嘉禾 Golden Harvest

GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1132)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2008

RESULTS FOR THE YEAR ENDED 30 JUNE 2008

HIGHLIGHTS

	2008	2007	Changes	
	HK$ millions	*HK$ millions*	*HK$ millions*	%
Continuing Operations				
Turnover	**620**	470	**+ 150**	**+ 32%**
Gross profit	**330**	253	**+ 77**	**+ 30%**
Profit/(loss) from operations	**20**	(28)	**+ 48**	**n/a**
Profit/(loss) for the year *	**7**	(23)	**+ 30**	**n/a**
The Group				
Profit attributable to shareholders	**10.8**	96.7		
Earnings per share	**8.2 cents**	73.4 cents		

* *excluding gain/(loss) on disposal of interest in associate and jointly controlled entity*

- Turnover increased by 32% to HK$620 million
- Gross profits grew HK$77 million to HK$330 million
- Profit from continuing operations improved to HK$20 million from a loss of HK$28 million
- Cinema admissions we served on a full and aggregated basis increased to 19.2 million across cinema networks in Hong Kong, mainland China, Taiwan and Singapore as a whole
- Total assets increased by 20% to HK$1,119 million
- Cash on hand increased by HK$45 million to HK$266 million
- Gearing ratio dropped from 21% to 5%

CHAIRMAN'S STATEMENT

I am glad to report that 2007/08 was the best year on record for the Golden Harvest Group (the "Group"), both in terms of admissions and box office income with our cinema operations in Hong Kong, mainland China, Taiwan and Singapore as a whole. We are honored to have served more than 19 million theatre guest admissions across our networks, who have brought us to achieve approximately HK$930 million box office income on a full and aggregated basis (including the gross revenue from the Group's jointly controlled entities).

Both the Group's established businesses of film exhibition and film distribution recorded healthy growth and improved turnover this year. Moving forward, our goal is to grow the reach of the Group's cinema networks, as well as sustain "Golden Harvest" as a leading household brand around the world in the film industry. The Group will continue to expand the multiplex business in mainland China, meanwhile fully utilizes the capability and strength of film distribution so as to expand the Group's business.

This year, the Group recorded impressive box office revenue from the multiplex located at MIXC Mall Phase I, City Crossing in Shenzhen despite intensified competition. In addition, the facilities and services of such multiplex are widely recognized as the best in the region, which helped us sustain our leading ranking nationally in terms of box office receipts. While we are now celebrating our best October Golden-Week ever achieved (having box office receipts doubled as compared to previous year's), we have also kick-started the design and construction of our expanding Phase II multiplex at same location. The Group believes that its position in the film market in Southern China will be further consolidated following the opening of the multiplex at MIXC Mall Phase II, City Crossing in Shenzhen.

For the multiplexes to be constructed in Beijing, Wuxi, Suzhou and Hangzhou, their planning/construction work are now in full swing. As such multiplexes complete and launch their openings, a number of high quality multiplexes will be available for the audience in other provinces in mainland China. Moreover, the Group will actively seek and explore other areas in mainland China with growth and market potentials to construct multiplexes so as to expand the Group's market share in the cinema industry in China and develop "Golden Harvest Cinema" as a nationwide superior cinema brand.

Apart from the multiplex business in mainland China, Vie Show Cinemas operated by our Taiwan-based joint venture and the GV cinema circuit operated by our Singapore-based joint venture continued to maintain a market leading position within the respective regions during the year. Both have been working hard during the year on creating an exceptional entertainment experience for our guests with different innovative and engaging offerings.

For film distribution business, the Group has distributed a number of well-received Chinese and non-Chinese language films during the year, including *The Warlords* and *The Golden Compass*. Recently, the 3D stereoscopic film *Journey to the Center of the Earth* distributed by the Group offers not only better visual effects to the audience, but also demonstrates the Group's continuous efforts in bringing in new elements for its film distribution business and seeks to make groundbreaking achievements. In the year ahead, the Group will continue to expand its film distribution business in this direction so as to bring in more fantastic films to the audience.

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

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION AND FINANCIAL REVIEW

Group revenues amounted to HK$620 million, compared with HK$470 million last year. Gross profit from continuing operations, with margin maintaining at about 53% plus, was HK$330 million versus that of HK$253 million reported last year. Excluding discontinued operations and gain/loss on disposal of interest in associate and jointly controlled entity, the Group recorded a net profit of approximately HK$7 million, which was significantly improved from last year's net loss of HK$23 million. After taking into account the two items mentioned above, the Group recorded a profit of HK$11 million for the year, vis-à-vis that of HK$97 million last year which included a one-off gain of approximately HK$116 million arising from the disposal of GSC, one of our cinema circuits in Malaysia.

