

管理層論述及分析 Management Discussion and Analysis

財務業績

截至二零零六年十二月三十一日止年度，本集團之營業額上升66%至約152,800,000港元(二零零五年：92,200,000港元)。本集團錄得經營虧損約10,600,000港元(二零零五年：39,500,000港元)及本公司權益持有人應佔溢利為數約36,900,000港元(二零零五年：虧損21,000,000港元)。董事不建議就本年度派發股息。

年內，本集團自豐采多媒體集團有限公司(「豐采多媒體」)確認被視為出售聯營公司權益之溢利62,600,000港元，並自Golden Capital International Limited確認出售一間聯營公司之溢利21,400,000港元。本年度之業績有所改善，主要由於錄得此等溢利及電影發行業務取得更好成績。然而，本集團就收購聯營公司所產生之商譽確認減值虧損約32,600,000港元。

業務回顧

年內，本集團於市場推出8部新電影(包括「最愛女人購物狂」及「黑社會2以和為貴」等熱門電影)，與去年同期之發行數目相同。為應付近年來娛樂行業(尤其是華語電影)疲弱之市況，本集團已採納審慎措施以確保每部新電影之收入，以及控制其財政預算。該等措施均已證明奏效，毛利亦有所增加。於二零零六年九月十三日，一百年電影有限公司、中國星影畫有限公司及思維娛樂有限公司(「賣方」)(均為本公司之全資附屬公司)、本公司及Fortune Star Entertainment (HK) Limited(「Fortune Star」)訂立契據。據此，Fortune Star已同意向賣方收購100套電影之永久及全世界之版權、所有權及權益，總代價為18,000,000美元(可予調整)。該項交易已獲本公司股東於二零零六年十月三十一日舉行之股東特別大會上批准。截至二零零六年十二月三十一日止年度，該100套電影之中65套電影已交付及記錄於本集團之收入表內，因而令營業額及毛利進一步改善。

FINANCIAL REVIEW

For the year ended 31st December 2006, the Group's turnover increased by 66% to approximately HK\$152.8 million (2005: HK\$92.2 million). Loss from operations amounted to approximately HK\$10.6 million (2005: HK\$39.5 million) and a profit attributable to equity holders of the Company amounted to approximately HK\$36.9 million (2005: loss of HK\$21.0 million) was recorded. The directors do not recommend the payment of a dividend for the year.

During the year, the Group had recognised a gain on deemed disposal of interest in an associate of HK\$62.6 million from Riche Multi-Media Holdings Limited ("Riche Multi-Media") and a gain on disposal of an associate of HK\$21.4 million from Golden Capital International Limited. The improvement in current year's result was mainly attributable to these gain and better performance in film distribution segment. However, the Group had recognised an impairment loss in respect of goodwill arising on acquisition of associates of approximately HK\$32.6 million.

BUSINESS REVIEW

This year, the Group had released 8 new films in the market including popular films like "The Shopaholic" and "Election II" which were same as last corresponding year. In response to the weak market condition of the entertainment industry in these years, especially for the Chinese language films, the Group has adopted cautious measures to secure the revenue and control budget for each new film. These measures were proved effective and better gross profit was achieved. On 13th September 2006, One Hundred Years of Film Company Limited, China Star Pictures Limited and S&W Entertainment Limited (the "Venders"), all wholly owned subsidiaries of the Company, the Company and Fortune Star Entertainment (HK) Limited ("Fortune Star") entered into a deed pursuant to which Fortune Star has agreed to acquire from the Venders the perpetual and worldwide right, title and interest in 100 motion pictures at a total consideration of US\$18,000,000 (subject to adjustment). The transaction was approved by the Company's shareholders at a special general meeting held on 31st October 2006. During the year ended 31st December, 2006, 65 out of these 100 motion pictures have been delivered and recorded in the income statement of the Group. Thus, the turnover and gross profit was further improved.

管理層論述及分析 Management Discussion and Analysis

業務回顧 (續)

截至二零零六年十二月三十一日止年度，總營業額為152,800,000港元，其中145,800,000港元或95%來自電影發行業務及電影版權銷售，其餘5%來自錄影帶發行及其他製作服務。

於二零零六年，來自香港及澳門之營業額及分類溢利分別為37,000,000港元(二零零五年：49,800,000港元)及4,200,000港元(二零零五年：5,400,000港元)。市場表現維持與去年相約之水平。截至二零零六年十二月三十一日止年度，市場推廣及發行開支由去年同期22,400,000港元，下降至9,800,000港元，降幅為56%。

來自中國之營業額及分類溢利分別為8,800,000港元(二零零五年：10,200,000港元)及4,400,000港元(二零零五年：虧損6,400,000港元)。本集團已轉授其放映權予其他發行商，以獲得固定發行費用，從而確保本集團可收取之利潤。

