

Execution copy

DATE: 30 August 2006

ALLAN FUNG ASSETS LIMITED
AND
FUNG YU HING ALLAN
(as Vendors)

AND

NICE HILL INVESTMENTS LIMITED
(as Purchaser)

AGREEMENT FOR SALE AND PURCHASE OF
251,671,500 SHARES IN
PANORAMA INTERNATIONAL HOLDINGS LIMITED

MICHAEL LI & CO.
14th FLOOR
PRINTING HOUSE
6 DUDELL STREET
CENTRAL, HONG KONG
(Ref: CCL/CMT/061295)



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Execution

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THIS AGREEMENT is dated 30 August 2006

BETWEEN:

- (1) **ALLAN FUNG ASSETS LIMITED**, a company incorporated in the British Virgin Islands and having its registered office at Sea Meadow House, P.O. Box 116, Blackburne Highway, Road Town, Tortola, British Virgin Islands and its correspondence address in Hong Kong at 8th Floor, Mita Centre, 552-566 Castle Peak Road, Kwai Chung, Hong Kong ("**AFAL**");
- (2) **FUNG YU HING ALLAN** (holder of Hong Kong Identity Card number: E271741(0)) of 8th Floor, Mita Centre, 552-566 Castle Peak Road, Kwai Chung, Hong Kong ("**Mr. Allan Fung**");

(**AFAL** and **Mr. Allan Fung** collectively as the "**Vendors**" and each a "**Vendor**");
and

- (3) **NICE HILL INVESTMENTS LIMITED**, a company incorporated in the British Virgin Islands and having its registered office at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands and its correspondence address in Hong Kong at Unit G, 10/F., Seabright Plaza, 9-23 Shell Street, North Point, Hong Kong (the "**Purchaser**").

WHEREAS:

- (A) Panorama International Holdings Limited (the "**Company**") was incorporated in the Cayman Islands with limited liability on 17 October 2001 and the issued shares of which are listed on GEM (as defined below). As at the date of this Agreement, the Company has an authorised share capital of HK\$15,000,000 divided into 1,500,000,000 Shares (as defined below) of which 402,300,000 Shares have been issued and fully paid or credited as fully paid. Further particulars of the Company are set out in Part A of Schedule 1.
- (B) The Vendors are the beneficial owners of 251,671,500 Sale Shares (as defined below) and details of their respective holdings are as follows:

<u>Vendor</u>	<u>Number of Sale Shares</u>
AFAL	233,340,000
Mr. Allan Fung	18,331,500

The Sale Shares represent approximately 62.56% of the issued share capital of the Company as at the date hereof and the Sale Shares are the entire shareholdings held by the Vendors in the Company.

- (C) The Vendors have agreed to sell and the Purchaser has agreed to purchase the Sale Shares subject to and upon the terms and conditions of this Agreement.

NOW IT IS HEREBY AGREED AS FOLLOWS:

1. INTERPRETATION

1.1 In this Agreement (including the recitals and Schedules), unless the context otherwise requires, the following words and expressions shall have the following meanings ascribed to each of them below:

“Accounts Date”	31 March 2006
“Audited Accounts”	the audited consolidated balance sheet of the Group as at the Accounts Date and the audited consolidated profit and loss accounts of the Group for the year ended on the Accounts Date, a copy of which has been attached to this Agreement as Exhibit “A” and initialed by the parties hereto for the purpose of identification
“Board”	the board of directors of the Company from time to time
“Business Day”	a day (other than a Saturday and days on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Code”	the Hong Kong Code on Takeovers and Mergers, as amended from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of this Agreement
“Completion Date”	subject to satisfaction and/or waiver of all conditions set out in Clause 3.1, the date falling on the third Business Day after all the conditions set out in Clause 3.1 have been fulfilled or waived or such other date as may be agreed between the parties

“Corporate Guarantees”	the corporate guarantees given by the Company in favour of several financial institutions to secure the indebtedness, liabilities and obligations of the Group owed to such financial institutions and subsisting as at the date of this Agreement (save and except the corporate guarantee given by the Company in respect of the ICBC Facilities), a summary of which are set out in Schedule 6
“Deposit”	has the meaning as ascribed to under Clause 2.4(1)
“Disclosed”	disclosed in a fair and accurate manner in this Agreement, the Audited Accounts, the Management Accounts, the Previous Announcements and any disclosure in writing provided by the Vendors to the Purchaser prior to the execution of this Agreement
“Dollars” or the sign “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Encumbrance”	any mortgage, charge, pledge, lien, (otherwise than arising by statute or operation of law), equities, hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same
“Escrow Agent”	Michael Li & Co. of 14th Floor, Printing House, 6 Duddell Street, Central, Hong Kong
“Escrow Agreement”	an escrow agreement dated 17 July 2006 and entered into among AFAL, Mr. Fung Yee Sang, the Escrow Agent, the Purchaser and Mr. Chin
“Escrow Money”	a sum of HK\$1,000,000 deposited by the Purchaser with the Escrow Agent under the Escrow Agreement
“Executive”	the Executive Director of the Corporate Finance Division of the SFC from time to time and any delegate of such Executive Director

“Financial Advisers”	Veda Capital Limited and Kingston Corporate Finance Limited, the joint financial advisers to the Purchaser in respect of the Offer
“GEM”	the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and the Subsidiaries and the expressions “member of the Group” and “Group Company” shall be construed accordingly
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“ICBC”	Industrial and Commercial Bank of China (Asia) Limited
“ICBC Facilities”	the banking facilities granted by ICBC to PDCL for an overdraft of HK\$2,000,000 and an instalment loan of HK\$2,400,000 secured by, among other matters, a corporate guarantee by the Company of HK\$4,400,000
“Intellectual Property Rights”	all relevant licences over industrial and intellectual property right used or acquired by any Group Company, including (without limitation) patents, trade marks, service marks, trade names, domain names, designs, copyrights and the copyright in all drawings, plans, specifications, designs and computer software (including in each case any application therefor) in any part of the world and whether or not registered or registrable and all know-how, inventions, formulae, trade secrets, confidential or secret processes and information and the registered trademarks as set out in Part B of Schedule 4
“Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Macao”	the Macao Special Administrative Region of the People’s Republic of China
“Mainland China”	the People’s Republic of China, which for the purpose of this Agreement, excludes Hong Kong, Macao and Taiwan

“Management Accounts”	the unaudited consolidated balance sheet of the Group as at the Management Accounts Date and the unaudited consolidated profit and loss accounts of the Group for the period commencing from 1 April 2006 to the Management Accounts Date, a copy of which has been attached to this Agreement as Exhibit “B” and initialed by the parties hereto for the purpose of identification
“Management Accounts Date”	31 July 2006
“Material Adverse Change (or Effect)”	any change (or effect) which has a material and adverse effect on the financial or trading position, business or property, results of operations of the Company
“Mr. Chin”	Chin Wai Keung Richard, the sole beneficial owner, and sole director, of the Purchaser
“New Escrow Agreement”	an escrow agreement to be entered into contemporaneously with the signing of the Agreement among the Vendors, the Escrow Agent and the Purchaser pursuant to which the Escrow Agent will hold the Deposit in accordance with its terms and conditions
“Offer”	the unconditional cash offer to be made by the Financial Advisers on behalf of the Purchaser (subject to Completion) to the Shareholders (other than the Purchaser and parties with whom the Purchaser are acting in concert (as defined in the Code)) for their Shares in compliance with the Code, and the comparable offer to be made in accordance with the Code by the Purchaser for all outstanding Options
“Offer Circular”	the composite offer document containing the offeror document and the offeree board circular to be issued and referred to in Clause 6
“Options”	an aggregate of 27,750,000 options granted under the Pre-IPO Share Option Scheme comprising the Pool A Options and the Pool B Options which remain outstanding as at the date hereof, details of which are set out in Schedule 7

“PDCL”	Panorama Distributions Company Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company
“PEGL”	Panorama Entertainment Group Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly owned subsidiary of the Company
“Pool A Options”	an aggregate of 15,900,000 Pool A options granted under the Pre-IPO Share Option Scheme having an exercisable period from 9 May 2003 to 8 May 2012 at an exercise price of HK\$0.033 per Share which remain outstanding as at the date hereof, details of which are set out in Schedule 7
“Pool B Options”	an aggregate of 11,850,000 Pool B options granted under the Pre-IPO Share Option Scheme having an exercisable period from 9 May 2003 to 8 May 2012 at an exercise price of HK\$0.231 per Share which remain outstanding as at the date hereof, details of which are set out in Schedule 7
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by the Company on 25 April 2002 and expired on 9 May 2002
“Previous Announcements”	all public announcements and circulars to Shareholders made by or on behalf of the Company since the date of initial listing of the Shares on GEM and published in the website on GEM
“Sale Shares”	the 251,671,500 Shares registered in the name of and beneficially owned by the Vendors as to 233,340,000 Shares by AFAL and 18,331,500 Shares by Mr. Allan Fung, together representing approximately 62.56% of the entire issued share capital of the Company as at the date of this Agreement
“SFC”	the Securities and Futures Commission of Hong Kong
“Shares”	shares of HK\$0.01 each in the share capital of the Company

“Shareholders”	the holders of Shares
“Share Option Scheme”	the share option scheme adopted by the Company on 25 April 2002
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiaries”	the subsidiaries (have the meaning ascribed thereto under Section 2 of the Companies Ordinance) of the Company as set out in Part B of Schedule 1
“Taxation”	all forms of taxation including overseas taxation and all forms of profits tax, interest tax, estate duty and stamp duty and all levies, imposts, duties, charges, fees, deductions and withholdings whatsoever charged or imposed by any statutory, governmental state, provincial, local government or municipal authority whatsoever and the expression “Tax” shall be construed accordingly
“this Agreement”	this agreement for the sale and purchase of the Sale Shares, as amended from time to time
“Warranties”	the representations, warranties and indemnities given by the Vendors joint and severally under Clause 5 and Schedule 2

1.2 The headings of this Agreement are inserted for convenience only and shall be ignored in construing this Agreement. Unless the context otherwise requires, references in this Agreement to the singular shall be deemed to include references to the plural and vice versa; references to one gender shall include all genders and references to any person shall include an individual, firm, body corporate or unincorporated.

1.3 References in this Agreement to Clauses, Schedules and Exhibits are references to clauses of and schedules and exhibits to this Agreement and references to sub-clauses and paragraphs are unless otherwise stated, references to sub-clauses and paragraphs of the Clause or, as appropriate, the Schedule or the Exhibit in which the reference appears.

1.4 Reference to any ordinance, regulation or other statutory provision or Stock Exchange rules in this Agreement includes reference to such ordinance, regulation, provision or rule as modified, consolidated or re-enacted from time to time. References to documents shall be construed as references to such documents as may be amended from time to time.

1.5 The expressions the “Vendors” and the “Purchaser” shall, where the context permits, include their respective successors and personal representatives.

1.6 References in this Agreement to time are to Hong Kong time.

1.7 The schedules to and the recitals of this Agreement shall form part of this Agreement.

2. SALE AND PURCHASE OF THE SALE SHARES AND CONSIDERATION

2.1 Subject to and upon the terms and conditions of this Agreement, the Vendors shall as beneficial owners sell and the Purchaser shall purchase the Sale Shares with effect from Completion free from all Encumbrances together with all rights now and hereafter attaching thereto including but not limited to all dividends paid, declared or made in respect thereof on or after the Completion Date.

2.2 The Purchaser shall not be obliged to purchase any of the Sale Shares unless the purchase of all the Sale Shares is completed simultaneously.

2.3 The aggregate consideration for the sale and purchase of the Sale Shares (the "**Consideration**") shall be the sum of HK\$10,066,860.

2.4 The Consideration shall be satisfied by the Purchaser in the following manner:

- (1) the transfer of the Escrow Money with interest accrued thereon together with payment of an additional sum of HK\$1,000,000 to the Escrow Agent as refundable deposit within three Business Days upon signing of this Agreement (the "**Deposit**") to be held by the Escrow Agent under the New Escrow Agreement and to be released to the Vendors on Completion;
- (2) HK\$2,000,000 (the "**Retained Consideration I**") shall be paid by the Purchaser to the Vendors within three Business Days upon the Vendors producing evidence reasonably satisfactory to the Purchaser that the corporate guarantee provided by the Company for the ICBC Facilities has been fully released and discharged, and such payment obligation shall arise on or after Completion;
- (3) HK\$1,000,000 (the "**Retained Consideration II**") shall be paid by the Purchaser to the Vendors within three Business Days upon the Vendors producing evidence reasonably satisfactory to the Purchaser that all the Corporate Guarantees have been fully released and discharged and such payment obligation shall arise on or after Completion; and
- (4) the balance of the Consideration shall be paid by the Purchaser to the Vendors on Completion in accordance with Clause 4.5(2).

3. CONDITIONS

3.1 Completion is conditional upon:

- (1) the Shares remaining listed and traded on GEM at all times from the date of this Agreement up to (and including) the Completion Date, excluding any temporary suspension not exceeding ten consecutive trading days for the

purposes of clearing any announcements, circulars or documents in relation to the transactions contemplated under this Agreement;

- (2) trading in the Shares on GEM not being revoked or withdrawn at any time prior to the Completion Date;
- (3) there being no indication from the Stock Exchange or the SFC prior to the Completion Date that listing of the Shares will be suspended, revoked or withdrawn at any time after Completion, whether in connection with any of the transactions contemplated by this Agreement or otherwise;
- (4) all necessary consents and approvals required to be obtained on the part of the Vendors in respect of this Agreement and the transactions contemplated thereby having been obtained;
- (5) the Warranties remaining true and accurate in all respects;
- (6) the publication of the joint announcement in relation to this Agreement and the transactions contemplated thereby by or on behalf of the Company and the Purchaser which has been cleared by the Stock Exchange and the SFC; and
- (7) delivery of a written undertaking (as set out in Schedule 8) under seal from each of Mr. Allan Fung, Ms. Leung Siu Kuen, Janet and Mr. Fung Yee Sang, the grantees under the Pre-IPO Share Option Scheme undertaking to the Purchaser he/she shall not exercise any of his/her Pool A Options as from the date of the said written undertaking up to and including the close of the Offer and will accept the offer for the Options.

3.2 Each of the parties hereto shall use their respective best endeavours to procure the fulfilment of the conditions set out in Clause 3.1 and, in particular, shall procure that all information and documents required pursuant to the Listing Rules, the Code and other applicable rules, codes and regulations whether in connection with the preparation of the announcements, circulars, Offer Circular, reports, documents, independent advice or otherwise are duly given promptly to the Company, the Purchaser, the Stock Exchange, the SFC and other relevant regulatory authorities, as the case may be.

3.3 The Purchaser may at any time by notice in writing to the Vendors waive any of the conditions set out in Clauses 3.1 (1), (4) and (5) and such waiver may be made subject to such terms and conditions as are determined by the Purchaser. If any of the conditions set out in Clause 3.1 has not been satisfied and/or waived at or before 12:00 noon on 20 September 2006, being the date falling 21 days after the date of this Agreement or such other date as both the Purchaser and the Vendors may agree (the "**Long Stop Date**"), the Deposit shall be refunded by the Escrow Agent releasing the same to the Purchaser with interest accrued within seven days upon the expiry of the Long Stop Date, and this Agreement shall cease and determine (save and except Clauses 9, 11 and 15 which shall continue to have full force and effect) and none of the parties shall have any obligations and liabilities hereunder and none of the parties hereto shall take any action to claim for damages or to enforce specific performance or any other rights and remedies save for any antecedent breaches of the terms hereof.

4. COMPLETION

4.1 Upon compliance with or fulfillment or waiver of all the conditions set out in Clause 3.1, Completion shall take place at 14th Floor, Printing House, 6 Duddell Street, Central, Hong Kong (or such other place as may be agreed between the parties) on the Completion Date at or before 4:00 p.m. when all the acts and requirements set out in this Clause 4 shall be complied with.

4.2 The Vendors shall deliver or procure the delivery to the Purchaser or to its order of all the following:

- (1) instruments of transfer in respect of the transfer of the Sale Shares duly executed by each of the registered holders thereof in favour of the Purchaser (and/or its nominees) and the original share certificates for the Sale Shares; or, in the case where all or part of the Sale Shares have been deposited with a CCASS account, evidence to the Purchaser's satisfaction that such documents have been executed and instructions provided by the Vendors as may be required to effect the transfer of the Sale Shares to such CCASS participants' or investor participants' accounts as may be designated by the Purchaser, and such other documents as may be required to give a good and effective transfer of title to the Sale Shares to the Purchaser or such nominees and to enable the Purchaser or such nominees to become the registered and beneficial holders thereof free from all Encumbrances in accordance with Clause 2.1;
- (2) such other documents as may be required to give a good and effective transfer of title of the Sale Shares to the Purchaser (and/or its nominees) and to enable the Purchaser (and/or its nominees) to become the registered holder(s) thereof;
- (3) a copy, certified as true and complete by a director of AFAL of the written resolutions of the board of directors of AFAL signed by all of its directors approving this Agreement and all other transactions contemplated under this Agreement and authorising a person or persons to execute the same and all other documents relating or incidental thereto (under seal where appropriate) for and on behalf of AFAL;
- (4) an undertaking from AFAL to deliver to the Purchaser within 15 Business Days after Completion a certificate of incumbency dated not more than ten Business Days immediately after the Completion Date issued by the registered agent of AFAL setting out certain particulars of AFAL and a certificate of good standing in respect of AFAL dated not more than 15 Business Days immediately after the Completion Date;
- (5) if so requested by the Purchaser,
 - (i) all (original and/or copy) statutory records and minutes books (which shall be written up to date as at Completion) including all available original/copies of the memorandum and articles of association or other equivalent constitutional documents, certificates of incorporation and

business registration certificates (if any) and other statutory records of the Company in its possession;

- (ii) the common seal and all rubber stamps, cheque books, cheque stubs and bank statements, receipt books, all current insurance policies, books and accounts, title deeds and evidence of ownership to all assets and all current contracts and all other accounting records of the Company;
- (iii) all correspondence and other documents belonging to the Company; and
- (iv) copies of all tax returns and assessments of the Company (received where the due dates for payment fell on or before Completion),

or written authorities in favour of the Purchaser for the collection of such documents;

- (6) the written resignations of all directors (and if so requested by the Purchaser, the secretary, the qualified accountant, and the authorised representatives) of the Company together with a written acknowledgement from each of such directors (and if applicable, the secretary, the qualified accountant, and the authorised representatives) and the Company confirming that neither party has any claims against the other whether by way of compensation, remuneration, severance payments, expenses, damages or otherwise, such resignations shall take effect on the earliest date as permitted under the Code and the form of the resignation letter is set out in Schedule 5 to this Agreement;
- (7) copy, certified as true and complete by a director of the Company, of resolutions of the Board approving the matter referred to in Clause 4.4 below;
- (8) a cheque for the Vendors' share of 50% of the total amount of stamp duty payable in respect of the transfer of the Sale Shares, drawn in favour of The Government of the Hong Kong Special Administrative Region;
- (9) the original confirmation signed by each of the Vendors confirming to the Purchaser that there has been no breach of any of the Warranties or other provisions of this Agreement by the Vendors; and
- (10) delivery of copy documents as set out in Clause 4.8 or an undertaking to the Purchaser that the Vendors will procure the delivery of such copy documents or failing which, take all necessary actions to rectify the same within 30 days after the date of this Agreement and to fully indemnify and hold harmless the Purchaser and the Company on demand against any and all reasonable costs, expenses, claims, losses and liabilities which may be incurred or suffered by the Purchaser or the Company on a dollar-for-dollar basis in respect of any failure of the Vendors to deliver such copy documents or to take all necessary actions to rectify the same.

