THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this document, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in Golden Harvest Entertainment (Holdings) Limited, you should at once hand this document and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

嘉禾

Golden Harvest

GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1132)

RESPONSE DOCUMENT RELATING TO MANDATORY UNCONDITIONAL CASH OFFERS BY SOMERLEY LIMITED ON BEHALF OF SKYERA INTERNATIONAL LIMITED AND MAINWAY ENTERPRISES LIMITED FOR ALL THE ISSUED SHARES IN, AND OUTSTANDING CONVERTIBLE NOTES AND SHARE OPTIONS OF, GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY SKYERA INTERNATIONAL LIMITED AND MAINWAY ENTERPRISES LIMITED AND PARTIES ACTING IN CONCERT WITH ANY OF THEM)

Independent Financial Adviser to the Independent Board Committee of Golden Harvest Entertainment (Holdings) Limited

博大資本國際有限公司
Partners Capital International Limited

A letter from the Board is set out on pages 9 to 15 of this offeree board circular.

A letter from the Independent Board Committee containing its recommendation in respect of the Offers to the Independent Shareholders, the Convertible Noteholders and the Optionholders is set out on pages 16 to 17 of this offeree board circular. A letter from Partners Capital containing its recommendation in respect of the Offers to the Independent Board Committee is set out on pages 18 to 37 of this offeree board circular.

26 June 2008

CONTENTS

Pages

Unless the context requires otherwise, the following expressions have the meanings respectively set opposite them in this offeree board circular:

"Acquisitions"	the acquisitions of the Shineidea Sale Shares, Quick Target Conversion Shares, Podar Sale Shares, Oscar Sale Shares, Garex Sale Shares and Garex Conversion Shares by Skyera under the Agreements
"acting in concert"	has the meaning ascribed thereto in the Takeovers Code
"Agreements"	the Shineidea Agreement, Quick Target Agreement, Podar Agreement, Oscar Agreement and Garex Agreement
"AID"	AID Partners Asset Management Ltd., an investment holding limited liability company incorporated in the British Virgin Islands, which primarily makes investments in both listed and non-listed equities in Asia
"Announcement"	the joint announcement dated 28 May 2008 issued by the Offerors and the Company in relation to the voluntary conditional cash offers to be made by Somerley on behalf of the Offerors for all the Shares, Convertible Notes and Options not already owned or agreed to be acquired by the Offerors and parties acting in concert with any of them in accordance with the Takeovers Code
"associates"	has the meaning ascribed thereto in the Listing Rules
"Avex"	Avex Group Holdings Inc., a substantial shareholder of CT and a company listed on Tokyo Stock Exchange First Section
"BCG"	Billion Century Group Limited, a company incorporated in the British Virgin Islands and wholly owned by AID
"**BLUE** Form of Acceptance"	the **BLUE** form of acceptance and transfer of Convertible Notes in respect of the Convertible Note Offer accompanying the Offer Document
"Board"	the board of Directors

"CCASS"	Central Clearing and Settlement System established and operated by HKSCC
"Closing Date"	Thursday, 10 July 2008, being the closing date of the Offers
"Company" or "GH"	Golden Harvest Entertainment (Holdings) Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Agreements
"Convertible Noteholders"	holders of Convertible Notes other than the Offerors, CT and parties acting in concert with any of them, including Mr. Wu
"Convertible Notes"	the outstanding convertible notes issued by the Company with principal amount of HK$30 million which will mature on 21 August 2008
"Convertible Note Offer"	the mandatory unconditional cash offer made by Somerley on behalf of the Offerors for all outstanding Convertible Notes (other than the CT Note) in accordance with the Takeovers Code
"CT"	Chengtian Entertainment Group (International) Holding Company Limited, a company incorporated in the British Virgin Islands with limited liability which held 31,462,151 Shares, representing 18.5% of the issued share capital of the Company as at the Latest Practicable Date
"CT Entertainment Group"	CT and its subsidiaries
"CT Note"	the convertible note with a principal amount of HK$20 million issued by the Company and held by CT which will mature on 21 August 2008
"Director(s)"	director(s) of the Company
"Executive"	the executive director of the Corporate Finance Division of the SFC or any delegates of such executive director
"Form(s) of Acceptance"	the **WHITE** Form of Acceptance, the **BLUE** Form of Acceptance and the **PINK** Form of Acceptance

"Garex"	Garex Resources Limited, a company incorporated in the British Virgin Islands and wholly and beneficially owned by Mr. Li Ka-shing
"Garex Agreement"	an agreement for the sale and purchase of the Garex Sale Shares and Garex Conversion Shares entered into by Garex and Skyera dated 30 May 2008, completion of which took place on 4 June 2008
"Garex Convertible Note"	the convertible note with a principle amount of HK$20 million issued by the Company to Garex which was subsequently converted into the Garex Conversion Shares on 4 June 2008
"Garex Conversion Shares"	the 9,090,909 Shares issued by the Company on 4 June 2008 pursuant to the exercise of the conversion right attaching to the Garex Convertible Note
"Garex Sale Shares"	the 18,801,750 Shares acquired by Skyera from Garex under the Garex Agreement
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HK$" and "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"holder"	a registered holder, and includes any person entitled by transmission and joint holders
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	an independent committee of the Board which was set up by the Board for the purpose of advising the Independent Shareholders, the Convertible Noteholders and the Optionholders on the Offers which is comprised of Mr. Eric Norman Kronfeld, Mr. Leung Man Kit, Mr. George Huang Shao-Hua and Prince Chatrichalerm Yukol
"Independent Shareholders"	Shareholders other than the Offerors, CT and parties acting in concert with any of them, including Mr. Wu
"Last Trading Day"	23 May 2008, being the last trading day of the Shares prior to the publication of the Announcement

"Latest Practicable Date"	23 June 2008, being the latest practicable date prior to the printing of this offeree board circular for the inclusion of certain information in this offeree board circular
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Mainway"	Mainway Enterprises Limited, a company incorporated in the British Virgin Islands which is wholly owned by Mr. Wu and one of the Offerors
"Mr. Wu"	Mr. Wu Kebo, Chairman and executive director of GH and the sole director and ultimate beneficial owner of both of Skyera and Mainway
"Offer Document"	the document dated 12 June 2008 issued by Somerley on behalf of the Offerors to the holders of Shares, Convertible Notes and Options in accordance with the Takeovers Code, containing amongst other things, the terms of the Offers together with the Forms of Acceptance
"Offer Period"	the period from 28 May 2008, being the date of the Announcement, until 4:00 p.m. on the Closing Date
"Offer Shares"	the Shares not beneficially owned or agreed to be acquired by the Offerors and parties acting in concert with any of them
"Offerors"	Skyera and Mainway
"Offers"	the Share Offer, the Convertible Note Offer and the Option Offer
"Optionholders"	holders of Options other than the Offerors, CT and parties acting in concert with any of them, including Mr. Wu
"Options"	the outstanding options granted by GH pursuant to the Share Option Scheme
"Option Offer"	the mandatory unconditional cash offer being made by Somerley on behalf of the Offerors for all outstanding Options in accordance with the Takeovers Code

"Oscar"	Oscar Resources Limited, a company incorporated in the British Virgin Islands and wholly and beneficially owned by Mr. Li Ka-shing
"Oscar Agreement"	an agreement for the sale and purchase of the Oscar Sale Shares entered into by Oscar and Skyera dated 30 May 2008, completion of which took place on 4 June 2008
"Oscar Sale Shares"	the 330,000 Shares acquired by Skyera from Oscar under the Oscar Agreement
"Partners Capital"	Partners Capital International Limited, a licensed corporation to carry on types 1 and 6 regulated activities (dealing in securities and advising on corporate finance) under the SFO and the independent financial adviser to the Independent Board Committee in relation to the Offers
"**PINK** Form of Acceptance"	the **PINK** form of acceptance and cancellation of Options in respect of the Option Offer accompanying the Offer Document
"Podar"	Podar Investment Limited, a company incorporated in the British Virgin Islands and wholly and beneficially owned by Mr. Li Ka-shing
"Podar Agreement"	an agreement for the sale and purchase of the Podar Sale Shares entered into by Podar and Skyera dated 30 May 2008, completion of which has took place on 4 June 2008
"Podar Sale Shares"	the 3,125,000 Shares acquired by Skyera from Podar, under the Podar Agreement
"PRC"	the People's Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan)
"Quick Target"	Quick Target Limited, a company incorporated in the British Virgin Islands and an indirect wholly owned subsidiary of Hanny Holdings Limited ("Hanny"), which is an associate of ITC Corporation Limited ("ITC"). Shares of both Hanny and ITC are listed on the Main Board of the Stock Exchange

"Quick Target Agreement"	an agreement for the sale and purchase of the Quick Target Conversion Shares entered into by Quick Target and Skyera dated 29 May 2008, completion of which took place on 3 June 2008
"Quick Target Conversion Shares"	the 22,727,272 Shares issued by the Company on 30 May 2008 pursuant to the exercise of the conversion right attaching to the Quick Target Convertible Note
"Quick Target Convertible Note"	the Convertible Note with a principal amount of HK$50 million issued by the Company to Quick Target which was subsequently converted into the Quick Target Conversion Shares on 30 May 2008
"Registrar"	Tricor Tengis Limited, the Hong Kong branch share registrar and transfer office of the Company, 26th Floor Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
"Relevant Period"	the period commencing on the date falling six months prior to the commencement date of the Offer Period and ending on the Latest Practicable Date
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share Offer"	the mandatory unconditional cash offer made by Somerley on behalf of the Offerors for all the Offer Shares at the Share Offer Price in accordance with the Takeovers Code
"Share Offer Price"	the price at which the Share Offer will be made, being HK$3.7 per Offer Share
"Share Option Scheme"	the share option scheme adopted by the Company on 28 November 2001
"Shareholders"	holders of Shares
"Shares"	ordinary shares of HK$1.00 each in the issued share capital of the Company

"Shineidea"	Shineidea Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of See Corporation Limited ("See Corporation"). Hanny is a non-wholly owned subsidiary of ITC and it holds indirect interest in See Corporation. See Corporation is therefore an associate of Hanny and ITC. Shares of See Corporation, Hanny and ITC are listed on the Main Board of the Stock Exchange
"Shineidea Agreement"	an agreement for the sale and purchase of the Shineidea Sale Shares entered into by Shineidea and Skyera dated 29 May 2008, completion of which took place on 3 June 2008
"Shineidea Sale Shares"	the 9,090,909 Shares acquired by Skyera from Shineidea under the Shineidea Agreement
"Skyera"	Skyera International Limited, a company incorporated in British Virgin Islands wholly-owned by Mr. Wu and one of the Offerors
"Somerley"	Somerley Limited, a licensed corporation under the SFO permitted to engage in types 1 (dealings in securities), 4 (advising on securities), 6 (advising on corporation finance) and 9 (asset management) of the regulated activities thereunder and the financial advisers to the Offerors
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	Hong Kong Code on Takeovers and Mergers
"U.S." or "United States"	United States of America
"US$"	United States dollars, the lawful currency of the United States
"**WHITE** Form of Acceptance"	the **WHITE** form of acceptance and transfer of Shares in respect of the Share Offer accompanying the Offer Document
"%"	per cent.

For the purpose of illustration, unless otherwise specified, amounts in this offeree board circular expressed in United States dollars have been translated into Hong Kong dollars at the rate of US$1.00 = HK$7.75

EXPECTED TIMETABLE

Posting date of the Offer Document	Thursday, 12 June 2008
Opening date of the Offers	Thursday, 12 June 2008
Posting date of this offeree board circular	Thursday, 26 June 2008
Latest time and date for acceptance of the Offers	4:00 p.m. on Thursday, 10 July 2008
Closing date of the Offers *(Note 1)*	Thursday, 10 July 2008
Announcement of the results of the acceptance of the Offers as at the Closing Date to be uploaded on the website of the Stock Exchange	no later than 7:00 p.m. on Thursday, 10 July 2008
Announcement of the results of the Offers to be published in the newspapers	Friday, 11 July 2008
Latest date for the despatch of remittances in respect of the amounts due in respect of valid acceptances received under the Offers *(Note 2)*	Saturday, 19 July 2008

Notes:

1. The latest time for acceptances of the Offers is 4:00 p.m. on Thursday, 10 July 2008. The Offers, which are unconditional, will close on Thursday, 10 July 2008. Acceptance of the Offers will be irrevocable and may not be withdrawn, except in the circumstances set out in Rule 19.2 of the Takeovers Code which is to the effect that if the Offerors are unable to comply with any of the requirements of making announcements relating to the Offers as set out in section 4 of Appendix I to the Offer Document, the Executive may require that acceptance be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met.

2. Remittances in respect of the consideration payable for the Shares, Convertible Notes and Options tendered under the Offers will be posted by ordinary post to the holders of Shares, Convertible Notes and Options accepting the Offers at their own risk as soon as possible, but in any event within 10 days from the date of receipt by the Registrar (as regards the Share Offer) or the company secretary of the Company (as regards the Convertible Note Offer and Option Offer) of all the relevant documents to render the acceptance under the Offers complete and valid.

All references in this offeree board circular to time are references to Hong Kong time.

嘉禾 Golden Harvest

GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1132)

Chairman and Executive Director:
Mr. Wu Kebo

Executive Directors:
Mr. Chow Siu Hong
Mr. Shen De Min
Ms. Fiona Chow Sau Fong
(also alternate to Mr. Chow Siu Hong)
Mr. Lau Pak Keung
Ms. Wang Wei
Ms. Wu Keyan (alternate to Mr. Wu Kebo)

Non-executive Directors:
Mr. Eric Norman Kronfeld
Mr. Takashi Araki

Independent non-executive Directors:
Mr. Leung Man Kit
Mr. George Huang Shao-Hua
Prince Chatrichalerm Yukol

Registered office:
Claredon House
2 Church Street
Hamilton HM11
Bermuda

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

26 June 2008

To the holders of Shares, Convertible Notes and Options

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFERS BY SOMERLEY LIMITED ON BEHALF OF SKYERA INTERNATIONAL LIMITED AND MAINWAY ENTERPRISES LIMITED FOR ALL THE ISSUED SHARES IN, AND OUTSTANDING CONVERTIBLE NOTES AND SHARE OPTIONS OF, GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY SKYERA INTERNATIONAL LIMITED AND MAINWAY ENTERPRISES LIMITED AND PARTIES ACTING IN CONCERT WITH ANY OF THEM)

INTRODUCTION

On 28 May 2008, the Offerors and the Company jointly announced, amongst other things, that Somerley, as the Offerors' financial adviser would make voluntary conditional cash offers on behalf of the Offerors for all the Shares, Convertible Notes and Options not already owned or agreed to be acquired by the Offerors and parties acting in concert with any of them in accordance with the Takeovers Code.

It was stated in the Offer Document as follows:

"Shineidea and Quick Target entered into Agreements on 29 May 2008 with Skyera, one of the Offerors. Pursuant to these Agreements, Skyera agreed to acquire 9,090,909 Shineidea Sale Shares from Shineidea and 22,727,272 Quick Target Conversion Shares from Quick Target at HK$3.7 each. Quick Target exercised the conversion right attaching to its Convertible Note in the principal amount of HK$50 million and the Quick Target Conversion Shares were issued on 30 May 2008. Completion of these Agreements took place on 3 June 2008.

On 30 May 2008, Podar, Oscar and Garex entered into Agreements with Skyera. Pursuant to these Agreements, Skyera agreed to acquire 3,125,000 Podar Sale Shares from Podar, 330,000 Oscar Sale Shares from Oscar, 18,801,750 Garex Sale Shares and 9,090,909 Garex Conversion Shares from Garex at HK$3.7 each. Completion of these Agreements took place on 4 June 2008.

As at the dates of the respective Agreements, the Offerors together with parties acting in concert with any of them held 31,662,151 Shares, representing approximately 19.7% of the then issued share capital of the Company. The Offerors together with parties acting in concert with any of them also hold the CT Note in the principal amount of HK$20 million. Immediately after completion of the Agreements, the aggregate shareholdings of the Offerors together with parties acting in concert with any of them in the Company were increased from 19.7% to 55.9%. As a result of the Acquisitions, the Offerors are required to make mandatory unconditional general offers for all the issued Shares and outstanding Convertible Notes and Options other than those already owned or agreed to be acquired by the Offerors and parties acting in concert with any of them under Rule 26 of the Takeovers Code.