來自歐美之營業額及分類溢利分別為1,100,000港元(二零零五年：8,000,000港元)及300,000港元(二零零五年：2,600,000港元)。

來自東南亞之營業額及分類溢利分別為11,500,000港元(二零零五年：22,600,000港元)及4,400,000港元(二零零五年：6,700,000港元)。

來自其他地區之營業額及分類溢利分別為94,400,000港元(二零零五年：1,600,000港元)及26,300,000港元(二零零五年：700,000港元)，主要因本集團於本年度向Fortune Star出售電影版權所致。

為保持於市場上之競爭力，本集團多年來一直定期檢討其成本架構，並實行審慎之成本政策措施及減少僱員數目，因而使行政開支維持於合理水平。截至二零零六年十二月三十一日止年度，行政開支為38,300,000港元(不包括以股份支付員工款項開支11,300,000港元)，較去年同期之37,000,000港元(不包括以股份支付員工款項開支24,100,000港元)輕微上升4%。

BUSINESS REVIEW (Continued)

For the year ended 31st December 2006, total turnover was HK\$152.8 million, of which HK\$145.8 million or 95% was generated from film distribution and sales of film rights, the remaining 5% was generated from video distribution and other production services.

In year 2006, turnover and segment profit from Hong Kong and Macau amounted to HK\$37.0 million (2005: HK\$49.8 million) and HK\$4.2 million (2005: HK\$5.4 million) respectively. The performance in the market maintained at similar level as last year. The marketing and distribution expenses for the year ended 31st December 2006 was HK\$9.8 million, representing a 56% decrease from HK\$22.4 million for the last corresponding year.

Turnover and segment profit from the PRC amounted to HK\$8.8 million (2005: HK\$10.2 million) and HK\$4.4 million (2005: loss of HK\$6.4 million) respectively. The Group has sub-licensed China theatrical rights to other distributor for a fixed amount of distribution fees, thus securing the margin received by the Group.

Turnover and segment profit from America & Europe amounted to HK\$1.1 million (2005: HK\$8.0 million) and HK\$0.3 million (2005: HK\$2.6 million) respectively.

Turnover and segment profit from South-east Asia amounted to HK\$11.5 million (2005: HK\$22.6 million) and HK\$4.4 million (2005: HK\$6.7 million) respectively.

Turnover and segment profit from elsewhere amounted to HK\$94.4 million (2005: HK\$1.6 million) and HK\$26.3 million (2005: HK\$0.7 million) respectively. It mainly represent the sales of film rights to Fortune Star this year.

To stay competitive in the market, the Group has regularly review its costs structure in these years by exercised prudence measures on cost policies and reduced its headcount. As a result, administrative expenses keep at a reasonable basis. For the year ended 31st December 2006, administrative expenses was HK\$38.3 million (excluding share-based payment expenses of HK\$11.3 million, a slight 4% increase from HK\$37.0 million (excluding share-based payment expenses of HK\$24.1 million) of the last corresponding year.

管理層論述及分析 Management Discussion and Analysis

流動資金及財務資源

於二零零六年十二月三十一日，本集團之資產總額約為789,000,000港元，而流動資產淨額則為352,700,000港元，即流動比率5.4（二零零五年：4.0）。本集團之現金及銀行結餘總額約為89,300,000港元（二零零五年：31,500,000港元）。於二零零六年十二月三十一日，本集團之借貸總額為33,100,000港元，包括銀行按揭貸款13,200,000港元（以本集團之投資物業作抵押、按最優惠利率減每年2.5厘計息，並須分85期每月償還）；以及無抵押可換股貸款票據（「票據」）19,900,000港元（即本金額20,000,000港元之負債部份）（按每年4厘計息，並將於二零零七年六月三十日到期）。於二零零六年十二月三十一日，票據附有權利可按兌換價每股股份5.83港元兌換為本公司股本中每股面值0.05港元之股份（「股份」）。本集團於年內之資本負債比率以債項總額33,100,000港元對股東資金694,800,000港元計算，仍屬偏低。以本集團之借貸總額除以股東資金之基準計算，負債資本比率為5%。

由於本集團大部份交易、資產與負債均以港元及美元計值，故認為匯率波動風險甚低，並認為無需任何對沖活動。於二零零六年十二月三十一日，本集團並無或然負債。

於二零零六年五月十七日，Porterstone Limited（「Porterstone」）、多實有限公司（「多實」）、向華強先生（「向先生」）及陳明英女士（「陳女士」）分別與配售代理訂立配售協議及與本公司訂立補足認購協議。根據配售協議，Porterstone、多實、向先生及陳女士按每股股份0.33港元之價格向獨立投資者配售合共104,105,000股現有股份。根據補足認購協議，Porterstone、多實、向先生及陳女士按每股股份0.33港元之價格認購合共104,105,000股新股份。104,105,000股新股份已就認購事項於二零零六年五月三十日發行。所得款項淨額約為33,300,000港元，其中20,000,000港元已計劃用作未來投資，餘額則用作本集團之一般營運資金。

