

## FINANCIAL REVIEW

The Group recorded a turnover of HK\$17,476,000 for the year ended 31 December 2006, a 54% decrease from HK\$38,339,000 for the previous year. Of the total turnover amount, HK\$164,000 or 1% was generated from distribution of films, HK\$200,000 or 1% was generated from sub-licensing of film rights, HK\$15,229,000 or 87% was generated from sales of financial assets and HK\$1,883,000 or 11% was generated from property investment. The loss for the year ended 31 December 2006 was HK\$21,294,000, representing a 28% improvement over the corresponding figure of HK\$29,664,000 in 2005. The improvement was mainly attributable to the fact that the Group did not record any impairment losses recognised in respect of film rights and goodwill in the year ended 31 December 2006 while the Group recorded such impairment losses of HK\$21,012,000 in the previous year. This improvement was partly offset by the increases in administrative expenses and finance costs resulted from the Group's expansion into property investment business.

Cost of sales for the year ended 31 December 2006 amounted to HK\$13,998,000, out of which HK\$13,461,000 was related to sales of financial assets and HK\$271,000 was related to property investment. Cost of sales for distribution of films and sub-licensing of film rights decreased from HK\$16,092,000 for the year ended 31 December 2005 to HK\$266,000 for the year ended 31 December 2006. The decrease was attributed to the slow down of the Group's film distribution activities.

Gross profit margin for distribution of films and sub-licensing of film rights improved from 19% in the year ended 31 December 2005 to 27% in the year ended 31 December 2006. The improvement in gross profit margin was attributed to the cost of certain films sold in 2006 had already been almost fully amortised.

## 財務回顧

截至二零零六年十二月三十一日止年度，本集團錄得營業額17,476,000港元，較去年之38,339,000港元減少54%。總營業額其中，164,000港元或1%來自電影發行，200,000港元或1%來自轉授電影發行權，15,229,000港元或87%來自銷售金融資產及1,883,000港元或11%來自投資物業。截至二零零六年十二月三十一日止年度之虧損為21,294,000港元，較二零零五年同期之29,664,000港元改善28%。改善主要與由於本集團於截至二零零六年十二月三十一日止年度並無錄得關於確認電影版權及商譽之任何減值虧損而本集團於前一年錄得該減值損失21,012,000港元有關。該改善部分由本集團投資物業業務擴張帶來的行政開支及財務費用增加而抵銷。

截至二零零六年十二月三十一日止年度之銷售成本為13,998,000港元，其中13,461,000港元與金融資產銷售和271,000港元與物業投資有關。電影發行權及轉授電影發行權之銷售成本由截至二零零五年十二月三十一日止年度之16,092,000港元減少至截至二零零六年十二月三十一日止年度之266,000港元。減少主要與本集團發行電影活動減少有關。

發行電影及轉授電影發行權之毛利率由截至二零零五年十二月三十一日止年度之19%提升至截至二零零六年十二月三十一日止年度之27%。毛利率改善主要與二零零六年若干電影銷售成本完全攤銷有關。

## Management Discussion and Analysis 管理層討論及分析

For the year ended 31 December 2006, the Group recorded a gross profit of HK\$1,768,000 for sales of financial assets. Taking into account the dividend income of HK\$754,000 and an increase in fair value of financial assets at fair value through profit or loss of HK\$5,360,000, the performance of the Group's sales of financial assets was a profit of HK\$7,882,000. At 31 December 2006, the fair value of the Group's financial assets at fair value through profit or loss amounted to HK\$28,100,000. The Group will continue to manage its financial assets at fair value through profit or loss in a prudent manner.

As announced by the Company on 17 February 2006, the Group entered into a conditional sale and purchase agreement with Northbay Investments Holdings Limited ("Northbay"), pursuant to which the Group would acquire (a) 100% of the issued share capital of Shinhan-Golden Faith International Development Limited ("Shinhan-Golden") and (b) the debts owed by Shinhan-Golden to Northbay, at an aggregate consideration of HK\$266,064,350 (the "Acquisition"). Shinhan-Golden is an investment holding vehicle and its major asset is the 96.7% equity interest in Beijing Jian Guo Real Estate Development Co. Ltd. ("Beijing Jianguo"). Beijing Jianguo is the registered owner of a property (the "Beijing Property") located at No. 9 Gongyuan Xijie, Dongcheng District, Beijing, The People's Republic of China (the "PRC"). The Acquisition was completed on 21 June 2006. During the year ended 31 December 2006, rental income of HK\$1,883,000 was generated from the leasing of the ground floor of the Beijing Property. As the Beijing Property is under renovation, no revenue was generated from the apartment units.