Besides the HK$20 million CT Note, the Company has further Convertible Notes outstanding in the total principal amount of HK$10 million, which will mature on 21 August 2008. All the Convertible Notes had an initial conversion price of HK$0.22 per Share which was adjusted to its present conversion price of HK$2.2 per Share following the 10 into 1 share consolidation of the Company which became effective in May 2007. The Company also has outstanding Options in respect of 1.5 million Shares with exercise prices of HK$2.6 and HK$3.93 per Share exercisable up to 30 October 2011.

Pursuant to Rule 13 of the Takeovers Code, the Offerors are required to make comparable offers for all the outstanding Convertible Notes and Options as part of the Offers."

The Offers have now been made by Somerley, on behalf of the Offerors, and you should, by now, have received the Offer Document containing, inter alia, details of the Offers and the relevant Forms of Acceptance.

Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee has been established to advise the Independent Shareholders in respect of the Offers. The Independent Board Committee is comprised of one non-executive Director, namely Mr. Eric Norman Kronfeld, and all of the independent non-executive Directors, namely, Mr. Leung Man Kit, Mr. George Huang Shao-Hua and Prince Chatrichalerm Yukol, and they are independent of and not acting in concert with the Offerors and parties acting in concert with any of them. As Mr. Takashi Araki, the remaining non-executive Director, is a director of Avex, which is deemed to be a party acting in concert with the Offerors under the Takeovers Code, Mr. Takashi Araki is considered not sufficiently independent to be appointed to the Independent Board Committee.

Partners Capital has been appointed as the independent financial adviser to advise the Independent Board Committee on the fairness and reasonableness of the terms of the Offers.

The purpose of this offeree board circular is to provide you with, amongst other things, information relating to GH, the letter from the Independent Board Committee containing its recommendation and advice to the Independent Shareholders, the Convertible Noteholders and the Optionholders on the Offers, and the letter from Partners Capital containing its advice to the Independent Board Committee in respect of the Offers.

THE OFFERS

The Offers will be made on the following bases:

The Share Offer

For each Offer Share .... HK$3.7 in cash

The Offer Shares to be acquired under the Share Offer shall be fully paid and shall be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at 10 June 2008, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of the Announcement.

The Convertible Note Offer

Offer price for the Convertible Notes .... HK$3.7 in cash for each underlying Share which may fall to be allotted and issued upon conversion at the conversion price of HK$2.2 per Share

By accepting the Convertible Note Offer, the holders will sell the Convertible Notes to the Offerors or their nominee(s) free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attached to them, including the right to interest accrued since the last interest payment date of 21 February 2008.

The Option Offer

For every Option with an exercise price of HK$2.6 .... HK$1.1 in cash

For every Option with an exercise price of HK$3.93 .... HK$0.01 in cash

The Option Offer price of HK$1.1 for Options with an exercise price of HK$2.60 represents the difference between the exercise price of HK$2.60 and the Share Offer Price.

The exercise price for Options of HK$3.93 is higher than the Share Offer Price and these Options are out of the money. In the circumstances, the corresponding Option Offer is being made only at a nominal price of HK$0.01 for the cancellation of each corresponding Option.

Following acceptance of the Option Offer, the relevant Options together with all rights attaching thereto will be entirely cancelled and renounced.

Save for the Convertible Notes and Options as mentioned above, the Company has no outstanding options, warrants or securities convertible into Shares as at the Latest Practicable Date.

Comparison with market price

The Share Offer Price of HK$3.7 per Offer Share:

- represents a premium of approximately 14.91% over the average closing price of HK$3.22 per Share as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;

- represents a premium of approximately 13.85% over the average closing price of HK$3.25 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;

- represents a premium of approximately 10.12% over the average closing price of HK$3.36 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;

- represents a premium of approximately 5.71% over the closing price of HK$3.5 per Share as quoted on the Stock Exchange on the Last Trading Day;

- represents a premium of approximately 0.82% over the closing price of HK$3.67 per Share as quoted on the Stock Exchange on 23 June 2008, being the Latest Practicable Date of this offeree board circular; and

- represents a premium of approximately 1.65% over the adjusted unaudited consolidated net asset value per Share of approximately HK$3.64 as at 31 December 2007 as disclosed in the interim report of the Company issued on 25 March 2008 on a fully diluted basis, i.e. assuming full conversion of all outstanding Convertible Notes and Options.

Condition of the Offers

The Offers are unconditional. The acceptance form for the Convertible Note Offer has incorporated a conversion notice, in the form set out in the Convertible Notes, to be executed by the noteholders. Upon receipt by the company secretary of the Company of valid acceptances of the Convertible Note Offer and the conversion notice(s) executed by the noteholders, the Company will issue the new Shares in respect of the Convertible Notes received under the Convertible Note Offer to the Offerors. The Company agrees with the adoption of the aforesaid process with regard to the arrangement for the conversion of the Convertible Notes. For holders of the Convertible Notes and the Options who have not delivered executed conversion/exercise notices, completion and return of the relevant form of acceptance and transfer in accordance with the instructions printed thereon would still be considered a valid acceptance of the Convertible Note Offer/Option Offer.

Stamp duty

Seller's ad valorem stamp duty at a rate of 0.1% of the market value of the Shares or consideration payable by the Offerors in respect of the relevant acceptances of the Share Offer and the Convertible Note Offer (if applicable), whichever is higher, will be deducted from the amount payable to the relevant holder(s) of Shares and the Convertible Notes on acceptance of the Share Offer and/or the Convertible Note Offer (if applicable). The Offerors will arrange for payment of the stamp duty on behalf of accepting holder(s) of Shares and the Convertible Notes in connection with the acceptance of the Share Offer and the Convertible Note Offer (if applicable) and the transfer of the Offer Shares.

No stamp duty is payable in connection with the acceptance of the cancellation of the Options.

Total Consideration

On the basis of the Share Offer Price of HK$3.7, the Share Offer is valued at approximately HK$276.8 million. Assuming all the outstanding Convertible Notes (excluding the CT Note) are converted and all the outstanding Options were exercised, 6,045,454 new Shares would be issued and the Share Offer would then have a total value of HK$299.2 million.

Other than the CT Note, the principal amount of the remaining Convertible Notes is HK$10 million. The Convertible Note Offer is valued in aggregate at HK$16.8 million.

There are a total of 1,500,000 Options outstanding entitling the holders to subscribe for an aggregate of 70,000 Shares at an exercise price of HK$2.6 per Share and 1,430,000 Shares at an exercise price of HK$3.93 per Share under the Share Option Scheme. The total amount required to satisfy cancellation of all the outstanding Share Options is HK$91,300.

The maximum consideration payable under the Offers is approximately HK$293.7 million, equivalent to approximately US$37.9 million, of which approximately US$23.3 million will be provided by Mr. Wu and the remaining will be financed by a financing arrangement entered into with BCG.

Somerley is satisfied that sufficient financial resources are available to the Offerors to satisfy full acceptance of the Offers.

Payment

Payment in respect of acceptances of the Offers will be made as soon as possible but in any event within 10 days of the date of receipt of a duly completed acceptance.

OFFERORS' INTENTIONS FOR THE GROUP

It is stated in the Offer Document that "the Offerors intend that the Group will continue its existing principal activities and will maintain the listing status of the Company on the Stock Exchange after closing of the Offers. The Offerors have no intention to re-deploy the fixed assets of the Group other than in the ordinary course of business. The Offerors intend to continue the employment of the existing employees of the Group.

Mr. Wu has no intention to nominate additional Directors to the Board. An appropriate announcement will be made if there is any proposed change in the composition of the Board and any new appointment of Directors.

The Offerors confirm that there are no agreements or arrangements to which the Offerors are parties which relate to the circumstances in which they may or may not invoke or seek to invoke a pre-condition or a condition to the Offers.

The Offerors and parties acting in concert with any of them do not intend to exercise any right which may be available under the provisions of the Companies Act 1981 of Bermuda to acquire compulsorily, after the Offers are closed, any outstanding issued Shares, Convertible Notes or Options not acquired under the Offers.

The Offerors intend to maintain the listing of the Shares on the Main Board of the Stock Exchange after the close of the Offers. The Offerors will undertake to the Stock Exchange to take or procure appropriate steps following the close of the Offers to ensure that not less than 25% of the Shares will be held by the public."

The Stock Exchange has stated that if, upon closing of the Offers, less than 25% of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Shares until a level of sufficient public float is attained.

So long as the Company remains a listed company, the Stock Exchange will also closely monitor all future acquisitions or disposals of assets of the Company. The Stock Exchange has the discretion to require the Company to issue an announcement and a circular to the Shareholders irrespective of the size of any proposed transactions, particularly when such Stock Exchange also has the power to aggregate a series of acquisitions or disposals of assets by the Company and any such transactions may result in the Company being treated as if it were a new listing applicant and subject to the requirements for new listing applicants as set out in the Listing Rules.

ADDITIONAL INFORMATION

You are recommended to read the Offer Document and the Form of Acceptance for information in relation to the Offers, taxation, acceptance and settlement procedures of the Offer.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 16 to 17 of this offeree board circular, which contains its recommendation to the Independent Shareholders, the Convertible Noteholders and the Optionholders in respect of the Offers, and the letter from Partners Capital to the Independent Board Committee set out on pages 18 to 37 of this offeree board circular, which contains its advice to the Independent Board Committee in respect of the fairness and reasonableness of the Offers and the principal factors considered by it in arriving at its opinions and recommendations.

Yours faithfully,
For and on behalf of the Board of
Golden Harvest Entertainment (Holdings) Limited
Lau Pak Keung
Director

嘉禾
Golden Harvest

GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1132)

26 June 2008

To the Independent Shareholders,
the Convertible Noteholders and the Optionholders

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFERS BY SOMERLEY LIMITED ON BEHALF OF SKYERA INTERNATIONAL LIMITED AND MAINWAY ENTERPRISES LIMITED FOR ALL THE ISSUED SHARES IN, AND OUTSTANDING CONVERTIBLE NOTES AND SHARE OPTIONS OF, GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY SKYERA INTERNATIONAL LIMITED AND MAINWAY ENTERPRISES LIMITED AND PARTIES ACTING IN CONCERT WITH ANY OF THEM)

We refer to the offeree board circular dated 26 June 2008 issued by the Company (the "Document"), of which this letter forms part. Terms defined in the Document shall bear the same meanings when used herein unless the context requires otherwise.

Four Directors have been appointed to constitute the Independent Board Committee to consider the terms of the Offers and to advise you as to whether, in the opinion of the Independent Board Committee, the terms of the Offers are fair and reasonable so far as the Independent Shareholders, the Convertible Noteholders and the Optionholders are concerned. Partners Capital has been appointed to advise the Independent Board Committee in this respect. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the letter from Partners Capital on pages 18 to 37 of the Document. Your attention is also drawn to the Offer Document, the letter from the Board and the additional information set out in the appendices to the Document.

Having taken into account the terms of the Offers, the interests of the Independent Shareholders, the Convertible Noteholders and the Optionsholders and the advice from Partners Capital, we consider that the terms of the Offers are not fair and reasonable so far as the Independent Shareholders, the Convertible Noteholders and the Optionsholders are concerned. Accordingly, we recommend the Independent Shareholders, the Convertible Noteholders and the Optionsholders to reject the Offers.

Yours faithfully,
Members of the Independent Board Committee
Eric Norman Kronfeld
Non-executive Director

Leung Man Kit **George Huang Shao-Hua** **Prince Chatrichalerm Yukol**
Independent non-executive Directors

博大資本國際有限公司
Partners Capital International Limited

Partners Capital International Limited
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183 Queen's Road Central
Hong Kong

26 June 2008

To the Independent Board Committee

Dear Sirs,

MANDATORY UNCONDITIONAL CASH OFFERS

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee in respect of the terms of the Offers, particulars of which are respectively set out in the Offer Document and this response document dated 26 June 2008 (the "Document") despatched to the holders of Shares, Convertible Notes and Options. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed to them under the section headed "Definitions" in the Document.

As set out in the letter from the Board (the "Letter from the Board"), the Offerors, which are wholly owned by Mr. Wu, the current Chairman and executive Director of the Company, announced on 28 May 2008 a voluntary conditional cash offer for all the issued Shares, outstanding Convertible Notes and Options other than those already owned by the Offerors and parties acting in concert with them. Subsequently, Skyera, one of the Offerors, entered into the sale and purchase agreement with each of Shineidea and Quick Target on 29 May 2008 and each of Podar, Oscar and Garex on 30 May 2008. Pursuant to the Agreements, Skyera agreed to acquire 9,090,909 Shineidea Sale Shares from Shineidea, 22,727,272 Quick Target Conversion Shares from Quick Target, 3,125,000 Podar Sale Shares from Podar, 330,000 Oscar Sale Shares from Oscar, 18,801,750 Garex Sale Shares and 9,090,909 Garex Conversion Shares from Garex at HK$3.7 each. Upon Completion, the aggregate shareholding of the Offerors and parties acting in concert with them would then increase from its existing 19.7% to 55.9%. As a result, the Offerors are required to make mandatory unconditional cash offers for all the issued Shares and outstanding Convertible Notes and Options other than those already owned or agreed to be acquired by the Offerors and parties acting in concert with them under Rule 26 of the Takeovers Code.

Somerley, on behalf of the Offerors, is making the Offers on the following basis:

For each Share	**HK$3.7 in cash**
For the Convertible Notes	**HK$3.7 in cash for each underlying Share which may fall to be allotted and issued upon conversion at the conversion price of HK$2.2 per Share**
For every Option with an exercise price of HK$2.6	**HK$1.1 in cash**
For every Option with an exercise price of HK$3.93	**HK$0.01 in cash**

Further terms and conditions of the Offers, including the procedures for acceptance, are set out in the Offer Document.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Offer Document and the Document and have assumed that all information and representations made or referred to in the Offer Document and the Document as provided by the Offeror and/or the Directors were true at the time they were made and continue to be true as at the respective dates of the documents. We have also relied on our discussion with the Directors regarding the Group and the Offers, including the information and representations contained in the Document. We have also assumed that all statements of belief, opinion and intention made by the Offerors and the Directors respectively in the Offer Document and the Document were reasonably made after due enquiry. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Offer Document and the Document nor to doubt the truth, accuracy and completeness of the information and representations provided by the Offerors and the Directors. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, the Offerors and their respective associates nor have we carried out any independent verification of the information supplied.

We have not considered the tax implications on the Independent Shareholders, the Convertible Note holders, the Options holders of their acceptances or non-acceptances of the Offers since these are particular to their own individual circumstances. In particular, the Independent Shareholders, the Convertible Note holders, the Options holders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Offers and, if in any doubt, should consult their own professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED ON THE SHARE OFFER

In arriving at our opinion regarding the terms of the Share Offer, we have considered the following principal factors and reasons:

(i) Review of financial position/performance of the Group

Income Statement

The Group is principally engaged in worldwide film and video distribution, film exhibition in Hong Kong, mainland China, Taiwan, Malaysia and Singapore, and the operation of a film processing business in Hong Kong.

We summarise the audited/unaudited consolidated results of the Group for the most recent three financial years and the most recent interim period as follows:

	Year ended 30 June			Six months ended 31 December
	2005	**2006**	**2007**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Film and video distribution revenue	57,518	49,997	67,576	35,461
Film exhibition revenue	225,122	482,623	520,575	282,111
Total Turnover	276,586	512,285	565,700	301,887
Gross profit	138,237	280,252	307,785	160,125
Selling and distribution costs	(155,074)	(267,740)	(286,238)	(148,013)
General and administration expenses	(56,781)	(52,490)	(70,139)	(32,819)
Gain on disposal of interests in an associate	–	–	115,970	–
Profit/(Loss) attributable to Shareholders	(12,930)	5,215	96,717	3,050
Adjusted profit/(loss) attributable to Shareholders *(Note)*	(12,930)	5,215	(13,536)	3,050
Dividend	Nil	Nil	Nil	Nil
Gross profit margin	*50.0%*	*54.7%*	*54.4%*	*53.0%*
Net profit margin (adjusted (Note))	*-4.7%*	*1.0%*	*-2.4%*	*1.0%*

Source: annual reports and interim report of the Company

Note: After excluding (i) the one-off gain on disposal of interests in an associate (being the Group's cinema circuit in Malaysia) of HK$115.97 million and (ii) the one-off loss on disposal of interests in a jointly-controlled entity of approximately HK$5.7 million both during the year ended 30 June 2007

As illustrated above, we note that "film exhibition" segment had been the largest revenue component of the Group, representing over 80% of the Group's total turnover for the most recent three financial years and the most recent interim period. We understand that this segment includes cinema box office takings, concession sales and screen advertising income as derived from cinema operation. We further note that the gross profit margin of the Group managed to maintain fairly consistently at around 50% for the same years and period.