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December 2006, the Group had total assets of approximately HK\$789.0 million and a net current assets of HK\$352.7 million, representing a current ratio of 5.4 (2005: 4.0). The Group had a total cash and bank balances of approximately HK\$89.3 million (2005: HK\$31.5 million). As at 31st December 2006, the Group had total borrowings of HK\$33.1 million comprising a bank mortgage loan of HK\$13.2 million which was secured by the Group's investment properties, interest bearing at 2.5% below the Hong Kong Prime Lending Rate per annum and repayable by 85 monthly instalments; and unsecured convertible loan notes ("Notes") of HK\$19.9 million (represent the liability component of principal amount of HK\$20 million) which is bearing interest at 4% per annum and will mature on 30th June 2007. The Notes carry the right to convert into shares ("Shares" and each a "Share") of HK\$0.05 each in the share capital of the Company at the conversion price of HK\$5.83 per Share as of 31st December 2006. The Group's gearing remained low during the year with total debts of HK\$33.1 million against shareholders' funds of HK\$694.8 million. This represents a gearing ratio, calculated in the basis of the Group's total borrowings over shareholders' fund of 5%.

As the majority of the Group's transactions, assets and liabilities are denominated in Hong Kong Dollars and United States Dollars, the exposure to fluctuation in exchange rates was considered to be minimal and no hedge activity were considered necessary. As at 31st December 2006, the Group had no contingent liability.

On 17th May 2006, Porterstone Limited ("Porterstone"), Dorest Company Limited ("Dorest"), Mr. Heung Wah Keung ("Mr. Heung") and Ms. Chen Ming Yin, Tiffany ("Ms. Chen") entered into a placing agreement with a placing agent and a top-up subscription agreement with the Company respectively. Pursuant to the placing agreement, Porterstone, Dorest, Mr. Heung and Ms. Chen placed an aggregate 104,105,000 existing Shares to independent investors at a price of HK\$0.33 per Share. Pursuant to the top-up subscription agreement, Porterstone, Dorest, Mr. Heung and Ms. Chen subscribed for an aggregate of 104,105,000 new Shares at a price of HK\$0.33 per Share. 104,105,000 new Shares issued for the subscription on 30th May 2006. The net proceeds of approximately HK\$33.30 million was intended to be used as to HK\$20,000,000 for future investment and as to the balance for general working capital of the Group.

管理層論述及分析 Management Discussion and Analysis

流動資金及財務資源 (續)

於二零零六年六月六日，本公司已有條件同意按每股0.365港元之價格，向PMA Asian Opportunities Fund、Diversified Asian Strategies Fund及Asian Diversified Total Return Limited Duration Company配售合共80,000,000股新股份。發行80,000,000股新股份已獲本公司股東於二零零六年七月五日舉行之股東特別大會上批准。配售於二零零六年七月七日完成。本集團已計劃將所得款項淨額約29,000,000港元用於收購一間於澳門之酒店之建議。

於結算日後，本公司與Improvemany International Limited、Better Talent Limited及Aceyard Investments Limited(「認購人」)於二零零七年一月十九日訂立三份認購協議。據此，認購人已有條件同意認購，以及支付本公司將予發行於二零一二年到期之零票息無抵押可換股債券(「公司債券」)。發行價為本金總面值168,500,000港元之95%。公司債券之初次換股價為以下兩者之較低者：(i)每股換股股份0.32港元及(ii)於截止日期前十個交易日股份之平均收市價，惟公司債券之換股價於任何情況下均不得低於每股0.25港元(可予調整)。所得款項淨額約159,000,000港元將用於第二次收購事項(定義見本文)。截至本報告刊發日期，公司債券尚未獲發行。

於二零零七年三月十二日，本公司之全資附屬公司Classical Statue Limited(「Classical」)與銀河映像控股有限公司(「銀河」)訂立認購協議。銀河乃一間其股份於香港聯合交易所創業板上市之公司。根據協議，Classical已有條件同意按發行價22,500,000港元認購由銀河發行本金額為25,000,000港元之零票息可換股債券(於二零一二年到期)(「可換股債券」)。可換股債券之初次換股價為每股銀河股份0.33港元(可予調整)。於本報告刊發日期，可換股債券尚未獲發行。

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

On 6th June 2006, the Company had conditionally agreed to place in aggregate 80,000,000 new Shares to PMA Asian Opportunities Fund, Diversified Asian Strategies Fund and Asian Diversified Total Return Limited Duration Company at a price of HK\$0.365 per Share. The issue of 80,000,000 new Shares was approved by the shareholders of the Company at a special general meeting held on 5th July 2006. The placing was completed on 7th July 2006. The net proceeds of approximately HK\$29 million was intended to be used by the Group for the proposed acquisition of a hotel in Macau.