4.3 The Vendors and the Purchaser shall procure that:

- (1) all the directors of the Company shall resign as directors of the Company with effect from the earliest time permitted under the Code; and
- (2) unless the Purchaser has otherwise agreed with the individual concerned, the secretary, the qualified accountant and/or the authorised representatives of the Company shall resign as secretary, qualified accountant, and/or the authorised representatives of the Company respectively with effect from the earliest time permitted under the Code in the form of the letter set out in Schedule 5 of this Agreement.

4.4 The Vendors shall procure a meeting of the Board be held at which:

- (1) such person(s) as the Purchaser shall nominate (at least five Business Days prior to the Completion) be appointed as additional director(s), (and where applicable) company secretary and qualified accountant of the Company from the calendar day immediately following the close of the Offer;
- (2) the resignation of the directors of the Company, (and where applicable) the secretary, qualified accountant and/or the authorised representatives of the Company as referred to in Clause 4.3 shall be approved; and
- (3) to the extent permitted by the Code or other rules or regulations applicable to the Company, the amendments of the signatories and bank mandates for all accounts maintained by the Company with banks and financial institutions in such manner as the Purchaser may require (and notified to the Vendors at least three Business Days prior to the Completion) shall be approved.

4.5 Against compliance and fulfillment of all acts and the requirements set out in Clauses 4.2, 4.3 and 4.4, the Purchaser shall:

- (1) procure the Escrow Agent to release the Deposit forthwith to the Vendors (or as they may direct);
- (2) deliver to the Vendors a banker's draft issued by a licensed bank in Hong Kong for the balance of the Consideration (as referred to in Clause 2.4(4)) and made payable to the Vendors (or as they may direct);
- (3) produce to the Vendors instruments of transfer in respect of the Sale Shares duly executed by the Purchaser (and/or its nominees) and shall procure the due stamping of the same, and the Purchaser shall attend to due stamping of the same without incurring any late penalties on the ad valorem stamp duty payable;
- (4) deliver to the Vendors a copy, certified as true and complete by the sole director of the Purchaser, of resolutions of the board of directors of the Purchaser approving this Agreement and all other transactions contemplated under this Agreement and authorising a person or persons to execute the same

and all other documents relating or incidental thereto (under seal where appropriate) for and on behalf of the Purchaser; and

- (5) if so requested by the Vendors, deliver to the Vendors a copy of the evidence submitted by or on behalf of the Purchaser to the SFC, pursuant to the Code, confirming its financial resources to satisfy full acceptance of the Offer.

4.6 In the event that the Vendors or the Purchaser shall without reasonable ground fail to do anything required to be done by it under Clauses 4.2, 4.3, 4.4 or 4.5, without prejudice to any other right or remedy available to the other party, such other party may:

- (1) defer Completion to a day not more than 14 days after the date fixed for Completion (and so that the provision of this paragraph (1) shall apply to Completion as so deferred); or
- (2) proceed to Completion so far as practicable but without prejudice to such other party's right to the extent that the Vendors or the Purchaser shall not have complied with its obligations hereunder; or
- (3) rescind this Agreement without liability on its part provided that in the event that the Purchaser shall solely be in default, the Escrow Agent shall upon such rescission release the Deposit to the Vendors who shall be entitled to forfeit the same absolutely. In all other cases, the Deposit with interest accrued shall fully be refunded to the Purchaser.

4.7 If the ICBC Facilities have not been released or discharged on or before the Completion Date, the Purchaser is entitled to withhold the Retained Consideration I referred to in Clause 2.4(2) until receipt of evidence reasonably satisfactory to the Purchaser that the corporate guarantee provided by the Company for the ICBC Facilities has fully been released or discharged on or before the expiry of the CG Release Date (as defined in Clause 5.7), as extended pursuant to Clause 5.7 (if applicable), whereupon the Purchaser shall pay the Retained Consideration I to the Vendors within three Business Days of receipt of the above-mentioned evidence by means of a banker's draft issued by a licensed bank in Hong Kong and made payable to the Vendors (or as they may direct).

4.8 Each of the Vendors jointly and severally agrees and undertakes to the Purchaser that they shall fully indemnify and hold harmless the Purchaser and the Company on demand against any and all reasonable costs, expenses, claims, losses and liabilities which may be incurred or suffered by the Purchaser or the Company on a dollar-for-dollar basis in respect of any failure of the Vendors to:

- (1) in relation to PDCL:
 - (i) make board minutes or resolution in relation to the appointment of Bonham Secretaries Limited as its current company secretary;
 - (ii) make board minutes or resolutions in relation to the appointment of Realty Dragon Limited as its company secretary; and

- (iii) make board minutes or resolutions in relation to the resignation of Karalon Limited as its company secretary and all the necessary statutory filings with all the applicable authorities and registries in relation to PNC Secretarial Services Limited, Abarem Company Secretary Limited and Karalon Limited as its company secretaries;
- (2) in relation to Panorama Entertainment Company Limited:
- (i) make all the necessary statutory filings with all the applicable authorities and registries in relation to the appointment of Mr. Allan Fung as its director on 1 August 1991;
 - (ii) make all the necessary statutory filings with all the applicable authorities and registries in relation to the appointment of Chow Ching Ping Margaret as its director;
 - (iii) make board minutes or resolution in relation to the appointment of Bonham Secretaries Limited as its current company secretary and related statutory filings with all the applicable authorities and registries; and
 - (iv) make board minutes or resolution in relation to the appointment of Cheng Chor Miu as its company secretary and related statutory filings with all the applicable authorities and registries; and
 - (v) make board minutes or resolution in relation to the resignation of Karalon Limited as its company secretary and all the necessary statutory filings with all the applicable authorities and registries in relation to the appointment and resignation of PNC Secretarial Services Limited, Leung Siu Kuen Janet, Abarem Company Secretary Limited and Karalon Limited as its company secretaries;
- (3) in relation to Go Film Distribution Limited:
- (i) make the complete and up-to-date register of directors;
 - (ii) make the complete and up-to-date register of secretaries;
 - (iii) make the complete and up-to-date register of members; and
 - (iv) make the complete and up-to-date register of charges;
- (4) make board minutes or resolutions in relation to the appointment and resignation of the directors and secretary of Panorama Entertainment (Singapore) PTE Limited and related statutory filings with all the applicable authorities and registries;
- (5) make all the necessary payments and contributions to the Mandatory Provident Fund due from the Company; and

- (6) make the original blank instruments of transfer duly executed by Mr. Allan Fung holding each of the one share in the issued share capital of PDCL, Panorama Entertainment Company Limited and Punch Pictures Company Limited respectively as nominee of PEGL.

5. VENDORS' WARRANTIES AND UNDERTAKINGS

5.1 Each of the Vendors hereby jointly and severally represents, warrants and undertakes to the Purchaser (for itself and for the benefit of its successor) that save as Disclosed, the Warranties are true and accurate in all respects as at the date of this Agreement and will continue to be so up to and including the time of Completion. Each of the Vendors hereby jointly and severally acknowledges that the Purchaser in entering into this Agreement is relying on the Warranties.

5.2 Each of the Vendors hereby jointly and severally agrees that the Purchaser may treat each of the Warranties as separate and independent. In addition, each of the Warranties is without prejudice to any other Warranty and, except where expressly otherwise stated, no provision in any Warranty shall govern or limit the extent or application of any other provision in any Warranty.

5.3 The rights to claim under the Warranties shall survive Completion to the extent that the disclosure of any breach is not made prior to Completion and the rights and remedies of the Purchaser in respect of any breach of the Warranties shall not be affected by Completion.

5.4 Each of the Vendors hereby jointly and severally undertakes in relation to any Warranty which refers to the knowledge, information or belief of the Vendors that they have made reasonable enquiry into the subject matter of that Warranty and that they do not have the knowledge, information or belief that the subject matter of that Warranty may not be correct, complete or accurate in any respect.

5.5 If it shall be found at any time after Completion that, save as Disclosed, any of the Warranties is not true, correct and accurate in any respect, and the effect thereof is that the Company has suffered actual losses or damages, then the Vendors shall jointly and severally indemnify on demand the Purchaser such loss and damages and hold the Purchaser harmless from and against such losses, damages and costs, to the extent and so long as that:

- (1) such damages and losses are subject to a final judgment which is no longer subject to any appeal or review;
- (2) if the claim for such damages and losses is settled, the terms of settlement shall be approved by the Vendors in advance, such approval shall not be unreasonably withheld or delayed;
- (3) if the claim for such damages and losses is defended, the Purchaser shall be allowed reasonable opportunities to participate in the conduct of the legal proceedings; and/or

- (4) there shall be no claim for economic loss and/or claims in respect of warranty claims by the customers of the Subsidiaries set forth in Part B of Schedule 1 so long as such claims are not pending or threatened against the Company and do not solely and directly result in the revocation of the listing status of the Company or in the suspension of trading in the Shares on GEM for more than 10 consecutive trading days.

5.6 Save as Disclosed, each of the Vendors hereby jointly and severally covenants with and undertakes to indemnify the Company, forthwith upon a demand being made by the Purchaser on behalf of the Company, a sum equal to the amount of any Tax liability of any member of the Group resulting from or by reference to any income, profits or gains earned accrued or received on or before Completion or any event on or before Completion whether alone or in conjunction with other circumstances and whether or not such Tax is chargeable against or attributable to any other person. This indemnity shall not apply to Tax arising in the ordinary and usual course of business of any member of the Group.

5.7 The Vendors shall jointly and severally, at their own costs and expenses, procure the release and discharge of the obligations and liabilities of the Company under the corporate guarantee provided by the Company for the ICBC Facilities and the Corporate Guarantees as soon as practicable and in any event on or before the date falling 3 months after the date of Completion (the "CG Release Date"). The Purchaser may at its absolute discretion extend the CG Release Date for 1 month to the Vendors to procure such release and discharge of the corporate guarantee provided by the Company for the ICBC Facilities and the Corporate Guarantees if a written request for such extension is made by the Vendors before the expiry of the CG Release Date. The Vendors shall produce evidence reasonably satisfactory to the Purchaser that all the Corporate Guarantees have been so released and discharged on or before the expiry of the CG Release Date (as extended, if applicable), whereupon the Purchaser shall pay to the Vendors the Retained Consideration II referred to in Clause 2.4(3) within three Business Days of receipt of the above-mentioned evidence by means of a banker's draft issued by a licensed bank in Hong Kong and made payable to the Vendors (or as they may direct).

5.8 Each of the Vendors jointly and severally agrees and undertakes to the Purchaser that they shall fully indemnify and hold harmless the Purchaser and the Company on demand against any and all reasonable costs, expenses, claims, losses and liabilities which may be incurred or suffered by the Purchaser or the Company on a dollar-for-dollar basis in respect of any obligation or liability of the Purchaser or the Company arising out of the corporate guarantee provided by the Company for the ICBC Facilities and the Corporate Guarantees before the full release and discharge of the Company from the corporate guarantee provided by the Company for the ICBC Facilities and such Corporate Guarantees.

5.9 Each of the Vendors hereby jointly and severally undertakes with the Purchaser that until Completion the Group shall carry on its business in a manner consistent with its existing practice and shall:

- (1) procure that the Group shall not without first obtaining the prior written consent of the Purchaser enter into any contract or commitment of an unusual or onerous nature or other than in the normal and ordinary course of business; and

- (2) keep the Purchaser reasonably informed of all matters relating to the Group, its business, assets and prospects.

5.10 Without prejudice and notwithstanding Clause 5.9 above, each of the Vendors hereby jointly and severally undertakes that except as required or contemplated by this Agreement, or in the ordinary course of business, or with the approval of the new directors of the Company to be nominated by the Purchaser, it shall, until the resignations of all the directors of the Company named in Part A of Schedule 1 to this Agreement take effect, take all steps necessary to ensure that the Company or any member of the Group (as the case may be) shall not carry out any of the following actions and no resolution of the board of directors of the Company or any member of the Group (as the case may be) or of its general meeting shall be passed to carry out the same unless the written consent of the Purchaser is obtained (such consent not to be unreasonably withheld or delayed):

- (1) the creation or issue of any shares in any member of the Group, the transfer of shares in any member of the Group other than the Company, or the grant of any options over any shares or the uncalled capital of any member of the Group or the issue by any member of the Group of any warrant, securities or other obligations convertible into shares in any member of the Group or enter into any agreement or arrangement to do any of the same;
- (2) the capitalisation, repayment or other form of distribution of any amount standing to the credit of any reserve of any member of the Group on the redemption or purchase of any shares in any member of the Group or any other reorganisation of share capital;
- (3) the winding-up or liquidation of any member of the Group;
- (4) the alteration of the rights attaching to any of the Sale Shares or the shares in any member of the Group;
- (5) the alteration of the memorandum of association and bye-laws of the Company and the passing of any resolutions inconsistent with the provisions of this Agreement;
- (6) the acquisition or disposal of any property or other asset by the Company;
- (7) the acquisition or disposal of any property or other asset by any Subsidiary (other than in its ordinary course of business);
- (8) the acquisition or formation by any member of the Group of any subsidiary or the acquisition of any share in any other company or the participation by any member of the Group in any partnership or joint venture save for intra-Subsidiaries transactions;
- (9) the entering into of any material contract other than in its ordinary course of business;

- (10) the lending of any moneys (otherwise than by way of deposit with a bank or other institution the normal business of which includes the acceptance of deposit), the granting of any credit or the giving of any guarantee or indemnity (other than in the ordinary course of business);
- (11) the amalgamation or merger of any member of the Group with any other company or concern;
- (12) the appointment of the qualified accountant, company secretary and compliance officer of the Company save for their replacement;
- (13) the declaration by the Company of any dividend or other distribution;
- (14) the making of any material capital commitment exceeding HK\$100,000 by any member of the Group;
- (15) the borrowing of any moneys from banks, financial institutions and any other third parties by the Company;
- (16) the borrowing of any moneys from banks, financial institutions and any other third parties by any of the Subsidiaries;
- (17) the employment or engagement of any staff, consultants or personnel by the Company;
- (18) the entering into of any connected transaction or notifiable transaction (as defined in the Listing Rules); or
- (19) doing, allowing and procuring any act or omission on or before the effective date of resignations of all the directors of the Company named in Part A of Schedule 1 to this Agreement which will constitute a breach of any of the Warranties or a breach of Rule 17.26 of the Listing Rules.

Subject as aforesaid, the Vendors shall keep the Purchaser closely informed of any resolutions of the directors or members of any member of the Group.

5.11 Each of the Vendors jointly and severally agrees and undertakes to the Purchaser that they shall fully indemnify and hold harmless the Purchaser and the Company on demand against any and all reasonable costs, expenses, claims, losses and liabilities which may be incurred or suffered by the Purchaser or the Company on a dollar-for-dollar basis in respect of any obligation or liability of the Purchaser or the Company which may arise in relation to the ICBC Facilities of any compliance issues under the Listing Rules and other applicable laws and regulations.

5A. LIMITATION OF LIABILITY

5A.1 The Vendors shall jointly and severally be liable in respect of any breach of any Warranties and their liabilities shall be limited as provided in this Clause 5A.

5A.2 The Vendors shall not be liable for any claim in respect of the Warranties and this Agreement unless:

- (1) the Vendors shall have received from the Purchaser written notice of such claim (including but not limited to any claim relating to Taxation) specifying in reasonable details the event or default to which the claim relates and the nature of the breach and (if capable of being quantified at that time) the amount claimed not later than the expiry of a period of 30 months after the Completion Date;
- (2) the aggregate amount of liability of the Vendors for all claims made in connection with the Warranties or otherwise under the terms of this Agreement shall not exceed the Consideration;
- (3) the amount recoverable from the Vendors in respect thereof is in excess of HK\$100,000 or if any claim is below HK\$100,000, when aggregated with any other amounts so recoverable by the Purchaser in respect of any other claims below HK\$100,000 exceeds HK\$100,000, the Vendors shall be liable for all amount so claimed.

5A.3 Notwithstanding any provision herein, the liability of the Vendors in connection with the Warranties and this Agreement shall cease on the expiration of 30 months after the Completion Date, except in respect of the matters which have been the subject of a bona fide claim in writing notified to the Vendors in compliance with Clause 5A.2(1) as before such date.

5A.4 In any claim under a Warranty and this Agreement, the amount of such claim shall be reduced by the amount (if any) by which:

- (1) any liability of the Group included in the Audited Accounts and/or the Management Accounts has been discharged or satisfied below the amount attributed thereto or included in respect thereof in the Audited Accounts and/or the Management Accounts; and/or
- (2) any contingent or other matter provided against in the Audited Accounts and/or the Management Accounts has in the event been over-provided for.

5A.5 The Vendors shall not be liable under the Warranties and this Agreement to the extent that any depletion, diminution or reduction in the value or amount of any of the assets of the Group occurs as a result of or is otherwise attributable to:

- (1) any legislation not in force at the date of this Agreement or any change of law or administrative practice which takes effect retroactively or occurs as a result of any increase in the rates of taxation in force at the date of this Agreement;
- (2) any voluntary act of any Group Company and/or the Purchaser after Completion except where such act is done by the Purchaser bona fide and in compliance with Clause 5A.8; and

- (3) the Purchaser or any Group Company disclaiming any part of the benefit of any capital or other allowance against taxation claimed on or before Completion (except where such claims are disallowed by the Inland Revenue Department of Hong Kong).