Other revenue increased from HK\$2,066,000 in the year ended 31 December 2005 to HK\$5,699,000 in the year ended 31 December 2006. The increase was attributed to an increase in interest income on bank deposits of HK\$2,975,000 resulting from the top-up placing of new shares raising HK\$131,179,000 in September 2005.

截至二零零六年十二月三十一日止年度，本集團之金融資產銷售錄得1,768,000港元之毛利。經計入股息收入754,000港元及按公平值計入損益表之金融資產公平值增加5,360,000港元，本集團金融資產買賣業績為溢利7,882,000港元。於二零零六年十二月三十一日，本集團之按公平值計入損益表之金融資產之公平值為28,100,000港元。本集團將審慎管理其按公平值計入損益表之金融資產。

誠如本公司於二零零六年二月十七日所公佈，本集團與Northbay Investments Holdings Limited（「Northbay」）訂立有條件買賣協議，據此，本集團將按總代價266,064,350港元收購(a)Shinhan-Golden Faith International Development Limited（「Shinhan-Golden」）之全部已發行股本及(b) Shinhan-Golden結欠Northbay之債務（「收購事項」）。Shinhan-Golden為投資控股公司，其主要資產為北京建國房地產開發有限公司（「北京建國」）之96.7%股本權益。北京建國為位於中國（「中國」）北京市東城區貢院西街9號之物業（「北京物業」）之註冊擁有人。收購事項已於二零零六年六月二十一日完成。於截至二零零六年十二月三十一日止年度，北京物業地面樓層出租之租約收入為1,883,000港元。由於北京物業仍在翻新中，故公寓單位並無帶來任何收益。

其他收益由截至二零零五年十二月三十一日止年度之2,066,000港元增加至截至二零零六年十二月三十一日止年度之5,699,000港元。增加主要與於二零零五年九月以增補方式增加配售新股而籌得131,179,000港元，以致銀行存款利息收入增加2,975,000港元有關。

## Management Discussion and Analysis

### 管理層討論及分析

Administrative expenses (net of amortisation and depreciation expenses, and impairment losses) amounted to HK\$24,978,000 for the year ended 31 December 2006, a 72% increase from HK\$14,552,000 as compared to the correspondence figure for the previous year. The increase was mainly attributed to the Group's expansion into property investment business in June 2006 and the engagements of external consultants for the renovation work of the Beijing Property.

At 31 December 2006, an impairment loss of HK\$1,050,000 was recognised for long outstanding trade receivables. The directors were uncertain whether the amount would ultimately be collected and considered that it was prudence to make such an impairment loss.

Finance costs increased from HK\$340,000 in the year ended 31 December 2005 to HK\$9,615,000 in the year ended 31 December 2006. The substantial increase was attributable to the inclusion of Beijing Jianguo's secured bank loans interest expenses of HK\$9,515,000 following the completion of the Acquisition.

Following the completion of the Acquisition on 21 June 2006, the headcount of the Group increased from 28 at 31 December 2005 to 59 at 31 December 2006. Total staff costs (including directors' remuneration) amounted to HK\$7,375,000 in the year ended 31 December 2006, a 6% increase from HK\$6,956,000 as compared to the correspondence figure for the previous year. Employees are remunerated according to their performance and work experience. In addition to basic salaries and retirement

截至二零零六年十二月三十一日止年度，行政開支(扣除攤銷及折舊開支及減值虧損)為24,978,000港元，較去年同期之14,552,000港元增加72%。增加主要與本集團於二零零六年六月擴張投資物業業務及因北京物業而聘用外間諮詢顧問翻新工作有關。

於二零零六年十二月三十一日，已就長期未償還貿易應收款項確認1,050,000港元之減值虧損。董事不肯定最終能否收回有關款項，並認為就此作出撥備較為審慎。

融資費用由截至二零零五年十二月三十一日止年度之340,000港元增加至截至二零零六年十二月三十一日止年度之9,615,000港元，大幅增長主要與完成收購事項後計及北京建國之有抵押銀行貸款利息開支9,515,000港元有關。