Subsequent to the balance sheet date, the Company entered into three subscription agreements all dated 19th January 2007 with Improvemany International Limited, Better Talent Limited and Aceyard Investments Limited (the "Subscribers"), whereby the Subscribers have conditionally agreed to subscribe and pay for the zero coupon unsecured convertible bonds due 2012 ("Firm Bonds") of an aggregate principal face value amount of HK\$168.5 million to be issued by the Company at an issue price of 95% of the face value. The initial conversion price of the Firm Bonds is the lower of (i) HK\$0.32 per conversion Share and (ii) the average closing price of the Shares for the last ten trading days prior to the closing date provided that the conversion price of the Firm Bonds shall in no event be less than HK\$0.25 per conversion Share (subject to adjustments). The net proceeds of approximately HK\$159 million will be used for the Second Acquisition (as defined herein). As at the date of this report, the Firm Bonds has not yet been issued.

On 12th March 2007, Classical Statue Limited ("Classical"), a wholly owned subsidiary of the Company entered into a subscription agreement with Milkyway Image Holdings Limited ("Milkyway"), a company whose shares are listed on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited, whereby Classical has conditionally agreed to subscribe for the zero coupon convertible bonds in principal amount of HK\$25 million due 2012 ("Convertible Bonds") to be issued by Milkyway at an issue price of HK\$22.5 million. The conversion price of the Convertible Bonds is initially HK\$0.33 per shares of Milkyway (subject to adjustments). As at the date of this report, the Convertible Bonds has not yet been issued.

管理層論述及分析 Management Discussion and Analysis

流動資金及財務資源 (續)

於二零零七年三月二十八日，本公司與一家持有放債人牌照之財務公司就一筆價值55,000,000港元之有期貸款(「貸款」)訂立貸款協議。該筆貸款用以融資以完成第二次收購事項(定義見本文)，並於二零零七年三月二十八日至二零零七年四月十八日期間按香港上海滙豐銀行有限公司之最優惠年利率加3%計算利息。該貸款已於二零零七年四月十八日償還。

於二零零七年三月二十九日，本公司與一家配售代理訂立一項配售協議，按悉數包銷基準以每股0.37港元之價格向獨立投資者配售合共124,900,000股新股份(「第一組配售事項」)。本公司董事於二零零六年六月二十三日本公司舉行之股東週年大會上獲授予一般授權，根據該一般授權於二零零七年四月十七日就第一組配售事項發行124,900,000股新股份。所得款項淨額約44,800,000港元將撥作本集團之一般營運資金。

同日，本公司與一家配售代理訂立另一項配售協議，有條件同意按悉數包銷基準以每股0.37港元之價格向獨立投資者配售合共81,100,000股新股份(「第二組配售事項」)。第二組配售事項須經本公司股東於本公司舉行之股東特別大會上批准。所得款項淨額約29,200,000港元將撥作本集團之一般營運資金。

聯營公司

豐采多媒體集團有限公司

於二零零六年十二月三十一日，本集團於豐采多媒體及其附屬公司(「豐采集團」)擁有約34.43%之股本權益。豐采集團之主要業務為電影發行、轉授電影版權、物業投資及證券投資。於二零零六年十二月三十一日，豐采集團之資產淨值約為403,500,000港元。截至二零零六年十二月三十一日止年度，豐采集團之營業額及虧損分別約為17,500,000港元及21,300,000港元。因此，本集團截至二零零六年十二月三十一日止年度分佔虧損約7,300,000港元。

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

On 28th March 2007, the Company entered into a loan agreement with a finance company with Money Lender License for a term loan of HK\$55 million (the "Loan") for the period from 28th March 2007 to 18th April 2007 at interest rate of 3% per annum over the prime rate quoted by The Hong Kong and Shanghai Banking Corporation Limited to finance the completion of the Second Acquisition (as defined herein). The Loan was repaid on 18th April 2007.

On 29th March 2007, the Company entered into a placing agreement with a placing agent to place on a fully underwritten basis an aggregate 124,900,000 new Shares to independent investors at a price of HK\$0.37 per Share ("Tranche I Placing"). 124,900,000 new Shares was issued for the Tranche I Placing on 17th April 2007 under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 23rd June 2006. The net proceeds of approximately HK\$44.8 million will be used for general working capital of the Group.