5A.6 The Purchaser shall reimburse to the Vendors an amount equal to any sum paid by the Vendors to satisfy any claim under the Warranties which is subsequently recovered by or paid to the Purchaser or the Group by any third party after deducting all reasonable costs and expenses incurred by the Purchaser and/or the Group arising from or incidental to the recovery of such amount from the third party.

5A.7 The Warranties shall be actionable only by the Purchaser and no other persons shall be entitled to make any claim or take any action whatsoever against the Vendors under, arising out of, or in connection with any of the Warranties.

5A.8 The Purchaser shall as soon as reasonably practicable procure the Group to inform the Vendors in writing of any fact, matter, event or circumstance which comes to its notice or to the notice of the Group whereby it appears that the Vendors are or may become liable to make any payment under the Warranties and shall not settle or compromise such claim without the prior written consent of the Vendors. At the request in writing by the Vendors, the Purchaser shall, subject to the Purchaser and the Group being indemnified to the Purchaser's reasonable satisfaction against any liability, costs, damages or expenses which may be incurred, take such action as the Vendors may reasonably request to avoid, dispute, resist, compromise or defend the claim or liability for which the Vendors may be or become directly or indirectly liable or responsible and the Purchaser shall further render or cause to be rendered to the Vendors all such assistance as the Vendors may reasonably require in connection with the foregoing.

6. THE OFFER

6.1 Subject to Completion and to the Purchaser and persons acting in concert with them incurring a general offer obligation under Rule 26 of the Code in relation to the Company, the Purchaser undertakes to the Vendors that the Purchaser will procure the Offer to be made by or on behalf of the Purchaser within such time and on such terms as are required under the Code (subject to any such modification, waiver or extension as may be granted by the Executive) and shall use all reasonable endeavours to procure that the Offer Circular be despatched by or on behalf of the Purchaser as soon as is reasonably practicable after the announcement of the terms thereof and within the time limit required by the Executive and the Code (or such later date as may be approved by the Executive), and the Vendors shall use all reasonable endeavours to procure the Company to despatch the Offer Circular containing such information regarding the Offer and as required by the SFC, the Code, the Executive, the Listing Rules and the Stock Exchange, to the Shareholders whose names appear on the branch register of members of the Company on the date of the Offer Circular and otherwise on such terms as the Purchaser may see fit but so that the Offer and the Offer Circular shall comply in all respects with the requirements of the Code.

6.2 The Vendors shall, and shall use all reasonable endeavours to procure that the Company will, take all actions necessary and provide all information and assistance required by the Purchaser (or the Financial Advisers) to prepare the Offer Circular and to enable the

Purchaser to procure the posting of the Offer Circular in accordance with Clause 6.1, and shall undertake to ensure that the Offer Circular contains all such matters and information as are appropriate or necessary for an offeree board circular for the purposes of the Code.

7. PURCHASER'S WARRANTIES

7.1 The Purchaser hereby represents and warrants to the Vendors that:

- (1) the Purchaser has the corporate power and has obtained all necessary approval, authorisation and consents to enter into and perform its obligations under this Agreement and to carry out the transactions contemplated hereby;
- (2) the Purchaser has taken all necessary corporate and other actions to authorise the entering into and performance of this Agreement and to carry out the transactions contemplated hereby; and
- (3) this Agreement is a valid and binding obligation on the Purchaser.

7.2 The Purchaser hereby further warrants and undertakes to the Vendors that the Purchaser has sufficient financial resources necessary to satisfy fully the consideration for the sale and purchase of the Sale Shares and that the Purchaser can and will be able to implement the Offer in full.

7.3 The Purchaser shall procure that the Company will change its name so as to remove any reference to "Panorama" as soon as possible but in any event not later than 45 days after the close of the Offer. The Purchaser shall ensure that the new name of the Company will not bear any reference to "Panorama".

8. FURTHER ASSURANCE

8.1 Any party hereto shall upon request by the other party hereto execute, do and perform or procure to be executed, done and performed by other necessary parties all such further acts, agreements, assignments, assurances, deeds and documents as the other party hereto may reasonably require effectively to vest the registered and beneficial ownership of the Sale Shares in the Purchaser or its respective nominees free from all Encumbrances and with all rights now and hereafter attaching thereto and to effect any other transactions contemplated herein.

8.2 The Vendors shall procure that as from the date of this Agreement, the Purchaser and any persons authorised by it shall be given full access to the employees, premises, plant, machinery, equipment, books of account, records and documents of the Group and the directors and employees of the Group shall be instructed to give promptly to the Purchaser and any persons authorised by it all information in relation to the Group that the Purchaser may reasonably request.

8.3 The Vendors confirm and agree and shall procure that as from the date of this Agreement and until either 30 months after close of the Offer or after the relevant Subsidiary ceases to be a member of the Group, whichever is earlier, the Purchaser shall be entitled to appoint an observer (the "Observer") (including the power to remove the Observer it

appointed and to replace the Observer so removed) who is entitled to attend and speak and participate by way of telephone conference (where appropriate) at any board meetings or members meetings of any member of the Group and to receive all minutes, information and documents of such meetings. Notice to the Observer shall be given in writing at least 48 hours in advance to the correspondence address provided by the Observer from time to time and set out in sufficient details the nature of the business to be transacted at such meetings, and where appropriate, with supporting documents. Copies of all notices, minutes, information and documents shall be sent to the Observer at the same time (or before) such minutes, information and documents are sent or delivered to other parties entitled to receive the same. Where delivery of any documents to the Observer are not feasible, notice shall be sent to the Observer informing him the nature of the documents and allow the Observer inspection of the same at such time convenient to the Observer.

9. CONFIDENTIALITY AND ANNOUNCEMENTS

9.1 The Purchaser undertakes to the Vendors that it will not and will procure that its officers, employees and advisers will not, at any time after the date of this Agreement, without the prior written consent of the Vendors or save as required by law or any rule of any relevant stock exchange body, disclose any information concerning the business, accounts, finance or contractual arrangements or other dealings, transactions or affairs of the Group supplied to the Purchaser, its officers, employees or its advisers by the Vendor, to any third party (other than those of its officers, employees or advisers as are necessarily required in the course of their duties to receive and acquire such documents, information and/or knowledge under the same duty of confidentiality).

9.2 No public announcement or communication of any kind shall be made in respect of the subject matter of this Agreement unless specifically agreed between the parties or unless an announcement is required pursuant to the Listing Rules, the Code, the applicable laws and regulations or the requirements of the Stock Exchange, the SFC or any other regulatory body or authority. Where the Vendors are required by the Listing Rules, the Code, any relevant laws or regulations or the requirements of the Stock Exchange, the SFC or any other regulatory body or authority to make any press or other announcement not relating to this Agreement before the close of the Offer, the Vendors shall so far as practicable consult the Purchaser regarding the contents of such announcement prior to its release.

10. GENERAL

10.1 This Agreement constitutes the entire agreement between the parties hereto with respect to the matters dealt with herein and supersedes all previous agreements, arrangements, statements, understandings or transactions between the parties hereto, if any, in relation to the matters hereof and the parties acknowledge that no claim shall arise in respect of any agreement, arrangements, statements, undertakings or transactions so superseded.

10.2 Any variation to this Agreement shall be binding only if recorded in a document signed by all the parties hereto.

10.3 Time shall be of the essence of this Agreement but no failure by any party to exercise, and no delay on its part in exercising any right hereunder will operate as a waiver thereof,

nor shall any single or partial exercise of any right under this Agreement (including a settlement with any of the parties hereto) preclude any other or further exercise of it or the exercise of any right or prejudice or affect any right against any person under the same liability whether joint, several or otherwise. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

10.4 None of the parties may assign or transfer any of their rights or obligations under this Agreement.

10.5 If at any time any one or more provisions hereof is or becomes invalid, illegal, unenforceable or incapable of performance in any respect, the validity, legality, enforceability or performance of the remaining provisions hereof shall not thereby in any way be affected or impaired.

10.6 Each and every obligation, covenant, representation, warranty and undertaking of the Vendors provided herein shall be joint and several obligations, covenants, representations, warranties and undertakings of each of the Vendors, and the Purchaser shall be at liberty to release, compound with or otherwise vary or agree to vary the liability of, or to grant time or other indulgence, or make other arrangements with any one of the Vendors without the consent or notice to the other and without prejudicing, affecting the right, remedy and power of the Purchaser against the others.

11. NOTICES AND PROCESS AGENTS

11.1 Any notice, claim, demand, court process, document or other communication to be given under this Agreement (collectively "**communication**" in this Clause 11) shall be in writing in the English language and may be served or given personally or sent to the address (including cable address) or facsimile numbers (if any) stated after the relevant party's name in Schedule 3 for the time being of the party to be served, or to such other address (which must be in Hong Kong) as may have been last notified in writing by such party to the party serving the communication specifically referring to this Agreement. All communications shall be served by the following means and the addressee of a communication shall be deemed to have received the same within the time stated adjacent to the relevant means of despatch:

<u>Means of despatch</u>	<u>Time of deemed receipt</u>
Local mail or courier	24 hours
Facsimile	on despatch
Air courier/Speedpost	3 days
Airmail	5 days

11.2 A communication served in accordance with Clause 11.1 shall be deemed sufficiently served and in proving service and/or receipt of a communication it shall be sufficient to prove that such communication was left at the addressee's address or that the envelope containing such communication was properly addressed and posted or despatched to the addressee's address or that the communication was properly transmitted by facsimile to the addressee. In the case of facsimile transmission, such transmission shall be deemed properly

transmitted on receipt of a satisfactory report of transmission printed out by the sending machine.

11.3 Nothing in this Clause 11 shall preclude the service of communication or the proof of such service by any mode permitted by law.

11.4 AFAL hereby irrevocably appoints Mr. Allan Fung as their agent to accept service of legal process out of the courts of Hong Kong in connection with this Agreement. The Vendors further agrees to maintain a duly appointed agent in Hong Kong to accept service of process out of the courts of Hong Kong and to keep the other parties informed of the name and address of such agent. Service on such process agent (or its substitute appointed pursuant to the procedures described above) shall be deemed to be service on AFAL. The provisions of Clauses 11.1 and 11.2 shall apply to the service of court process on the process agent of AFAL.

11.5 The Purchaser hereby irrevocably appoints Mr. Chin as its agent to accept service of legal process out of the courts of Hong Kong in connection with this Agreement. The Purchaser further agrees to maintain a duly appointed agent in Hong Kong to accept service of process out of the courts of Hong Kong and to keep the other parties informed of the name and address of such agent. Service on such process agent (or its substitute appointed pursuant to the procedures described above) shall be deemed to be service on the Purchaser. The provisions of Clauses 11.1 and 11.2 shall apply to the service of court process on the process agent of the Purchaser.

12. RESCISSION

If at any time before Completion, the Purchaser finds that any of the Warranties is not true and accurate in any material respects, the Purchaser may, without prejudice to all other rights and remedies available to it, rescind this Agreement by written notice to the Vendors. If the Purchaser shall elect to rescind this Agreement, the Vendors shall fully indemnify the Purchaser and keep the Purchaser fully indemnified in respect of all reasonable fees, costs and expenses (including legal costs and expenses on a full indemnity basis) incurred by the Purchaser after execution and in connection with this Agreement (including rescission) provided that the aggregate amount of liability of the Vendors for all claims made in connection with such fees, costs and expenses shall not exceed HK\$100,000.

13. COSTS AND STAMP DUTY

13.1 Each party shall bear its own costs and expenses (including legal fees) incurred in connection with the preparation, negotiation, execution and performance of this Agreement and all documents incidental or relating to Completion.

13.2 All stamp duty (if any) payable in connection with the sale and purchase of the Sale Shares shall be borne by the Vendors of the one part and the Purchaser of the other part in equal shares.

14. COUNTERPARTS

This Agreement may be executed by the parties hereto in any number of counterparts

and on separate counterparts, each of which when so executed shall be deemed an original but all of which shall constitute one and the same instrument and is binding on all parties. A party may execute this Agreement and the documents referred to herein on a facsimile copy counterpart and deliver his/its signature and/or seal by facsimile provided that such party shall deliver his/its original signature and/or seal within 14 days from the date of execution of this Agreement (or, as the case may be, the date of execution of the relevant document).

15. GOVERNING LAW AND JURISDICTION

15.1 This Agreement shall be governed by and construed in accordance with the laws of Hong Kong.

15.2 The parties hereto hereby irrevocably submit to the non-exclusive jurisdiction of the courts of Hong Kong.

IN WITNESS whereof this Agreement has been duly executed by all parties hereto the day and year first above written.



SCHEDULE 1

PART A

PARTICULARS OF THE COMPANY

1. Date of incorporation : 17 October 2001
2. Place of incorporation : Cayman Islands
3. Address of registered office : P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies
4. Head office and principal place of business in Hong Kong : 8th Floor, Mita Centre, 552-566 Castle Peak Road, Kwai Chung, New Territories, Hong Kong
5. Authorised share capital : HK\$15,000,000 divided into 1,500,000,000 Shares
6. Issued share capital (as at the date of this Agreement) : HK\$4,023,000 divided into 402,300,000 Shares
7. Directors
Executive Directors
Mr. Fung Yu Hing, Allan
Ms. Leung Siu Kuen, Janet
Mr. Fung Yee Sang
Mr. Au Lik Man, Simon
Non-executive Directors
Dr. Lo Wing Yan, William, JP
Ms. Fung Suen Lai, Jacqueline
Independent non-executive Directors
Mr. Chan Koon Chung, Johnny
Mr. Chau, Stephen
Mr. Hui Kwok Wah
8. Secretary and qualified accountant : Ms. Leung Su Wing, Connie
9. Financial year end : 31 March
10. Auditors : CCIF CPA Limited

Part B

PARTICULARS OF THE SUBSIDIARIES

<u>Name</u>	<u>Place of incorporation</u>	Percentage of equity attributable to the Company		<u>Principal activities</u>
		<u>Direct</u>	<u>Indirect</u>	
Panorama Entertainment Group Limited (PEGL)	British Virgin Islands	100%		investment holding
Panorama Distributions Company Limited (PDCL)	Hong Kong	-	100% (Note)	Distribution of video products
Panorama Entertainment Company Limited	Hong Kong	-	100% (Note)	Holding of film rights
Panorama Entertainment (Singapore) Pte Limited	Singapore	-	100%	Distribution of video products
Panorama Film Company Limited	British Virgin Islands	-	100%	inactive
Punch Pictures Company Limited	Hong Kong	-	100% (Note)	Production of film
Panorama Theatrical Distributions Company Limited	British Virgin Islands	-	100%	Investment holding
香港商百樂國際發行有限公司台灣分公司	Taiwan		100%	Representative office
Scenerama Holdings Company Limited	British Virgin Islands	-	58%	Investment holding
Scenerama Company Limited	British Virgin Islands	-	57.5%	Investment holding

Go Film Distribution Limited	Hong Kong	-	60%	Distribution of films
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Note:

One share of the issued share capital of the respective company is held on trust by Mr. Allan Fung as nominee of PEGL.



SCHEDULE 2

WARRANTIES

Save as Disclosed and up to and including Completion, to the best of the knowledge and belief of the Vendors:

1. The Vendors and the Sale Shares

- 1.1 Subject to the conditions of this Agreement, each of the Vendors has full power and is authorised to enter into and perform this Agreement and this Agreement will, when executed, constitute legal, valid and binding obligations on the Vendors in accordance with its terms.
- 1.2 At Completion, there will be no outstanding indebtedness or other liability (actual or contingent) owing by any Group Company to the Vendors/or any director of a Group Company or any person connected with the Vendors or with any such director nor is there any indebtedness owing to a Group Company by any such person.
- 1.3 At Completion, the Sale Shares will be fully paid or credited as fully paid and beneficially owned by the Vendors free from all Encumbrances and at Completion, the legal and beneficial ownership of the Sale Shares will be vested in the Purchaser or, as the case may be, its nominees free from all Encumbrances together with all rights attaching thereto.
- 1.4 True copies or certified true copies of the memorandum of association and bye-laws (or the equivalent constitutional documents) of the Company and the Subsidiaries have been provided to the Purchaser. The copies of the memorandum and articles of association (or the equivalent constitutional documents) of the Group Companies so provided to the Purchaser are true and complete and have embodied in them or annexed to them a copy of every such resolution as is required by the relevant legislation or the jurisdiction in which the relevant Group Company is incorporated.
- 1.5 Apart from the Subsidiaries, no Group Company will at Completion be the owner or the registered holder of any share in or other security of any body corporate whenever and wherever incorporated nor has any Group Company agreed nor will it prior to Completion agree to become the owner or registered holder of any such share or security.
- 1.6 Each member of the Group is duly incorporated, constituted and legally subsisting under the respective laws of the places of incorporation and establishment and there has been no resolution or petition or order for the winding up of any member of the Group and no receiver has been appointed in respect of any part of the assets of any member of the Group prior to and at Completion.
- 1.7 The particulars of each Group Company as listed out in Schedule 1 are true and correct in all material respects and accurately described the Company and the Subsidiaries.
- 1.8 The corporate structure of the Group as presented in Schedule 1 is and will continue to

be corporate structure of the Group without any reduction or dilution of interest held by the Company at Completion.

- 1.9 Save for the Sale Shares and the Options held by the Vendors, and the one share in each of the issued share capital of PDCL, Panorama Entertainment Company Limited and Punch Pictures Company Limited held on trust by Mr. Allan Fung as nominee of PEGL, each of the Vendors and its ultimate beneficial owner(s) (as the case may be) and their respective associates (as defined under the Listing Rules) does not have any shareholding, direct or indirect, in any of the Subsidiaries or the right to subscribe for or to nominate persons to subscribe for securities in any of the Subsidiaries.

2. Shares and Options

- 2.1 Save for the Options granted under the Pre-IPO Share Option Scheme, there is no option, right to acquire, mortgage, charge, pledge, lien or other form of security, encumbrance or third party rights on, over or affecting any part of the unissued share capital or loan capital of the Company or over any part of the issued or unissued share capital or loan capital of any Group Company and there is no agreement or commitment to give or create any of the foregoing and no claim has been made by any person to be entitled to any of the foregoing which has not been waived in its entirety or satisfied in full.
- 2.2 Save for the Options, there is no agreement or commitment outstanding which calls for the allotment or issue of or accords to any person the right to call for the allotment or issue of any shares in or securities of any Group Company.
- 2.3 Save as Disclosed and the Options, there are no other outstanding options as at the date of this Agreement, and no option will be granted under the Share Option Scheme prior to Completion.