For the year ended 30 June 2007, the significant increase in net profit was mainly due to an one-off gain amounting to approximately HK$115.97 million on disposal of one of the Group's cinema circuits in Malaysia. For the six months period ended 31 December 2007, the Group recorded an unaudited net profit of approximately HK$3.1 million, representing a fall of 74.3% compared to the same period in 2006. The decrease in net profit was a result of a weaker contribution from the film distribution activities during the period and the revenue forgone from the Malaysian cinema circuit disposed of in the previous year.

We note that after excluding the one-off item of gain and loss on disposal transactions, the Group had been loss-making for two out of the most recent three financial years. For the profitable year ended 30 June 2006, the net profit margin of the Group stood at only 1%. We further understand that the Company has not declared any dividend since 1996. We also note that the Group had been loss-making for eight consecutive years since the financial year ended 30 June 1998 up to 30 June 2005.

Balance sheet

We further summarise below the unaudited interim consolidated balance sheet of the Group as at 31 December 2007:

	As at 31 December 2007
	HK$'000
Non-current assets	**524,367**
Property, plant and equipment	172,272
Interests in associates	191,891
Trademarks *(Note)*	79,421
Current assets	**458,812**
Prepayments, deposits and other receivables	60,407
Assets of a jointly-controlled entity classified as held for sale	141,680
Cash and cash equivalents	166,711
Current liabilities	**396,886**
Accrued liabilities and other payables	86,525
Convertible notes	122,608
Liabilities of a jointly-controlled entity classified as held for sale	107,108
Non-current liabilities	**40,203**
Net asset value (including minority interests)	**546,090**
Share capital	126,944
Reserves	413,392

Source: Interim report of the Company

Note: 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 were acquired by the Group in 2001.

We note that "Interests in associates", "Property, plant and equipment" and "Cash and cash equivalents" were the major components of the Group's assets, representing approximately 19.5%, 17.5% and 17.0% respectively of the total assets of the Group as at 31 December 2007. On the other hand, the Group had bank loans of only HK$28.6 million as at 31 December 2007. Subsequent to 31 December 2007, a principal amount of approximately HK$90.0 million of the convertible notes had been converted into equity of the Company up to the Latest Practicable Date.

Cashflow statement

We further summarise the audited/unaudited consolidated cashflow statements of the Group for the most recent three financial years and for the most recent interim-period as follows:

	Year ended 30 June			Six months ended 31 December
	2005	**2006**	**2007**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash inflow/(outflow) from operating activities	(22,407)	17,118	(12,574)	18,830
Cash inflow/(outflow) from investing activities	(128,863)	(50,442)	102,965	(42,139)
Cash inflow/(outflow) from financing activities	194,662	22,444	63,702	(15,625)
Net change in cash and cash equivalents	43,392	(10,880)	154,093	(38,934)

Source: annual reports and interim report of the Company and data from the Company

As illustrated above, we note that the Group experienced cash outflow from investing activities for two out of the most recent three financial years and for the most recent interim-period, which was mainly attributable to investments in jointly-controlled entities and purchase of property, plant and equipment. We further note that the Group recorded cash outflow from operating activities for two out of the most recent three financial years. In any event, we note that the cash and cash equivalents of the Group increased from approximately HK$65.6 million in 30 June 2005 to approximately HK$166.7 million in 31 December 2007.

Geographical segments, industry overview and future outlook

For the year ended 30 June 2007, we note that the Group's sales to external customers in terms of geographical segments were mainly contributed by Hong Kong (approximately 35%), Taiwan (approximately 38%) and Malaysia (approximately 17%). The Group also operates a cinema circuit in Singapore through a joint venture company. By leveraging on its regional market presence and brandname, we understand from the Directors that the Group has an established network in sourcing popular films for exhibition. In this connection, "film exhibition" segment had been the largest revenue component of the Group. However, we understand from the Directors that some of these geographical markets of the Group (namely Hong Kong and Singapore) have become relatively mature. According to our independent research, the box office receipts in Hong Kong in 2007 was HK$1,036 million, representing a compound annual growth rate of only about 5% for the three years ended 31 December 2007. The table below summarises the total box office receipts in Hong Kong, mainland China and Taiwan respectively in recent years:

Box office receipts		**2007**	**2006**	**2005**
Hong Kong *(HK$'000)*	*(Note 1)*	1,035,579	946,619	940,078
Mainland China *(RMB'000)*	*(Note 2)*	3,300,000	2,600,000	2,000,000
Taiwan *(US$'000)*	*(Note 3)*	43,641	42,328	42,607

Notes:

1. Source: Hong Kong Kowloon & New Territories Movie Picture Industry Association (香港影業協會)

2. Source: Film industry annual report released by the Beijing Film Academy

3. Source: Box Office Mojo, LLC

By contrast, the box office receipts in the mainland China in 2007 was RMB3,300 million, representing a compound annual growth rate of approximately 28% for the three years ended 31 December 2007. According to Screen Digest (a global audiovisual media research company based in the United Kingdom), the box office receipts in the mainland China in 2010 is estimated to exceed US$720 million, as compared to US$336 million in 2006. In this connection, and according to the interim report of the Company for the six months ended 31 December 2007, the Group strongly believes that this is the appropriate time for the Group to redeploy its resources to strengthen its presence in mainland China, given the continued opening of film market in mainland China and the increase in investment opportunities. We understand from the Directors that the Group has established a cinema in Shenzhen which ranked second in 2007 in terms of box office receipts in the mainland China. The Group plans to open more screens in Shenzhen and other principal cities such as Beijing, Shanghai, Hangzhou, Suzhou and Wuxi in the years ahead. On the above basis, we note that the Group is well poised to capture the growth potential of film exhibition market in the mainland China, which as an emerging market could be the growth driver of the Group in the foreseeable future.

The mainland China market has enjoyed rapid growth in the past several years. However, the competitions have become keen due to the number of new cinemas opened during the period. Based on our discussion with the Group, the Directors expect that a fair amount of capital expenditure and investment will be made (in terms of cinema refurbishment including furniture and fixtures such as seats, equipment and screens inside cinemas) in the next few years in order to increase the Group's share in the mainland China film exhibition market, which may result in higher depreciation expenses to be incurred by the Group. At this stage, we note that the geographical segment of mainland China merely accounted for approximately 9% of the Group's total sales to external customers for the year ended 30 June 2007 (11% for the six months ended 31 December 2007).

(ii) Share price performance and trading liquidity

We note that the Share Offer Price of approximately HK$3.7 per Share is identical to the consideration per Share payable by Skyera pursuant to the Agreements. The Share Offer Price represents:

(i) a premium of approximately 14.91% over the average closing price of HK$3.22 per Share as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;

(ii) a premium of approximately 13.85% over the average closing price of HK$3.25 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;

(iii) a premium of approximately 10.12% over the average closing price of HK$3.36 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;

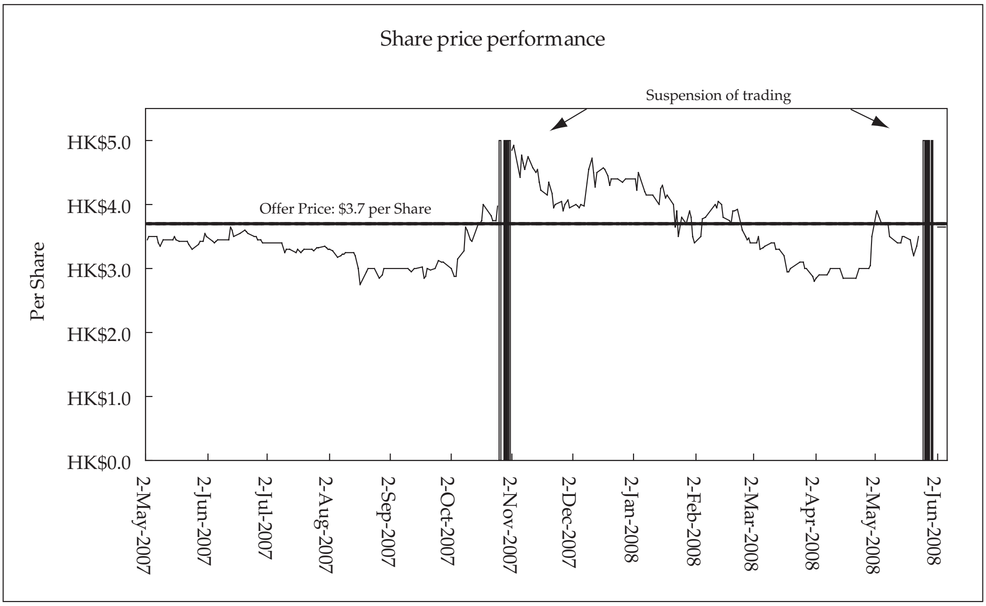
(iv) a premium of approximately 5.71% over the closing price of HK$3.50 per Share as quoted on the Stock Exchange on the Last Trading Day;

(v) a premium of approximately 0.82% over the closing price of HK$3.67 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(vi) a premium of approximately 1.65% over the adjusted unaudited consolidated net asset value per Share of approximately HK$3.64 as at 31 December 2007 on a fully diluted basis, i.e. assuming full conversion of all outstanding Convertible Notes and Options.

(a) Historical Share price performance

For the purpose of further comparing the Share Offer Price of HK$3.7 per Share with the market price of the Shares, we plot the closing price level of the Shares traded on the Stock Exchange from 1 May 2007 to 23 May 2008 (being the Last Trading Day) and further up to the Latest Practicable Date (the "Review Period") as follows:



Source: Infocast

Notes:

1. Trading of Shares was suspended from 26 October 2007 to 31 October 2007, pending the release of an announcement relating to the changes in the substantial shareholder and the directors of the Company which the Board of the Company considers to be price sensitive information of the Company.

2. Trading of Shares was suspended from 26 May 2008 to 28 May 2008, pending the release of an announcement relating to price sensitive information of the Company.

3. Trading of Shares was suspended on 30 May 2008, pending the release of an announcement relating to change in shareholdings of the Company and possible mandatory cash offers.

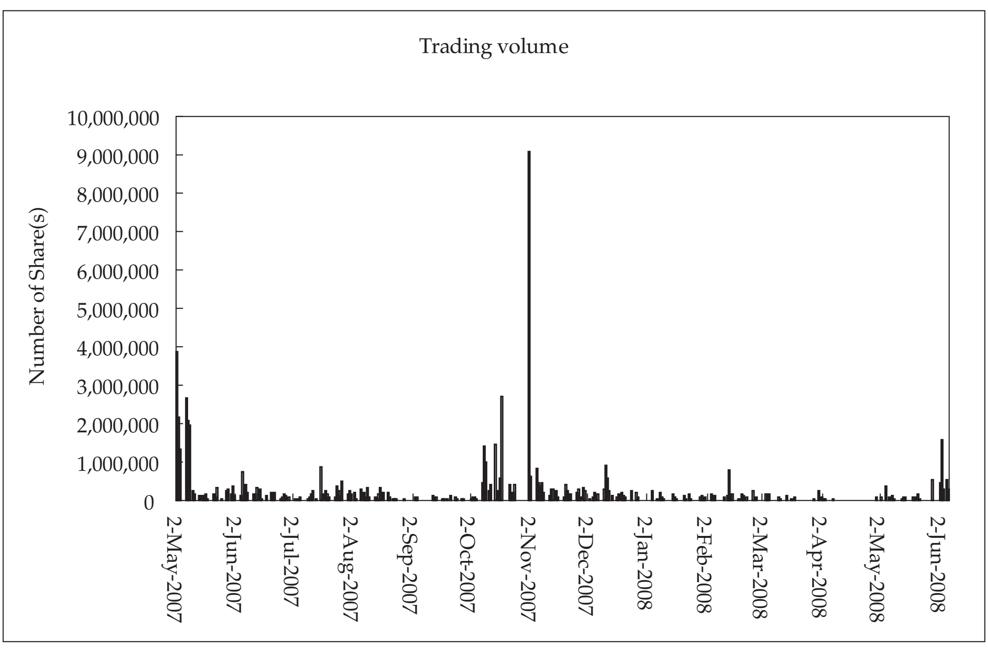
During the Review Period, the closing price of the Shares ranged from the lowest of HK$2.75 per Share recorded on 17 August 2007 to the highest of HK$4.93 per Share recorded on 2 November 2007. The Share Offer Price represents a premium of approximately 34.55% over the lowest closing price per Share and a discount of approximately 24.95% over the highest closing price per Share during the Review Period. The Share Offer Price also represents a premium of approximately 0.82% over the closing price per Share of HK$3.67 on the Latest Practicable Date. During the Review Period, the actual closing price per Share recorded during 196 days out of a total of 274 trading days was lower than the Share Offer Price (representing approximately 71.53% of the whole period).

We note from the above graph that the closing prices of Share increased from approximately HK$3 per Share in early October 2007 to approximately HK$5 per Share in early November 2007, during which the Company made a series of announcements respectively dated 3 October 2007, 17 October 2007, 26 October 2007, 31 October 2007 and 1 November 2007 respectively, in relation to, among other things, (i) date of board meeting; (ii) the Company's annual results announcement for the year ended 30 June 2007; (iii) suspension of trading of Shares relating to the changes in the substantial shareholder and the directors of the Company; (iv) change in substantial shareholder and change in the board of directors; and (v) the Company's clarification that it was not aware of any reason for the increase in both the trading volume and the price of the Shares and the Company's confirmation that there was no negotiation or agreements relating to intended acquisitions and realizations.

Subsequent to 1 November 2007, we observe that the closing prices per Share experienced a general downward trend and slid back to approximately HK$3 per Share in April 2008. We further note that the closing price per Share rebounded in early May 2008 to a level higher than the Share Offer Price of HK$3.7 per Share, before trading within a range of approximately HK$3.2 to HK$3.7 per Share afterwards. Immediately after the resumption of trading of the Shares on 29 May 2008, the closing price of the Company advanced up to HK$3.7 per Share. We consider the increase in the price of the Shares might reflect the market response on the Offers.

(b) Liquidity

For the purpose of assessing the trading liquidity of the Shares, the following chart shows the daily trading volume of the Shares during the Review Period:



Source: Infocast

Month	Highest daily turnover *(in number of Shares)*	Lowest daily turnover *(in number of Shares)*	Average daily turnover *(in number of Shares)*	Number of trading days with no turnover *(in days) (Note)*	Percentage of average daily turnover to total number of Shares in issue *(%)*	Percentage of average daily turnover to total number of Shares held by Independent Shareholders who are subject to the Offers *(%) (Note 1)*
May-07	3,884,000	48,000	797,352	0	0.47%	1.07%
Jun-07	758,600	46,000	198,290	0	0.12%	0.27%
Jul-07	874,000	20,000	195,707	0	0.12%	0.26%
Aug-07	322,600	0	115,530	1	0.07%	0.15%
Sep-07	140,000	0	52,295	3	0.03%	0.07%
Oct-07	2,701,000	25,000	586,371	0	0.35%	0.78%
Nov-07	9,075,187	69,000	694,604	0	0.41%	0.93%
Dec-07	929,400	0	202,858	1	0.12%	0.27%
Jan-08	245,600	0	75,036	2	0.04%	0.10%
Feb-08	796,000	0	139,181	1	0.08%	0.19%
Mar-08	232,000	0	59,516	6	0.04%	0.08%
Apr-08	100,000	0	16,010	5	0.01%	0.02%
May-08	562,000	5,000	124,375	0	0.07%	0.17%
June-2008 (up to the Latest Practicable Date)	1,827,000	45,750	490,117	0	0.29%	0.66%
Total trading days with no turnover				19		
Total trading days				274		

Source: Infocast

Notes:

1. Based on the total number of 169,637,627 Shares in issue as at the Latest Practicable Date.

2. Based on the total number of 74,809,636 Shares held by Independent Shareholders who are subject to the Offers as at the Latest Practicable Date.

3. Trading of Shares was suspended from 26 October 2007 to 31 October 2007, pending the release of an announcement relating to the changes in the substantial shareholder and the directors of the Company which the Board of the Company considers to be price sensitive information of the Company.

4. Trading of Shares was suspended from 26 May 2008 to 28 May 2008, pending the release of an announcement relating to price sensitive information of the Company.

5. Trading of Shares was suspended on 30 May 2008, pending the release of an announcement relating to change in shareholdings of the Company and possible mandatory cash offers.