On the same date, the Company entered into another placing agreement with the placing agent and had conditionally agreed to place on a fully underwritten basis an aggregate 81,100,000 new Shares to independent investors at a price of HK\$0.37 per Share ("Tranche II Placing"). The Tranche II Placing is subject to the approval of the shareholders of the Company at a special general meeting to be convened by the Company. The net proceeds of approximately HK\$29.2 million will be used for general working capital of the Group.

ASSOCIATES

Riche Multi-Media Holdings Limited

As at 31st December 2006, the Group had approximately 34.43% equity interest in Riche Multi-Media and its subsidiaries (the "Riche Group"). Riche Group is principally engaged in film distribution, sub-licensing of film rights, property investment and investments in securities. As at 31st December 2006, Riche Group had net assets of approximately HK\$403.5 million. Turnover and loss of Riche Group for the year ended 31st December, 2006 were approximately HK\$17.5 million and HK\$21.3 million respectively. Accordingly, the Group had shared a loss of approximately HK\$7.3 million for the year ended 31st December 2006.

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聯營公司 (續)

豐采多媒體集團有限公司 (續)

於二零零六年六月二十一日，1,330,321,745股豐采多媒體新股份(「豐采股份」)以每股豐采股份0.20港元之價格發行予Northbay Investments Holdings Limited(「Northbay」)，以支付有關收購Shinhan-Golden Faith International Development Limited(「Shinhan-Golden」)已發行股本全部權益及Shinhan-Golden結欠Northbay債項之代價266,064,350港元。Shinhan-Golden之主要資產為持有北京建國房地產開發有限公司之96.7%股本權益。該公司為一項中國物業之註冊實益擁有人。本集團於豐采多媒體持有之股本權益由41.07%被攤薄至32.64%，並已確認被視作出售之溢利。其後，本集團在公開市場上進一步收購豐采多媒體1.79%之股本權益，總代價約為19,400,000港元。因此，於二零零六年十二月三十一日，本集團於豐采多媒體之股本權益增至34.43%。

於二零零七年三月十九日，Classical與一家配售代理及豐采多媒體訂立一項配售及認購協議。根據配售及認購協議，Classical已同意按每股豐采股份0.04港元之價格向不少於六名獨立投資者配售1,296,860,000股現有豐采股份，並有條件同意按每股豐采股份0.04港元之價格認購1,296,860,000股新豐采股份。緊隨配售及認購協議完成後，以及截至本報告公佈前，本集團於豐采多媒體之經擴大已發行股本中擁有約28.69%權益。

於二零零七年四月四日，豐采多媒體建議將豐采已發行及未發行股本中每十股每股面值0.01港元之豐采股份合併為每股面值0.10港元之新股份(「已合併股份」)(「股份合併」)。同日，豐采多媒體有條件地同意透過一家配售代理按悉數包銷基準以每股已合併股份0.55港元之價格向獨立投資者配售155,620,000股已合併股份(「豐采配售」)。股份合併及豐采配售均附有條件，並須於豐采多媒體股東於該公司即將舉行之股東特別大會上批准。股份合併及豐采配售完成後，本集團於豐采多媒體之權益進一步攤薄至大約23.91%。

ASSOCIATES (Continued)

Riche Multi-Media Holdings Limited (Continued)

On 21st June 2006, 1,330,321,745 new shares of Riche Multi-Media ("Riche Shares") were issued to Northbay Investments Holdings Limited ("Northbay") at a price of HK\$0.20 per Riche Share to settle the consideration of HK\$266,064,350 in respect of the acquisition of 100% interest in the issued share capital of Shinhan-Golden Faith International Development Limited ("Shinhan-Golden") and the debts owed by Shinhan-Golden to Northbay. Shinhan-Golden's major asset is the 96.7% equity interest in Beijing Jiang Guo Real Estate Development Co. Ltd. which is the registered and beneficial owner of a property located in the PRC. The equity interest held by the Group in the Riche Multi-Media was diluted from 41.07% to 32.64% and a gain on deemed disposal was recognised. Thereafter, the Group acquired a further 1.79% equity interest in Riche Multi-Media in the open market with a total consideration of approximately HK\$19.4 million. As a result, the Group's equity interest in Riche Multi-Media increased to 34.43% as at 31st December 2006.

On 19th March 2007, Classical entered into a placing and subscription agreement with a placing agent and Riche Multi-Media. Pursuant to the placing and subscription agreement, Classical has agreed to place 1,296,860,000 existing Riche Shares to not less than six independent investors at a price of HK\$0.04 per Riche Share and conditionally agreed to subscribe for 1,296,860,000 new Riche Shares at a price of HK\$0.04 per Riche Share. Immediately after the completion of the placing and subscription agreement and up to the date of this report, the Group interested in approximately 28.69% of the enlarged issued share capital of Riche Multi-Media.