3. Compliance and corporate matters

- 3.1 Each Group Company has duly and properly complied with all filing and registration requirements in respect of corporate or other documents imposed under the relevant laws of the jurisdiction in which it was incorporated.
- 3.2 The statutory books and minute books of each Group Company have been properly written up and compliance has been made with all applicable legal requirements concerning such Group Company and all issues of shares, debentures or other securities thereof.
- 3.3 The register of members of each Group Company is correct and each Group Company has not received any claim, application or request for rectification of its register of members and, so far as the Vendors are aware, no circumstances which might lead to any such claim, application or request for rectification of such register to be made have arisen or occurred.
- 3.4 Each Group Company and its directors (in their capacity as such) have complied with all relevant and applicable legislation and obtained and complied with all necessary

licences and consents to carry on business whether in the country, territory or state in which it is incorporated or elsewhere, including applicable legislation relating to companies and securities, real property, taxation and prevention of corruption and have complied with all applicable legal requirements in relation to any transactions to which it is or has been a party prior to Completion.

- 3.5 The minute books of directors' meetings and of shareholders' meetings respectively of each Group Company contain properly written-up records of all resolutions passed by the directors and the shareholders respectively of each Group Company and no resolutions have been passed by either the directors or the shareholders of the relevant Group Company which are not recorded in the relevant minute books.
- 3.6 There are no charges in favour of any Group Company.
- 3.7 All title deeds and documents necessary to prove their respective titles in material assets of each Group Company, and an executed copy of all agreements which are material to the Group and to which any Group Company is a party, and the original copies of all other documents which are material to the Group and which are owned by, or which ought to be in the possession of any Group Company are in their possession, custody or control.
- 3.8 Each Group Company has duly and properly complied with all the requirements under the Listing Rules as amended from time to time and any other requirements as may from time to time be imposed by the Stock Exchange, the SFC or other regulatory authorities.

4. Audited accounts and Management Accounts

- 4.1 The Audited Accounts have been prepared in accordance with the requirements of all relevant statutes and generally acceptable accounting practice and policies applied in Hong Kong and all applicable Statements of Standard Accounting Practices issued by the Hong Kong Institute of Certified Public Accountants for the time being in force on a consistent basis and give a true and fair view of the state of affairs of the Group for the year ended on the Accounts Date and of its combined profits for the year ended on the Accounts Date and make full provision for all actual liabilities, bad or doubtful debts and Taxation and proper provision for or a note of (in accordance with good accounting practice) all contingent, unqualified or disputed liabilities and all capital commitments and have consistently applied the bases and policies of accounting throughout the year ended on the Accounts Date and except where specified are not affected by any extraordinary, exceptional or non-recurring item.
- 4.2 The provision for Taxation in the Audited Accounts is sufficient to cover all Taxation assessed or liable to be assessed on the Group or for which the Group is then or may then be or become accountable in respect of profits, income, earnings, receipts, transfers, events and transactions up to the Accounts Date.
- 4.3 The Management Accounts:
- (1) were prepared on a recognised and consistent basis in accordance with

accounting practices generally accepted in Hong Kong at the time they were prepared and commonly adopted by companies carrying on businesses similar to that carried on by the Group and on the same basis as the Audited Accounts in respect of the previous three financial years ended on the Accounts Date;

- (2) correctly include all the assets of the relevant Group Company or, as the case may be, the Group as at the Management Accounts and the rate of depreciation adopted therein is sufficient for each of the fixed assets of the Group to be written down to nil by the end of its useful life;
- (3) correctly make or include full provision for all established liabilities or make proper and adequate provision for (or contain a note in accordance with good accounting practice respecting) all deferred or contingent liabilities (whether liquidated or unliquidated) and all capital commitments, whether actual or contingent, of the relevant Group Company or, as the case may be, the Group as at the Management Accounts Date and the reserves and provisions (if any) made therein for bad and/or doubtful debts and for all Taxation relating to any period on or before the Management Accounts are proper and adequate;
- (4) give a true and fair view of the state of affairs and financial position of the relevant Group Company or, as the case may be, the Group at the Management Accounts Date and of the Group's results for the financial period ended on that date and no event has occurred that has resulted in the results of the relevant Group Company or, as the case may be, the Group in respect of the period covered by the Management Accounts being abnormally high or low; and
- (5) are not adversely affected by an unusual, exceptional, extraordinary or non-recurring items.

4.4 The accounting and other books and records of each Group Company are in its possession or control, have been properly written up and accurately present and reflect in accordance with generally accepted accounting principles and standards all the transactions entered into by each such Group Company or to which each such Group Company has been a party and there are at the date hereof no material inaccuracies or discrepancies of any kind contained or reflected in any of the said books and records, and that at the date hereof they give and reflect a true and fair view of the financial, trading and contractual position of each such Group Company and of its fixed and current and contingent assets and liabilities and debtors and creditors.

4.5 Since the Audited Accounts Date and save as Disclosed:

- (1) none of the Group Companies has entered into any material contracts or commitments binding on it (other than contracts entered into in the ordinary course of its business) and (other than in the ordinary course of its business) there has not been any acquisition or disposal or agreement to acquire or dispose by any Group Company of material fixed or capital assets or any agreement to effect the same;
- (2) there has not been any creation of liabilities by any Group Company (other

than on normal commercial terms in the ordinary course of its business);

- (3) no event has occurred as regards any Group Company which would entitle any third party to terminate any material contract or any material benefit enjoyed by such Group Company or call in any material amount of money before the normal due date therefor or indebtedness;
- (4) none of the Group Companies has created any mortgage or charge on the whole or any substantial part of its assets;
- (5) none of the Group Companies has borrowed except from banks or authorised institutions in the ordinary course of its day to day trading operation or increased any secured liability;
- (6) the business of each Group Company has been carried on in the ordinary and usual course and in the same manner (including nature and scope) as in the past, no fixed asset or stock has been written up nor any debt written off, and no unusual or abnormal contract has been entered into by any Group Company;
- (7) no resolution of any of the members of the Group in general meeting has been passed other than resolutions relating to the business of an annual general meeting which was not special business;
- (8) no Group Company has declared, paid or made nor is proposing to declare, pay or make any dividend or other distribution;
- (9) the financial year end of the Company and all Subsidiaries has remained unchanged;
- (10) there has been no material adverse change in the financial condition or prospects of any of the members of the Group and each of the members of the Group has entered into transactions and incurred liabilities only in the ordinary course of trading;
- (11) no event has occurred which gives rise to a tax liability to any of the members of the Group or deemed (as opposed to actual) income, profits or gains or which results in the relevant company becoming liable to pay or bear a tax liability directly or primarily chargeable against or attributable to another person, firm or company;
- (12) no remuneration (including bonuses) or benefit payable to any officer or employee of any of the members of the Group has been increased nor has any of the members of the Group undertaken any obligation to increase any such remuneration at any future date with or without retrospective effect;
- (13) none of the Group Company has:
 - (a) issued or repaid or agreed to issue or repay any share or loan capital;

- (b) declared, made or paid any dividends or made any other distribution of capital and no loan capital has been repaid in whole or in part; nor
 - (c) entered into any material transaction (including but not limited to any sale or purchase of assets) or incurred any material liabilities (whether actual or contingent) otherwise than in ordinary course of business;
- (14) none of the assets of the Group Company has been depleted by any unlawful act on the part of any person and there has been no material adverse change in the business, financial or trading positions of the Group Company;
- (15) none of the Group Company has given any guarantee/indemnity or other form of security in favour of the Company. As at Completion, save as Disclosed in the Management Accounts, the Company will not have any recorded or unrecorded outstanding indebtedness, obligations or liabilities, whether actual, contingent or deferred, due or owing to any of the Subsidiaries and none of the Subsidiaries have any recorded or unrecorded outstanding indebtedness, obligations or liabilities, whether actual, contingent or deferred, due or owing to the Company, and the Company will not have any recorded or unrecorded outstanding indebtedness, obligations or liabilities, whether actual, contingent or deferred, due or owing to any of the Subsidiaries and none of the Subsidiaries will have any recorded or unrecorded outstanding indebtedness, obligations or liabilities, whether actual, contingent or deferred, due or owing to the Company;
- (16) the Group Company has not received any formal or informal notice to repay under any agreement relating to any borrowing (or indebtedness in the nature of borrowing) which is repayable on demand and which exceeds an aggregate amount of HK\$50,000 and the Group Company has been paying its creditors in respect of all of its debts which have become due and payable in its ordinary course of business;
- (17) no party to any contractually binding agreement or arrangement with or under an obligation to each Group Company is in default under it, being a default which would be material in the context of each Group Company's financial or trading position and, so far as the Vendors are aware, there are no circumstances likely to give rise to such a default;
- (18) each Group Company is not in default in any material respect under any agreement or obligation to which it is party or in respect of any other obligations or restrictions binding upon it;
- (19) no contractual arrangements between any Group Company and any party (including but not limited to financiers of any Group Company) which are of material importance to the business of any Group Company will or may be legally terminated as a result of the execution of this Agreement or Completion;
- (20) each Group Company has no outstanding liability for any statutory or

governmental levy or charge; and

- (21) each Group Company does not have any powers of attorney or other authorities (express or implied) which are still outstanding or effective to or in favour of any person to enter into any contract or commitment or to do anything on its behalf.
- 4.6 Save and except the rebate of HK\$1,174,366.60 as set out in the agreement dated 7 July 2006 and entered into between Amass Vision Company Limited and PDCL, and trade rebates of not more than 10% provided in the ordinary course of business, no part of the amounts included in the Audited Accounts and the Management Accounts or subsequently recorded in the books of the Company, as owing by any debtors, has been released on terms that any debtor pays less than the full book value of the its debt, or has been written off, or has been proven to any extent to be irrecoverable, or is now regarded by the Company (as the case may be) as irrevocable in whole or in part.
- 4.7 All debts due to any Group Company included in the Management Accounts (being debts in excess of bad or doubtful debts for which provision has been made in the Accounts) have either prior to the date hereof been realised or will within 24 months from the date of Completion realise their full amount in cash.
- 4.8 No transaction of any material importance to which any Group Company is a party has taken place which if it had taken place would have required to be disclosed in writing to the Purchaser or reflected in the Management Accounts.
- 4.9 Adequate provisions have been made in the Management Accounts for all dividends (if any) or other distributions (if any) to shareholders declared and remaining unpaid as at the date hereof.
- 4.10 Since the Management Accounts Date and save as contemplated in this Agreement, no dividend has been declared or paid or other distributions of capital made in respect of any share capital of each Group Company.
- 4.11 There has been no Material Adverse Change (or Effect) of the Group as a whole since the Management Accounts Date.
- 4.12 The Company has no present intention to discontinue or write down investments in any other businesses nor is any such write down, in the reasonable opinion of the Board, required.

5. Financial matters

- 5.1 Since the Management Accounts Date, there has not been and there is and will be no agreement in respect of:
 - (1) any damage, destruction, or loss, which is not fully covered by insurance, materially adversely affecting any properties or business of the Group (taken as a whole);

- (2) any sale or transfer by any Group Company of any material tangible or intangible asset other than in the ordinary course of business, any mortgage or pledge or the creation of any security interest, lien, or encumbrance on any such asset, or any lease of property, including equipment, other than tax liens with respect to taxes not yet due and statutory rights of customers in inventory and other assets;
 - (3) any material transaction not in the ordinary course of business of any Group Company;
 - (4) the lapse of any patent, utility models, design, trademark, trade name or service mark or any application with respect to the foregoing by any Group Company which is material in the context of the business of the Group as a whole; or
 - (5) the making of any material loan, advance, indemnity or guarantee or the granting of any security by any Group Company to or for the benefit of any party not within the Group except the creation of accounts receivable in the ordinary course of business.
- 5.2 The accounting books and records of each Group Company have been maintained in accordance with the applicable accounting principles adopted in the jurisdictions where the Group's business is conducted and comply with the relevant statutory provisions of such jurisdictions and have been properly written up and properly reflect all the transactions to which that Group Company has been a party and there are at the date hereof no material inaccuracies or discrepancies of any kind contained or reflected in the said books and records.
- 5.3 No Group Company has any material capital commitment or is engaged in any scheme or project requiring the expenditure of capital of a significant amount.
- 5.4 All dividends or distributions declared, made or paid by each Group Company have been declared, made or paid in accordance with its bye-laws or articles of association (or equivalent documents) and the applicable statutory provisions.
- 5.5 No Group Company has any material obligation or liability other than those which have arisen in the ordinary course of its business or by operation of law or Disclosed.
- 5.6 The total amount borrowed by the Group from its bankers does not exceed any limits granted under any relevant facilities and the total amount borrowed by any Group Company from whatsoever source does not exceed any limitation on its borrowing power contained in its bye-laws or articles of association, or in any debenture or loan stock deed or other instrument.
- 5.7 None of the Vendors or any Group Company has done anything whereby the continuance in full force and effect of any overdrafts, loans or finance facilities extended to the Group (other than the ICBC Facilities) might be adversely affected or prejudiced.
- 5.8 The Group has sufficient working capital for its existing business and operation.

- 5.9 Save as Disclosed and other than liabilities incurred in the ordinary course of business of the Group or otherwise in relation to this Agreement or the transactions contemplated by this Agreement, the Group Company had, as at the date of this Agreement and up to Completion, no unrecorded liabilities, contingent liabilities and undisclosed commitments.
- 5.10 Save as Disclosed and other than liabilities incurred in the ordinary course of business of the Group or otherwise in relation to this Agreement or the transactions contemplated by this Agreement, as at Completion, each Group Company has no recorded or unrecorded indebtedness or liabilities due or owing to any person, has not given any guarantee / indemnity or other form of security in favour of any person, and does not have any contingent liability or commitment towards any person.
- 5.11 Save as Disclosed, none of the Subsidiaries has any recorded or unrecorded indebtedness, obligations or liabilities, whether actual, contingent or deferred, due or owing to the Company or vice versa.
- 5.12 Save the corporate guarantee provided by the Company for the ICBC Facilities and the Corporate Guarantees, the Company has not given any guarantee or indemnity or other form of security in favour of any Group Company.
- 5.13 There is no event or circumstance which constitute, or which with the giving of notice or lapse of time or both would constitute an event of default or prospective event of default of the Corporate Guarantees (other than the corporate guarantee provided by the Company for the ICBC Facilities) entitling the financial institutions to enforce the security of under the Corporate Guarantees (other than the corporate guarantee provided by the Company for the ICBC Facilities).

6. Insurance

- 6.1 Each Group Company has effected all insurances required by law to be effected by it and which ought reasonably to have been effected over its business and assets for a substantial part of its value and covering third party liability of each Group Company having taken into account the nature of the business of the relevant Group Company, the place in which it carries on business and the business of the Group as a whole.
- 6.2 All premiums due on the said policies have been paid, all the conditions of the said policies have been performed and observed in all material respects in the place in which the Group carries on business, and nothing has been done or has been omitted to be done whereby any of the said policies has or may become void or voidable.
- 6.3 No claim is outstanding either by the insurer or the insured under any of the said policies and no claim against any Group Company by any third party is outstanding in respect of any risk covered by any of the policies or by any policy previously held by any Group Company.
- 6.4 Any claim under any of the said policies or which would or might be required under any of the said policies to be notified to the insurers has been duly made by the Group.

7. Taxation

- 7.1 Each Group Company has complied in all material respects with all relevant and applicable legal requirements relating to registration or notification for Taxation purposes.
- 7.2 Each Group Company has:
- (1) paid all Taxation (if any) due to be paid, and if required, made sufficient provision for Taxation before the date of this Agreement; and
 - (2) taken all necessary steps to obtain any repayment of or relief from Taxation available to it.
- 7.3 The returns for Taxation purposes which ought to have been made by or in respect of each of the Group Companies in Hong Kong or any other part of the world, have been duly made and all such returns are up to date, correct and on a proper basis and are not the subject of any material dispute with the relevant Taxation, revenue or other appropriate authorities.
- 7.4 The provisions (if any) included in the Management Accounts are sufficient to cover all Taxation (as the case may be) for which any Group Company was then or might at any time thereafter become or have become liable in respect of all periods ending on or before the Management Accounts Date.
- 7.5 Save and except the case (IRD's reference no.5/16256067), none of the Group Companies is in dispute with any Taxation or revenue authority and, so far as the Vendors are aware, no such dispute is pending or threatened.

8. Material transactions

- 8.1 Since the Management Accounts Date, save for as contemplated by this Agreement, none of the Group Companies has:
- (1) issued or repaid or agreed to issue or repay any share or loan capital;
 - (2) declared, made or paid any dividends or made any other distribution of capital and no loan capital has been repaid in whole or in part; nor
 - (3) entered into any material transaction (including but not limited to any sale or purchase of assets) or incurred any material liabilities otherwise than in ordinary course of business.
- 8.2 Since the Management Accounts Date, none of the assets of any Group Company has been depleted by any unlawful act on the part of any person and there has been no material adverse change in the business, financial or trading positions or prospects of any Group Company.



9. Employment arrangements

- 9.1 All contracts of service to which any Group Company is a party can be terminated by it without payment of compensation (save as provided by legislation) by not more than three months' notice or less without compensation (other than compensation in accordance with the Employment Ordinance, Chapter 57 of the Laws of Hong Kong) or the relevant legislation.
- 9.2 No Group Company is a party to:
- (1) any agreement, arrangement or scheme for profit sharing with employees;
 - (2) any collective bargaining or procedural or other agreement with any trades union or similar association; or
 - (3) any provident fund other than pursuant to such agreement, arrangement, fund or scheme whereby it is required by law to be a party.
- 9.3 Other than in respect of any scheme(s) as required under the Mandatory Provident Funds Ordinance of Hong Kong or required by any applicable laws (including Mainland China) or the medical benefits scheme made available by the Group to its employees, no Group Company is under any legal liability or obligation or a party to any agreement, arrangement, scheme, fund, ex-gratia arrangement or promise to pay pensions, gratuities, retirement annuities, benefits, periodical sums, or any other payment or compensation (whether or not legally enforceable) in connection with retirement, death or disability to or for any of its past or present officers or employees or their relatives or dependants; and all payment/contribution required to be made and/or obligation required to be observed by the Group Company has been duly paid/made/complied with by the relevant Group Company.
- 9.4 Particulars of all beneficial loans or other benefits in kind enjoyed by any director of any Group Company have been Disclosed.
- 9.5 None of the Group Companies is under any obligation (whether actual or contingent) to any former employee and no tax, levy, contribution or payment in respect of any former employee is outstanding or disputed.
- 9.6 None of the Group Companies has given any guarantee or assumed any obligations in relation to the employees of any other person.