During the Review Period, no trading of the Shares was recorded on 19 trading days on the Stock Exchange. As illustrated in the table above, the average trading volume of the Shares during the Review Period had been relatively thin (being not more than 797,352 Shares per month, representing 1.07% of the total number of Shares held by Independent Shareholders who are subject to the Offers). However, on 1 November 2007, the maximum trading volume increased to 9,075,187 Shares (representing 12.13% of the total number of Shares held by Independent Shareholders who are subject to the Offers), which was incidental to the publication of the announcement dated 31 October 2007 in relation to the possible change in substantial shareholder and the board of directors of the Company. However, the average trading volume of the Shares reduced generally thereafter in December 2007 and up to the Latest Practicable Date. As such, we consider the liquidity of the Shares was thin during most of the Review Period.

(iii) Valuation

Price/earnings multiple

As the Company is principally engaged in film/video distribution and film exhibition in return for distribution revenue and exhibition revenue, reference to price/earnings multiple should be one of the most common approaches adopted by the investment community in valuing such kind of revenue-generating entity. Based on an exhaustive list of companies as generated by Bloomberg, we have identified (to the best of our knowledge) 13 comparable companies listed on the stock exchanges of Hong Kong and Singapore which are engaged in film operations/licensing/distribution/exhibition for the latest published annual/interim results (the "Comparables") and which market capitalisations are not excessively larger or smaller than that of the Company (in terms of not exceeding one standard deviation (amounting to approximately HK$2,200 million) above or below the market capitalisation of the Company of approximately HK$594 million), details of which are set out below:

Company name	Stock Code	Market capitalisation as at 23 May 2008 *(million)*	Closing share price as at 23 May 2008	Latest earnings per share published prior to 23 May 2008	Price/earnings multiple *(times)*	Latest earnings before interest, tax, depreciation and amortization ("EBITDA") published prior to 23 May 2008 *(million)*	Enterprise value ("EV") based on data published on or prior to 23 May 2008 *(million)* *(Note 1)*	EV/EBITDA multiple *(times)*	Latest book value per share published prior to 23 May 2008 *(Note 2)*	Price/book multiple *(times)*
Mandarin Entertainment (Holdings) Limited	9.HK	HK$398.0	HK$0.530	(HK$0.0860)	N/A	(HK$15.76) *(Note 3)*	HK$317.8	N/A	HK$0.2926	1.81
China Star Entertainment Ltd *(Note 4)*	326.HK	HK$184.4	HK$0.415	(HK$0.0700)	N/A	(HK$29.73) *(Note 3)*	HK$157.3	N/A	HK$0.4202	0.99
Mei Ah Entertainment Group Ltd.	391.HK	HK$471.4	HK$0.480	HK$0.0267	17.98	HK$62.39	HK$429.2	6.88	HK$0.3695	1.30
Asian Union New Media (Group) Limited	419.HK	HK$2,355.4	HK$0.130	(HK$0.0560)	N/A	HK$187.88	HK$2,222.4	11.83	HK$0.0595	2.18
eSun Holdings Limited	571.HK	HK$2,543.5	HK$2.050	HK$1.0900	1.88	(HK$66.44) *(Note 3)*	HK$1,918.0	N/A	HK$6.0020	0.34

Company name	Stock Code	Market capitalisation as at 23 May 2008 *(million)*	Closing share price as at 23 May 2008	Latest earnings per share published prior to 23 May 2008	Price/ earnings multiple *(times)*	Latest earnings before interest, tax, depreciation and amortization ("EBITDA") published prior to 23 May 2008 *(million)*	Enterprise value ("EV") based on data published on or prior to 23 May 2008 *(million)* *(Note 1)*	EV/EBITDA multiple *(times)*	Latest book value per share published prior to 23 May 2008 *(Note 2)*	Price/book multiple *(times)*
Shougang Concord Grand (Group) Limited	730.HK	HK$736.9	HK$0.640	HK$0.3719	1.72	(HK$35.10) *(Note 3)*	HK$1,929.3	N/A	HK$0.8167	0.78
Universe International Holdings Limited	1046.HK	HK$156.0	HK$0.096	HK$0.0071	13.52	HK$72.99	(HK$3.7) *(Note 5)*	N/A	HK$0.1988	0.48
Era Information & Entertainment Limited *(Note 6)*	8043.HK	HK$126.7	HK$0.330	(HK$0.0541)	N/A	HK$37.26	HK$110.6	2.97	HK$0.0940	3.51
Emperor Entertainment Group Limited	8078.HK	HK$221.0	HK$0.850	(HK$0.0907)	N/A	HK$16.17	HK$183.9	11.37	HK$0.2799	3.04
International Entertainment Corporation *(Note 7)*	8118.HK	HK$1,863.1	HK$1.580	(HK$0.4700)	N/A	HK$89.86	HK$314.3	3.50	HK$1.3273	1.19
Brilliant Arts Multi-Media Holding Ltd.	8130.HK	HK$125.7	HK$0.100	(HK$0.1890)	N/A	HK$25.27	HK$86.2	3.41	HK$0.1545	0.65
Intelli-Media Group (Holdings) Limited *(Note 8)*	8173.HK	HK$1,841.9	HK$0.900	(HK$0.1662)	N/A	HK$67.89	HK$1,863.8	27.45	HK$0.0498 *(Note 9)*	18.09
Eng Wah Organization Limited	ENG.SP	SGD 160.5	SGD 1.07	(SGD 0.071)	N/A	SGD 4.07	SGD 146.1	35.91	SGD 0.2184	4.90
				Median	**7.70**			**9.13**		**1.56**
				Mean	**8.78**			**12.92**		**3.00**
Share Offer Price of HK$3.7 per Share Reported		**594.0**	**3.700**	**0.7338**	**5.04**	**62.53**	**456.4**	**7.30**	**3.64**	**1.02**
Adjusted				**–0.0001** *(Note 10)*	**N/A**				**3.98** *(Note 11)*	**0.93**

Source: www.hkex.com.hk

Notes:

1. According to Bloomberg, the enterprise value represents the summation of market capitalisation, preferred equity, minority interests and short term & long-term debt, but minus cash and cash equivalents.

2. Including minority interests and on a fully-diluted basis assuming that all outstanding convertible notes/bonds and options are fully converted.

3. Based on their respective latest annual reports, the negative EBITDA value was mainly attributable to the deduction of one-off gains recorded during the respective periods.

4. The share price of China Star Entertainment Limited may have been affected by the announcement dated 15 May 2008 regarding the disposal of Riche Multi-Media Holdings Limited, the distribution arm of the Group's film in the PRC, and Brilliant Arts Multi-Media Holding Limited.

5. The negative EV was mainly attributable to the deduction of excessive cash and cash equivalents published prior to 23 May 2008.

6. The share price of Era Information & Entertainment Limited may have been affected by its announcement dated 29 April 2008 in relation to the possible acquisition of 25% equity interest of a company which owns concession rights to certain natural resource, for a consideration between US$2.5 million to US$5 million.

7. The share price of International Entertainment Corporation may have been affected by the announcement dated 11 October 2007 regarding the completion of the acquisition of hotel and entertainment operations in the Philippines and Macau.

8. The share price of Intelli-Media Group (Holdings) Limited may have been affected by its announcement dated 19 May 2008 regarding the acquisition of the entire issued share capital of an investment holding company which owns the right to acquire an effective 64% interest in the share capital of a company which principally engages in the mines operation, and exploration.

9. Due to insufficient public information available, and on a prudent basis, the options exercise price is assumed at HK$0.235 per share.

10. After excluding (i) one-off gain on disposal of interests in an associate (being the Group's cinema circuit in Malaysia) of HK$115.97 million and (ii) the one-off loss on disposal of interests in a jointly-controlled entity of approximately HK$5.7 million during the year ended 30 June 2007.

11. After accounting for an estimated gain on disposal of the Group's equity interests in TGV Cinemas Sdn Bhd of approximately HK$64.3 million. Such disposal agreement was entered into in February 2008, details of which are set out in the circular of the Company dated 5 March 2008. Although such disposal had yet to complete up to the Latest Practicable Date, we have been advised by the Directors that no impediment is expected for completion of such disposal pending governmental formalities.

As illustrated in the above table, we note that the low price/earnings multiple as represented by the Share Offer Price may have been distorted by the one-off gain on disposal of interests in an associate (being the Group's cinema circuit in Malaysia) of HK$115.97 million ("Disposal Gain") and the one-off loss on disposal of interests in a jointly-controlled entity of approximately HK$5.7 million ("Disposal Loss"). Had such Disposal Gain and Disposal Loss been excluded, the adjusted latest earnings per Share would become negative and, accordingly, the price/earnings multiple would no longer be applicable to assess a loss-making entity.

For information purpose only, the price/earnings multiple of the Comparables (disregarding loss-making Comparables) ranges from 1.72 times and 17.98 times, with a median of approximately 7.70 times and a mean of approximately 8.78 times; whereas the price/earnings multiple (on an unadjusted basis) of the Share Offer Price is approximately 5.04 times.

EV/EBITDA multiple

As an alternative to price-earnings multiple, we resort to assess the Share Offer Price by means of EV/EBITDA multiple, which is one of the most common valuation approaches adopted by investing community to value revenue-generating entity with net loss (such as in the case of the Company had Disposal Gain and Disposal Loss been excluded). As illustrated in the above table, we note that the EV/EBITDA multiple as represented by the Share Offer Price of 7.30 times is lower than the median of the Comparables of 9.13 times and a mean of approximately 12.92 times, although it falls within the range of the Comparables from 2.97 times to 35.91 times. On such basis, we consider that the Share Offer Price is not attractive.

Price/book multiple and assets

For further assessment purpose, we upon comparison note that each of the price/book multiple as represented by the Share Offer Price of 1.02 times (on reported basis) and 0.93 time (on adjusted basis after accounting for an estimated gain on disposal of the Group's equity interests in TGV Cinemas Sdn Bhd of approximately HK$64.3 million as set out in the circular of the Company dated 5 March 2008) is lower than the median of the Comparables of 1.56 times and a mean of approximately 3.00 times, although both fall within the range of the Comparables from 0.34 times to 18.09 times.

According to the prevailing accounting policy of the Group, the Group's trademarks are stated at cost less any impairment. However, during our due diligence review, it comes to our attention that Vigers Appraisal & Consulting Ltd., a firm of independent valuers, has arrived at a market value of HK$129 million for the Group's trademarks as at 30 June 2007. For analysis purpose, had the Group's trademarks been otherwise recognised at the said market value, the net asset value of the Group (on adjusted basis after accounting for an estimated gain on disposal of the Group's equity interests in TGV Cinemas Sdn Bhd of approximately HK$64.3 million and including minority interests) would increase to HK$785,770,900, representing HK$4.25 per Share on a fully-diluted basis (the "Intrinsic Value"). Upon comparison, we note that the Share Offer Price is lower than the Intrinsic Value per Share by about 12.9%.

On the other hand, the Group (via its jointly-controlled entities) owns two properties which were recognised at cost of S$38.4 million as at 31 December 2007. Based on the latest valuation report on the two properties available to us, the market value of the two properties as at 30 June 2006 was S$36.68 million. As advised by the Company, the then valuation report as at 30 June 2006 was done on a voluntary basis given that the properties concerned are self-used and are not required under the Group's accounting policy to be recognised at valuation. Hence, no further updated valuation report on the two properties is available to us. Accordingly, should the two properties be recognised at market value, there will not be a significant impact on the net asset value of the Group.

We understand from the Company that non-current assets in terms of cinema refurbishment including furniture and fixtures such as seats, equipment and screens inside cinemas have been instrumental in the Group's cinema operation segment which generates film exhibition revenue representing over 80% of the Group's total annual revenue. We further understand from the Company that the film rights owned by the Group as current assets (amounting to approximately HK$32.1 million as at 31 December 2007) contribute towards part of the remaining 20% of the Group's total annual revenue. In recognition of the significance of such assets towards the Group's revenue-generating activities, and taking into particular account that (i) the Share Offer Price is lower than the Intrinsic Value per Share by about 12.9%; and (ii) the price/book multiple as represented by the Share Offer Price of 0.93 time (on adjusted basis) is lower than the median of the Comparables of 1.56 times and a mean of approximately 3.00 times, we do not consider that the Share Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

(v) Intention of the Offerors regarding the future prospects of the Group

(a) Business

As set out in the letter from Somerley (the "Letter from Somerley") contained in the Offer Document, Mr. Wu, considers that the Group's film production, distribution and exhibition businesses in Asia have good potential, although these businesses also face challenges due to factors such as changes in technology and piracy. In view of these challenges and his substantial industry experience particularly in the PRC, Mr. Wu considers that the Company will benefit from the commitment and stability which he can bring as a long term controlling Shareholder.

The Offerors intend that the Group will continue its existing principal activities after closing of the Offers. The Offerors have no intention to re-deploy the employees or the fixed assets of the Group other than in the ordinary course of business.

(b) Directors and management

We note that the Board comprised seven executive Directors, two non-executive Directors and three independent non-executive Directors as at the Latest Practicable Date.

As set out in the Letter from Somerley, Mr. Wu has no intention to nominate additional Directors to the Board. An appropriate announcement will be made if there is any proposed change in the composition of the Board and any new appointment of Directors. In the absence of any proposed change in the composition of the Board, we consider the impact of the Offers on the Group's management to be not material.

(vi) Maintaining the listing status of the Company

As set out in the Letter from Somerley, the Offerors intend that the Group will maintain the listing status of the Company on the Stock Exchange after closing of the Offers. The Offerors will undertake to the Stock Exchange to take or procure appropriate steps following the close of the Offers to ensure that not less than 25% of the Shares will be held by the public.

The Stock Exchange has stated that if, upon closing of the Offers, less than 25% of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Shares until a level of sufficient public float is attained.

RECOMMENDATION ON THE SHARE OFFER

We note that the EV/EBITDA multiple as represented by the Share Offer Price of 7.30 times is lower than the median of the Comparables of 9.13 times and a mean of approximately 12.92 times, although it is within the range of the Comparables from 2.97 times to 35.91 times. In addition, in recognition of the significance of assets towards the Group's revenue-generating activities, and taking into particular account that (i) the Share Offer Price is lower than the Intrinsic Value per Share by about 12.9%; and (ii) the price/book multiple as represented by the Share Offer Price of 0.93 time (on adjusted basis) is lower than the median of the Comparables of 1.56 times and a mean of approximately 3.00 times, we do not consider that the terms of the Share Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend to the Independent Shareholders not to accept the Share Offer. Nevertheless, having considered the other principal factors set out above, in particular, the following:

(i) the Group had been loss-making for eight consecutive years since the financial year ended 30 June 1998 up to 30 June 2005 and some of the Group's geographical markets (namely Hong Kong and Singapore) have become relatively mature. Although the Group is well poised to capture the growth potential of film exhibition market in the mainland China, competitions have become keen and a fair amount of capital expenditure and investment will have to be made in the next few years, which may result in higher depreciation expenses to be incurred by the Group;

(ii) the Company has not declared any dividend since 1996;

(iii) the Share Offer Price represents a premium ranging from approximately 10.12% to 14.91% over the average closing prices per Share as quoted on the Stock Exchange for the 5, 30 and 60 trading days up to and including the Last Trading Day;

(iv) during the Review Period, the actual closing price per Share recorded during 196 days out of a total of 274 trading days was lower than the Share Offer Price (representing approximately 71.53% of the whole period); and

(v) during the Review Period, no trading of the Shares was recorded on 19 days out of a total of 274 trading days on the Stock Exchange, and the average trading volume of the Shares had been relatively thin (being not more than 797,352 Shares per month, representing 1.07% of the total number of Shares held by Independent Shareholders who are subject to the Offers),

we consider that the Share Offer as made by the Offeror has its own merits and Independent Shareholders who wish to realise whole or part of their Shares but believe that they will be unable to sell the Shares in the market at a price higher than the Share Offer Price because of their size of the shareholding interests may consider the Share Offer as an alternative exit of their investments. However, Independent Shareholders who wish to realise whole or part of their Shares are reminded that they should carefully and closely monitor the market price of the Shares during the Share Offer period and consider selling their Shares in the open market during the Share Offer period, rather than accepting the Share Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net amount receivable under the Share Offer.