On 4th April 2007, Riche Multi-Media proposed that every ten Riche Shares of HK\$0.01 each in the issued and unissued share capital of Riche Multi-Media be consolidated (the "Share Consolidation") into one new share of HK\$0.10 each (the "Consolidated Shares"). On the same date, Riche Multi-Media has conditionally agreed to place (the "Riche Placing"), through a placing agent on a fully underwritten basis, 155,620,000 Consolidated Shares to independent investors at a price of HK\$0.55 per Consolidation Share. The Share Consolidation and the Riche Placing are conditional and subject to the approval of its shareholders at a special general meeting to be held by Riche Multi-Media. Upon completion of the Share Consolidation and the Riche Placing, the Group's interest in Riche Multi-Media will be further diluted to approximately 23.91%.

管理層論述及分析 Management Discussion and Analysis

聯營公司 (續)

Together Again Limited

於二零零六年十二月三十一日，本集團持有以 Together Again Limited 為首之集團（「TAL集團」）之 49% 股本權益，該公司乃一家於英屬處女群島註冊成立之有限公司，並間接持有一家於美國場外電子交易板買賣之美國公眾公司 China Entertainment Group, Inc. 之 85% 股本權益。TAL 集團之主要業務為提供藝人管理服務。

於二零零六年十二月三十一日，TAL 集團之淨資產為 9,000,000 港元。TAL 集團於截至二零零六年十二月三十一日止年度之營業額及虧損分別為 8,400,000 港元及 5,800,000 港元。因此，本集團於截至二零零六年十二月三十一日止年度內分佔虧損 2,900,000 港元，並已確認減值虧損 32,600,000 港元。

收購金域酒店

於二零零六年六月十三日，本公司就以 490,000,000 港元之總代價收購 Triumph Up Investments Limited 及 Great Chain Limited 之全部已發行股本（「初次收購事項」）訂立協議，該等公司間接持有 Kingsway Hotel Limited（「KHL」）之已發行配額合共 61.5% 權益。KHL 之主要資產為一間位於澳門、名為金域酒店之三星級酒店，該酒店設有合共 383 間客房。截至本報告刊發日期，初次收購事項尚未完成，而初次收購事項之最後截止日期已延至二零零七年五月三十一日。於總代價之中，本公司已支付按金合共 40,000,000 港元。代價餘額將透過出售事項（「定義見本報告」）及本集團之內部資源撥付。

於二零零七年一月三日，本公司與 Great Trust - Gestao E Participacoes, Limitada 訂立有關收購 KHL 已發行配額其餘之 38.5% 間接權益及相關銷售貸款之協議（「第二次收購事項」），總代價為 240,000,000 港元。本集團已透過內部資源撥付於二零零七年三月三十日完成之第二次收購事項。

ASSOCIATES (Continued)

Together Again Limited

As at 31st December 2006, the Group held 49% equity interest in the group headed by Together Again Limited ("TAL Group"), a company incorporated in British Virgin Islands with limited liability and it indirectly holds 85% equity interest in China Entertainment Group, Inc. a U.S. public company traded on the Over-The-Counter Bulletin Board. TAL Group is principally engaged in the provision of artist management services.

As at 31st December 2006, TAL Group had net assets of HK\$9.0 million. Turnover and loss of TAL Group for the year ended 31st December 2006 were HK\$8.4 million and HK\$5.8 million respectively. Accordingly, the Group shared a loss of HK\$2.9 million for the year ended 31st December 2006 and an impairment loss of HK\$32.6 million was recognised.

ACQUISITION OF KINGSWAY HOTEL

On 13th June 2006, the Company had entered into agreements in relation to the acquisition (the "Initial Acquisition") of the entire issued share capital of Triumph Up Investments Limited and Great Chain Limited which indirectly hold in aggregate 61.5% interest in the issued quota of Kingsway Hotel Limited ("KHL") for an aggregate consideration of HK\$490,000,000. The principal asset of KHL is Kingsway Hotel, a three star hotel with a total 383 guests rooms locate in Macau. As at the date of this report, the Initial Acquisition has not yet been completed and the longstop date of the Initial Acquisition has been extended to 31st May 2007. Of the total consideration, total deposits of HK\$40 million have been paid by the Company. The balance of the consideration will be financed by the Disposals (as defined herein) and the internal resources of the Group.

On 3rd January 2007, the Company entered into agreement in relation to the acquisition (the "Second Acquisition") of the remaining indirect 38.5% interest in the issued quota of KHL and the relevant sale loans with Great Trust - Gestao E Participacoes, Limitada for an aggregate consideration of HK\$240 million. The Second Acquisition has been completed on 30th March 2007 and was financed by the internal resources of the Group.