10. Leased properties

- 10.1 Save as Disclosed, no Group Company has any interests of whatever nature in any property whether situated in Hong Kong or elsewhere.
- 10.2 All covenants, obligations, conditions or restrictions imposed upon the each member of the Group under its respective tenancy agreement(s) (the "Tenancy Agreement(s)") have been duly and promptly observed and performed and there has been no breach by the each member of the Group's landlords of such covenants, obligations, conditions or

restrictions or other obligations to which any such landlords are bound.

- 10.3 All rent and other charges payable under the Tenancy Agreement(s) have been promptly paid as and when due and no rent has been paid in advance of the due date for payment and any consents required for the grant of the Tenancy Agreement(s) have been obtained from the mortgagee (if any).
- 10.4 The respective parties to the Tenancy Agreement(s) have observed and performed all the terms and conditions therein and with all notices, applicable obligations, requirements, statutes, rules, orders, directives, regulations, bye-laws and other relevant legislation, with respect to such property, whether statutory or imposed by any competent government authority, and so far as the Group is aware after making all reasonable enquiries there are no disputes or outstanding or expected claims in these agreements and there are no circumstances giving rise to such disputes or claims.
- 10.5 All leases and tenancies and all agreements (including the Tenancy Agreement(s)) for lease and tenancies and all options for renewal of leases and tenancies to which the any Group Company is a party were on terms negotiated at arm's length.

11. Litigation

- 11.1 Save the case of Panorama Distributions Company Limited versus Beta Film GmbH & Co. Vertriebsgesellschaft and Beta Film GmbH in the District Court of Munich 1, Germany as disclosed in the prospectus dated 30 April 2002 for the initial public offerings of the Shares, no Group Company is a party to any outstanding litigation, arbitration, prosecutions or other legal proceedings or hearings before any statutory, regulatory or governmental body, department, board of agency or to any material disputes or to or the subject of any investigation by any authority in the place where the business of such Group Company is conducted.
- 11.2 Save the case of Panorama Distributions Company Limited versus Beta Film GmbH & Co. Vertriebsgesellschaft and Beta Film GmbH in the District Court of Munich 1, no litigation, arbitration, prosecution or other legal proceedings, hearings or investigations are threatened or pending either by or against any Group Company and there are no facts or circumstances, so far as the Vendors are aware, which might give rise to any such proceeding, investigation, hearing or to any dispute or to any payment.
- 11.3 There are no unfulfilled or unsatisfied judgments or court orders against any Group Company.
- 11.4 No Group Company has manufactured, sold, supplied or traded products which were, are or will become, in any material respect, harmful, unsafe, defective or unsuitable for human consumption, or which do not comply in any material respect with any warranties or representations, expressly or impliedly made by it or all applicable laws governing the manufacture, sale or supply of such products. No Group Company has received any notice, warning, suspension notice, claim (including but not limited to product liability claim) or complaint from any customer or government authority in respect of any defects of the Group's products.

12. Contracts and commitments

- 12.1 Since the Management Accounts Date, each Group Company has carried on its business in the ordinary course and, save as mentioned in or as contemplated by this Agreement, no Group Company has entered into any transaction or incurred any material liabilities except in the ordinary course of its day-to-day business and on an arm's length basis for full value.
- 12.2 There is no outstanding nor, save and except for such contracts or agreements which may be entered into by any Group Company pursuant to this Agreement or in the ordinary course of business, will there be outstanding at Completion with respect to any Group Company:
- (1) any agreement (whether by way of guarantee, indemnity, warranty, representation or otherwise) under which any Group Company is under any actual or contingent material liability in respect of the obligations of any person other than the relevant Group Company;
 - (2) any sale or purchase option or similar agreement affecting any assets owned or used by any Group Company (with a value in the books of account of such Group Company in excess of HK\$100,000) except those entered in the ordinary course of day to day trading;
 - (3) any material agreement in excess of HK\$100,000 entered into by any Group Company otherwise than by way of bargain at arm's length; and
 - (4) any joint venture agreements, agency agreements or any form of agreement whatsoever which entitles any person to bind any Group Company contractually, to settle, negotiate or compromise any accounts or claims or to collect, receive or share in any balances or sums payable to any Group Company save in the ordinary course of business.
- 12.3 No Group Company has received any formal notice in writing to repay under any agreement relating to any borrowing from banks or financial institutions (or indebtedness in the nature of borrowing from banks or financial institutions) which is repayable on demand and which exceeds an aggregate amount of HK\$100,000.
- 12.4 Save in the ordinary course of business, no Group Company is under any obligation, or party to any contract, which cannot readily be fulfilled or performed by it on time and without undue or unusual expenditure of money or effort and which is material in the context of the Group's business as a whole.
- 12.5 To the best knowledge of the Vendors, no party to any contractually binding agreement or arrangement with or under an obligation to any Group Company is in default under it, being a default which would be material in the context of such Group Company's financial or trading position and, so far as the Vendors are aware, there are no circumstances likely to give rise to such a default.
- 12.6 Save for the ICBC Facilities, no Group Company is in default of any material respect

under any agreement or obligation to which it is party or in respect of any other obligations or restrictions binding upon it, and if there is such default, the aggregate amount of the loss and/or damages arising therefrom will not exceed HK\$20 million.

12.7 In respect of each Group Company, there are no outstanding contracts, engagements or liabilities, whether quantified or disputed, save for (i) as shown in the Management Accounts or (ii) entered into in the ordinary course of each Group Company's day to day business operations.

12.8 With respect to each of the Group Companies there are no:

(1) (save and except the ICBC Facilities) contractual arrangements between such Group Company and any party (including but not limited to financiers of the Group) which will or may be legally terminated as a result of the execution or completion of this Agreement, and if any of such contractual arrangements are terminated, the aggregate amount of the loss and/or damages arising therefrom will not exceed HK\$20 million; or

(2) liabilities for any statutory or governmental levy or charge other than for Taxation provision for which has been made in the Management Accounts; or

(3) (save in the ordinary course of business) powers of attorney or other authorities (express or implied) which are still outstanding or effective to or in favour of any person to enter into any contract or commitment or to do anything on its behalf; or

(4) agreements or arrangements entered into by it otherwise than by way of bargain at arm's length; or

(5) (save the tenancy agreements set out in item nos.(1) to (4) in Part A of Schedule 4) contracts or arrangements between itself and the parties hereto or their Associates other than contracts in the ordinary course of their day to day trading operations or business.

12.9 Other than in the ordinary course of its business, none of the Group Companies is a party to or bound by any partnership or joint venture or profit sharing or voluntary association or other similar agreement for the conduct of any business.

12.10 Other than in the ordinary course of its business, none of the Group Companies is a party to any agreement, transaction, obligation, commitment, understanding, arrangement or liability in which:

(a) is incapable of complete performance in accordance with its terms within six months after the date on which it was entered into or undertaken;

(b) cannot readily be fulfilled or performed by the member of the Group on time without undue or unusual expenditure of money and effort;

- (c) involves or is likely to involve obligations, restrictions, expenditure or receipts of an unusual, onerous or exceptional nature;
- (d) is a contract with any trade union or body or organisation representing the Group's employees; or
- (e) in any way restricts the Group's freedom to carry on the whole or any part of its business in any part of the world in such manner as it thinks fit.

13. Intellectual Property

- 13.1 As far as the Vendors are aware, the carrying of the business of the Group in the ordinary and usual course as at present does not and will not infringe any intellectual property rights of any third party.
- 13.2 To the best of the knowledge of the Vendors, all rights of, title to, benefits in, interests under and other Intellectual Property Rights of any films, movies, productions or entertainments in any nature created by, acquired by or licensed to any Group Company (collectively the “**Entertainments**”) are valid and subsisting solely and beneficially owned by the respective Group Company; and are not subject to any Encumbrance or any agreement to give or create any Encumbrance except the production of a film named “One Hour Papa” which is subject to the security in respect of the facility issued by CITIC Ka Wah Bank to PDCL and except any Encumbrance created in the ordinary course of business.
- 13.3 To the best of the knowledge of the Vendors, the use, distribution, sale and sub-license of any of the Entertainments will not infringe the rights of any third parties or contravene any applicable laws and regulations where such use, distribution, sale and sub-license take place or the terms of the agreements to which the Entertainments are subject to.

14. Insolvency

- 14.1 No order has been made or petition presented or resolution passed for the winding up of any Group Company, nor has any distress, execution or other process been levied against any material part of the property or undertaking of any Group Company or action taken to repossess goods in the possession of any Group Company.
- 14.2 No steps have been taken for the appointment of an administrator or receiver of any material part of the property or undertaking of any Group Company.
- 14.3 No floating charge created by any Group Company has crystallised and there are no circumstances likely to cause such a floating charge to crystallise.
- 14.4 Save in relation to the ICBC Facilities and those facilities relating to the Corporate Guarantees, none of the Group Companies has made or proposed any arrangement or composition with its creditors or any class of its creditors.

15. Trading and business

- 15.1 Each of the Group Companies has conducted its business in all material respects in accordance with all applicable laws and regulations of Hong Kong and all relevant foreign jurisdiction and there is no order, decree or judgment of any court or any governmental agency of Hong Kong or of any relevant foreign country outstanding against any member of the Group or which may have an adverse effect upon a material part of the assets or business of any member of the Group.
- 15.2 All necessary licences, consents, permits and authorisations (public and private) have been obtained by each member of the Group to enable each member of the Group to carry on its business effectively in the places and in the manner in which such business is now carried on and all such licences, consents, permits and authorisations are valid and subsisting and the Vendors know of no reason why any of them should be suspended, cancelled or revoked or should not be renewed or reissued upon or prior to their expiry.
- 15.3 Since the Management Accounts Date:
- (1) the business of each Group Company has been continued in the ordinary and normal course; and
 - (2) no legal proceedings have been instituted against any Group Company for failing to pay its creditors and are outstanding as at the date of this Agreement.
- 15.4 The principal business of the Group is a comprehensive entertainment program provider that is engaged primarily in film production and production, marketing distribution, licensing and sub-licensing of films, television and video programs in video compact disc and digital video disc formats for home entertainment in Hong Kong, Macau, Mainland China and other Asian regions, including Taiwan, South Korea, Singapore, Thailand, Malaysia, and the Philippines, through its extensive distribution network.
- 15.5 To the best of the knowledge of the Vendors, neither any Group Company nor any of their officers, agents or employees (during the course of their duties in relation to such Group Company) have committed, or omitted to do, any act or thing the commission or omission of which is, or could be, in contravention of any ordinance, order, regulation, enactment, statute or the like in Hong Kong or elsewhere which:-
- (1) is punishable by fine or other penalty;
 - (2) any Group Company is vicariously liable for;
 - (3) in the objective standard of a reasonable man will bring the Group into disrepute; and
 - (4) will materially and adversely affect the Group's financial or trading position.

16. **Miscellaneous**

- 16.1 All representations, warranties and undertakings contained in the foregoing provisions of this Schedule shall be deemed to be repeated immediately before Completion and to relate to the facts then existing.
- 16.2 None of the Group Companies has committed any breach in a material respect of any statutory provision, order, bye-law or regulation binding upon it or of any provision of its memorandum of association, bye-laws or articles of association.
- 16.3 All information contained in this Agreement was when given true and accurate in all material respects and there is no material fact or material matter which has not been disclosed, which may render any such information or documents untrue, inaccurate or misleading in any material respect at the date of this Agreement.
- 16.4 Each of the Vendors has full legal capacities to enter into this Agreement and to exercise their respective rights and perform their respective obligations hereunder and this Agreement will, when executed by each of them, be a legal, valid and binding agreement on each of them and enforceable in accordance with the terms thereof.
- 16.5 The execution, delivery and performance of this Agreement by the Vendors does not and will not violate in any respect any applicable provision of (i) any law or regulation or any order or decree of any governmental authority, agency or court of the Hong Kong or any jurisdiction in which it is incorporated or resides or any part thereof prevailing as at the date of this Agreement and as at Completion; (ii) the laws and documents incorporating and constituting the Company prevailing as at the date of this Agreement and as at Completion; or (iii) any mortgage, contract or other undertaking or instrument to which it is a party or which is binding upon it or any of its assets, and does not and will not result in the creation or imposition of any encumbrance on any of its assets pursuant to the provisions of any such mortgage, contract or other undertaking or instrument.
- 16.6 The information set out in the recitals, the Schedules and the Exhibits is true, accurate and complete in all material respects
- 16.7 Save as Disclosed and to the best knowledge of the Vendors, no consent, licence, approval or authorization of or filing or registration with or other requirement of any governmental department authority or agency in the Cayman Islands or any jurisdiction in which the Vendors reside or any part thereof is required by the Vendors in relation to the valid execution, delivery or performance of this Agreement (or to ensure the validity or enforceability thereof) and the sale of the Sale Shares.
- 16.8 Save as contemplated under this Agreement and to the best knowledge of the Vendors, no waivers, consents or approvals of any relevant governmental or regulatory authorities (including, but not limited to, the Stock Exchange and the SFC) or other relevant third parties in Hong Kong or elsewhere are required or appropriate or are relevant to, the entry into and the implementation and completion of this Agreement and no filings with any governmental regulatory authorities or other relevant third parties in Hong Kong or elsewhere are required or appropriate for the entering into and the implementation of this Agreement other than filing obligations under the Securities and Futures Ordinance of Hong Kong; no waiting periods are required under the laws

of Hong Kong or any other relevant jurisdictions in relation thereto.

17. Previous Announcements

With respect to all the Previous Announcements, all statements of fact contained therein were true and correct in all material respects as at the respective dates of such Previous Announcements and not misleading in any material respect and all expressions of opinion or intention contained therein were made on reasonable grounds and were truly and honestly held by the directors of the Company and were fairly based and there were no other facts known to the directors of the Company the omission of which would make any such statement or expression in any of the Previous Announcements misleading in any material respect

SCHEDULE 3

ADDRESS AND FACSIMILE NUMBERS FOR COMMUNICATIONS

<u>Name</u>	<u>Address</u>	<u>Facsimile no.</u>
AFAL	8th Floor, Mita Centre, 552-566 Castle Peak Road, Kwai Chung, Hong Kong	(852) 2366 9288
Mr. Allan Fung	8th Floor, Mita Centre, 552-566 Castle Peak Road, Kwai Chung, Hong Kong	(852) 2366 9288
The Purchaser	Unit G, 10/F., Seabright Plaza, 9-23 Shell Street, North Point, Hong Kong	(852) 2979 0511
Mr. Chin	Unit G, 10/F., Seabright Plaza, 9-23 Shell Street, North Point, Hong Kong	(852) 2979 0511



SCHEDULE 4

PART A

PARTICULARS OF LEASED PROPERTIES OF THE GROUP

1. Tenancy agreement dated 1 April 2006 entered into between Players Pictures Company Limited and PDCL for a period from 1 April 2006 to 31 March 2007 (both dates inclusive) in respect of Units 1-4, 8th Floor and Car Parking Space No. 1 on 2nd Floor of Mita Centre, Nos. 552-566 Castle Peak Road, Kwai Chung, New Territories.
2. Tenancy agreement dated 1 April 2006 entered into between Metropolis Communications Limited and PDCL for a period from 1 April 2006 to 31 March 2007 (both dates inclusive) in respect of Units 5 and 6, 8th Floor of Mita Centre, Nos. 552-566 Castle Peak Road, Kwai Chung, New Territories.
3. Tenancy agreement dated 1 April 2006 entered into between Brilliant Business Limited and PDCL for a period from 1 April 2006 to 31 March 2007 (both dates inclusive) in respect of Units 7 and 8, 8th Floor of Mita Centre, Nos. 552-566 Castle Peak Road, Kwai Chung, New Territories.
4. Tenancy agreement entered into between 1 April 2006 Sunny Fancy Limited and PDCL for a period from 1 April 2006 to 31 March 2007 (both dates inclusive) in respect of Units 9 – 12, 8th Floor of Mita Centre, Nos. 552-566 Castle Peak Road, Kwai Chung, New Territories.
5. Tenancy agreement dated 7 August 2005 entered into between Lam Yuen, Ko Kit Yu and PDCL for a period of two years and 1 month commencing from 1 June 2005 to 30 June 2007 (both days inclusive) in relation to Workspace on 4th Floor, Kam Fu Factory Building (Block D), 30-38 Lam Tin Street, Kwai Chung, Hong Kong.
6. Tenancy agreement dated 15 October 2005 entered into between Fook Yee Hing Investment Company Limited for itself and as agent for Golden Return Company Limited and PDCL for a period of two years from 1 October 2005 to 30 September 2007 (both days inclusive) in respect of Flat B on 4th Floor of Fook Yee Garden, 278 Prince Edward Road West, Kowloon.
7. Tenancy agreement dated 25 May 2006 entered into between Ever Eagle Company Limited as landlord and Punch Pictures Company Limited as tenant for a period of 3 years from 10 June 2006 to 9 June 2009 in respect of葵涌藍田街30-38號金葵工業大廈6字樓.
8. An oral tenancy agreement entered into between 香港商百樂國際發行有限公司台灣分公司 as tenant and 世光貿易有限公司 as landlord for a period of six months from 1 April 2006 to 30 September 2006 in respect of 台北市羅斯福路二段33號11樓(部份區域).

9. A licence agreement dated 15 October 2005 entered into between Fook Yee Hing Investment Company Limited for itself and as agent for Golden Return Company Limited and Panorama Distributions Company Limited in respect of Carpark Space No. 17 & 18 on Basement of Fook Yee Garden, 278 Prince Edward Road West, Kowloon.