Thanks to our focused business strategies and a number of strong Hollywood blockbuster titles released during the year such as *Harry Potter And The Order Of The Phoenix* and *Transformers*, results from our exhibition businesses were strong and continued its upward trend across most territories, although income from film distribution business was relatively soft this year. The Group continues to be a major and leading cinema operator in Asia, operating 23 cinemas with 187 screens across Hong Kong, mainland China, Taiwan and Singapore.

Riding on the success of our Shenzhen's flagship cinema, the continuing growth in the local film industry and box office receipts, as well as the emergence of investment opportunities in mainland China, the Group decided to redeploy its capital resources and put extra focus in developing new cinema projects in mainland China in the coming years while maintaining the leadership position in other territories.

To facilitate such expansion with stronger capital base for financing new projects, the Group divested our investment in Malaysia further. Following the disposal of our equity interest in a cinema circuit Golden Screen Cinemas Sdn. Bhd. in Malaysia in February 2007, the Group entered into another agreement in February 2008 to dispose of our remaining Malaysian cinema circuit TGV Cinemas Sdn. Bhd. ("TGV") at a total consideration of RM51 million (approximately HK$122 million which included repayment of amount due to the Group by TGV). The transaction was completed in July 2008 and would be accounted for in the next fiscal year. In accordance with the accounting standards, the Group has classified its investment in TGV as held for sale and accounted for its contribution for the year as discontinued operation in the financial statements.

In January 2008, the Group reached a settlement agreement with the joint venture partner Village Roadshow ("VR") to end the legal disputes regarding the management of Golden Village Multiplex Pte Ltd. ("GVM"). According to the settlement agreement and the new shareholders agreement, the Group would jointly manage GVM's key operational and financial matters with VR, and thereafter accordingly, GVM has become a jointly-controlled entity of the Group and its results were also proportionately consolidated into the Group's financial statements.

During the year, the Group also focused on cost structure improvement which resulted in certain reduction in our headquarter expenses. We will continue our efforts to enhance corporate expense optimization and strive towards further growth in the forthcoming year.

BUSINESS REVIEW

Film Exhibition

The Group served more than 19 million theatre guest admissions during the year, and box office income improved almost 8% across the Group on a full and aggregated basis (including the gross revenue from its jointly controlled entities) to approximately HK$930 million. Confectionary sales income showed an encouraging and healthy increase of 10.7%, reflecting positive results from both the enhanced confectionary product mix and confectionary prices, in addition to the improved attendance level.

Hong Kong

Hong Kong market as a whole, recorded a box office receipts of HK$1,075 million, which enjoyed an 11% increase compared to last year. Running slightly higher than the market, our cinemas in Hong Kong achieved an encouraging result for the year with theatre takings increased by HK$16 million or 12% from last year. Apart from strong Hollywood line-up this summer, the Group also took the opportunity of improved economic conditions to raise the ticket price and occupancy by launching new pricing scheme as well as executing cinema-oriented film programming strategy. As a result of various efforts, our market share has slightly improved to above 13%.

Mainland China

Shenzhen, the city in which we operate our flagship cinema, saw a strong surge of market box office by 66% last year. That was largely due to increased supply of new cinemas over the past two years as well as the stronger consumer spending. The Group's 7-screen cinema located at MIXC Mall City Crossing continued to maintain its theatre takings at a high level despite intensified competition in the city and achieved a 25% market share in Shenzhen. It, at the same time, continued to be ranked as the 2nd highest box-office cinema in China nationally – with admissions grew by 10% and theatre takings grossed RMB46 million for the year. Furthermore, the Group extended its digital screen/in-theatre advertising business to other Shenzhen cinemas, and earned a satisfactory return from such investment.

Taiwan

The market box office for the year remained flat in Taiwan compared to last year, as consumer sentiment was weakened to some extent by political events. Our cinema circuit Vie Show, via implementing various operational enhancement programs which included a new tie-in promotion with a credit card company, continued to maintain its solid market share of around 35% for the year. The Group shared a net profit of HK$18 million from Vie Show, as compared to HK$18 million last year which included the recognition of tax credit of over HK$4 million relating to its accumulated tax losses. In addition, during the year, Vie Show acquired 50% equity interest in a 4-screen cinema and strengthened the circuit's presence in Taipei. On the other hand, we shut down a cinema in Hsinchu due to the closure of a shopping mall and took up a write-off of fixed assets in the amount of HK$2 million (our share).