On the other hand, for those Independent Shareholders who wish to retain some or all of their Shares as they are attracted by and confident in the prospects and/or the management of the Group after the close of the Share Offer or otherwise, they should carefully consider the future intention of the Offerors regarding the Group, details of which are set out in the Letter from Somerley. In any event, the Independent Shareholders should note the possibility that the generally thin trading volume recorded during the Review Period may render them difficult to dispose of their Shares in the market after the close of the Share Offer without exerting downward pressure on the price of the Shares. There is no certainty that the current trading volume and/or current trading price level of the Shares will be sustainable in the long term.

Independent Shareholders should read carefully the procedures for accepting the Share Offer as detailed in the Letter from Somerley and are strongly advised that the decision to realise or to hold their investment in the Shares is subject to individual circumstances and investment objectives.

THE CONVERTIBLE NOTE OFFER

As set out in the Letter from Somerley, as at the Latest Practicable Date, the principal amount of the remaining Convertible Notes was HK$10 million (other than the CT Note). By accepting the Convertible Note Offer, the holders will sell the Convertible Notes to the Offerors or their nominee(s) free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attached to them, including the right to interest accrued since the last interest payment date of 21 February 2008.

Upon assessing the terms of the Convertible Note Offer, we envisage that the Convertible Notes are readily convertible into Shares (amounting to a definite total number based on the conversion price of HK$2.2 per Share). As the Share Offer as made by the Offeror was at HK$3.7 per Share, we consider that the basis of determining the Convertible Note Offer Price at the same price level of HK$3.7 is acceptable. However, as we do not consider that the terms of the Share Offer Price are fair and reasonable so far as the Independent Shareholders are concerned, it follows that we do not consider that the terms of the Convertible Note Offer are fair and reasonable so far as the Convertible Note holders are concerned. Accordingly, we recommend the Independent Board Committee to recommend to the Convertible Note holders not to accept the Convertible Note Offer.

THE OPTION OFFER

As set out in the Letter from Somerley, as at the Latest Practicable Date, there were a total of 1,500,000 Options outstanding entitling the holders to subscribe for an aggregate of 70,000 Shares at an exercise price of HK$2.6 per Share ("Tranche 1") and 1,430,000 Shares at an exercise price of HK$3.93 per Share ("Tranche 2") under the Share Option Scheme. Following acceptance of the Option Offer, the relevant Options together with all rights attaching thereto will be entirely cancelled and renounced.

Upon assessing the terms of the Convertible Note Offer, we envisage that the adoption of a "see-through" price (representing the difference between the offer price for ordinary shares and any given exercise price of the convertible instrument) is commonly regarded as the minimum offer price for any convertible instrument in conjunction with a general offer for ordinary shares. On such basis, the Tranche 1 Options would command a positive sum of "see-through" price of HK$1.1 (being HK$3.7 – HK$2.6). Accordingly, the Tranche 1 Options are "in-the-money" and the Option Offer is being made at exactly HK$1.1 for every Option. However, Tranche 2 Options would not command any positive sum of "see-through" price (being HK$3.7 – HK$3.93). Accordingly, the Tranche 2 Options are "out-of-money" and the Option Offer is being made only at a nominal price of HK$0.01 for every Option. Based on the foregoing, we consider that the basis of determining the Option Offer price is acceptable. However, as we do not consider that the terms of the Share Offer Price are fair and reasonable so far as the Independent Shareholders are concerned, it follows that we do not consider that the terms of the Option Offer are fair and reasonable so far as the Optionholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend to the Optionholders not to accept the Option Offer.

In any event, the Optionholders are advised to exercise their Options and dispose of the Shares so converted in the open market if the market price per Share exceeds their respective exercise price(s) (and hence becoming or restoring to be in the money) during the Option Offer period and if the net proceeds from the sale of such converted Shares in the open market after deducting all transaction costs would exceed the net amount receivable under the Option Offer. The Optionholders should exercise caution in doing so and monitor the market closely.

On the other hand, for those Optionholders who wish to retain some or all of their Options and/or exercise some or all of their subscription rights under the Options and retain their Shares thereupon as they are attracted by and confident in the prospects and/or the management of the Group or otherwise, they should carefully consider the future intention of the Offerors regarding the Group, details of which are set out in the Letter from Somerley.

Yours faithfully,
For and on behalf of
Partners Capital International Limited

Alan Fung	**Harry Yu**
Managing Director	*Executive Director*

1. FINANCIAL SUMMARY

A summary of the published results, asset and liabilities of the Group as extracted from the respective annual reports of the Company is set out below. The auditors of the Company for the three years ended 30 June 2005 and 2006 and 2007 was Ernst & Young, Certified Public Accountants, Hong Kong. Their opinion on the consolidated financial statements of the Group for each of the aforesaid years were unqualified.

(i) Results

	Year ended 30 June		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	565,700	512,285	276,586
Profit/(Loss) before tax	100,041	7,952	(10,531)
Tax	(3,478)	(2,737)	(2,399)
Profit/(Loss) for the year	96,563	5,215	(12,930)
Attributable to :			
Equity holders of the Company	96,717	5,215	(12,930)
Minority interests	(154)	–	–
	96,563	5,215	(12,930)
Earnings/(Loss) per share			
– Basic (2005: restated)	HK73.4 cents	HK3.9 cents	HK(11.0 cents)
– Diluted	HK57.8 cents	N/A	N/A

During the three years ended 30 June 2005 and 2006 and 2007, there were no extraordinary or exceptional items nor dividends.

(ii) Assets and liabilities

	Year ended 30 June		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES			
Total assets	930,413	770,922	770,434
Total liabilities	392,398	350,056	361,301
Net assets	538,015	420,866	409,133

2. AUDITED FINANCIAL STATEMENTS

Set out below is the audited financial statements of the Group for the year ended 30 June 2007 as extracted from the annual report of the Company issued on 17 October 2007.

CONSOLIDATED INCOME STATEMENT

Year ended 30 June 2007

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

CONSOLIDATED BALANCE SHEET
30 June 2007

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

CONSOLIDATED BALANCE SHEET *(CONTINUED)*
30 June 2007

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2007

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(CONTINUED)*

Year ended 30 June 2007

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

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

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

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

CONSOLIDATED CASH FLOW STATEMENT
Year ended 30 June 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		100,041	7,952
Adjustments for:			
Interest income		(5,445)	(785)
Finance costs		16,619	7,450
Depreciation		41,771	40,884
Amortisation of prepaid land lease payments		18	18
Loss on disposal of items of property, plant and equipment		1,945	346
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		(6,984)	(3,298)
Gain on disposal of interests in an associate	*13*	(115,970)	–
Loss on disposal of interests in a jointly-controlled entity	*31(b)*	5,717	–
Share of profits and losses of associates		(20,801)	(24,143)
Impairment allowance/(write-back of impairment allowances) for accounts and other receivables, net		1,327	(699)
Write-off of bad debts		–	24
Equity-settled share option expenses		4,541	394
Exchange adjustments		872	(1,088)
		23,651	27,325
Decrease/(increase) in inventories		18	(155)
Decrease in film rights		1,892	2,105
Decrease/(increase) in accounts receivable		(1,407)	6,974
Decrease/(increase) in prepayments, deposits and other receivables		(9,161)	10,201
Decrease in accounts payable		(5,808)	(13,555)
Decrease in accrued liabilities and other payables		(4,715)	(1,511)
Increase in customer deposits		2,130	112
Increase/(decrease) in prepaid rental		1,752	(6,312)
Refund/(payment) of rental and other deposits, net		(2,529)	1,576
Increase in provision for employee benefits		136	263
Increase/(decrease) in provision for long service payments		(117)	432

CONSOLIDATED CASH FLOW STATEMENT *(CONTINUED)*
Year ended 30 June 2007

	Notes	2007 HK$'000	2006 HK$'000
Cash generated from operations		5,842	27,455
Interest received		4,842	785
Interest and finance charges paid		(11,615)	(7,149)
Interest element on finance lease rental payments		(109)	(93)
Hong Kong profits tax paid		(6,903)	(2)
Overseas tax paid		(4,823)	(4,094)
Overseas tax refunded		192	216
Net cash inflow/(outflow) from operating activities		(12,574)	17,118
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(66,016)	(51,725)
Proceeds from disposal of items of property, plant and equipment		582	1,267
Acquisition of subsidiaries	*31(a)*	(22,779)	–
Net proceeds from disposal of interests in a jointly-controlled entity	*31(b)*	7,588	–
Repayment from jointly-controlled entities		16,319	21,725
Repayment to joint venture partners		(16,319)	(21,725)
Net proceeds from disposal of interests in an associate		195,237	–
Repayment from/(advance to) associates, net		(882)	1,635
Increase/(decrease) in deposits received		(140)	598
Increase in pledged bank balances		(594)	(2,217)
Increase in time deposits with original maturity of over three months		(10,031)	–
Net cash inflow/(outflow) from investing activities		102,965	(50,442)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of convertible notes	*26*	99,000	19,713
Repurchase of the Company's shares	*28(c)*	(14,148)	–
Capital contribution by a minority shareholder		776	–
New bank loans raised		32,349	29,337
Repayment of bank loans		(53,947)	(25,241)
Repayment of finance lease obligations		(328)	–
Capital element of finance lease payables		–	(1,365)
Net cash inflow from financing activities		63,702	22,444

CONSOLIDATED CASH FLOW STATEMENT *(CONTINUED)*
Year ended 30 June 2007

	Notes	2007 HK$'000	2006 HK$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		154,093	(10,880)
Cash and cash equivalents at beginning of year		54,369	65,632
Exchange adjustments		669	(383)
CASH AND CASH EQUIVALENTS AT END OF YEAR		209,131	54,369
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Non-pledged cash and bank balances		40,357	34,389
Non-pledged time deposits with original maturity of less than three months when acquired		168,774	19,980
CASH AND CASH EQUIVALENTS AT END OF YEAR		209,131	54,369

BALANCE SHEET
30 June 2007

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

NOTES TO FINANCIAL STATEMENTS

30 June 2007

1. CORPORATE INFORMATION

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

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

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

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

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

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

The principal changes in accounting policies are as follows:

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

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

(b) HKAS 39 Financial Instruments: Recognition and Measurement

(i) Amendment for financial guarantee contracts

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

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

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

(iii) Amendment for the fair value option

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

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

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

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Joint venture companies

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

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

A joint venture company is treated as:

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

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

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

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

Jointly-controlled entities

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

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

Associates

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

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

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

Goodwill

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

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

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

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

Negative Goodwill

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

Impairment of non-financial assets other than goodwill

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

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

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

Property, plant and equipment and depreciation

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

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

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% – 27.27%
Furniture and fixtures	10% – 33.33%	5% – 20%
Motor vehicles	20%	N/A
Air-conditioning systems	20%	N/A

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

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

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

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

Club memberships

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

Trademarks

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

Financial assets

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

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

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

Loans and receivables

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

Impairment of financial assets

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

Assets carried at amortised cost

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

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

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

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired;

- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

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

Convertible notes

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

Derecognition of financial liabilities

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

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

Inventories

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

Film rights and amortisation

(i) *Film rights*

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

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

(ii) Films in progress

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

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 dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

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

Leases

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

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

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

Employee benefits

Share-based payment transactions

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

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

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

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

Provisions

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

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

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

Revenue recognition

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

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

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

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

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

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

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

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

Estimation uncertainty

Impairment allowances for accounts and other receivables

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

4. SEGMENT INFORMATION

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

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

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

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

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

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

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

(a) Business segments

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

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

Group

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

(b) Geographical segments

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

Group

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

5. REVENUE

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

6. PROFIT BEFORE TAX

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

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

* *The cost of services provided includes approximately HK$2,826,000 (2006: HK$2,853,000) relating to staff costs which is also included in the amount disclosed above.*

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

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

7. FINANCE COSTS

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

8. TAX

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

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

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

Group

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

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

9. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

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

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

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

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

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

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

Shares	*Number of shares*
Issued ordinary shares as at 1 July 2006	133,030,937
Effect of shares repurchased	(1,226,791)
Weighted average number of ordinary shares in issue during the year used in the calculation of the basic earnings per share	131,804,146
Effect of dilution – weighted average number of ordinary shares: Convertible notes	47,945,205
	179,749,351

Earnings	*HK$'000*
Profit for the year attributable to ordinary equity holders of the Company	96,717
Interests on convertible notes	7,186
Profit attributable to ordinary equity holders of the Company before interests on convertible notes	103,903

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

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

11. PROPERTY, PLANT AND EQUIPMENT

Group

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

Group

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

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

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

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

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

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

12. INTERESTS IN SUBSIDIARIES

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

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

Particulars of the principal subsidiaries are as follows:

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

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 Cinemas Holding Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
Golden Harvest China Entertainment Properties Company Limited (formerly known as "Real Merry Limited")	Hong Kong	Ordinary HK$16,831,002	100	Theatre operation
Golden Harvest Entertainment Company Limited	Hong Kong	Ordinary HK$100 Deferred* HK$114,000,000	100	Investment holding
Golden Harvest Entertainment International Limited	British Virgin Islands	Ordinary US$1,000	100	Investment holding
Golden Harvest Films Distribution Holding Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
Golden Harvest (Marks) Limited	British Virgin Islands	Ordinary US$1	100	Holding of trademarks
Golden Harvest (Shenzhen) Cinemas Company Limited ***	PRC/ Mainland China	Registered RMB10,000,000	100	Theatre operation
Golden Harvest Treasury Limited #	British Virgin Islands	Ordinary US$1	100	Provision of finance to group companies
Golden Screen Limited	Hong Kong	Ordinary HK$8,750,000	100	Investment holding
Golden Sky Pacific Limited	Hong Kong	Ordinary HK$2	100	Investment holding
M Cinemas Company Limited (formerly known as "Conneway Films Company Limited")	Hong Kong	Ordinary HK$31,610,000	100	Theatre operation
Panasia Films Limited	Hong Kong	Ordinary HK$2,600,000	100	Distribution of motion pictures and its related audio visual products and acting as an advertising agent
Shanghai Golden Harvest Media Management Company Limited ****	PRC/ Mainland China	Registered US$500,000	90	Distribution of motion pictures
Splendid Ventures Limited	Hong Kong	Ordinary HK$2	100	Theatre operation

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

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

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

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

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

\# *Newly incorporated during the year.*

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

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

13. INTERESTS IN ASSOCIATES

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

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

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

	2007	**2006**
	HK$'000	*HK$'000*
Total assets	495,910	658,901
Total liabilities	326,426	405,956
Revenue	492,129	677,311
Profit after tax	25,869	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
Golden Village Entertainment (Singapore) Pte Ltd	Ordinary shares of S$1 each	Singapore	50	Investment holding
Golden Village Pictures Pte Ltd	Ordinary shares of S$1 each	Singapore	50	Distribution of motion pictures
Golden Village Holdings Pte Ltd	Ordinary shares of S$1 each	Singapore	50	Investment holding
Golden Village Multiplex Pte Ltd	Ordinary shares of S$1 each	Singapore	50	Theatre operation

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

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

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

14. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

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

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

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

Particulars of the jointly-controlled entities are as follows:

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

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

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

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

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

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

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

15. PREPAID LAND LEASE PAYMENTS

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

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

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

16. TRADEMARKS

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

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

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

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

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

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

17. INVENTORIES

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

18. FILM RIGHTS

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

19. ACCOUNTS RECEIVABLE

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

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

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

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

20. CASH AND CASH EQUIVALENTS AND PLEDGED BANK BALANCES

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

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

21. ACCOUNTS PAYABLE

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

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

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

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

22. INTEREST-BEARING BANK AND OTHER BORROWINGS

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

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

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

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

	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 notes 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 notes with carrying amounts totaling HK$123,503,000 (2006: HK$21,241,000), all other borrowings of the Group bear interest at floating interest rates.

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

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

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

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

(ii) its 35.71% equity interest in a jointly-controlled entity;

(iii) the property, plant and equipment of a subsidiary (note 11); and

(iv) pledged bank balances (note 20).

23. FINANCE LEASE PAYABLES

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

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

24. LOANS FROM JOINT VENTURE PARTNERS

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

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

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

25. PROVISIONS

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

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

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

26. CONVERTIBLE NOTES

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

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

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

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

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

Group and Company

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

\# *Interests payable as at the balance sheet date are included in current liabilities under the heading of "Accrued liabilities and other payables" on the face of the balance sheets of the Company and of the Group.*

27. DEFERRED TAX

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

Deferred tax liabilities

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

Deferred tax assets

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

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

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

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

28. SHARE CAPITAL

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

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

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

Notes:

(a) Pursuant to an ordinary resolution passed on 30 November 2006, the authorised share capital of the Company was increased from HK$200,000,000 to HK$600,000,000 by the creation of 4,000,000,000 additional ordinary shares of HK$0.10 each, ranking pari passu in all respects with the existing share capital of the Company.