PART B

PARTICULARS OF THE INTELLECTUAL PROPERTY OF THE GROUP

Nature and description	Trade Mark No.	Country	Expiry Date	Trade Mark Owner	Other remarks
A  B  C  D 	200501193	Hong Kong	31 August 2008	Panorama Entertainment Company Limited	Class 9 Videotapes, video compact discs (VCD), digital versatile discs (DVD), and film for motion picture
A  B  C  D 	200501194	Hong Kong	31 August 2008	Panorama Entertainment Company Limited	Class 9 Videotapes, video compact discs (VCD), digital versatile discs (DVD), and film for motion picture
	300403037	Hong Kong	13 April 2015	鐳射發行有限公司	類別 9 電影 類別41 娛樂節目供應、音像產品製作及發行



SCHEDULE 6

PARTICULARS OF CORPORATE GUARANTEES

Name of Bank(s)	Description of facility	Amount of facility	Corporate Guarantee
Standard Chartered Bank	Banking facilities to Panorama Distributions Company Limited on 20 June 2006 (variation to existing facilities)	Total facility limit of HK\$13,000,000 including 1) HK\$3,500,000 for current account overdraft 2) HK\$4,500,000 for trade finance; and 3) Term Loan of HK\$5,000,000	A corporate guarantee executed by Panorama International Holdings Limited for HK\$13,000,000 plus interest and other charges
Dah Sing Bank	Banking facilities to Panorama Distributions Company Limited on 11 January 2006 (variation of existing banking facilities)	Comprising: OD – HK\$2,500,000 Instalment Loan – HK\$3,591,242.20 Corporate Card Limited – HK\$300,000 Instalment Loan (New) – HK\$2,000,000 Bank letter of guarantee – HK\$2,000,000	A corporate guarantee executed by Panorama International Holdings Ltd. for HK\$10,800,000
Citic Ka Wah Bank	Overdraft facilities to Panorama Distributions Co. Ltd. on 29 November 2005	Overdraft facility up to HK\$500,000	A corporate guarantee from Panorama International Holdings Ltd for repayment of principal amount up to the extent of HK\$500,000 and accrued interest and default interest thereon and all other costs and expenses
Citic Ka Wah Bank	Facilities to Panorama Distributions Co. Ltd. on 25 January 2006 for new file named "One Hour Papa" project development (the "File Project")	Instalment loan of total limit of HK\$4,750,000 under the Film Guarantee Fund Scheme operate by the Government of the Hong Kong Special Administrative Region ("HKSARG") for the sole purpose of meeting the additional funds being standby working capital to match with the recent new file named "One Hour Papa"	A corporate guarantee from Panorama International Holdings Ltd. for repayment of principal amount up to the extent of all monies and accrued interest and default interest and all other costs and expenses
DBS Bank	Banking	Comprising:	The bank's standard form guarantee and

	facilities for Panorama Distributions Company Limited on 31 March 2005	Overdraft (I) HK\$1,500,000 Overdraft (II) HK\$500,000 Instalment Loan HK\$2,000,000	indemnity for HK\$4,500,000 plus interest and other charges duly executed by Panorama International Holdings Limited
Hang Seng Bank	Banking facilities to Panorama Distributions Company Limited on 6 November 2002	Overdraft facility on current account No. 235-104635-001 in an aggregate amount of HK\$7,000,000	A Deed of Guarantee in favour of the bank for HK\$7,000,000 to be executed by Panorama International Holdings Limited
Bank of East Asia	Credit facilities to Panorama Distributions Company Limited on 24 May 2005	Comprising O/D limit – HK\$2,000,000 Term loan limit – HK\$2,000,000	Corporate guarantee signed by Panorama International Holdings Limited for HK\$4,000,000 covering the credit facilities
ORIX Asia Limited	Uncommitted, non-revolving term loan facility to Panorama Distributions Co. Ltd.	HK\$1,000,000	A guarantee executed by Panorama International Holdings Limited and Patora Optical Industries Ltd
ORIX Asia Limited	Term loan to Panorama Distributions Company Limited	HK\$1,500,000	Guarantee executed by Panorama International Holdings Limited for HK\$1,500,000

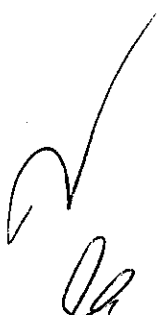
THE ICBC FACILITIES

Name of Bank(s)	Description of facility	Amount of facility	Corporate Guarantee
Industrial and Commercial Bank of China (Asia) Limited (ICBC)	Banking facilities to Panorama Distributions Company Limited	<u>Facilities I</u>	A corporate guarantee to be executed by Panorama International Holdings Limited for HK\$4,400,000
		OD Facilities of HK\$2,000,000	
		<u>Facilities II</u>	(Note)
		Instalment Loan of HK\$2,400,000	
		<u>Facilities III</u>	
		All existing facilities and/or modifications thereto and/or other facilities and other	

liabilities whether contingent or to be crystallised under any guarantee given by the borrower jointly/severally in our favour whether for securing or guaranteeing against the borrower's liabilities or third party liabilities and/or other liabilities as may be incurred and/or granted or to be granted by the bank at its discretion without limits

Note:

Mr. Allan Fung and AFAL have undertaken to maintain, directly or indirectly, at least 50% ownership and management control in the Company and to remain as the single largest shareholder of the Group; and Mr. Allan Fung has undertaken to remain as the chairman of the Group and be actively involved in the management and business of the Group. Failure of either of the above will constitute an event of default under the ICBC Facilities.



SCHEDULE 7

PARTICULARS OF THE OPTIONS

Pre-IPO Share Option Scheme of the Company

Name of Grantee	Total	Number of underlying Shares	
		Pool A Options	Pool B Options
1 Allan Fung	7,000,000.00	4,000,000.00	3,000,000.00
2 Janet Fung	6,000,000.00	4,000,000.00	2,000,000.00
3 James Fung	6,000,000.00	4,000,000.00	2,000,000.00
4 Simon Au	2,000,000.00	1,000,000.00	1,000,000.00
5 William Lo	2,300,000.00	1,800,000.00	500,000.00
6 Jacqueline Fung	500,000.00	0.00	500,000.00
7 Johnny Chan	500,000.00	0.00	500,000.00
8 Stephen Chau	500,000.00	0.00	500,000.00
9 Chou Yuk Sim	500,000.00	300,000.00	200,000.00
10 Luk Sheung Kwan	50,000.00	0.00	50,000.00
11 Ngan Kwan Lok	950,000.00	500,000.00	450,000.00
12 So Oi Kwan	500,000.00	300,000.00	200,000.00
13 Wong Hau Yan	100,000.00	0.00	100,000.00
14 Wong Yin King	100,000.00	0.00	100,000.00
15 Yuen Siu Fung	100,000.00	0.00	100,000.00
16 Jor Man Wai	450,000.00	0.00	450,000.00
17 Lee Ping Keung	200,000.00	0.00	200,000.00

SCHEDULE 8

DRAFT UNDERTAKING OF THE GRANTEEES OF THE OPTIONS

Date: [●]

Nice Hill Investments Limited (“Nice Hill”)
Attention: The Board of Directors

Dear Sirs,

Undertaking regarding Pool A options granted under the pre-IPO share option scheme (the “Scheme”) adopted by Panorama International Holdings Limited (the “Company”) on 25 April 2002

I, the undersigned, being the holder of outstanding Pool A options (the “Options”) to subscribe for an aggregate [*total number of shares*] shares (“Shares”) of HK\$0.01 each in the share capital of the Company granted to me under the Scheme, hereby unconditionally and irrevocably undertake to you that (1) I will not exercise any of the Options from the date hereof up to and including the close of the general offer for all (i) the Shares; and (ii) all outstanding options in Shares (the “Option Offer”) (other than that held by Nice Hill or parties acting in concert with it) to be made by Nice Hill in accordance to the Hong Kong Code on Takeovers and Mergers pursuant to a sale and purchase agreement of [*date*] in respect of 251,671,500 Shares and made between Allan Fung Assets Limited and Mr. Fung Yu Hing Allan as vendors, Nice Hill as purchaser; and (2) I will accept the Option Offer.

Yours faithfully,
Signed, sealed and delivered

[●]

THE VENDORS

SIGNED by)
FUNG YU HING ALLAN)
for and on behalf of)
ALLAN FUNG ASSETS LIMITED)
in the presence of:)



SIGNED by)
FUNG YU HING ALLAN)
in the presence of:)



THE PURCHASER

SIGNED by)
CHIN WAI KEUNG RICHARD)
for and on behalf of)
NICE HILL INVESTMENTS)
LIMITED)
in the presence of:)



EXHIBIT A
AUDITED ACCOUNTS

Auditors' Report

核數師報告



CCIF

CCIF CPA LIMITED

37/F Hennessy Centre
500 Hennessy Road
Causeway Bay Hong Kong

TO THE SHAREHOLDERS OF
PANORAMA INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 45 to 93 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS

The Directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

致鑄射國際控股有限公司
全體股東
(於開曼群島註冊成立之有限公司)

本核數師行已完成審核載於第45頁至第93頁按照香港普遍採納之會計原則編製的財務報表。

董事及核數師的個別責任

董事須負責編製真實與公平的財務報表。在編製該等財務報表時，董事必須貫徹採用合適的會計政策。

本行的責任是根據本行審核工作的結果，對該等財務報表表達獨立的意見，並僅向整體股東報告。而本報告亦不得作任何其他用途。本行不會就本報告內容向任何其他人士承擔責任或負責。

意見的基礎

本行是按照香港會計師公會頒布的香港核數準則進行審核工作。審核範圍包括以抽查方式查核與財務報表所載數額及披露事項有關的憑證，亦包括評估董事於編製該等財務報表時所作的重大估計和判斷、所釐定的會計政策是否適合貴公司及貴集團的具體情況，及是否貫徹應用並足夠地披露該等會計政策。

Auditors' Report

核數師報告

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March, 2006 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited

CCIF CPA Limited
Certified Public Accountants

Hong Kong, 30 June, 2006

Choi Man On
Practising Certificate Number P02410

本行在策劃和進行審核工作時，均以取得一切本行認為必需的資料及解釋為目標，使本行能獲得充份的憑證，就該等財務報表是否存有重要錯誤陳述，作出合理的確定。在表達意見時，本行亦已衡量該等財務報表所載的資料在整體上是否足夠。本行相信，本行的審核工作已為下列意見建立了合理的基礎。

意見

本行認為上述的財務報表均真實與公平地反映貴公司及貴集團於二零零六年三月三十一日的財政狀況及貴集團截至該日止年度的溢利和現金流量，並已按照香港公司條例之披露要求而妥善編製。

陳葉馮會計師事務所有限公司
執業會計師

香港，二零零六年六月三十日

蔡文安
執業證書號碼 P02410

Consolidated Income Statement

綜合收益表

For the year ended 31 March, 2006
 截至二零零六年三月三十一日止年度

			2006 二零零六年	2005 二零零五年
		Notes 附註	HK\$'000 千港元	HK\$'000 千港元
Turnover	營業額	6	83,901	79,986
Cost of sales	銷售成本		<u>(55,599)</u>	<u>(46,916)</u>
Gross profit	毛利		28,302	33,070
Other operating income	其他經營收入		893	285
Distribution costs	發行成本		(1,022)	(415)
Administrative expenses	行政開支		(19,032)	(19,206)
Other operating expenses	其他經營開支		(3,247)	(1,975)
Impairment loss recognised in respect of film rights	影片版權之已確認減值虧損		-	(3,617)
Profit from operations	經營溢利	8	5,894	8,142
Finance costs	融資成本	9	<u>(2,512)</u>	<u>(1,337)</u>
Profit before taxation	除稅前溢利		3,382	6,805
Taxation	稅項	13	<u>(932)</u>	<u>(1,662)</u>
Profit for the year	本年度溢利		<u>2,450</u>	<u>5,143</u>
Attributable to:	應佔：			
Equity holders of the Company	本公司權益持有人		2,305	4,394
Minority Interest	少數股東權益		145	749
			<u>2,450</u>	<u>5,143</u>
Earnings per share	每股盈利			
- Basic	- 基本	14	<u>HK0.57 cent港仙</u>	<u>HK1.09 cents港仙</u>
- Diluted	- 攤薄	14	<u>HK0.56 cent港仙</u>	<u>HK1.06 cents港仙</u>

Consolidated Balance Sheet**綜合資產負債表**

At 31 March, 2006
於二零零六年三月三十一日

		Notes 附註	2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
NON-CURRENT ASSETS	非流動資產			
Property, plant and equipment	物業、廠房及設備	15	4,898	1,402
Film rights	影片版權	16	72,461	66,149
Films in progress	拍攝中影片		793	490
Trademark	商標	17	15	30
Payment for acquisition of film rights	收購影片版權所付款項		2,066	1,334
			80,233	69,405
CURRENT ASSETS	流動資產			
Inventories	存貨	19	22,377	22,909
Trade and other receivables	貿易及其他應收款項	20	26,853	35,804
Amount due from a related company	應收關連公司款項	21	6,537	520
Pledged bank deposits	已抵押銀行存款	32	8,218	10,127
Bank balances and cash	銀行結餘及現金		6,796	5,441
			70,781	74,801
CURRENT LIABILITIES	流動負債			
Trade and other payables	貿易及其他應付款項	22	37,716	37,492
Amounts due to related companies	應付關連公司款項	21	3	1,594
Taxation payable	應繳稅項		105	394
Obligations under finance leases	融資租約承擔			
- due within one year	- 一年內到期之部份	23	430	503
Bank and other borrowings	銀行及其他借貸			
- due within one year	- 一年內到期之部份	24	27,187	25,370
			65,441	65,353
NET CURRENT ASSETS	流動資產淨值		5,340	9,448
TOTAL ASSETS LESS CURRENT LIABILITIES	資產總值減流動負債		85,573	78,853
NON-CURRENT LIABILITIES	非流動負債			
Other payable	其他應付款項	26	6,596	11,000
Obligations under finance leases	融資租約承擔			
- due after one year	- 一年後到期之部份	23	1,099	394
Bank and other borrowings	銀行及其他借貸			
- due after one year	- 一年後到期之部份	24	6,760	1,204
Deferred tax liabilities	遞延稅項負債	29	4,177	3,284
			18,632	15,882
CAPITAL AND RESERVES	資本及儲備			
Share capital	股本	25	4,023	4,023
Reserves	儲備		56,173	52,348
			60,196	56,371
MINORITY INTERESTS	少數股東權益		6,745	6,600
TOTAL EQUITY	權益總值		66,941	62,971

The financial statements on pages 45 to 93 were approved and authorised for issue by the Board of Directors on 30 June, 2006 and are signed on its behalf by:

Fung Yu Hing, Allan
馮詒卿
DIRECTOR
董事

Leung Siu Kuen, Janet
梁少娟
DIRECTOR
董事

第45至第93頁之財務報表於二零零六年六月三十日經董事會批准及授權刊發，現由以下董事代表簽署：

la

Balance Sheet

資產負債表

At 31 March, 2006
於二零零六年三月三十一日

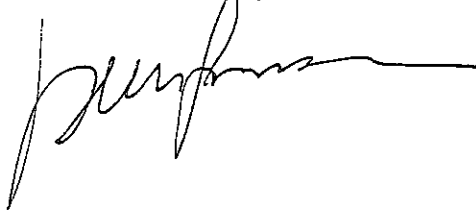
		Notes	2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
		附註		
NON-CURRENT ASSET	非流動資產			
Interests in subsidiaries	於附屬公司之權益	18	<u>42,439</u>	<u>42,541</u>
CURRENT ASSETS	流動資產			
Other receivables	其他應收款項		113	113
Bank balances	銀行結餘		<u>1</u>	<u>1</u>
			<u>114</u>	<u>114</u>
CURRENT LIABILITY	流動負債			
Other payables	其他應付款項		<u>300</u>	<u>377</u>
NET CURRENT LIABILITIES	流動負債淨值		<u>(186)</u>	<u>(263)</u>
			<u>42,253</u>	<u>42,278</u>
CAPITAL AND RESERVES	資本及儲備			
Share capital	股本	25	4,023	4,023
Reserves	儲備	28	<u>38,230</u>	<u>38,255</u>
TOTAL EQUITY	權益總值		<u>42,253</u>	<u>42,278</u>

Fung Yu Hing, Allan

馮詒卿

DIRECTOR

董事



Leung Siu Kuen, Janet

梁少娟

DIRECTOR

董事



Consolidated Statement of Changes in Equity

綜合權益變動表

For the year ended 31 March, 2006
截至二零零六年三月三十一日止年度

Attributable to equity holders of the Company

本公司權益持有人應佔

		Share capital 股本 HK\$'000 千港元 (note 25) (附註25)	Share premium 股份溢價 HK\$'000 千港元	Special reserve 特別儲備 HK\$'000 千港元	Translation reserve 換算儲備 HK\$'000 千港元	Retained profits 保留盈利 HK\$'000 千港元	Total	Minority interest 少數股東權益 HK\$'000 千港元	Total equity 權益總值 HK\$'000 千港元
At 1 April, 2004	於二零零四年四月一日	4,016	12,937	10,440	37	24,494	51,924	5,851	57,775
Exchange differences arising from translation of operations outside Hong Kong and gain not recognised in the consolidated income statement	因換算香港以外地區附屬公司之營運而產生之匯兌差額及尚未於綜合收益表中確認之利潤	-	-	-	30	-	30	-	30
Issue of shares on exercise of share options	因行使購股權發行股份	7	16	-	-	-	23	-	23
Profit for the year	年內溢利	-	-	-	-	4,394	4,394	749	5,143
At 1 April, 2005	於二零零五年四月一日	4,023	12,953	10,440	67	28,888	56,371	6,600	62,971
Opening adjustment for the adoption of HKAS 39	因採納香港會計準則第39號之期初調整	-	-	-	-	1,520	1,520	-	1,520
As restated	重列	4,023	12,953	10,440	67	30,408	57,891	6,600	64,491
Profit for the year	年內溢利	-	-	-	-	2,305	2,305	145	2,450
At 31 March, 2006	於二零零六年三月三十一日	4,023	12,953	10,440	67	32,713	60,196	6,745	66,941

The special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the group reorganisation (the "Group Reorganisation") to rationalise the group structure in preparation of the listing of the Shares on the GEM of the Stock Exchange, and the nominal value of the Company's shares issued in exchange.