管理層論述及分析 Management Discussion and Analysis

收購金域酒店 (續)

於二零零七年三月十九日，本公司與SJM-Investmentos Limitada (「SJM」) 及Most Famous Enterprises Limited訂立協議，內容為本公司出售 (「出售事項」) KHL已發行配額合共50%及相關銷售貸款，總代價為315,000,000港元。根據上市規則，該出售事項構成本公司之非常重大出售事項，因此，須經本公司股東於本公司即將舉行之股東特別大會上批准。出售事項之完成取決於初次收購事項及第二次收購事項能否完成，而出售事項將可即時提供現金流入，作為初次收購事項所需資金。

完成初次收購事項、第二次收購事項及出售事項後，本公司將擁有KHL已發行配額50%，並使用權益法分估KHL之業績。投資於KHL可促進本公司於澳門之酒店營運業務更趨多元化，而出售事項乃一次增強KHL管理層實力之良機，尤以賭場營運為然。透過與經驗豐富及具知名度之澳門財團建立合夥關係，將有助金域酒店日後之業務發展，原因是出售事項完成後：

- (1) 將會委聘SJM之控股公司之董事總經理何鴻樂博士為KHL之主席，並委聘向先生為KHL之副主席；
- (2) 將由Most Famous Enterprises Limited委聘之兩位KHL董事負責管理有關KHL之賭場及博彩市場推廣及宣傳事務；
- (3) SJM向本公司承諾，將會按向KHL每月支付租金及市場推廣及宣傳費用，以租賃金域酒店之一部份 (不超過建築樓面面積100,000平方呎) 作為賭場 (其中會設置不少於50張公眾賭桌) 及一個吃角子老虎機娛樂中心。上述之租金及費用約為：(i)該等公眾賭桌每月應佔之贏款淨額之40%；及(ii)吃角子老虎機每月應佔之每月贏款淨額之31%；及
- (4) SJM與KHL磋商在位於金域酒店前面之土地興建賭場新翼，該土地現正用作停車場。

ACQUISITION OF KINGSWAY HOTEL (Continued)

On 19th March 2007, the Company entered into agreements to dispose (the "Disposals") an aggregate 50% of the issued quota of KHL and the relevant sale loans with SJM-Investmentos Limitada ("SJM") and Most Famous Enterprises Limited for an aggregate consideration of HK\$315 million. The Disposals constitute a very substantial disposal for the Company under the Listing Rules and is therefore subject to the approval of the shareholders of the Company at a special general meeting to be held by the Company. The completion of the Disposals is conditional upon the completions of the Initial Acquisition and the Second Acquisition and the Disposals will provide immediate cash flow for the Initial Acquisition.

After the completion of the Initial Acquisition, the Second Acquisition and the Disposals, the Company will be interested in 50% of the issued quota of KHL and will shared the result of KHL using equity method. The investment in KHL can diversified the Company' business in the hotel operation in Macau and the Disposals represents good opportunity for strengthening the management of KHL, particularly in its casino operations, through partnership with a reputable and experienced Macau Conglomerate, thus benefiting the future development of the Kingsway Hotel as upon completion of the Disposals:

- (1) Dr. Stanley Ho Hung Sun, the management director of the holding company of SJM will be appointed as the chairman of KHL and Mr. Heung will be appointed as the vice - chairman of KHL;
- (2) the two directors of KHL to be appointed by Most Famous Enterprises Limited will manage the matters relating to the casino and gaming marketing & promotion functions in KHL;
- (3) SJM undertakes to the Company to lease part of the Kingsway Hotel (being not more than a gross floor area of 100,000 square feet) for casino with not less than 50 mass market gaming tables and a slot machine entertainment centre at a monthly rental and marketing & promotion fee to KHL of around (i) 40% of net win attributable from such mass market gaming tables per month; and (ii) 31% of net win attributable from slot machines per month; and
- (4) SJM negotiates with KHL to build a casino extension on the piece of land, which is currently used as a parking lot, outside the front of the Kingsway Hotel.

管理層論述及分析 Management Discussion and Analysis

收購大同集團有限公司(「大同」)

於二零零六年八月三日，Classical與Vision Harvest Limited及擔保人杜樹輝先生訂立買賣協議，內容為Classical按總代價52,500,000港元購買700,000,000股大同股份。

該交易已於二零零六年八月十一日完成。於二零零六年十二月三十一日，本集團擁有大同股本權益20.11%，並有意用作長線投資。董事會商議後決定不介入大同之管理層，故不會對大同董事會之成員作任何調動。該投資在本集團於二零零六年十二月三十一日之財務報表獲歸類為可供出售之金融資產。

大同及其附屬公司經營提供冷藏倉儲業務，包括有關物流服務、製造和買賣冰及物業投資。大同之一間全資附屬公司與Ever Apollo Limited 訂立協議，內容有關收購澳門一個五星級綜合式酒店渡假村—金都之12%間接權益。因此，收購大同股份乃本公司參與澳門日益蓬勃之酒店業務之理想商機。