Singapore

The "Lion City" enjoyed a growth in market box office of 15% to S$150 million for the year. Due to opening of new cinemas by competitors, market share of GVM was slightly affected and declined to 44% this year. Since the opening of the 15-screen flagship cinema GV Vivocity in October 2006, performance of GVM has shown significant improvement. Theatre takings of GVM for the year increased by 9% to S$67 million. The Group shared a net profit of HK$22 million for the year, significantly up from HK$14 million of last year.

Malaysia

Net contribution from our circuit TGV significantly dropped by HK$5 million to HK$4 million because of fierce market competitions. In February 2008, the Group entered into an agreement to dispose of TGV and the transaction was completed in July 2008.

Film Distribution

The market box office receipts in Hong Kong increased by 11% to HK$1,075 million, of which non-Chinese language films took HK$736 million or 68% of the total box offices. Driven by several high budget and fine quality pictures such as *CJ7*, *Lust Caution* and *The Warlords*, the market box office receipts of Chinese language films was increased by 21% to HK$339 million for the year. As a major player in distributing both Chinese and non-Chinese language films, the Group held a 13% market share in terms of box office receipts.

Chinese Language Films

The Group distributed 15 Chinese language films during the year, including Andy Lau's *The Warlords*, as compared to 12 titles over the same period last year. The total box office of Chinese language films distributed by the Group amounted to HK$69 million and the Group holds a market share of approximately 20% this year.

The Group owns a film library of approximately 140 Chinese film titles for worldwide distribution which continuously generates steady income to the Group. During the year, the library generated an income of approximately HK$10 million for the Group from its royalty licensing activity.

Non-Chinese Language Films

The Group distributed 24 non-Chinese language films during the year, including *The Golden Compass*, *L Change The World* and *A Tale Of Mari And Three Puppies*. The total box office of non-Chinese films distributed by the Group increased by 26% to HK$69 million, representing about 9% market share. The contribution from non-Chinese films was satisfactory but it was relatively soft compared to last year which included the income from the very successful Japanese movies *Death Note I & II* distributed by the Group in Hong Kong and Taiwan. Moving forward, the Group will continue to expand the film financing and licensing businesses in Hong Kong, mainland China and Taiwan. Our recently released 3D stereoscopic film, *Journey to the Centre of the Earth* in Hong Kong has delivered a very encouraging result.

PROSPECTS

The Group has dedicated its efforts in strengthening and growing both the exhibition and distribution networks in territories with higher market potential and better returns. Given the continued opening of film market in mainland China and the increase in investment opportunities, we strongly believe that this is the appropriate time for the Group to redeploy its resources to strengthen our presence in mainland China. The Group has planned to open more screens in Shenzhen and other principal cities such as Beijing, Hangzhou, Suzhou and Wuxi in the years ahead.

We are facing a challenging year ahead with the recent global economic uncertainties caused by the sub-prime mortgage related credit crisis in United States as well as the austerity measures implemented in mainland China for preventing overheating economy and inflation. We are cautiously optimistic in respect to the prospects of film industry in territories we operated. Hong Kong will continue to be the base of the Group's operations and we have adopted stringent measures to control the general and administrative expenses.

FINANCIAL RESOURCES AND LIQUIDITY

During the year, convertible notes in aggregate amounts of HK$90 million have been converted into the ordinary shares of the Company, creating a total of approximately 41 million new ordinary shares at a conversion price of HK$2.2 per share. The Group's borrowings significantly decreased.

In addition, the Group obtained a new bank loan facility of RMB24 million during the year for the development of our cinemas in mainland China. The loan is repayable within 4 years from the drawdown date and as at 30 June 2008, the loan has not been utilized. The loan is secured by the pledge of certain fixed assets of the Group and is at floating interest rates.

As at 30 June 2008, the Group's cash balance was HK$266 million (2007: HK$221 million), representing an increase of 20% as compared with that of 2007. The aggregate amount of the Group's bank borrowings and the convertible notes was HK$52 million (2007: HK$196 million). Our gearing ratio, calculated on the basis of external borrowings (including the convertible notes) over total assets, was 5%, representing a significant improvement from 21% in 2007. The improvement was mainly attributable to the conversion of the convertible notes and increase in total assets.