本集團之特別儲備乃根據為籌備本公司股份在聯交所創業板上市本集團進行以整理集團架構之集團重組(「集團重組」)中，本公司收購之附屬公司之股份面值，以及本公司股份發行作交換之面值之差額。

Consolidated Cash Flow Statement

綜合現金流量表

For the year ended 31 March, 2006
截至二零零六年三月三十一日止年度

		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
OPERATING ACTIVITIES	經營業務		
Profit before taxation	除稅前溢利	3,382	6,805
Adjustments for:	就以下項目作出調整：		
Gain on disposal of property, plant and equipment	出售物業、廠房及 設備之利潤	(550)	(122)
Interest income	利息收入	(185)	(30)
Amortisation of film rights	影片版權攤銷	27,132	21,925
Depreciation of property, plant and equipment	物業、廠房及設備之折舊	2,055	1,155
Interest and finance charge	利息及融資費用	2,512	1,337
Impairment loss recognised in respect of film rights	影片版權之已確認減值虧損	-	3,617
Bad debts written off	壞賬撇銷	135	243
Amortisation of trademark	商標攤銷	15	15
Operating cash flow before movements in working capital	未計營運資金變動前之 經營現金流量	34,496	34,945
Decrease (Increase) in inventories	存貨減少(增加)	532	(2,138)
Decrease (Increase) in trade and other receivables	貿易及其他應收款項減少 (增加)	8,816	(8,866)
Increase in trade and other payables	貿易及其他應付款項 增加	224	14,684
Decrease in amounts due to related companies	應付關連公司款項減少	(1,591)	(4,223)
Net cash generated from operations	經營所得現金淨額	42,477	34,402
Interest received	已收取利息	185	30
Hong Kong Profits Tax paid	已繳香港利得稅	(328)	(278)
NET CASH GENERATED FROM OPERATING ACTIVITIES	經營業務所得現金淨額	42,334	34,154
INVESTING ACTIVITIES	投資活動		
Purchase of film rights	購買影片版權	(32,413)	(32,043)
Purchase of property, plant and equipment	購買物業、廠房及設備	(5,551)	(749)
Payment for acquisition of film rights	購買影片版權款項	(2,066)	(1,334)
Decrease (Increase) in pledged bank deposits	已抵押銀行 存款減少(增加)	1,909	(30)
Proceeds from disposal of property, plant and equipment	出售物業、廠房及設備所得款項	550	125
NET CASH USED IN INVESTING ACTIVITIES	投資活動所用現金淨額	(37,571)	(34,031)

Consolidated Cash Flow Statement**綜合現金流量表**

For the year ended 31 March, 2006
截至二零零六年三月三十一日止年度

		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
FINANCING ACTIVITIES	融資活動		
New bank loans raised	新造銀行貸款	14,821	2,500
New finance leases raised	新訂融資租約	1,369	653
(Advance) Repayment from a related company	關連公司 (借出) 償付款項	(6,017)	528
(Decrease) Increase in other payable	其他應付款項(減少)增加	(2,884)	2,000
Repayment of bank and other borrowings	償付銀行及其他借貸	(2,641)	(2,938)
Interest and finance charge paid	已繳利息及融資費	(2,512)	(1,337)
Repayment of obligations under finance leases	償付融資租約承擔	(737)	(1,134)
Proceeds from issue of shares	發行股份所得款項	-	23
NET CASH GENERATED FROM FINANCING ACTIVITIES	融資活動所得現金淨額	<u>1,399</u>	<u>295</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	現金及現金等價物增加 淨額	6,162	418
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	年初之現金及現金等價物	(17,234)	(17,682)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	匯率變動影響	<u>-</u>	<u>30</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	年末之現金及現金等價物	<u>(11,072)</u>	<u>(17,234)</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS	現金及現金等價物結餘分析		
Bank balances and cash	銀行結餘及現金	6,796	5,441
Bank overdrafts	銀行透支	(17,868)	(22,675)
		<u>(11,072)</u>	<u>(17,234)</u>

Notes to the Financial Statements

財務報表附註

For the year ended 31 March, 2006
 截至二零零六年三月三十一日止年度

1. GENERAL

The Company is incorporated as an exempted company with limited liability in the Cayman Islands and its shares are listed on the GEM of the Stock Exchange. Its ultimate holding company is Allan Fung Assets Limited, a company incorporated in the British Virgin Islands.

The Company is an investment holding company. The activities of its subsidiaries are set out in note 35.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARD

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for accounting period on or after 1 January, 2005. The adoption of new HKFRSs did not result in substantial changes to the Group's accounting policy except the followings:-

HKAS 1 "Presentation of Financial Statements"

HKAS 1 has affected the presentation of minority interests and other disclosures. Comparative figures have been restated accordingly.

HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement"

HKAS 32 and HKAS 39 established principles for disclosure, presentation, recognition and measurement of financial instruments, including non-derivative financial assets, non-derivative financial liabilities and derivative instruments for hedging activities. The Group has adopted HKAS 32 and HKAS 39 prospectively from 1 April, 2005.

1. 一般事項

本公司乃於開曼群島註冊成立之獲豁免有限公司，其股份在聯交所創業板上市。其最終控股公司為於英屬處女群島註冊成立之公司Allan Fung Assets Limited。

本公司乃一間投資控股公司。各附屬公司之業務載於附註35。

2. 採用新訂及修訂香港財務報告準則

於本年度，本集團已採納所有香港會計師公會頒佈並涉及其業務的新訂及修訂香港財務報告準則（「香港財務報告準則」）、香港會計準則（「香港會計準則」）及詮釋（以後統稱為「新香港財務報告準則」），並於二零零五年一月一日或之後開始的會計期間生效。採納新香港財務報告準則並無導致本集團的會計政策出現重大變動，惟下列各項除外：—

香港會計準則第1號「財務報表之呈列」

香港會計準則第1號對少數股東權益之呈列及其他披露有所影響。比較數字已相應重列。

香港會計準則第32號「金融工具：披露及呈列」及香港會計準則第39號「金融工具：確認及計量」

香港會計準則第32號及香港會計準則第39號建立披露、呈列、確認及計量金融工具（包括非衍生金融資產、非衍生金融負債及用於對沖活動之衍生工具）之準則。本集團由二零零五年四月一日起不作追溯地採納香港會計準則第32號及香港會計準則第39號。

Notes to the Financial Statements

財務報表附註

For the year ended 31 March, 2006
截至二零零六年三月三十一日止年度

Under HKAS 39, financial assets are classified as “financial assets at fair value through profit or loss”, “available-for-sales financial assets”, “loans and receivables”, or “held-to-maturity financial assets”. “Financial assets at fair value through profit or loss”, “available-for-sales financial assets” are carried at fair value, with changes in fair values recognised in the income statement and equity respectively. “Loans and receivables” and “held-to-maturity financial assets” are measured at amortised cost using the effective interest method after initial recognition.

根據香港會計準則第39號，金融資產可分類為「按公平值以損益處理之金融資產」、「待售金融資產」、「貸款及應收款項」或「持至到期之金融資產」。[按公平值以損益處理之金融資產]、「待售金融資產」以公平值列賬，其公平值之變動分別於收益表及權益內確認。「貸款及應收款項」或「持至到期之金融資產」於初步確認後按經攤銷成本以實際利率法計量。

		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
The adoption of HKAS 39 resulted in:	採納香港會計準則第39號導致：		
Increase in retained earnings	保留盈利增加	1,520	-
Increase in finance cost	融資成本增加	507	-
Decrease in basic earning per share	每股基本盈利減少	HK0.13 cent港仙	-
Decrease in diluted earning per share	每股攤薄盈利減少	HK0.12 cent港仙	-

HKFRS 2 “Share Based Payments”

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share based payments. Until 31 March, 2005 the provision of share options to employees did not result in an expenses in the income statements. Effective on 1 April, 2005, the Group expenses the fair value of share options in the income statement. Under the transitional provision, retrospective treatment is required only in respect of share options granted after 7 November, 2002 and had not yet vested on 1 April, 2005. The Group had no such options.

香港財務報告準則第2號「以股份為基準之付款」

採納香港財務報告準則第2號導致以股份為基準之付款之會計政策有所改變。至二零零五年三月三十一日為止，授予僱員購股權之撥備不會導致收益表出現支銷。由二零零五年四月一日起，本集團於收益表支銷購股權之公平值。根據過渡條款，僅需就於二零零二年十一月七日後授出惟於二零零五年四月一日尚未歸屬之購股權進行追溯處理。本集團並無該類型購股權。

At the date of authorisation of these financial statements, the following Standards were in issue but not yet effective:

於授權刊發財務報表當日，下列已頒佈準則尚未生效：

HKAS 1 (Amendment)	Capital Disclosures	香港會計準則第1號(修訂)	股本披露
HKAS 19 (Amendment)	Employee Benefits – Actuarial Gain and Losses, Group Plans and Disclosures	香港會計準則第19號(修訂)	僱員福利－精算收益及虧損、集團計劃及披露
HKAS 39 (Amendment)	The Fair Value Option	香港會計準則第39號(修訂)	公平值期權
HKAS 39 and HKFRS 4 (Amendments)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts	香港會計準則第39號及香港財務報告準則第4號(修訂)	金融工具：確認及計量與保險合同－財務擔保合同
HKFRS 7	Financial Instruments – Disclosures	香港財務報告準則第7號	金融工具－披露

The Directors anticipate that the adoption of these Standards in future periods will have no material impact on the financial statements of the Group.

董事估計，採納該等準則在未來期間對本集團之財務報表不會產生重大影響。

Notes to the Financial Statements

財務報表附註

for the year ended 31 March, 2006
截至二零零六年三月三十一日止年度

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with HKFRSs issued by HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Company Ordinance. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Interests in subsidiaries

Interests in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Recognition of revenue

Sales of goods are recognised when goods are delivered and title has passed.

Income from exhibition of film and film distributions income are recognised when the right to receive payment is established and the amount can be measured reliably.

Sub-licensing income is recognised on an accrual basis in accordance with the terms of the underlying licence agreements.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3. 主要會計政策

財務報表乃根據歷史成本慣例法並依照香港會計師公會頒佈之香港財務報告準則、香港公認會計原則及香港公司條例之披露規定編撰。所採納之主要會計政策如下：

綜合基準

綜合財務報表包括本公司及其附屬公司編製至每年三月三十一日之財務報表。

年內所收購或出售附屬公司之業績，已在適當情況下分別自收購生效日期起或至出售生效日期止計入綜合收表。

集團內公司間之一切重大交易及結餘已於綜合賬目時對銷。

於附屬公司之投資

於附屬公司之投資按原值減任何已辨識減值虧損計入本公司資產負債表。

收入確認

貨品銷售於貨品交付及擁有權轉移時確認。

影片上映及影片發行之收入於影片完成確立收款權及金額能夠被可靠地計量時確認。

分授版權之收入根據相關版權協議條款以累計基準確認。

利息收入乃參照未償還本金按適用利率以時間基準累計，實際利率乃將估計日後現金收入按金融資產之預期使用年期實際貼現至該金融資產之賬面淨值之利率。

Notes to the Financial Statements

財務報表附註

For the year ended 31 March, 2006
截至二零零六年三月三十一日止年度

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight line method, at the following annual rates:

Leasehold improvements	10%
Furniture and fixtures	30%
Office equipment	30%
Motor vehicles	30%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Film rights

Advances prepaid and paid by instalments under licensing agreements for reproduction and distribution of audio-visual products and for sub-licensing of film titles, in specific geographical areas and time periods, are recorded as payment for acquisition of film rights. Upon receipt of the master materials of films, all required payments under the licensing agreements are recorded as film rights. The balances payable under the licensing agreements are recorded as liabilities.

Film rights are stated at cost less accumulated amortisation and any accumulated impairment losses.

The cost of film rights is amortised on a systematic basis over the underlying licence periods, with reference to projected revenues from the relevant film right.

Films in progress

Films in progress are stated at cost less any identified impairment losses. Costs included all direct costs associated with the production of films. Costs of films is transferred to film rights upon completion.

3. 主要會計政策 (續)

物業、廠房及設備

物業、廠房及設備乃按原值減折舊及任何累計減值虧損後列賬。

物業、廠房及設備乃以直線法按估計使用年期以下列年率計提折舊以撇銷成本：

租賃物業裝修	10%
傢俬及裝置	30%
辦公室設備	30%
汽車	30%

出售或報廢資產所得損益乃以出售所得款項與資產賬面值之差額釐定並在收益表確認。

影片版權

根據版權協議，就於特定地區及時間重新製作及發行影像產品及分授影片發行權而於影片製作過程中預繳及已繳款項記作收購影片版權款項。收取影片之母帶後，根據版權協議預繳之一切款項列作影片版權。根據版權協議應繳餘款列作負債。

影片版權以成本減累計攤銷及任何累計減值虧損入賬。

影片版權費用乃參照有關影片版權之預期收入於相關版權期間有系統攤銷。

拍攝中影片

拍攝中影片是按成本減除任何已辨識減值虧損列帳。成本值按包括所有與製作電影有關之直接成本。拍攝中影片之成本於完成後轉為影片版權。

Notes to the Financial Statements

財務報表附註

For the year ended 31 March, 2006
 截至二零零六年三月三十一日止年度

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Trademark

Trademark represents licence fee paid for the use of trademark and is stated at cost less accumulated amortisation and any identified impairment losses. The cost of trademark is amortised on a straight line basis over the estimated useful life.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3. 主要會計政策 (續)

商標

商標代表就使用商標支付特許使用費，按原值減累計攤銷及任何已辨識減值虧損列賬。商標之成本以直線法按估計可使用期予以攤銷。

存貨

存貨以成本與可變現淨值者中之較低者入賬。成本以先入先出法計算。

減值

本集團於各結算日均會評審資產之賬面值以決定有否跡象顯示資產出現減值虧損。倘若估計資產之可收回金額低於其賬面值，則資產之賬面值將調低至其可收回金額，並隨即確認減值虧損。

倘若減值虧損其後逆轉，資產之賬面值將上調至其經修訂估計可收回金額，而調升後之賬面值不得超出倘若資產於以往年度並無確認減值虧損時原應確認之賬面值。減值虧損之逆轉乃即時確認為收入。

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expenses represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. 主要會計政策 (續)

稅項

入息稅開支指現行應繳稅項及遞延稅項之總和。

現行應繳稅項乃按本年度應課稅溢利計算。應課稅溢利與收益表中所報純利不同，乃由於前者不包括其他年度之應課稅或可扣稅收入或開支，並且不包括毋須課稅或不能扣稅之項目。

遞延稅項指就財務報表資產及負債賬面值與計算應課稅溢利所用相應稅基之差額預期應付或可收回之稅項，以資產負債表負債法列賬。遞延稅項負債一般會就所有應課稅暫時差額確認，而遞延稅項資產乃於可能出現可扣稅之暫時差額以抵銷應課稅溢利時確認。倘暫時差額不影響應課稅溢利或會計溢利之交易項下其他資產及負債之初步確認(業務合併除外)而產生，則不會確認該等資產及負債。

遞延稅項負債乃按於附屬公司及聯營公司之投資所產生應課稅暫時差額予以確認，惟若本集團可控制撥回暫時差額之時間及暫時差額有可能於可見將來不會撥回之情況除外。

遞延稅項資產之賬面值於各個結算日檢討，並於可能不再有足夠應課稅溢利恢復該項資產全部或部分之情況下作出調減。

遞延稅項乃按預期於償還負債或變現資產期間適用之稅率計算。遞延稅項於收益表扣除或計入，惟倘遞延稅項與直接扣除或計入股東權益之項目相關者除外，在此情況下遞延稅項亦於股東權益中處理。

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and original principal at the inception of the respective leases value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight line basis over the relevant lease term.

Retirement benefits scheme

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees.

The employees of the subsidiary in Singapore are members of a state-managed retirement benefits scheme operated by the government of Singapore. The subsidiary is required to contribute certain percentage of their payroll costs, depending on the age of individual employee and its nationality, to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

Share-based employee compensation

All share-based payment arrangements granted after 7 November 2002 are recognised in the consolidated financial statements. The Group operates equity settled share-based compensation plans for remuneration of its employees.

3. 主要會計政策 (續)

租賃資產

凡租約之條款將資產擁有權之絕大部份風險及回報歸於本集團者均列為融資租約。根據融資租約持有之資產按收購日期之公平頂撥充資本。出租人之相應債務(扣除利息開支)乃計入資產負債表作為融資租約承擔。融資費用指總租賃承擔與所購入資產公平值之差額，乃按有關租約之年期在收益表扣除，以得出各會計期間之尚餘承擔款項之固定定期支出率。

所有其他租約列作經營租約，全年租金以直線法按相關租約年期在收益表扣除。

退休福利計劃

本集團為本港全體合資格僱員設立強積金計劃(「強積金計劃」)。強積金計劃中的資產與本集團資產分開，存放於由受託人控制的基金。本集團按薪金成本的5%作出供款，供款額與僱員相同。

本集團於新加坡的附屬公司為由新加坡運營的國營退休福利計劃的成員。分公司須按薪金成本的若干百分比，向退休福利計劃作出供款以籌集福利，供款視乎個別僱員的年齡、國籍而定。就退休福利計劃而言，本集團的唯一義務為作出指定供款。

以股份為基準之僱員薪酬

所有二零零二年十一月七日後授出以股份為基準之付款於綜合財務報表確認。本集團為其僱員設立權益結算以股份為基準之薪酬。

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based employee compensation (continued)

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is ultimately recognised as an expense in income statement with a corresponding credit to additional paid-in capital, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally estimated.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the share issued are reallocated to share capital with any excess being recorded as additional paid-in capital.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the income statement.

On consolidation, the assets and liabilities of the Group's operation outside Hong Kong are translated at the exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rate for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

3. 主要會計政策 (續)

以股份為基準之僱員薪酬 (續)

所有為換取授予以股份支付補償的僱員服務乃按其公平值計量。此乃參考所獲購股權多少而間接釐定，其價值於授出日期評值並排除一切非市場歸屬條件的影響（例如盈利能力及銷售增加目標）。

所有以股份為基準之薪酬最終於收益表支銷，而權益則作相應調高。如歸屬期或其他歸屬條件適用，則按對預期歸屬之購股權數目的最佳估計於歸屬期支銷。作出有關預期變成可行使購股權的數目之假設時，會將非市場歸屬條件納入考慮。如有跡象顯示預期歸屬的購股權數目與原估計有出入，則於其後修訂估計。如最終行使的購股權數目少於原估計，則不就往期支銷作出調整。

行使購股權時，已收所得款項扣除不超過已發行股份面值的直接交易成本，將撥入股本，多出部分列作額外實繳資本。

外匯

以香港以外貨幣進行之交易按交易日之有關匯率初步入賬。以香港以外貨幣為單位之貨幣資產及負債按結算日之匯率再行換算。匯兌損益計入收益表。

於綜合賬目時，本集團在香港以外地區之資產負債按結算日之通行匯率換算。收支項目按年內平均匯率換算。匯兌差額（如有）乃作權益並撥入本集團之換算儲備。匯兌差額於出售業務之年度內確認作收入或開支。

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

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

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at cost, being the fair value of the consideration given and except for financial assets and financial liabilities at fair value through profit and loss, including transaction costs that are directly attributable to the acquisition.