隨著於二零零六年六月二十一日完成收購事項後，本集團之僱員人數由二零零五年十二月三十一日之28名增加至二零零六年十二月三十一日之59名。截至二零零六年十二月三十一日止年度之總員工成本(包括董事酬金)為7,375,000港元，較去年同期之6,956,000港元輕微上升6%。僱員乃按其表現及工作經驗獲得酬金。除基本薪金及退休計劃外，員工福利

## Management Discussion and Analysis 管理層討論及分析

scheme, staff benefits include medical scheme and share options. An analysis of headcount and total staff costs of the Group for the years ended 31 December 2006 and 2005 is as follows:

亦包括醫療計劃及購股權。截至二零零六年十二月三十一日止年度及二零零五年十二月三十一日止年度之本集團僱員人數及總員工成本分析如下：

		Year ended 31 December 截至十二月三十一日止年度	
		2006 二零零六年	2005 二零零五年
Total staff costs in HK\$	總員工成本，以港元計		
— Hong Kong and Macau	— 香港及澳門	6,775,000	6,562,000
— the PRC	— 中國	600,000	394,000
		<b>7,375,000</b>	<b>6,956,000</b>
Headcount	僱員人數		
— Hong Kong and Macau	— 香港及澳門	20	23
— the PRC	— 中國	39	5
		<b>59</b>	<b>28</b>

During the year ended 31 December 2006, the Group's operations were funded by cash generated from operations, shareholders' equity and bank borrowings.

於截至二零零六年十二月三十一日止年度，本集團以其經營業務產生的現金、股東權益及銀行借貸來應付其營運所需。

At 31 December 2006, cash and cash equivalents of the Group amounted to HK\$63,140,000 and the Group's current ratio was 1.49 (2005: 3.43).

於二零零六年十二月三十一日，本集團之現金及現金等價物為63,140,000港元，而其流動比率為1.49(二零零五年：3.43)。

During the year ended 31 December 2006, the Company issued 1,330,321,745 new ordinary shares of HK\$0.01 each at a price of HK\$0.20 per share to Northbay to settle the consideration of HK\$266,064,350 in respect of the Acquisition.

於截至二零零六年十二月三十一日止年度，本公司以每股0.20港元之價格向Northbay發行1,330,321,745股每股面值0.01港元之新股份，以支付收購事項之代價266,064,350港元。

In December 2006, Beijing Jianguo obtained a RMB secured term loan facility of up to RMB350,000,000 (or approximately HK\$350,000,000) from Hang Seng Bank, of which RMB250,000,000 (or approximately HK\$250,000,000) was for the repayment of the principal portion of the RMB secured bank loan granted by China Merchants Bank and RMB100,000,000 (or approximately HK\$100,000,000) was for financing the renovation work of the Beijing Property.

於二零零六年十二月，北京建國獲得恒生銀行授予最多至人民幣350,000,000元(或約350,000,000港元)的人民幣有抵押定期貸款額，其中人民幣250,000,000元(或約250,000,000港元)是用於償還由招商銀行授予的人民幣抵押銀行貸款之本金部分，而人民幣100,000,000元(或約100,000,000港元)是用於北京物業之翻新工程。

## Management Discussion and Analysis

### 管理層討論及分析

At 31 December 2006, the total borrowings of the Group amounted to HK\$357,427,000, comprising the RMB secured term loan facility granted by Hang Seng Bank of HK\$250,470,000 which is interest bearing at 95% of the interest rate prescribed by the People's Bank of China for loan period of five years and repayable within five years; and the interest portion of the RMB secured bank loan granted by China Merchants Bank of HK\$106,957,000. On 23 March 2007, China Merchants Bank agreed to waive the interest portion of HK\$106,957,000. The Group expresses its gearing ratio as a percentage of total borrowings over total equity. At 31 December 2006, the Group's gearing ratio was 89% (2005: 20%).

The Company has given a guarantee to Hang Seng Bank to secure the RMB secured term loan facility granted to Beijing Jianguo. The outstanding balance of the RMB secured term loan facility at 31 December 2006 was HK\$250,470,000 (2005: nil).

At 31 December 2006, the Beijing Property with a fair value of HK\$678,000,000 was pledged to Hang Seng Bank to secure the RMB secured term facility granted to Beijing Jianguo.