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

The Group did not have any significant contingent liabilities as of 30 June 2008.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2008, the Group had 311 (2007: 264) permanent employees. The Group remunerates its employees largely based on industry practice. In addition to salaries, commissions and discretionary bonuses, share options are granted to certain employees based on individual merit. The Group also operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance and as at the balance sheet, there was no forfeited contribution arising from employees leaving the retirement benefit scheme.

RESULTS

The Board of Directors (the "Board") of Golden Harvest Entertainment (Holdings) Limited (the "Company") herein announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 30 June 2008, which have been reviewed by the audit committee of the Company (the "Audit Committee") together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

	Note	**2008** *HK$'000*	2007 *HK$'000*
Continuing operations			
Turnover	*2*	**619,901**	469,511
Cost of sales		**(289,552)**	(216,732)
Gross profit		**330,349**	252,779
Other income		**67,723**	43,775
Selling and distribution costs		**(301,739)**	(244,452)
General and administrative expenses		**(61,498)**	(68,799)
Other operating expenses		**(14,979)**	(11,445)
Profit/(loss) from operations		**19,856**	(28,142)
Finance costs	*3(a)*	**(11,970)**	(15,712)
Share of profits less losses of associates		**9,663**	20,801
Gain on disposal of interest in an associate		**–**	115,970
Loss on disposal of interest in a jointly controlled entity		**–**	(5,717)
Profit before taxation		**17,549**	87,200
Income tax	*4*	**(10,391)**	414
Profit for the year from continuing operations		**7,158**	87,614

	Note	**2008**	2007
		HK$'000	*HK$'000*
Discontinued operation			
– jointly controlled entity held for sale			
Profit for the year from discontinued operation		**3,911**	8,949
Total profit for the year	*3*	**11,069**	96,563
Attributable to:			
Equity shareholders of the Company		**10,763**	96,717
Minority interests		**306**	(154)
Profit for the year		**11,069**	96,563
Earnings per share	*5*		
Basic			
– Continuing operations		**5.2 cents**	66.6 cents
– Discontinued operation		**3.0 cents**	6.8 cents
		8.2 cents	73.4 cents
Diluted			
– Continuing operations		**5.2 cents**	52.8 cents
– Discontinued operation		**3.0 cents**	5.0 cents
		8.2 cents	57.8 cents

CONSOLIDATED BALANCE SHEET

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Fixed assets		**367,395**	262,189
Interest in associates		**–**	169,369
Amounts due from jointly controlled entities		**32,285**	26,069
Prepaid rental		**8,015**	8,704
Club memberships		**3,590**	3,590
Rental and other deposits		**54,006**	51,507
Trademarks		**79,421**	79,421
Deferred tax assets		**358**	1,503
Pledged bank deposits		**10,133**	2,049
		555,203	604,401
Current assets			
Inventories		**2,417**	708
Film rights		**27,503**	33,090
Trade receivables	*6*	**27,045**	13,450
Other receivables, deposits and prepayments		**49,355**	42,674
Amounts due from jointly controlled entities		**50,277**	14,787
Pledged bank deposits		**–**	2,141
Deposits and cash		**266,307**	219,162
		422,904	326,012
Assets of a jointly controlled entity held for sale		**141,037**	–
		563,941	326,012
Current liabilities			
Trade payables	*7*	**68,609**	46,946
Other payables and accrued charges		**129,472**	87,250
Amounts due to associates		**–**	236
Customer deposits		**3,675**	5,622
Bank loans		**12,480**	25,311
Convertible notes		**31,066**	20,262
Current portion of finance lease payables		**–**	353
Loans from joint venture partners		**22,144**	14,787
Taxation payable		**9,618**	3,788
		277,064	204,555
Liabilities of a jointly controlled entity held for sale		**101,135**	–
		378,199	204,555
Net current assets		**185,742**	121,457
Total assets less current liabilities		**740,945**	725,858

	Note	2008 HK$'000	2007 HK$'000
Non-current liabilities			
Bank loans		**7,800**	48,686
Convertible notes		**–**	100,590
Non-current portion of finance lease payables		**–**	799
Loans from joint venture partners		**42,505**	26,069
Loan from minority shareholder		**696**	–
Deposits received		**4,248**	3,700
Deferred tax liabilities		**16,540**	7,999
		71,789	187,843
NET ASSETS		**669,156**	538,015
Capital and reserves			
Share capital		**169,638**	128,357
Reserves		**498,097**	409,103
Total equity attributable to equity shareholders of the Company		**667,735**	537,460
Minority interests		**1,421**	555
TOTAL EQUITY		**669,156**	538,015

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The adoption of the new and revised HKFRSs has no significant impact on the financial statements of the Group for the years ended 30 June 2007 and 30 June 2008 except for the presentation requirements following the adoption of HKFRS 7, "Financial instruments: Disclosures" and the amendment to HKAS 1, "Presentation of financial statements: Capital disclosures", there have been some additional disclosures provided as follows:

HKFRS 7, Financial instruments: Disclosures

As a result of the adoption of HKFRS 7, the financial statements included expanded disclosure about the significance of the financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, "Financial Instruments: Disclosure and presentation".