(b) Pursuant to an ordinary resolution passed on 9 May 2007, the issued and unissued ordinary shares of HK$0.10 each of the Company were consolidated on the basis of every ten shares into one share of HK$1.00 each. The Company's authorised share capital of HK$600,000,000 divided into 6,000,000,000 ordinary shares of HK$0.10 each was consolidated into 600,000,000 ordinary shares of HK$1.00 each. On the same day, the Company's issued and fully paid share capital of HK$129,630,938 divided into 1,296,309,375 ordinary shares of HK$0.10 each was consolidated into 129,630,937 ordinary share of HK$1.00 each.

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

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

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

29. SHARE OPTION SCHEME

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

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

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

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

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

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

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

Share options granted and lapsed during the year

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

Adjustments to share options and exercise prices

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

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

Name or category of participant	Date of grant of share option	Pre-adjusted exercise price HK$	Post-adjusted exercise price HK$	Exercise period	Number of share options outstanding as at 1 July 2006	Granted during the year	Lapsed during the year	Adjustment to share options due to Share Consolidation	Number of share options outstanding as at 30 June 2007
Director									
Phoon Chiong Kit	25/07/2000	0.624	6.24	25/07/2000 to 24/07/2010 *Note (a)*	5,750,000	–	–	(5,175,000)	575,000
	31/10/2001	0.496	4.96	30/11/2001 to 30/10/2011 *Note (b)*	12,500,000	–	–	(11,250,000)	1,250,000
	09/12/2004	0.208	2.08	10/01/2005 to	6,250,000	–	–	(5,625,000)	625,000
		0.256	2.56	30/10/2011	6,250,000	–	–	(5,625,000)	625,000
		0.304	3.04	*Note (c)*	6,250,000	–	–	(5,625,000)	625,000
	12/04/2007	0.393	3.93	01/07/2007 to	–	6,500,000	–	(5,850,000)	650,000
		0.432	4.32	30/10/2011	–	6,500,000	–	(5,850,000)	650,000
		0.475 *Note (d)*	4.75		–	6,500,000	–	(5,850,000)	650,000
David Chan Sik Hong	31/10/2001	0.496	4.96	30/11/2001 to 30/10/2011 *Note (b)*	6,250,000	–	–	(5,625,000)	625,000
Roberta Chin Chow Chung Hang	12/04/2007	0.393 *Note (d)*	3.93	01/07/2007 to 30/10/2011	–	1,000,000	–	(900,000)	100,000
Lau Pak Keung (also alternate to Phoon Chiong Kit)	12/04/2007	0.393 *Note (d)*	3.93	01/07/2007 to 30/10/2011	–	2,000,000	–	(1,800,000)	200,000
Eric Norman Kronfeld	31/03/2005	0.260	2.60	31/03/2005 to 30/10/2011	350,000	–	–	(315,000)	35,000
	12/04/2007	0.393 *Note (d)*	3.93	01/07/2007 to 30/10/2011	–	1,500,000	–	(1,350,000)	150,000
Paul Ma Kah Woh	31/03/2005	0.260	2.60	31/03/2005 to 30/10/2011	350,000	–	–	(315,000)	35,000
	12/04/2007	0.393 *Note (d)*	3.93	01/07/2007 to 30/10/2011	–	2,000,000	–	(1,800,000)	200,000

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

Notes:

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

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

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

(d) The minimum pre-adjusted exercise price of HK$0.393 per share was higher than the closing price of HK$0.330 per share on 12 April 2007 and was also higher than the average closing price of HK$0.358 per share based on the closing prices as stated in the daily quotations sheets issued by the Stock Exchange for five days immediately preceding 12 April 2007, as calculated in accordance with the Listing Rule.

(e) The share options lapsed six months after a participant's death pursuant to the provisions of the Scheme.

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

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

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

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

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

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

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

30. RESERVES

(a) Group

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

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

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

(b) Company

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

Note:

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

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

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

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

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

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

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

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

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

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

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

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

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

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

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

32. RELATED PARTY TRANSACTIONS

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

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

(a) Transaction with the Golden Harvest Private Group

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Purchase of film rights	959	–

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

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

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

(b) Transactions with related parties

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

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

Notes:

(i) The related companies are the substantial shareholders of the Company or related to a substantial shareholder of the Company.

(ii) Raymond Chow Ting Hsing, Phoon Chiong Kit and David Chan Sik Hong, who are a substantial shareholder or directors of the Company, are interested, directly or indirectly, in the above transactions as directors and/or beneficial shareholders of certain of these companies.

(iii) The interest expenses were charged at an effective interest rate of 7% per annum, according to the estimation ascertained by Vigers Appraisal.

(iv) The interest expense paid to an associate of the Golden Harvest Private Group was charged at Hong Kong dollar short-term time deposit rate plus 1% per annum for the period from 1 July 2006 to 5 December 2006.

(v) The distribution consultancy fee paid represented the film production and distribution consulting services provided by a related company to the Group and was charged according to the terms of the agreement dated 1 July 2004.

(vi) The purchase price was charged on normal commercial terms.

(vii) The management fee income represented accounting services provided to two associates of the Group which were charged at rates of HK$10,000 per month for the period July 2006 to December 2006 (2006: HK$10,000 per month for the year ended 30 June 2006) and HK$11,000 per month for the year ended 30 June 2007 (2006: HK$22,000 per month from July 2005 to March 2006 and HK$11,000 per month from April 2006 to June 2006), respectively.

(viii) The accounting service fee was charged at a rate of S$1,500 (2006: S$1,500) per month.

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

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

(xi) The consultancy service fee was charged at a rate of NT$100,000 per month (2006: Nil).

(xii) The advertising agency fee was charged on normal commercial terms.

(xiii) The interest on the shareholder's loan to a jointly-controlled entity was charged at 2.5% to 3.5% per annum.

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

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

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

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

(c) Compensation of key management personnel of the Group

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

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

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

Directors' remuneration

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

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

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

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

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

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

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

Five highest paid individuals

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

	2007	**2006**
	HK$'000	*HK$'000*
Basic salaries, allowances and benefits in kind	718	1,458
Pension contributions	5	12
	723	1,470

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

34. CONTINGENT LIABILITIES

Contingent liabilities at the balance sheet date were as follows:

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

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

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

35. COMMITMENTS

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

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

(c) Operating lease arrangements

(i) As lessor

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

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

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

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

(ii) As lessee

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

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

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

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

Foreign currency risk

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

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

Credit risk

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

Liquidity risk

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

37. COMPARATIVE AMOUNTS

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

38. APPROVAL OF THE FINANCIAL STATEMENTS

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

Set out below is the unaudited financial statements of the Group for the six months ended 31 December 2007 as extracted from the interim report of the Company issued on 25 March 2008.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	(Unaudited) Six months ended 31 December 2007 HK$'000
REVENUE	2	301,887
Cost of sales		(141,762)
Gross profit		160,125
Interest income		3,083
Other income and gains		31,396
Selling and distribution costs		(148,013)
General and administrative expenses		(32,819)
Other operating expenses, net		(9,992)
Finance costs	4	(6,964)
Share of profits and losses of associates		10,939
Share of profit of an associate classified as held for sale		–
PROFIT BEFORE TAX	2,3	7,755
Tax	5	(4,619)
PROFIT FOR THE PERIOD		3,136
ATTRIBUTABLE TO:		
Equity holders of the Company		3,050
Minority interests		86
		3,136
EARNINGS PER SHARE	6	
Basic		HK2.40 cents
Diluted		HK2.39 cents

During the six months ended 31 December 2007, there were no extraordinary or exceptional items nor dividends.

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	(Unaudited) As at 31 December 2007 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment		172,272
Interests in associates		191,891
Due from jointly-controlled entities		15,603
Prepaid land lease payments		713
Prepaid rental		8,053
Club memberships		3,590
Rental and other deposits		49,079
Trademarks	7	79,421
Deferred tax assets		–
Pledged bank deposits		3,745
Total non-current assets		524,367
CURRENT ASSETS		
Inventories		776
Film rights		32,082
Accounts receivable	8	15,059
Prepayments, deposits and other receivables		60,407
Due from jointly-controlled entities		40,453
Pledged bank balances		1,644
Cash and cash equivalents		166,711
		317,132
Assets of a jointly-controlled entity classified as held for sale	9	141,680
Total current assets		458,812
CURRENT LIABILITIES		
Accounts payable	10	42,656
Accrued liabilities and other payables		86,525
Due to associates		194
Customer deposits		4,017
Convertible notes	11	122,608
Interest-bearing bank loans	12	14,600
Current portion of finance lease payables		368
Loans from joint venture partners		12,858
Provision for employee benefits		2,452
Tax payable		3,500
		289,778

CONDENSED CONSOLIDATED BALANCE SHEET *(CONTINUED)*

	Notes	**(Unaudited) As at 31 December 2007** *HK$'000*
Liabilities of a jointly-controlled entity classified as held for sale	*9*	107,108
Total current liabilities		396,886
NET CURRENT ASSETS		61,926
TOTAL ASSETS LESS CURRENT LIABILITIES		586,293
NON-CURRENT LIABILITIES		
Convertible notes	*11*	–
Interest-bearing bank loans	*12*	14,040
Non-current portion of finance lease payables		611
Loans from joint venture partners		15,552
Loan from a minority shareholder		643
Deposits received		3,651
Provision for long service payments		4,289
Deferred tax liabilities		1,417
Total non-current liabilities		40,203
Net assets		546,090
EQUITY		
Equity attributable to equity holders of the Company		
Issued share capital	*13*	126,944
Equity component of convertible notes		880
Reserves		413,392
Exchange fluctuation reserve recognised directly in equity relating to a jointly-controlled entity classified as held for sale	*9*	3,779
		544,995
Minority interests		1,095
Total equity		546,090

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 31 December 2007

	Attributable to equity holders of the Company														
	Issued share capital	Equity component of convertible notes	Share premium account	Share option reserve	Capital redemption reserve	Contributed surplus	Revaluation reserve	Reserve funds *	Surplus reserve **	Exchange fluctuation reserve	Retained profits	Total reserves	Exchange fluctuation reserve of a jointly–controlled entity held for sale	Minority interests	Total equity
	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*
At 1 July 2007	128,357	880	125,733	5,085	4,819	80,000	3,974	1,139	480	1,208	185,785	408,223	–	555	538,015
Repurchase of shares *(note 13(a))*	(1,513)	–	(3,326)	–	1,513	(1,513)	–	–	–	–	–	(3,326)	–	–	(4,839)
Issue of ordinary shares *(note 13(b))*	100	–	409	(116)	–	–	–	–	–	–	–	293	–	–	393
Exchange adjustments on translation of:															
– overseas subsidiaries	–	–	–	–	–	–	–	–	–	(1,994)	–	(1,994)	–	–	(1,994)
– overseas jointly-controlled entities	–	–	–	–	–	–	–	–	–	2,168	–	2,168	–	–	2,168
– overseas associates	–	–	–	–	–	–	–	–	–	8,742	–	8,742	–	–	8,742
Deferred tax credited to equity	–	–	–	–	–	–	15	–	–	–	–	15	–	–	15
Total income and expenses recognised directly in equity	–	–	–	–	–	–	15	–	–	8,916	–	8,931	–	–	8,931
Profit for the period	–	–	–	–	–	–	–	–	–	–	3,050	3,050	–	86	3,136
Total income and expenses for the period	–	–	–	–	–	–	15	–	–	8,916	3,050	11,981	–	86	12,067
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	454	454
Transfer to retained profits on lapse of share options *(note 13(c))*	–	–	–	(466)	–	–	–	–	–	–	466	–	–	–	–
Transfer to/(from) reserves	–	–	–	–	–	–	–	353	–	(3,779)	(353)	(3,779)	3,779	–	–
At 31 December 2007	126,944	880	122,816	4,503	6,332	78,487	3,989	1,492	480	6,345	188,948	413,392	3,779	1,095	546,090

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

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited) Six months ended 31 December 2007 *HK$'000*
NET CASH INFLOW/(OUTFLOW) FROM:	
OPERATING ACTIVITIES	18,830
INVESTING ACTIVITIES	(42,139)
FINANCING ACTIVITIES	(15,625)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(38,934)
Cash and cash equivalents at beginning of period	219,162
Exchange adjustments	4,037
CASH AND CASH EQUIVALENTS AT END OF PERIOD	184,265
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	
Non-pledged short-term bank deposits	132,289
Non-pledged cash and bank balances	51,976
CASH AND CASH EQUIVALENTS AT END OF PERIOD *	184,265

* *Amount included cash and cash equivalents of HK$17,554,000 of a jointly-controlled entity classified as held for sale (note 9).*

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the audited financial statements for the year ended 30 June 2007, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which include all HKFRSs, HKASs and Interpretations) that affect the Group and are effective for the accounting period beginning on 1 July 2007:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS2 – Group and Treasury Share Transactions

The adoption of the above revised HKFRSs has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated interim financial statements.

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

HKAS 23 (Revised)	Borrowing Cost [1]
HKFRS 8	Operating Segments [1]
HK(IFRIC)-Int 12	Service Concession Arrangements [2]
HK(IFRIC)-Int 13	Customer Loyalty Programmes [2]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [2]

1. Effective for accounting period beginning on 1 July 2009
2. Effective for accounting period beginning on 1 July 2008

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

2. REVENUE AND SEGMENT INFORMATION

(a) Business segments

The following table presents revenue and results for the Group's business segments.

	(Unaudited) Six months ended 31 December				
	Film and video distribution 2007 HK$'000	Film exhibition 2007 HK$'000	Others 2007 HK$'000	Eliminations 2007 HK$'000	Consolidated 2007 HK$'000
Segment revenue:					
Sales to external customers	32,364	264,537	4,986	–	301,887
Inter-segment sales	2,497	–	544	(3,041)	–
Other revenue	600	17,574	150	(196)	18,128
Total	35,461	282,111	5,680	(3,237)	320,015
Segment results	(8,856)	(974)	(596)	–	(10,426)
Interest income and unallocated gains					16,351
Unallocated expenses					(2,145)
Finance costs					(6,964)
Share of profits and losses of associates	3,897	7,042	–	–	10,939
Share of profit of an associate classified as held for sale	–	–	–	–	–
Profit before tax					7,755
Tax					(4,619)
Profit for the period					3,136

(b) Geographical segments

The following table presents revenue for the Group's geographical segments.

	Hong Kong 2007 HK$'000	Mainland China 2007 HK$'000	Taiwan 2007 HK$'000	Malaysia 2007 HK$'000	Elsewhere in Asia 2007 HK$'000	Others 2007 HK$'000	Consolidated 2007 HK$'000
	(Unaudited) Six months ended 31 December						
Segment revenue:							
Sales to external customers	106,763	34,126	104,571	54,731	1,334	362	301,887

3. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	(Unaudited) Six months ended 31 December 2007 HK$'000
Cost of inventories sold	2,017
Cost of services provided	129,413
Amortisation of film rights	10,332
Depreciation and amortisation of prepaid land lease payments	20,778
Loss on disposal of items of property, plant and equipment	5,655

4. FINANCE COSTS

	(Unaudited) Six months ended 31 December 2007 HK$'000
Interest and finance cost on bank loans wholly repayable within five years	2,245
Interest on convertible notes	4,176
Interest on loans from joint venture partners	499
Interest on finance leases	44
Interest on accounts payable	–
	6,964

5. TAX

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the period. 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.

	(Unaudited) Six months ended 31 December 2007 *HK$'000*
Group:	
Hong Kong	–
Elsewhere	562
	562
Jointly-controlled entities:	
Current	1,699
Deferred	2,358
	4,057
Tax charge/(credit) for the period	4,619

Share of tax attributable to associates and an associate classified as held for sale amounting to HK$2,426,000 and nil, respectively, are included in "Share of profits and losses of associates" and "Share of profit of an associate classified as held for sale" on the face of the condensed consolidated income statement.

6. EARNINGS PER SHARE

(a) Basic earnings per share

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

(b) Diluted earnings per share

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

The convertible notes had no diluting effect on the basic earnings per share for the current period as the convertible notes outstanding during the period had an anti-dilutive effect.

The comparative earnings per share has been adjusted to reflect the consolidation of shares on 9 May 2007 (the "Consolidation of Shares"). The issued and unissued ordinary shares of HK$0.1 each of the Company were consolidated on the basis of every ten shares into one share of HK$1.0 each.