As the majority of the Group's transactions, assets and liabilities are denominated in Hong Kong dollars and Renminbi, the exchange risk of the Group is considered to be minimal. Accordingly, no financial instruments for hedging purposes have been used by the Group.

At 31 December 2006, the Group had capital expenditure commitments in respect of the renovation work of the Beijing Property amounted to HK\$63,739,000, which will be financed by the Group's internal resources and the RMB secured term loan facility.

At 31 December 2006, the Group had contingent liabilities amounted to HK\$3,697,000. Please refer to note 35 to the financial statements for details.

於二零零六年十二月三十一日，本集團之借貸總額為357,427,000港元，包括由恒生銀行授予的人民幣有抵押定期貸款額250,470,000港元，該項貸款按中國人民銀行指定於五年貸款期內之年利率95%計息及須於五年內償還；及招商銀行的有抵押銀行貸款的利息部份106,957,000港元。於二零零七年三月二十三日，招商銀行已豁免106,957,000港元之利息部分。本集團以借貸總額除以股權總額計算之百分比呈列其負債比率。於二零零六年十二月三十一日，本集團之負債比率為89%（二零零五年：20%）。

本公司已向恒生銀行作出擔保，以擔保授予北京建國之人民幣有抵押定期貸款額。於二零零六年十二月三十一日尚未償還之人民幣有抵押定期貸款額為250,470,000港元（二零零五年：無）。

於二零零六年十二月三十一日，公平值為678,000,000港元之北京物業已抵押予恒生銀行，作為向北京建國授出之人民幣有抵押定期貸款之擔保。

由於本集團大部份交易、資產及負債均以港元及人民幣為單位，故本集團之外匯風險極低。因此，本集團並無使用任何金融工具作對沖用途。

於二零零六年十二月三十一日，本集團對於北京物業翻新工程的資本開支承擔總額為63,739,000港元，會透過本集團內部資源及人民幣有抵押定期貸款提供資金。

於二零零六年十二月三十一日，本集團或然負債總額為3,697,000港元。詳情請參見財務報表附註35。

### OPERATIONS REVIEW

In view of rampant piracy and weak demand for Hong Kong-made movies in the PRC, Hong Kong film production companies adopt a cautious approach in investing films. Such difficult operating environment placed strong pressure on the profitability of the Group's film distribution business. As a result, the Group slowed down its film distribution activities during the year. In the year ended 31 December 2006, the revenue for film distribution business was generated from the sales of the Group's old films.

The Beijing Property is currently under renovation and being transformed from an apartment complex into high-end serviced apartments. To create serviced apartments of an international standard that will add value to the Beijing Property and achieve a maximum revenue return for its operations, the Group has recently appointed Shama Group to provide pre-handover and procurement services for the Beijing Property. Our project team is working closely with Shama Group at the pre-handover stage. The Group is currently in the course of negotiations with Shama Group with a view to appointing Shama Group for managing the Beijing Property. The negotiations are in advanced stage and the directors envisage they will be concluded by mid-2007. It is expected that the Beijing Property will commence operation in September 2007.

### FUTURE PROSPECTS

As the operating environment for film distribution in the PRC takes some time to improve, the Group will continue to cautiously monitor the environment and strengthen its business foundations by implementing prudent cost control. In addition, the Group will explore non-traditional distribution media for its old films in the PRC and seek opportunities to act as a distributor for Hong Kong film production companies.

With the effect of the PRC's accession into the World Trade Organisation in place and 2008 Beijing Olympic Games, Beijing is expected to see an increasing number of expatriates from multinational companies and foreign government institutions, which will lead to continual increase in demand for high-end serviced apartments. Upon the completion of the renovation, the Beijing Property is expected to meet the demand. The directors believe that the Acquisition enables the Group to diversify its earnings base and provides the Group with a stable source of revenue, which will have a positive impact on the Group's profitability.