HKAS 1, Presentation of financial statements: Capital disclosures

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

2. REVENUE AND SEGMENT INFORMATION

(a) Business segments

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

	2008				
	Film and video distribution *HK$'000*	**Film exhibition** *HK$'000*	**Others** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
Continuing operations					
Sales to external customers	**71,870**	**536,324**	**11,707**	**–**	**619,901**
Inter-segment revenue	**6,418**	**–**	**1,837**	**(8,255)**	**–**
Other income	**1,902**	**36,460**	**329**	**(413)**	**38,278**
Total revenue from continuing operations	**80,190**	**572,784**	**13,873**	**(8,668)**	**658,179**
Segment results from continuing operations	**4,945**	**38,570**	**757**	**–**	**44,272**
Interest income					**5,423**
Unallocated operating income/(expenses), net					**(29,839)***
Finance costs					**(11,970)**
Share of profits less losses of associates	**3,897**	**5,766**	**–**	**–**	**9,663**
Profit before taxation					**17,549**
Income tax					**(10,391)**
Profit for the year from continuing operations					**7,158**
Discontinued operation					
Sales to external customers	**–**	**119,828**	**–**	**–**	**119,828**
Other income	**–**	**1,992**	**–**	**–**	**1,992**
Total revenue from discontinued operation	**–**	**121,820**	**–**	**–**	**121,820**
Segment results from discontinued operation	**–**	**8,524**	**–**	**–**	**8,524**
Interest income					**421**
Finance costs					**(1,515)**
Profit before taxation					**7,430**
Income tax					**(3,519)**
Profit for the year from discontinued operation					**3,911**
Total profit for the year					**11,069**

* *This includes exchange gain of $24,154,000.*

	2008				
	Film and video distribution *HK$'000*	**Film exhibition** *HK$'000*	**Others** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
Depreciation for the year	**537**	**48,348**	**230**	**–**	**49,115**
Unallocated					**1,091**
					50,206
Amortisation of prepaid land lease payments	**–**	**321**	**19**	**–**	**340**
Amortisation of film rights	**31,930**	**–**	**–**	**–**	**31,930**
Impairment allowances for trade and other receivables, net	**1,535**	**259**	**2**	**–**	**1,796**
Segment assets	**86,188**	**655,064**	**7,563**	**–**	**748,815**
Assets of a jointly controlled entity held for sale					**141,037**
Trademarks					**79,421**
Unallocated assets					**149,871**
Total assets					**1,119,144**
Segment liabilities	**39,562**	**214,305**	**4,782**	**–**	**258,649**
Liabilities of a jointly controlled entity held for sale					**101,135**
Unallocated liabilities					**90,204**
Total liabilities					**449,988**
Capital expenditure incurred during the year	**716**	**65,417**	**–**	**–**	**66,133**
Unallocated					**1,782**
					67,915

	2007				
	Film and video distribution *HK$'000*	Film exhibition *HK$'000*	Others *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Continuing operations					
Sales to external customers	59,647	392,605	17,259	–	469,511
Inter-segment revenue	6,160	–	1,053	(7,213)	–
Other income	1,769	29,966	340	(341)	31,734
Total revenue from continuing operations	67,576	422,571	18,652	(7,554)	501,245
Segment results from continuing operations	14,352	19	872	–	15,243
Interest income					4,959
Unallocated operating income/(expenses), net					(48,344)*
Finance costs					(15,712)
Share of profits less losses of associates	4,542	16,259	–	–	20,801
Gain on disposal of interest in an associate					115,970
Loss on disposal of interest in a jointly controlled entity					(5,717)
Profit before taxation					87,200
Income tax					414
Profit for the year from continuing operations					87,614
Discontinued operation					
Sales to external customers	–	96,189	–	–	96,189
Other income	–	1,815	–	–	1,815
Total revenue from discontinued operation	–	98,004	–	–	98,004
Segment results from discontinued operation	–	13,262	–	–	13,262
Interest income					486
Finance costs					(907)
Profit before taxation					12,841
Income tax					(3,892)
Profit for the year from discontinued operation					8,949
Total profit for the year					96,563