The calculations of basic and diluted earnings per share are based on:

Shares	**Number of shares**
Issued ordinary shares as at 1 July 2007	128,356,537
Effect of share repurchased	(1,205,918)
Effect of share option exercised	9,239
Weighted average number of ordinary shares in issue during the period used in the calculation of the basic earnings per share	127,159,858
Effect of dilution – weighted average number of ordinary shares:	
Share options	581,697
	127,741,555

7. 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 are stated at cost less any impairment losses and are not amortised. In the opinion of the directors, the value of the trademarks is not less than the amount stated in the balance sheet.

8. ACCOUNTS RECEIVABLE

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

	(Unaudited) As at 31 December 2007 *HK$'000*
Current to 3 months	11,598
4 to 6 months	2,377
7 to 12 months	1,084
	15,059

9. A JOINTLY-CONTROLLED ENTITY CLASSIFIED AS HELD FOR SALE

Pursuant to a resolution of the Board passed on 8 December 2007, the proposed disposal of the Group's entire equity interest in TGV Cinemas Sdn Bhd ("TGV"), a jointly-controlled entity of the Group (the "Disposal"), was approved. TGV engages in theatre operation in Malaysia.

On 13 February 2008, the Group entered into a share purchase agreement with an existing shareholder of TGV in respect of the Disposal. Upon the completion of the Disposal, TGV will cease to be a jointly-controlled entity of the Group.

The assets and liabilities of TGV classified as held for sales as at 31 December 2007 are as follows:

	(Unaudited) As at 31 December 2007 *HK$'000*
ASSETS	
Property, plant and equipment	112,692
Rental and other deposits	4,102
Accounts receivable	1,013
Prepayments, deposits and other receivables	6,319
Cash and cash equivalents	17,554
Assets classified as held for sale	141,680
LIABILITIES	
Accounts payable	(10,516)
Accrued liabilities and other payables	(25,542)
Interest-bearing bank loans	(37,024)
Loans from joint venture partners	(26,004)
Tax payable and deferred taxation	(8,022)
Liabilities classified as held for sale	(107,108)
Net assets directly associated with a jointly-controlled entity classified as held for sale	34,572
Exchange fluctuation reserve of a jointly-controlled entity classified as held for sale	3,779

The Group's share of results of TGV for the period which have been proportionately consolidated into the condensed consolidated income statement are as follows:

	(Unaudited) Six months ended 31 December 2007 *HK$'000*
Revenue	54,287
Cost of sales	(23,299)
Interest income	278
Other income and gains	934
Selling and distribution costs	(26,411)
General and administrative expenses	(753)
Other operating expenses, net	(3,249)
Finance costs	(746)
Tax	(1,458)
Profit/(loss) for the period	(417)

10. ACCOUNTS PAYABLE

The age analysis of the accounts payable is as follows:

	(Unaudited) As at 31 December 2007
	HK$'000
Current to 3 months	36,679
4 to 6 months	2,331
7 to 12 months	217
Over 1 year	3,429
	42,656

11. CONVERTIBLE NOTES

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

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

On 26 October 2007, the HK$20,000,000, 4% convertible note was transferred from Pleasant Villa to Chengtian Entertainment Group (International) Holding Company Limited ("Chengtian").

Pleasant Villa is wholly-owned by Raymond Chow Ting Hsing, a director and a substantial shareholder of the Company on or before 26 October 2007; Chengtian is controlled by Wu Kebo, a director and a substantial shareholder of the Company on or after 26 October 2007; Garex Resources is ultimately owned by Li Ka-shing, a substantial shareholder of the Company while Typhoon is a substantial shareholder of the Company.

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

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

	(Unaudited) As at 31 December 2007 *HK$'000*
Liability component at beginning of period/year	122,351
Nominal value of convertible note issued during the period/year	–
Issuing costs	–
Equity component	–
Liability component at date of issue	–
Interest expenses	4,176
Interest paid	(2,387)
Liability component at end of period/year	124,140

Analysed for reporting purpose as:

	(Unaudited) As at 31 December 2007 *HK$'000*
Current liability – Accrued liabilities and other payables	1,532
Current liability – Convertible notes	122,608
	124,140
Non-current liability – Convertible notes	–
	124,140

12. INTEREST-BEARING BANK LOANS

	Effective interest rate *(%)*	Maturity	(Unaudited) As at 31 December 2007 *HK$'000*
Current			
Bank loans – unsecured			–
Bank loans – secured	8	May 2008	14,600
Total current portion of bank loans			14,600
Non-current			
Bank loans – unsecured			–
Bank loans – secured	9	2008-2010	14,040
Total non-current portion of bank loans			14,040
			28,640
Bank loans repayable:			
Within one year			14,600
In the second year			12,480
In the third to fifth years, inclusive			1,560
Beyond five years			–
			28,640
Portion classified as current liabilities			(14,600)
			14,040

The carrying amounts of the Group's interest-bearing bank loans approximate their fair values.

The Group's overdraft facility amounting to HK$3,000,000 which had not been utilised as at the balance sheet date, is secured by the leasehold property and the prepaid land lease payments of the Group.

The Group's bank loans as at 31 December 2007 were secured by the assets of a wholly-owned subsidiary, its 35.71% equity interest in a jointly-controlled entity, the property, plant and equipment of a subsidiary and pledged bank balances.

13. SHARE CAPITAL

	Notes	(Unaudited) As at 31 December 2007 HK$'000
Authorised:		
600,000,000 ordinary shares of HK$1.0 each		600,000
Issued and fully paid:		
At 1 July 2007		
– 128,356,537 ordinary shares of HK$1.0 each		128,357
Repurchase of shares	*(a)*	(1,513)
Issue of shares under share option scheme	*(b)*	100
At 31 December 2007		
– 126,943,537 ordinary shares of HK$1.0 each		126,944

Notes:

(a) During the period, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited. Details of the repurchases are disclosed in Purchase, Sale or Redemption of Listed Shares of this interim report.

The repurchased shares were cancelled and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. An amount equivalent to the par value of the shares cancelled of HK$1,513,000 was transferred from the contributed surplus account to the capital redemption reserve. The premium and transaction cost paid on the repurchase of the shares of HK$3,326,000 was charged to the share premium account.

(b) During the period, share options were exercised to subscribe for 100,000 ordinary shares in the Company at a consideration of HK$393,000 of which HK$100,000 was credited to share capital and the balance of HK$293,000 was credited to the share premium account. HK$116,000 has been transferred from the share option reserve to the share premium account when the options were exercised.

(c) During the period, 470,000 share options were lapsed and HK$466,000 has been transferred from the share option reserve to retained profits when the options were lapsed.

14. CONNECTED/RELATED PARTY TRANSACTIONS

In addition to the balances detailed in notes 4 and 11, the Group had the following transactions with connected/related parties. The directors confirm that all of these transactions were carried out in the ordinary and usual course of business of the Group.

(a) Purchase of equipment for film exhibition and screen advertising

During the period, the Group purchased certain equipment from GDC Technology Limited ("GDC Technology") for its film exhibition and screen advertising businesses in Hong Kong and Mainland China. GDC Technology was a connected party of the Company since Li Ka-Shing, a substantial shareholder of the Company, had held more than 30% interests in GDC Technology. On 11 September 2007, Li Ka-Shing's interest in GDC Technology reduced to below 30% of the issued share capital of GDC Technology and GDC Technology has ceased to be a connected party of the Company since then. The Group has purchased from GDC Technology for the period from 1 July 2007 to 10 September 2007 with an amount of approximately HK$2,000,000.

(b) Consultancy agreements with ex-directors

The Group had entered into the consultancy agreements (the "Consultancy Agreements") with Raymond Chow Ting Hsing and Roberta Chin Chow Chung Hang, the then directors of the Company, on 26 October 2007 for a term of 3 months at a cash consideration of HK$1,038,000 and HK$750,000, respectively. As Raymond Chow Ting Hsing and Roberta Chin Chow Chung Hang were directors up to 26 October 2007 and therefore are connected persons of the Company, accordingly, the entering into of each of the Consultancy Agreements constitutes a connected transaction of the Company under the Rules Governing the Listing of Securities (the "Listing Rules").

During the period, the total consultancy fee paid to Raymond Chow Ting Hsing and Roberta Chin Chow Chung Hang were HK$692,000 and HK$500,000, respectively. In addition to the consultancy fee, under the Consultancy Agreements, the Group has also provided the quarters to Raymond Chow Ting Hsing and Roberta Chin Chow Chung Hang and the total costs of providing the quarters amounted to HK$186,452 and HK$68,000 for Raymond Chow Ting Hsing and Roberta Chin Chow Chung Hang, respectively.

(c) Transactions with other related parties

Apart from the above, during the period, the Group had the following material transactions with other related parties:

	Notes	**(Unaudited) Six months ended 31 December 2007** *HK$'000*
Interest expenses on convertible notes paid/payable to related companies	*(i), (iii)*	1,739
Ticketing system maintenance/ development costs paid to an associate	*(ii), (iv)*	235
Management fee income from associates	*(ii), (v)*	66
Accounting service fee paid to an associate	*(ii), (vi)*	50
Consultancy fee paid to a related company	*(ii), (vii)*	179
Office rental paid to an associate	*(ii), (viii)*	55
Consultancy fee income from a jointly–controlled entity *	*(ii), (ix)*	160
Advertising agency fee paid to a jointly–controlled entity *	*(ii), (x)*	258
Interest income from a jointly-controlled entity *	*(ii), (xi)*	766

* *The Group has proportionately consolidated 35.71% of its transactions with the jointly controlled entities in the condensed consolidated income statement.*

Notes:

(i) The related companies are/were the substantial shareholders of the Company or related to the substantial shareholders of the Company.

(ii) Phoon Chiong Kit and Lau Pak Keung, who are directors of the Company, Raymond Chow Ting Hsing and Roberta Chin Chow Chung Hang, who are the then directors of the Company, and a relative of Raymond Chow Ting Hsing, are/were interested, directly or indirectly, in the above transactions as directors and/or beneficial shareholders of certain of these companies.

(iii) The interest expenses were charged at an effective interest rate of 7% per annum, according to the estimation ascertained by Vigers Appraisal.

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

(v) The management fee income represented an amount of HK$66,000 related to accounting services provided to an associate of the Group which were charged at rate of HK$11,000 per month.

(vi) The accounting service fee was charged at a rate of S$1,500 per month.

(vii) The 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.

(viii) The rental expense was charged at a rate of S$1,747 per month for subletting a portion of office premises of an associate to the Group.

(ix) The consultancy service fee was charged at a rate of NTD100,000 per month from July 2007 to November 2007 and NTD200,000 per month for December 2007.

(x) The advertising agency fee was charged on normal commercial terms.

(xi) The interest on the shareholder's loan to a jointly-controlled entity was charged at 3.5% per annum.

Certain transactions amounting to HK$1,918,000 indicated in note (iii) and (vii) above with five related companies constituted connected transactions as defined in the Listing Rules. The connected transactions were either properly approved by the independent shareholders or constituted the de minims 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.

(d) Compensation of key management personnel of the Group

	(Unaudited) Six months ended 31 December 2007 *HK$'000*
Salaries and other short-term employee benefits	8,126
Post-employment benefits	2,199
Share-based payment	–
	10,325

15. COMMITMENTS

	(Unaudited) As at 31 December 2007 *HK$'000*
Capital commitments in respect of acquisition of items of property, plant and equipment:	
Contracted for	12,299
Authorised, but not contracted for	220,682
	232,981
Capital commitments in respect of capital contributions to joint ventures:	
Authorised, but not contracted for	9,222

16. EVENT SUBSEQUENT TO THE END OF THE INTERIM PERIOD

On 13 February 2008, the Group entered into an agreement to dispose of its entire equity interest in TGV, a jointly-controlled entity of the Group, at a consideration of approximately RM40,200,000 (approximately HK$96,500,000). In addition to paying the consideration, the purchaser agreed to procure that the amount due from TGV of approximately RM10,800,000 (approximately HK$25,900,000) would be repaid to the Group. Upon the completion of the Disposal, TGV will cease to be a jointly-controlled entity of the Group. Further details of the Disposal are set out in the circular of the Company dated 5 March 2008.

1. RESPONSIBILITY STATEMENT

This offeree board circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Offers and GH.

The information contained in this offeree board circular (other than those information relating to the Offers) is supplied by the Directors who jointly and severally accept full responsibility for the accuracy of such information contained in this offeree board circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this offeree board circular have been arrived at after due and careful consideration and there are no other facts not contained in this offeree board circular, the omission of which would make any such statement in this offeree board circular misleading.

The information contained in this offeree board circular relating to the Offers has been extracted or derived from the Offer Document. The Directors accept full responsibility for the correctness and fairness of the reproduction or presentation of such information but accept no further responsibility in respect of such information.

2. SHARE CAPITAL OF GH

As at the Latest Practicable Date, the authorised capital of GH was HK$600,000,000, divided into 600,000,000 Shares of HK$1 each, of which 169,637,627 Shares had been issued and were fully paid up. Saved for the issues of the Garex Conversion Shares, the Quick Target Conversion Shares, 9,090,909 Shares issued to Shineidea on 15 May 2008, which were issued upon the exercise of conversion rights attached to the Convertible Note held by See Corporation Limited and 1,975,000 Shares issued upon exercise of share options of the Company, no Shares were issued between 30 June 2007, being the end of the last financial year of GH, and the Latest Practicable Date. All of Shares in issue as at the Latest Practicable Date ranked pari passu in all respects with each other, including the rights in respect of capital, dividends and voting.

As at the Latest Practicable Date, there are HK$30 million Convertible Notes outstanding and a total of 1,500,000 Options outstanding under the Share Option Scheme. Save as disclosed herein, there is no other options, warrants and conversion rights affecting the Shares.

3. DISCLOSURE OF INTERESTS

(1) Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures

As at the Latest Practicable Date, the interests and short positions of the directors and chief executive of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by

Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

Interests in shares and underlying shares of the Company

Name of Director	Capacity	*Notes*	Number of shares (L) = Long position (S) = Short position	Number of underlying shares (L) = Long position (S) = Short position	Percentage of shareholding in the Company*
Mr. Wu	Interest of controlled corporations	*1*	94,627,991 (L)	–	55.78%
		1	–	9,090,909 (L)	
	Interest of controlled corporations	2	74,809,636 (L)	–	44.10%
		2	–	4,545,454 (L)	
Shen De Min	Beneficial owner		200,000 (L)	–	0.12%
Lau Pak Keung	Beneficial owner		200,000 (L)	–	0.12%
		3	–	200,000 (L)	
Eric Norman Kronfeld	Beneficial owner	*3*	–	185,000 (L)	
George Huang Shao-Hua	Beneficial owner	*3*	–	100,000 (L)	
Prince Chatrichalerm Yukol	Beneficial owner	*3*	–	135,000 (L)	

* *This percentage has been compiled based on the total number of shares (i.e. 169,637,627 ordinary shares) of the Company in issue as at the Latest Practicable Date.*

Notes:

1. Mr. Wu is deemed to be interested in 94,627,991 shares and 9,090,909 underlying shares of the Company by virtue of his 100% beneficial holding in Skyera and 80% beneficial holding in CT. The 9,090,909 underlying shares are issuable upon full conversion of HK$20,000,000 4% convertible notes issued by the Company on 22 August 2006.

2. Assuming that the Offers are fully accepted, Mr. Wu is deemed to be interested in 74,809,636 shares and 4,545,454 underlying shares of the Company by virtue of his 100% beneficial holding in Skyera and Mainway. The 4,545,454 underlying shares are issuable upon full conversion of HK$10,000,000 4% convertible notes issued by the Company on 22 August 2006.

3. The underlying shares are the shares issuable upon the exercise of share options granted by the Company under the share option schemes of the Company.

Details of share options held by Directors:

Name of Director	Date of grant of share option	Exercise price *HK$*	Exercise period	No. of share option outstanding as at the Latest Practicable Date
Lau Pak Keung	12/04/2007	3.93	01/07/2007 to 30/10/2011	200,000
Eric Norman Kronfeld	31/03/2005	2.60	31/03/2005 to 30/10/2011	35,000
	12/04/2007	3.93	01/07/2007 to 30/10/2011	150,000
George Huang Shao-Hua	12/04/2007	3.93	01/07/2007 to 30/10/2011	100,000
Prince Chatrichalerm Yukol	31/03/2005	2.60	31/03/2005 to 30/10/2011	35,000
	12/04/2007	3.93	01/07/2007 to 30/10/2011	100,000

Details of convertible notes held by a Director:

Name of Director	*Notes*	No. of Shares to be converted	Maturity date of convertible note	Conversion Price *HK$*	Principal amount of convertible note *HK$*
Mr. Wu	*1*	9,090,909	21/08/2008	2.20	20,000,000
	2	4,545,454	21/08/2008	2.20	10,000,000

Notes:

1. The convertible note was acquired by Mr. Wu via CT from a former substantial shareholder of the Company on 26 October 2007. The 9,090,909 underlying shares are issuable upon full conversion of HK$20,000,000 4% convertible notes issued by the Company on 22 August 2006.