### 業務回顧

鑑於盜版猖獗及中國對香港製作電影需求疲弱，香港電影製作公司在投資電影方面採取審慎態度。經營環境艱困令本集團電影發行業務之盈利能力倍添壓力。因此，本集團於本年度將其電影發行活動減慢。於截至二零零六年十二月三十一日止年度，電影發行業務之收益乃產生自本集團舊電影之銷售。

北京物業現正進行翻新，並將改建為高級服務式住宅。為建造能給予北京物業增值之國際標準的服務式公寓並完成其經營收益回報最大化，本集團最近已委任Shama集團為北京物業提供交付前及採購服務。我們的項目隊於交付階段前正與Shama集團緊密合作。本集團目前正與Shama集團就委任Shama集團管理北京物業進行磋商。因談判進入最後階段，董事認為其將於二零零七年年中期落實。預期北京物業將於二零零七年九月開始營運。

### 未來前景

由於改善中國之電影發行經營環境需時，故本集團將繼續密切注視環境，並透過嚴格控制成本，不斷加強業務基礎。此外，本集團將為其舊電影於中國發掘非傳統式之發行媒體，並物色擔任香港電影製作公司之發行商之機會。

隨著中國加入世界貿易組織及二零零八年北京奧運會，預期在北京而來自跨國公司及外國政府機構之海外僱員人數將日益增加，因此將令高級服務式住宅之需求持續增加。在完成翻新後，預期北京物業將可滿足有關需求。董事相信，收購事項讓本集團得以將其盈利基礎多元化，並為本集團提供穩定之收入來源，並將為本集團之盈利能力帶來正面影響。

## PROPOSED SHARE CONSOLIDATION

On 4 April 2007, the board of directors proposed that every ten existing ordinary shares of HK\$0.01 each in the issued and unissued share capital of the Company be consolidated into one ordinary share of HK\$0.10 each (the “Consolidated Share”) in the issued and unissued share capital of the Company (the “Share Consolidation”). As the Share Consolidation will reduce the overall transaction and handling costs for dealings in the Company’s shares, the directors are of the view that the Share Consolidation is in the interests of the Company and its shareholders as a whole. The implementation of the Share Consolidation is conditional upon (a) the shareholders’ approval of the Share Consolidation at a special general meeting; and (b) the granting of the listing approval of the Consolidated Shares by the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Listing Committee”).

## PLACING OF NEW SHARES

On 30 March 2007, the Company issued 1,296,860,000 new ordinary shares of HK\$0.01 each at HK\$0.04 per share by way of a vendor placing and top-up subscription raising HK\$50,500,000 (net of expenses). The proceeds are intended to be used for financing the possible diversified investments of the Group and the general working capital of the Group.

On 4 April 2007, the Company has conditionally agreed to place (the “Placing”), through a placing agent on a fully underwritten basis, 155,620,000 Consolidated Shares (the “Placing Shares”) to independent investors at a price of HK\$0.55 per Placing Share. The Placing is conditional upon (a) the Share Consolidation becoming effective; (b) the shareholders’ approval of the Placing at a special general meeting; (c) the granting of the listing approval of the Placing Shares by the Listing Committee; and (d) the obligations of the placing agent under the placing agreement becoming unconditional and not being terminated in accordance with the terms of the placing agreement. The net proceeds from the Placing of HK\$83,300,000 are intended to be used for financing the possible diversified investments of the Group and the general working capital of the Group.

## 建議股份合併

於二零零七年四月四日，董事會建議將本公司股本中每十股面值0.01港元之已發行及未發行現有普通股合併為本公司股本中每股（「合併股份」）面值0.10港元之已發行及未發行普通股（「股份合併」）。由於股份合併將減少合併股份中全面交易及其手續費，董事們認為股份合併乃符合本公司及所有股東之權益。股份合併須待下列條件獲達成後，方可實行：(a)股東於股東特別大會上批准股份合併；及(b)香港聯合交易所有限公司（「聯交所」）之上市委員會（「上市委員會」）授權批准合併股份上市。

## 配售新股

於二零零七年三月三十日，本公司通過一項賣方配售及增補認購，以每股0.04港元發行1,296,860,000股每股面值0.01港元之新普通股，籌款50,500,000港元（經扣除支出後）。所得款項計劃用於本集團各項可能投資之融資及本集團營運資本方面。

於二零零七年四月四日，透過配售代理人完全包銷方式，本公司已條件同意將155,620,000股合併股份以每股配售股份0.55港元之價格配售予獨立投資者（「配售事項」）。配售是有待以下條件達成後，方可作實(a)股份合併已生效；(b)股東於股東特別大會上批准配售事項；(c)上市委員會授予配售股份上市批准；及(d)配售代理於配售協議項下之責任成為無條件且並無根據配售協議條款終止。配售所得款項淨額83,300,000港元計劃用於本集團各項可能投資之融資及本集團營運資本方面。