* *This includes exchange gain of $5,726,000.*

	2007				
	Film and video distribution *HK$'000*	Film exhibition *HK$'000*	Others *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Depreciation for the year	298	40,167	213	–	40,678
Unallocated					1,093
					41,771
Amortisation of prepaid land lease payments	–	–	18	–	18
Amortisation of film rights	11,058	–	–	–	11,058
Impairment allowances for trade and other receivables, net	(99)	(2)	1,428	–	1,327
Segment assets	64,723	426,826	8,736	–	500,285
Interest in associates					169,369
Trademarks					79,421
Unallocated assets					181,338
Total assets					930,413
Segment liabilities	23,982	145,222	5,327	–	174,531
Unallocated liabilities					217,867
Total liabilities					392,398
Capital expenditure incurred during the year	429	64,399	102	–	64,930
Unallocated					1,086
					66,016

(b) Geographical segments

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

	2008							
	Hong Kong	**PRC**	**Singapore**	**Taiwan**	**Malaysia**	**Elsewhere in Asia**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Sales to external customers	**209,134**	**63,919**	**140,490**	**202,688**	**120,272**	**2,439**	**787**	**739,729**
Less:								
Attributable to discontinued operation	**–**	**–**	**–**	**–**	**119,828**	**–**	**–**	**119,828**
Sales to external customers from continuing operations	**209,134**	**63,919**	**140,490**	**202,688**	**444**	**2,439**	**787**	**619,901**
Other segment information:								
Segment assets	**283,524**	**83,458**	**297,679**	**207,359**	**167,700**	**–**	**3**	**1,039,723**
Trademarks								**79,421**
Capital expenditure incurred during the year	**11,400**	**3,822**	**8,301**	**11,122**	**33,270**	**–**	**–**	**67,915**

	2007							
	Hong Kong	PRC	Singapore	Taiwan	Malaysia	Elsewhere in Asia	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Sales to external customers	196,740	52,847	–	213,849	98,049	3,035	1,180	565,700
Less:								
Attributable to discontinued operation	–	–	–	–	96,189	–	–	96,189
Sales to external customers from continuing operations	196,740	52,847	–	213,849	1,860	3,035	1,180	469,511
Other segment information:								
Segment assets	305,290	50,058	–	194,082	131,987	191	15	681,623
Interest in associates								169,369
Trademarks								79,421
Capital expenditure incurred during the year	13,070	6,599	–	10,955	35,392	–	–	66,016

3. PROFIT FOR THE YEAR

Profit for the year is arrived at after charging:

	2008	2007
	HK$'000	*HK$'000*
(a) Finance costs		
Continuing operations		
Interest on bank loans wholly repayable within five years	**2,415**	5,980
Interest on convertible notes	**7,790**	7,186
Interest on loans from joint venture partners	**911**	1,812
Finance charges on obligations under finance leases	**79**	109
Other borrowing costs	**775**	625
	11,970	15,712
Discontinued operation		
Interest on bank loans wholly repayable within five years	**1,515**	907
	13,485	16,619
(b) Other items		
Cost of inventories	**33,565**	8,003
Cost of services	**276,344**	238,854
Depreciation	**50,206**	41,771
Amortisation of prepaid land lease payments	**340**	18
Amortisation of film rights	**31,930**	11,058
Loss on disposal of property, plant and equipment	**7,027**	1,945

4. INCOME TAX

Taxation in the consolidated income statement represents:

	2008 *HK$'000*	2007 *HK$'000*
Continuing operations		
Group		
Current income tax		
Provision for overseas tax	**948**	1,237
(Over)/under-provision in respect of prior years	**(543)**	312
	405	1,549
Jointly controlled entities		
Current income tax		
Provision for overseas tax	**2,583**	–
Over-provision in respect of prior years	**–**	(279)
	2,583	(279)
Deferred tax – overseas		
Origination and reversal of temporary differences	**7,403**	(1,684)
	9,986	(1,963)
	10,391	(414)
Discontinued operation		
Current income tax		
Provision for overseas tax	**2,269**	3,465
Deferred tax – overseas		
Origination and reversal of temporary differences	**1,250**	427
	3,519	3,892
	13,910	3,478

5. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company from continuing operations and discontinued operation of HK$6,852,000 and HK$3,911,000 respectively (2007: HK$87,768,000 and HK$8,949,000) and the weighted average of 131,225,351 ordinary shares (2007: 131,804,146 ordinary shares) in issue during the year, calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company

	2008	2007
	HK$'000	*HK$'000*
Profit attributable to ordinary equity shareholders		
– Continuing operations	**6,852**	87,768
– Discontinued operation	**3,911**	8,949
	10,763	96,717

(ii) Weighted average number of ordinary shares

	2008	2007
Issued ordinary shares at 1 July	**128,356,537**	133,030,937
Effect of shares repurchased	**(1,390,724)**	(1,226,791)
Effect of share options exercised	**546,175**	–
Effect of conversion of convertible notes	**3,713,363**	–
Weighted average number of ordinary shares at 30 June	**131,225,351**	131,804,146

Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company from continuing operations and discontinued operation of HK$6,852,000 and HK$3,911,000 respectively (2007: HK$94,954,000 and HK$8,949,000) and the weighted average number of ordinary shares of 131,642,634 shares (2007: 179,749,351 shares), calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2008	2007
	HK$'000	*HK$'000*
Continuing operations		
Profit attributable to ordinary equity shareholders	**6,852**	87,768
After tax effect of effective interest on the liability component of convertible notes	**–**	7,186
Profit attributable to ordinary equity shareholders (diluted)	**6,852**	94,954
Discontinued operation		
Profit attributable to ordinary equity shareholders	**3,911**	8,949

(ii) Weighted average number of ordinary shares (diluted)

	2008	2007
Weighted average number of ordinary shares at 30 June	**131,225,351**	131,804,146
Effect of deemed issue of shares under the Company's share option scheme for nil consideration *(note 1)*	**417,283**	–
Effect of conversion of convertible notes *(note 2)*	**–**	47,945,205
Weighted average number of ordinary shares (diluted) at 30 June	**131,642,634**	179,749,351

Notes:

1 The share options had no diluting effect on the basic earnings per share for 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 prior year.

2 The convertible notes had no diluting effect on the basic earnings per share for the current year.

6. TRADE RECEIVABLES

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 trade receivables relate to a large number of diversified customers, the concentration of credit risk is not considered significant. Trade receivables are non-interest-bearing. The carrying amounts of the trade receivables approximate their fair values. The ageing analysis of trade receivables (net of allowance for doubtful debts) as of the balance sheet date is as follows:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Current to 3 months	**21,357**	12,325
Within 4 to 6 months	**3,900**	1,125
Over 6 months	**1,788**	–
	27,045	13,450

7. TRADE PAYABLES

The ageing analysis of trade payables as of the balance sheet date is as follows:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Current to 3 months	**63,275**	42,534
Within 4 to 6 months	**193**	500
Within 7 to 12 months	**1,509**	109
Over one year	**3,632**	3,803
	68,609	46,946

DIVIDEND

No interim dividend was declared (2007: Nil) during the year. The Directors do not recommend payment of a final dividend for the year ended 30 June 2008 (2007: Nil). On 26 August 2008, a special dividend of HK$0.10 per share, amounting to a total of HK$18,327,399, was declared by the Board and has been paid to the shareholders of the Company whose names appeared on the register of members of the Company at close of business on 11 September 2008.

PURCHASE, REDEMPTION OR SALE OF SHARES

During the financial year ended 30 June 2008, the Company repurchased its shares on the Stock Exchange. The Directors consider that such repurchases were made in the best interest of the shareholders of the Company who retain their investments in the Company. Details of such share repurchase are set out below:

Month/Year	**Number of shares repurchased**	**Highest price per share**	**Lowest price per share**	**Aggregated consideration (excluding transaction costs)**
		HK$	*HK$*	*HK$*
July 2007	628,000	3.40	3.24	2,064,020
August 2007	615,000	3.30	2.90	1,937,770
September 2007	270,000	3.00	2.92	801,930
February 2008	90,000	4.00	3.88	351,660
Total:	1,603,000			5,155,380

The shares repurchased during the year were cancelled upon repurchase and accordingly, the issued share capital of the Company was diminished by the nominal value thereof. The premium payable on repurchase was charged against the share premium account of the Company.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its code of conduct regarding directors' securities transactions. The Company made specific enquiry of all Directors regarding any non-compliance with the Model Code and all Directors confirmed that they have complied with the required standard setout in the Model Code during the financial year ended 30 June 2008.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

