assets acquired or disposed of which are of material importance to the Company by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group.

None of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group taken as a whole.

8. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (other than contracts entered into in the ordinary course of business) which have been entered into by the Company or its subsidiaries in the two years immediately preceding the date of this circular and are or may be material:

(a) the underwriting agreement dated 26 November 2004 and made between the Company and FB Gemini Capital Limited, relating to a rights issue;

(b) the subscription agreement dated 17 February 2005 made between the Company and Assets Managers (China) Fund Co., Ltd in respect of the new share placements of 31,200,0000 Shares;

(c) the subscription agreement dated 6 May 2006 made between the Company and See Corporation Limited in respect of the issue of HK$20,000,000 4% convertible notes; and

(d) the subscription agreements each dated 10 July 2006 made between the Company and each of Quick Target Limited, Pleasant Villa Investments Limited, Garex Resources Limited and Typhoon Music (PRC) Limited in respect of the issue of an aggregate of up to HK$100,000,000 4% convertible notes.

9. COMPANY SECRETARY

Lee So Ching, aged 37, has worked in listed companies in Hong Kong for over 8 years. Ms. Lee holds a Master of Business Administration degree from the University of Westminster, England, and is a Fellow of The Association of Chartered Certified Accountants, as well as a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

10. QUALIFICATION OF EXPERT

The following is the qualification of the expert who has given its opinion or advice which is contained in this circular:–

Name	Qualification	Date of opinion
Ernst & Young	Certified Public Accountants	21 December 2006

11. CONSENTS

Ernst & Young has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its reports on the financial information of the Group and the Remaining Group, contained in Appendices I and II, respectively, and the references to its name, as the case may be, in the form and context in which they appear.

Save as disclosed herein, Ernst & Young does not have any shareholding in the Company or any of its subsidiaries or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Ernst & Young does not have any interest, either direct or indirect, in any assets which have been, since 30 June 2006 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

12. MISCELLANEOUS

(a) The principal place of business of the Company is at 16th Floor, The Peninsula Office Tower, 18 Middle Road, Tsimshatsui, Kowloon, Hong Kong.

(b) The Hong Kong branch share registrar of the Company is Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.

(c) The qualified accountant of the Company is Yuen Kwok On. He is a CPA member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Yuen has 15 years' experience in the accounting field. Prior to joining the Group, he worked in international accounting firms for more than 5 years.

(d) The English text of this circular shall prevail over Chinese text in the case of any inconsistency.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business in Hong Kong of Morrison & Foerster at 41st Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong up to and including 18 January 2007:–

(a) The memorandum and bye-laws of the Company;

(b) Share Sale Agreement;

(c) the circular issued by the Company on 7 November 2006;

(d) the annual reports (containing the consolidated audited accounts of the Group) of the Group for each of the years ended 30 June 2005 and 2006;

(e) the accountant's report prepared by Ernst & Young the text of which is set out in Appendix I of this circular;

(f) the opinion prepared by Ernst & Young in respect of the unaudited pro forma financial information of the Remaining Group to the text of which is set out in Appendix II of this circular;

(g) the material contracts referred to the paragraph headed "Material Contracts" in this appendix; and

(h) a copy of the consent letter given by Ernst & Young dated 21 December 2006.

NOTICE OF SPECIAL GENERAL MEETING

GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1132)

NOTICE IS HEREBY GIVEN that a special general meeting (the "**Meeting**") of Golden Harvest Entertainment (Holdings) Limited (the "**Company**") will be held at Ballroom B, 2/F., Langham Hotel Hong Kong, 8 Peking Road Tsimshatsui, Kowloon, Hong Kong on Friday, 19 January 2007 at 10:30 a.m. for the purposes of considering and, if thought fit, passing the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT**

(a) the share sale agreement dated 28 November 2006 entered into by PPB Leisure Holdings Sdn Bhd, Golden Harvest Films Distribution Holding Limited and the Company (the "**Agreement**") in respect of the disposal of 12,269,466 ordinary shares of RM1.00 each, representing approximately 40.22% of the issued and paid up share capital of Golden Screen Cinemas Sdn Bhd be and is hereby approved, ratified and confirmed; and

(b) the directors of the Company be and are hereby authorised on behalf of the Company to sign, seal, execute, perfect and deliver all such documents and deeds and do all such acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of and in connection with the implementation of the Agreement and the performance, exercise and enforcement of any of the Company's prospective obligations and rights under the Agreement."

By Order of the Board
Lee So Ching
Company Secretary

Hong Kong, 21 December 2006

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
16th Floor
The Peninsula Office Tower
18 Middle Road
Tsimshatsui
Kowloon
Hong Kong

Notes:

1. A form of proxy for use at the Meeting is being dispatched to the shareholders of the Company together with a copy of this notice.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.

3. Any member entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.

4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be deposited at the Company's share registrar in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

5. Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person at the Meeting convened or any adjourned meeting and in such event, the form of proxy shall be deemed to be revoked.

6. Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.