2. Assuming that the Convertible Note Offer is fully accepted, Mr. Wu is deemed to be interested in 4,545,454 underlying shares of the Company by virtue of his 100% beneficial holding in Skyera and Mainway. The 4,545,454 underlying shares are issuable upon full conversion of HK$10,000,000 4% convertible notes issued by the Company on 22 August 2006.

Save as disclosed above, as at the Latest Practicable Date, none of the directors and chief executive of the Company had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code. During the Relevant Period, none of the above Directors has exercised any share option granted by the Company or any conversion right attaching to any convertible note issued by the Company.

(2) Substantial Shareholders

So far as is known to any director of the Company, as at the Latest Practicable Date, the following persons had the following interests or short positions in shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

Name of Shareholder	Capacity	*Notes*	Number of shares (L) = Long position (S) = Short position	Number of underlying shares (L) = Long position (S) = Short position	Percentage of shareholding in the Company*
Mr. Wu	Interest of controlled corporations	*1*	94,627,991 (L)	–	55.78%
		1	–	9,090,909 (L)	
	Interest of controlled corporations	*2*	74,809,636 (L)	–	44.10%
		2	–	4,545,454 (L)	
Skyera	Beneficial owner	*1*	63,165,840 (L)	–	37.24%
	Beneficial owner	*2*	19,040,000 (L)	–	11.22%
Mainway	Beneficial owner	*2*	55,769,636 (L)	–	32.88%
		2	–	4,545,454 (L)	
CT	Beneficial owner	*1*	31,462,151 (L)	–	18.55%
		1	–	9,090,909 (L)	
Mr. Wu King Shiu Kelvin	Interest of controlled corporations	*3*	–	32,675,675 (L)	
Mr. Chang Tat Joel	Interest of controlled corporations	*3*	–	32,675,675 (L)	
AID Partners Ltd.	Interest of controlled corporations	*3*	–	32,675,675 (L)	
AID Partners GP1, L.P.	Interest of controlled corporations	*3*	–	32,675,675 (L)	
AID Partners Capital 1, L.P.	Interest of controlled corporations	*3*	–	32,675,675 (L)	

Name of Shareholder	Capacity	*Notes*	Number of shares (L) = Long position (S) = Short position	Number of underlying shares (L) = Long position (S) = Short position	Percentage of shareholding in the Company*
AID	Interest of controlled corporations	3	–	32,675,675 (L)	
BCG	Interest of controlled corporations	3	–	32,675,675 (L)	
Typhoon Music (PRC) Limited	Beneficial owner	4	15,500,000 (L)	–	9.14%
		4	–	4,545,454 (L)	
EMI Group Plc	Interest of controlled corporations	4	15,500,000 (L)	–	9.14%
		4	–	4,545,454 (L)	
Virgin Music Group Limited	Interest of controlled corporations	4	15,500,000 (L)	–	9.14%
		4	–	4,545,454 (L)	
EMI Group Worldwide	Interest of controlled corporation	4	15,500,000 (L)	–	9.14%
		4	–	4,454,545(L)	
Norman Cheng Tung Hon	Interest of controlled corporations	4	15,500,000 (L)	–	9.14%
		4	–	4,454,545 (L)	
Typhoon Records Limited	Interest of controlled corporation	4	15,500,000 (L)	–	9.14%
		4	–	4,454,545 (L)	
Lily Feng Yuen Cheung	Spouse's interest	5	15,500,000 (L)	–	9.14%
		5	–	4,454,545 (L)	
Evenstar Master Fund Segregated Portfolio Company	Beneficial owner	6	15,659,939 (L)	–	9.23%

* *This percentage has been compiled based on the total number of shares (i.e. 169,637,627 ordinary shares) of the Company in issue as at the Latest Practicable Date.*

Notes:

1. Mr. Wu is deemed to be interested in 94,627,991 shares and 9,090,909 underlying shares of the Company by virtue of his 100% beneficial holding in Skyera and 80% beneficial holding in CT. The 9,090,909 underlying shares are issuable upon full conversion of HK$20,000,000 4% convertible notes issued by the Company on 22 August 2006.

2. Assuming that the Offers are fully accepted, Mr. Wu is deemed to be interested in 74,809,636 shares and 4,545,454 underlying shares of the Company by virtue of his 100% beneficial holding in Skyera and Mainway.

3. Assuming that the Offers are fully accepted, Mr. Wu King Shiu Kelvin and Mr. Chang Tat Joel are deemed to be interested in 32,675,675 underlying shares of the Company by virtue of their direct or indirect beneficial holdings in AID Partners Ltd., AID Partners GP1, L.P. and AID Partners Capital I, L.P., AID and BCG of 60% and 40% respectively. Mr. Wu and Mainway have entered into a subscription agreement with BCG pursuant to which BCG has agreed to subscribe for and Mainway has agreed to issue exchangeable notes into shares of Mainway to BCG for the funding arrangement of the Offers.

4. EMI Group Plc has 100% control of Virgin Music Group Limited, which has 100% control of EMI Group Worldwide, which in turn holds a 50% shareholding in Typhoon Music (PRC) Limited. Mr. Norman Cheng Tung Hon has 100% control of Typhoon Records Limited, which holds a 50% shareholding in Typhoon Music (PRC) Limited. Each of EMI Group Plc, Virgin Music Group Limited, EMI Group Worldwide, Mr. Norman Cheng Tung Hon and Typhoon Records Limited is deemed to be interested in 15,500,000 shares held by Typhoon Music (PRC) Limited and 4,545,454 underlying shares of the Company issuable upon full conversion of HK$10,000,000 4% convertible notes issued by the Company to Typhoon Music (PRC) Limited on 22 August 2006.

5. Ms. Lily Feng Yuen Cheung, the spouse of Mr. Norman Cheng Tung Hon, is deemed to be interested in the shares and underlying shares of the Company in which Mr. Norman Cheng Tung Hon is interested.

6. Evenstar Master Fund Segregated Portfolio Company ("Evenstar Master") is owned as to 85% by Evenstar Capital Management Limited, being the immediate holding company of Evenstar Master.

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

(3) Directors' Service Contracts

Mr. Wu entered into a service agreement with the Company as an Acting Managing Director for a period from 21 December 2007 to 31 December 2008. The annual remuneration of Mr. Wu is nil. Mr. Wu is entitled to housing allowance, motor vehicle allowance and bonuses subject to the discretion of the Company by reference to his individual and the Company's performance and the profitability of the Company.

Each of Mr. Chow Siu Hong, Mr. Shen De Min, Ms. Fiona Chow Sau Fong, and Ms. Wang Wei entered into a service agreement with the Company as Vice President – Business Development, Vice President – Business Development, Chief Financial Officer and Vice President – Film Production of the Group for a term of one year from 1 January 2008 to 31 December 2008, respectively. The annual remuneration of Mr. Chow Siu Hong, Mr. Shen De Min, Ms. Fiona Chow Sau Fong and Ms. Wang Wei are HK$1,000,000, HK$1,100,000, HK$1,500,000 and HK$1,000,000, respectively. Mr. Chow Siu Hong, Mr. Shen De Min, Ms. Fiona Chow Sau Fong and Ms. Wang Wei are entitled to bonuses subject to the discretion of the Company by reference to his/her individual and the Company's performance and the profitability of the Company. In addition, Ms. Fiona Chow Sau Fong is also entitled to housing allowance.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any of its subsidiaries or associated companies (i) which (including both continuous and fixed term contracts) have been entered into or amended within six months before the commencement of the Offer Period; (ii) which are continuous contracts with a notice period of twelve months or more or (iii) which are fixed term contracts with more than twelve months to run irrespective of the notice period.

(4) Arrangements affecting the Directors

(a) Save for Mr. Wu's material personal interest in the Agreements, as at the Latest Practicable Date, there was no material contract entered into by the Offerors in which any of the Directors had a material personal interest.

(b) None of the existing Directors will be given any benefit as compensation for loss of office or otherwise in connection with the Offers, and there is no agreement or arrangement between any of the Directors and any other person which is conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers.

(5) Other Disclosure of Interests

(a) Save as disclosed above, none of the Directors or GH was interested in any shares, convertible securities, warrants, options and derivatives in respect of shares of the Offerors as at the Latest Practicable Date.

(b) As at the Latest Practicable Date, no subsidiary of GH or pension fund of the Group or adviser to GH as specified in class (2) of the definition of "associate" under the Takeovers Code owned or controlled any Shares or convertible securities, warrants, options or derivatives in respect of the Shares.

(c) As at the Latest Practicable Date, no shareholding in GH was managed on a discretionary basis by fund managers connected with GH.

(d) As at the Latest Practicable Date, there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code between GH or any of its associates (by virtue of classes (1), (2), (3) or (4) of the definition of associate under the Takeovers Code) and any other person.

4. DEALING IN SHARES

(1) During the Relevant Period,

(a) Save for (i) Mr. Lau Pak Keung who acquired 40,000 Shares on 28 March 2008 at HK$3.0 per Share; (ii) Mr. Wu who acquired 30,000 Shares via CT on 7 April 2008 at HK$2.9 per Share; and (iii) the acquisition by Mr. Wu under the Quick Target Agreement, the Shineidea Agreement, the Oscar Agreement, the Podar Agreement and the Garex Agreement at HK$3.7 per Share, none of the Directors had dealt for value in any securities of GH; and

(b) neither GH nor any of the Directors had dealt for value in the securities of the Offerors.

(2) During the Offer Period and ending on the Latest Practicable Date,

(a) no subsidiary of GH, pension fund of the Group or advisers to GH as specified in class (2) of the definition of "associate" under the Takeovers Code had dealt for value in any securities of GH;

(b) no fund manager connected with GH who managed funds on a discretionary basis had dealt for value in any securities of GH; and

(c) no person who has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with GH or with any person who is an associate of GH by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Takeovers Code had dealt for value in any securities of GH.

(3) Mr. Lau Pak Keung, Mr. Eric Norman Kronfeld, Mr. George Shao-Hua and Prince Chatrichalem Yukol intend, in respect of their own beneficial shareholdings, to reject the Offers.

5. LITIGATION

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.

6. 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 before the commencement of the Offer Period:

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

(b) the three sale and purchase agreements dated 16 October 2006 between Golden Harvest Films Distribution Holding Limited (a wholly owned-subsidiary of the Company) and Golden Harvest (China) Limited and each or some of SIM China Productions Limited, Metropolitan Life Insurance Company, Latin American Investment Bank Bahamas Limited, World Media Group Limited, Eastern Broadcasting Co. Ltd in respect of the sale and purchase of the entire issued capital of each of GH Media Management Limited, GH Media Management Pte Ltd and GH Pictures (China) Limited for a total consideration of approximately HK$22.6 million;

(c) the share sale and separation agreement dated 28 November 2006 between the Company, PPB Leisure Holdings Sdn Bhd and Golden Harvest Films Distribution Holding Limited (a wholly owned-subsidiary of the Company) in relation to the disposal of 12,269,466 shares of Golden Screen Cinemas Sdn Bhd for a consideration of approximately HK$189 million;

(d) the sale and purchase agreement dated 25 April 2007 between Golden Sky Pacific Limited (a wholly owned-subsidiary of the Company) and Greatway Development Co., Ltd in relation to the disposal of 5,200,000 shares of Vie Show Cinemas Co., Ltd and part of the loans advanced by Golden Sky Pacific Limited to Vie Show Cinemas Co., Ltd, for a total consideration of approximately HK$10.8 million; and

(e) the share purchase agreement dated 13 February 2008 between Golden Harvest Cinemas Holding Limited, Global Entertainment and Management Systems Sdn Bhd (both are wholly-owned subsidiaries of the Company) and Tanjong Entertainment Sdn Bhd in respect of the disposal of an aggregate of 2,500,000 shares in TGV Cinemas Sdn Bhd ("TGV") for a consideration of approximately HK$96.5 million and the payment of a shareholders' loan in the sum of approximately HK$25.9 million by TGV.

7. INDEBTEDNESS

(1) Indebtedness

As at 30 April 2008, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this offeree board circular, the Group and its share of the jointly-controlled entities had the following indebtedness:

	HK$ thousand
Unsecured	
Bank loans	34,485
Convertible notes	123,806
Loans from joint venture partners	67,970
	226,261
Secured	
Bank loans	26,520
Total borrowings	252,781

Details of the terms of the Convertible Notes are set out in note 26 to the audited financial statements of the Group for the year ended 30 June 2007 under the Appendix I – Financial Information of the Group. Subsequent to 30 April 2008, certain noteholders had exercised their rights to convert the Convertible Notes in aggregate amounts of HK$90,000,000 into 40,909,090 ordinary shares of the Company at a conversion price of HK$2.20 per share.

The loans from joint venture partners are unsecured, interest-free except for the amount of HK$18.2 million which are interest bearing at 3.5% per annum.

The Group's secured bank loans and the banking facilities as at 30 April 2008 were secured by the assets of a wholly-owned subsidiary, its 35.71% equity interest in a jointly-controlled entity, the property, plant and equipment of a subsidiary and pledged bank balances.

(2) Contingent liabilities

As at 30 April 2008, there was no guarantee given by the Group in respect of banking facilities available to associates or jointly controlled entities of the Group.

Save as aforesaid and apart from intra-group liabilities and normal accounts payables in the ordinary course of business, the Group did not have any bank overdrafts or loans, or other similar indebtedness, mortgages, charges, or guarantees or other material contingent liabilities as at the close of business on 30 April 2008.

8. NO MATERIAL CHANGE

Save as (i) Dartina Development Limited (formerly an associate of the Group), which holds a key operating company named Golden Village Multiplex Pte Limited, became a jointly controlled entity of the Group with effect from January 2008 following the revised shareholder agreement entered into by the Group and the joint venture party with no change in the Group's shareholding in Dartina Development Limited, details of which has been disclosed in the Company's interim report for the six months ended 31 December 2007, and (ii) the disposal by the Group of its equity interests in TGV Cinemas Sdn Bhd as disclosed in the circular of the Company dated 5 March 2008, the Directors confirm that there were no material change in the financial or trading position or outlook of the Group subsequent to 30 June 2007, being the date to which the latest published audited consolidated financial statements of the Group were made up, to the Latest Practicable Date.

9. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this offeree board circular or who has given its opinion or advice as contained in this offeree board circular:

Name	Qualification
Partners Capital International Limited	A licensed corporation to carry on types 1 and 6 regulated activities (dealing in securities and advising on corporate finance) under the SFO

Partners Capital has given and has not withdrawn its written consent to the issue of this offeree board circular with the inclusion in this offeree board circular of the text of its letter and references to its name in the form and context in which they are included.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of following documents will be available for inspection at the Company's principal place of business at 16th Floor, The Peninsula Office Tower, 18 Middle Road, Tsim Sha Tsui, Kowloon, Hong Kong during normal business hours on any business day while the Offers remain open for acceptance:

(a) the memorandum and articles of association of GH;

(b) the annual reports of GH for the two financial years ended 30 June 2006 and 30 June 2007, respectively;

(c) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 16 to 17 of this offeree board circular;

(d) the letter of advice from Partners Capital, the text of which is set out on pages 18 to 37 of this offeree board circular;

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

(f) the written consent referred to in the paragraph headed "Expert and Consent" in this Appendix.

Copies of these documents will also be available for inspection on the website at http://www.goldenharvest.com/corporate/index.asp?lang=en and the website of the SFC at www.sfc.hk while the Offers remain open for acceptance.

11. MISCELLANEOUS

(a) The company secretary of GH is Ms. Lee So Ching. Ms. Lee has worked in listed companies in Hong Kong for 10 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.

(b) The qualified accountant of the Company is Mr. Yuen Kwok On. He is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Yuen has 17 years' experience in the accounting field. Prior to joining the Group, he worked in international accounting firms for 5 years.

(c) The registered office of GH is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(d) The share registrar of GH is Tricor Tengis Limited, the office of which is situated at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.

(e) The English Language text of this offeree board circular shall prevail over the Chinese language text.