For the financial year ended 30 June 2008, the Company has complied with the code provisions of the CG Code except for deviations from the code provisions A.2.1, A.3, A.4.1 and B.1.1 of the CG Code as summarized below:

(a) Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer ("CEO") should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing. The Company at present does not have any officer with the title of CEO. Due to the re-designation of Mr. Phoon Chiong Kit from executive Director to non-executive Director with effect from 21 December 2007, Mr. Wu Kebo, the chairman and executive Director, was appointed as the acting managing Director with effect from 21 December 2007. The Board considers that as Mr. Wu Kebo has experience in acting in a leading and managing role in media and entertainment businesses, it is in the interests of the Company for Mr. Wu Kebo to act as the acting managing Director pending the appointment of a new managing Director to ensure continuity. The Board has taken active steps to identify a suitable individual with appropriate qualifications to act as the CEO of the Company and is still in the process of identifying such individual.

(b) Pursuant to note 1 to code provision A.3 of the CG Code and as required under Rule 3.10 of the Listing Rules, every board of directors of a listed issuer must include at least 3 independent non-executive directors. Due to the resignation of Mr. Paul Ma Kah Woh as an independent non-executive Director on 24 December 2007, the total number of independent non-executive Directors fell below the minimum number as required under Rule 3.10 of the Listing Rules. Subsequently, Mr. Leung Man Kit was appointed by the Board as an independent non-executive Director with effect from 11 February 2008 such that the requirement as to the minimum number of independent non-executive Directors as required under note 1 to code provision A.3 of the CG Code and Rule 3.10 of the Listing Rules had been fulfilled.

(c) Pursuant to code provision A.4.1 of the CG Code, non-executive directors of a listed issuer should be appointed for a specific term and subject to re-election. All non-executive Directors were not appointed for a specific term but are subject to the requirement of retirement by rotation and re-election at least once every three years at the annual general meetings of the Company in accordance with the relevant provisions of the Company's Bye-laws, accomplishing the same purpose as being appointed for a specific term.

(d) Pursuant to code provision B.1.1 of the CG Code, a majority of the members of the remuneration committee of a listed issuer should be independent non-executive directors. The remuneration committee of the Company currently comprises one executive Director, one non-executive Director and two independent non-executive Directors. During the year, due to the resignation of Mr. Paul Ma Kah Woh and Mr. Frank Lin as independent non-executive Directors and members of the remuneration committee of the Company (the "Remuneration Committee"), the requirement in relation to the composition of the remuneration committee under code provision B.1.1 of the CG Code has not been fulfilled. The Board is in the process of identifying suitable candidates to act as the independent non-executive Director of the Company.

As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the code provisions of the CG Code.

Audit Committee

The Audit Committee was established with written terms of reference in accordance with the code provisions of the CG Code. The Audit Committee is delegated by the Board to assess matters related to the financial statements and to perform the duties, including reviewing the Company's financial controls and internal control, financial and accounting policies and practices and the relationship with the external auditor. The Audit Committee comprises three members who are independent non-executive Directors, namely Mr. Leung Man Kit (the chairman), Mr. Huang Shao-Hua, George and Prince Chatrichalerm Yukol.

Remuneration Committee

The Remuneration Committee was established with written terms of reference in accordance with the code provisions of the CG Code. The principal responsibilities of the Remuneration Committee include formulation and making recommendation of remuneration policy and remuneration package of the Directors and members of senior management to the Board. The Remuneration Committee comprises four members, Mr. Eric Norman Kronfeld (the chairman), Mr. Wu Kebo with two independent non-executive Directors, namely Mr. Leung Man Kit and Prince Chatrichalerm Yukol, as members.

ANNUAL GENERAL MEETING ("AGM")

The 2008 AGM of the Company will be held on Thursday, 20 November 2008 and the Notice of AGM will be published and despatched in the manner as required by the Listing Rules.

On behalf of the Board
Wu Kebo
Chairman

Hong Kong, 16 October 2008

List of all Directors of the Company as of the time issuing this announcement:–

Chairman and Executive Director:
Mr. Wu Kebo

Executive Directors:
Ms. Winnie Chan Suet Yin
Ms. Fiona Chow Sau Fong
(also alternate to Mr. Chow Siu Hong)
Ms. Wu Keyan (alternate to Mr. Wu Kebo)
Ms. Wang Wei

Non-executive Directors:
Mr. Eric Norman Kronfeld
Mr. Takashi Araki
Mr. Chow Siu Hong
Mr. Shen De Min

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