董事會將密切留意該投資之發展。

僱員

於二零零六年十二月三十一日，本集團僱用47名員工(二零零五年：51名員工)。董事相信，其優秀員工乃本集團維持聲譽及改善盈利能力之單一最重要元素。員工之酬金乃根據彼等之工作表現、專業經驗及當時之行業慣例而釐定。除基本薪金、公積金、醫療計劃及酌情花紅外，若干員工更可按個別表現評估獲授購股權。

ACQUISITION OF DAIDO GROUP LIMITED (“DAIDO”)

On 3rd August 2006, Classical entered into a sale and purchase agreement with Vision Harvest Limited and the guarantor, Mr. To Shu Fai for the purchase of 700,000,000 Daido shares for a total consideration of HK\$52,500,000.

The transaction was completed on 11th August 2006. The Group became interested in 20.11% equity interest in Daido as at 31st December 2006 and was intentionally to treat this as a long-term investment. After discussion, the Board decided not to intervene the management of Daido and thus do not exercise influence on the composition of its board. The investment was then classified as available-for-sale financial assets in the financial statements of the Group as at 31st December 2006.

Daido and its subsidiaries carry on the business of provision of cold storage warehousing including relevant logistic services, manufacturing and trading of ice and property investment. A wholly owned subsidiary of Daido had entered into an agreement with Ever Apollo Limited for the acquisition of an indirect 12% interest in Grand Waldo Complex, a five star resort complex in Macau. In light of this, the acquisition of Daido shares represents a good opportunity for the Company to participate in the growing hospitality business in Macau.

The Board will closely monitor the development of this investment.

EMPLOYEES

As at 31st December 2006, the Group employed 47 staffs (2005: 51 staffs). The directors believe that the quality of its employees is the single most important factor in sustaining the Group's reputation and improving its profitability. The staffs are remunerated based on their work performance, professional experience and prevailing industry practices. Apart from basic salaries, pension fund, medical schemes and discretionary bonuses, options are awarded to certain staffs according to the assessment of individual performance.

管理層論述及分析 Management Discussion and Analysis

展望

電影行業屬高風險業務，需要投入龐大資金。為分散上述風險並謀求長遠發展，本集團已積極令其業務多元化，為本集團提供穩定收入來源。預期收購金域酒店可為本集團締造穩定收入來源，故董事認為收購金域酒店乃本公司參與澳門日益蓬勃之酒店業務之理想商機。

展望將來，本集團將繼續努力製作優質電影，與此同時，促進本集團之新業務－酒店業務更趨多元化。

在中國於數年前放寬其遊客限制後，澳門吸引了大量的中國遊客，各方面均反映澳門經濟正處於強勁增長態勢，尤其是賭場業務及旅遊業。金域酒店為一家位於澳門市中心的三星級酒店。客房價格及其位置能夠適合各類中國遊客。鑑於本集團於娛樂業方面具有豐富經驗，本集團定能進一步提升金域酒店之形象，並從自助旅客中獲益。隨著初次收購事項、第二次收購事項及出售事項完成後，金域酒店成為本集團之聯營公司。本集團可直接分佔由SJM負責管理之賭場之酒店營運、租金、市場推廣及宣傳費用之成果。SJM乃澳門博彩股份有限公司之全資附屬公司，為澳門聲譽超卓之財團，尤其於經營賭場業務方面具有豐富經驗。

PROSPECT

The film industry is a highly risk business and requires a huge in-flow of capital. To diversify such risk and for long-term growth, the Group has therefore actively diversified its business that can generate a steady source of income. The acquisition of Kingsway Hotel is expected to create a stable inflow of income to the Group and the Directors of the view that it is good opportunity for the Group to participate in the growing hospitality and entertainment business in Macau.

Looking ahead, the Group will continue its strength in the production of high quality films and at the same time diversify in our new operation, hotel business.

After the relaxation of the rules governing China travelers launched a few years ago, Macau absorbed a great number of tourists from China and every aspect reflected that Macau's economy is in strong growth, particularly the casino business and the tourism industry. Kingsway Hotel is a three star hotel that located at the centre of Macau. The room rates and the location of it can fit for a wide range of tourists from China. With the experience of the Group in the entertainment industry, we can help to promote the image of Kingsway Hotel and benefit from individual travelers. Following the completion of Initial Acquisition, Second Acquisition and the Disposals, Kingsway Hotel becomes an associate of the Group. The Group can directly share the contribution from the hotel operation and the rental and marketing and promotion fee from the casino operation managed by SJM, a wholly owned subsidiary of Sociedade De Jogos De Macau, S.A. which is a reputable and experienced Macau conglomerate, particularly in the operation of casino business.