Financial assets

The Group's financial assets are classified as loans and receivables. The accounting policy adopted is set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables including accounts receivable, time deposits, other receivables and amount due from a related company are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in the income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. 主要會計政策 (續)

撥備

倘由於過往發生之事件引致目前出現債務(法律上或實際上)，而該等債務可能導致日後資源流出以清還負債，並能夠可靠估計負債金額時，撥備會被確認。

倘折現影響屬重大，就撥備而確認之金額為預期清償債務所需之未來開支於結算日之現值。因時間過去而引致之折現現值之增加計算入損益賬內之融資成本。

金融工具

當本集團成為工具合約條款的一方時，會在綜合資產負債表上確認金融資產及金融負債。金融資產和金融負債在初始確認時會以成本(即所提供代價之公平值)進行計量，惟按公平值以損益處理之金融資產及金融負債除外(包括直接歸屬於購置的交易費用)。

金融資產

本集團之金融資產歸類為貸款和應收款項。所採納之會計政策如下。

貸款和應收款項

貸款及應收款項為按固定付款或未於活躍市場報價的可釐定付款的非衍生工具金融資產。初步確認後在每個結算日，貸款和應收款項(包括應收賬款、定期存款、其他應收款項及應收關連公司款項)以運用實際利率法攤銷之成本減任何已識別減值虧損計量。當存在客觀證據表明資產已發生減值，減值虧損會在收益表中確認，金額按資產的賬面值與以最初的實際利率對預期未來現金流量進行折現後的現值兩者之間的差額計量。在後續期間，如果資產可收回金額的增加客觀上與確認減值之後發生的事項有聯繫，則減值虧損會轉回，但該轉回不應導致該資產在減值轉回日期的賬面值超過不確認減值情況下的已攤銷成本。

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss has two sub-categories, including financial liabilities held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Other financial liabilities

Other financial liabilities include trade and other payables, bank and other borrowings which fall within the category of other financial liabilities. These financial liabilities are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Cash and cash equivalents

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

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

3. 主要會計政策 (續)

金融負債及權益

集團實體發行的金融負債和權益性工具根據所訂立的合約安排的實質內容以及金融負債和權益性工具的定義而歸類。

權益性工具指能證明擁有集團在減除其所有負債後的資產中的剩餘權益的任何合約。就金融負債和權益性工具採納的會計政策載於下文。

按公平值以損益處理之金融負債

按公平值以損益處理之金融負債分為兩類，包括持作出售金融負債及其他於初步確認時被指定須按公平值以損益處理之金融負債。於初步確認後之各結算日時，按公平值以損益處理之金融負債以公平值列賬，其公平值之變動於產生時直接於損益賬確認。

其他金融負債

其他金融負債包括貿易及其他應付款項、屬其他金融負債類別的銀行及其他借貸。該等金融負債其後以運用實際利率法攤銷的成本計量。

權益性工具

本公司發行的權益性工具按收取的所得款項減直接發行成本記錄。

現金及現金等價物

就編製綜合現金流動表而言，現金及現金等價物包括手頭現金及活期存款，及可隨時轉換為已知數額現金並一般於購入後三個月內到期且受價值變動之輕微風險影響之短期及高度流通投資，再扣除須於要求時償還並構成本集團之現金管理一部份之銀行透支。

就編製資產負債表而言，現金及銀行結餘包括手頭現金及銀行現金(包括定期存款)，而其用途不受限制。

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4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 3, management has made the following judgements that have most significant effect of the amounts recognised in the financial statements which are dealt with below.

Allowance for bad and doubtful debts

The provision policy for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of the debts and on managements' judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Impairment loss of film rights

The Group evaluates whether film rights have suffered any impairment loss whenever events or changes in circumstances indicate that the carrying amount of the film rights may not be recoverable, in accordance with the relevant accounting policy set out above. The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of estimates.

Fair value of financial instruments

Financial instruments are carried at the balance sheet at fair value. The use of methodologies, models and assumptions in pricing and valuing the financial assets and liabilities is subjective and requires varying degrees of judgement by management, which may result in significantly different fair values and results. All significant financial valuation models are strictly controlled and regularly recalibrated and vetted.

4. 關鍵會計判斷及估計不確定性之主要來源

在引用附註3所述本集團之會計政策時，管理層曾作出下列對於財務報告所確認數字最具影響之判斷，並以下列方式處理。

呆壞賬撥備

本集團呆壞賬之撥備政策乃基於對債項之可追回程度及賬齡分析之評估，以及管理層之判斷。評估該等應收款項之最終變現情況時需要作出大部份判斷，包括各客戶現時之信譽及過往還款紀錄。倘若本集團客戶之財務狀況轉壞，導致彼等之還款能力下降，或須作出進一步撥備。

影片版權之減值虧損

倘若有任何事故或環境變化顯示影片版權未必能夠收回時，本集團會按上述相關會計政策評估是否出現減值。產生現金單位乃按使用價值計算，而計算時須運用估計。

金融工具之公平值

金融工具按公平值於資產負債表內列值。金融資產及負債之定價及估值方法、模式及假設均屬主觀，並需要管理層作出若干程度之判斷，而有關判斷或會導致出現截然不同之公平值及結果。所有重大財務估值模式均受嚴密監控，並會定期測試及檢查。

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5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including foreign exchange risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Foreign exchange risk

The Group carries out its business mainly in Hong Kong and most of the transactions are denominated in Hong Kong dollars and United States dollars. The Group's assets and liabilities are mainly denominated in Hong Kong dollars. The Group had neither engaged in any derivative activities nor committed to any financial instruments to hedge its balance sheet exposures. In view of the stability of the exchange rate between Hong Kong dollars and United States dollars, the Directors consider the Group's foreign exchange risk to be minimal.

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables included in the balance sheet which represent the Group's maximum exposure to credit risk in relation to the Group's financial assets. No other financial assets carry a significant exposure to credit risk. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers. The Group performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers. The allowance for doubtful debts is based upon a review of the expected collectibility of all trade and other receivables.

Liquidity risk

The Group manages its liquidity risk by maintaining sufficient cash mainly from internally generated cashflow.

Cash flow and fair value interest-rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group does not use any financial instrument to manage its interest-rate risk.

5. 財務風險管理目標及政策

本集團之業務承受不同財務風險，包括外匯風險、信貸風險及流動資金風險。本集團之整體風險管理計劃集中於金融市場之不可預測性，設法使對本集團財務表現之潛在不利影響減至最低。

外匯風險

本集團主要於香港經營業務，大部份交易以港元及美元為單位。本集團之資產及負債主要以港元為單位。本集團並無訂立任何衍生工具或承擔任何金融工具以對沖其於資產負債表之風險。鑑於港元兌美元之匯率相對穩定，董事認為本集團之外匯風險微不足道。

信貸風險

本集團之信貸風險主要源於在資產負債表內列賬的貿易及其他應收款項，屬就本集團金融資產而言本集團所承受的最大信貸風險。概無其他金融資產承受重大信貸風險。本集團之信貸風險並不明顯集中，風險散佈多個交易對手及客戶。本集團對其客戶之財務狀況持續進行信貸評估，亦毋須其客戶提供抵押品。呆賬撥備乃按就全部貿易及其他應收款項之預期可追回性進行之審核為基準。

流動資金風險

本集團管理其流動資金風險之方法乃維持主要來自內部產生現金流量之足夠現金。

現金流量及公平值利率風險

由於本集團並無重要帶息資產，本集團之收入及經營現金流量大致上不受市場利率之變動影響。

本集團之利率風險來自借貸。按浮動利率批出之借貸使本集團之現金流量承受利率風險。本集團並無動用任何金融工具管理其利率風險。

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For the year ended 31 March, 2006
截至二零零六年三月三十一日止年度

6. TURNOVER

Turnover represents the net amounts received and receivable for sales of goods by the Group to outside customers, less returns and allowances, and revenue received and receivable from sub-licensing of film rights, film exhibition and film distribution, and is analysed as follows:

		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Sales of goods	銷售貨品	61,730	65,608
Sub-licensing of film rights	分授影片版權	10,389	9,896
Film exhibition and film distribution income	影片上映及發行收入	11,782	4,482
		<u>83,901</u>	<u>79,986</u>

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Turnover and contribution to operating results and assets and liabilities by business segment has not been prepared as the Group has only one business segment which is the distribution of film rights by different audio-visual programmes and sub-licensing.

As the Group's turnover for the year ended 31 March, 2006 are substantially made to customers based in Hong Kong and the operations of the Group are substantially located in Hong Kong, no separate analysis for the geographical segment information is provided accordingly.

6. 營業額

營業額指本集團向外界客戶銷售貨品之已收及應收款項淨額，扣除退貨及撥備，以及分授影片版權與在戲院上映電影之已收及應收收入，現分析如下：

7. 業務及地區分類資料

本集團並無編製按業務分類劃分之營業額及經營業績貢獻以及資產與負債資料，因為本集團只有單一業務分部，即透過不同影音制式發行影片版權及分授版權。

本集團截至二零零六年三月三十一日止年度的營業額中絕大部份乃銷售予香港客戶，而本集團絕大部份業務均位於香港。因此，並無提供獨立地區分類資料。

Notes to the Financial Statements

財務報表附註

For the year ended 31 March, 2006
截至二零零六年三月三十一日止年度

8. PROFIT FROM OPERATIONS

8. 經營溢利

		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Profit from operations has been arrived at after charging:	經營溢利已扣除下列各項：		
Staff costs	員工成本		
– Directors' remuneration (Note 11)	– 董事酬金 (附註11)	3,689	3,779
– Other staff costs	– 其他員工成本	8,731	9,340
– Retirement benefits scheme contributions, excluding Directors' contributions	– 退休福利計劃供款，不包括董事供款	433	410
Total staff costs	總員工成本	<u>12,853</u>	<u>13,529</u>
Depreciation	折舊		
– Owned assets	– 自置資產	1,164	335
– Assets under finance leases	– 根據融資租約持有之資產	891	820
Amortisation of film rights included in cost of sales	計入銷售成本之影片版權攤銷	27,132	21,925
Amortisation of trademark included in administrative expenses	計入行政開支之商標攤銷	15	15
Auditors' remuneration	核數師酬金	300	250
Cost of inventories included in cost of sales	計入銷售成本之存貨成本	16,012	22,472
Bad debts written off	壞賬撇銷	135	243
and after crediting:	及已計入：		
Sundry income	雜項收入	90	133
Exchange gain	匯兌收益	68	–
Gain on disposal of plant, property and equipment	出售廠房、物業及設備之利潤	550	122
Interest income	利息收入	<u>185</u>	<u>30</u>

Notes to the Financial Statements

財務報表附註

For the year ended 31 March, 2006
 截至二零零六年三月三十一日止年度

9. FINANCE COSTS

Interest on:

Bank borrowings wholly
 repayable within five years
 Other borrowings wholly
 repayable within five years
 Finance leases

應付利息：

須於五年內悉數償還之
 銀行借貸
 須於五年內悉數償還之
 其他借貸
 融資租約

	2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
	1,154	951
	1,264	252
	94	134
	<u>2,512</u>	<u>1,337</u>

10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders includes a loss of HK\$25,000 (2005: loss of HK\$41,000) which has been dealt with in the financial statements of the Company.

10. 股東應佔溢利

股東應佔溢利包括於本公司財務報表中處理之虧損25,000港元(二零零五年：虧損41,000港元)。

Notes to the Financial Statements

財務報表附註

For the year ended 31 March, 2006
截至二零零六年三月三十一日止年度

11. DIRECTORS' REMUNERATION

The emoluments paid or payable to each of the nine (2005: nine) Directors were as follows:

For the year ended 31 March, 2006

11. 董事酬金

已付或應付予九名(二零零五年:九名)董事之酬金如下:

於截至二零零六年三月三十一日止年度

		Fee	Salaries and other benefits	Retirement benefits scheme contributions	Total
		袍金	薪金及其他福利	退休福利計劃供款	總計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元
Executive Directors	執行董事				
Mr. Fung Yu Hing, Allan	馮懿興先生	-	895	12	907
Ms. Leung Siu Kuen, Janet	梁少娟女士	-	685	12	697
Mr. Fung Yee Sang	馮懿生先生	-	839	12	851
Mr. Au Lik Man, Simon	區力民先生	-	498	12	510
Non-executive Directors	非執行董事				
Dr. Lo Wing Yan, William, JP	盧永仁博士, 太平紳士	170	-	-	170
Ms. Fung Suen Lai, Jacqueline	馮宣妮小姐	60	322	12	394
Independent non-executive Directors	獨立非執行董事				
Mr. Chan Koon Chung, Johnny	陳冠中先生	60	-	-	60
Mr. Chau, Stephen	鄒世龍先生	60	-	-	60
Mr. Hui Kwok Wah	許國華先生	40	-	-	40
		<u>390</u>	<u>3,239</u>	<u>60</u>	<u>3,689</u>

Notes to the Financial Statements

財務報表附註

For the year ended 31 March, 2006
截至二零零六年三月三十一日止年度

11. DIRECTORS' REMUNERATION (continued)

For the year ended 31 March, 2005

11. 董事酬金 (續)

於截至二零零五年三月三十一日止年度

		Fee	Salaries and other benefits	Retirement benefits scheme contributions	Total
		袍金 HK\$'000 千港元	薪金及其他福利 HK\$'000 千港元	退休福利 計劃供款 HK\$'000 千港元	總計 HK\$'000 千港元
Executive Directors	執行董事				
Mr. Fung Yu Hing, Allan	馮鈺卿先生	-	911	12	923
Ms. Leung Siu Kuen, Janet	梁少娟女士	-	698	12	710
Mr. Fung Yee Sang	馮鈺生先生	-	921	12	933
Mr. Au Lik Man, Simon	區力民先生	-	496	12	508
Non-executive Directors	非執行董事				
Dr. Lo Wing Yan, William, JP	盧永仁博士，太平紳士	180	-	-	180
Ms. Fung Suen Lai, Jacqueline	馮宣妮小姐	60	313	12	385
Independent non-executive Directors	獨立非執行董事				
Mr. Chan Koon Chung, Johnny	陳冠中先生	60	-	-	60
Mr. Chau, Stephen	鄧世龍先生	60	-	-	60
Mr. Hui Kwok Wah	許國華先生	20	-	-	20
		<u>380</u>	<u>3,339</u>	<u>60</u>	<u>3,779</u>

During the year, no emoluments were paid by the Group to any Directors as in inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors waived any emoluments during the year.

年內，本集團並無向任何董事支付酬金以吸引彼等加盟本集團或作為加盟獎金又或作為離職補償。概無董事於本年度免收任何酬金。

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財務報表附註

For the year ended 31 March, 2006
截至二零零六年三月三十一日止年度

12. EMPLOYEES' EMOLUMENTS

During the year, the five highest paid individuals in the Group included four (2005: four) Directors, details of whose emoluments are set out in note 11 above.

The emoluments of the remaining one (2005: one) individual for the year ended 31 March, 2006, were as follows:

		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Salaries and other benefits	薪金及其他福利	409	378
Bonus	花紅	12	16
Retirement benefits schemes contributions	退休福利計劃供款	12	12
		<u>433</u>	<u>406</u>

The aggregate emoluments of the highest paid employee for the year is within the emoluments band ranging from nil to HK\$1,000,000.

13. TAXATION

The charge comprises:

Hong Kong Profits Tax	香港利得稅	39	200
Taxation in other jurisdictions	其他司法權區之稅項	-	41
Deferred tax charge (Note 29)	遞延稅項支出(附註29)	893	1,421
		<u>932</u>	<u>1,662</u>

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the both years.

Taxation in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

12. 僱員酬金

年內，本集團五名最高薪人士包括四名(二零零五年：四名)董事，彼等之酬金詳情載於上文附註11。

於截至二零零六年三月三十一日止年度之餘下一名(二零零五年：一名)人士之酬金如下：

	2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Salaries and other benefits	409	378
Bonus	12	16
Retirement benefits schemes contributions	12	12
	<u>433</u>	<u>406</u>

去年最高薪僱員之總酬金之幅為零至1,000,000港元。

13. 稅項

	2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
The charge comprises:		
Hong Kong Profits Tax	39	200
Taxation in other jurisdictions	-	41
Deferred tax charge (Note 29)	893	1,421
	<u>932</u>	<u>1,662</u>

香港利得稅乃根據年內估計應課稅溢利按稅率17.5%計算。

其他司法權區之稅項按有關司法權區之關現行稅率計算。

Notes to the Financial Statements

財務報表附註

For the year ended 31 March, 2006
截至二零零六年三月三十一日止年度

13. TAXATION (continued)

The charge for the year can be reconciled to the profit per the income statement as follows:

13. 稅項 (續)

本年度稅項支出與收益表所示溢利對賬如下：

		2006 二零零六年 HK\$'000 千港元	2005 二零零四五年 HK\$'000 千港元
Profit before taxation	除稅前溢利	<u>3,382</u>	<u>6,805</u>
Tax at the domestic income tax rate of 17.5% (2005: 17.5%)	按本地入息稅稅率17.5% (二零零五年：17.5%)計算之稅項	592	1,191
Tax effect of income not taxable in determining taxable profit	釐定應課稅溢利時 毋須課稅收入之稅項影響	-	(73)
Tax effect of expenses that are not deductible in determining taxable profit	釐定應課稅溢利時不得扣稅 開支之稅項影響	277	503
Effect of different tax rates of operation in other jurisdictions	於其他司法權區業務所採用 稅率不同之影響	-	35
Tax loss utilised	動用之稅項虧損	-	(3)
Unrecognised tax loss	未確認之稅項虧損	<u>63</u>	<u>9</u>
Tax charge for the year	本年度稅項支出	<u>932</u>	<u>1,662</u>

Details of deferred taxation are set out in Note 29.

遞延稅項詳情載於附註29。

Notes to the Financial Statements

財務報表附註

For the year ended 31 March, 2006
截至二零零六年三月三十一日止年度

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

14. 每股盈利

每股基本及攤薄後盈利乃按下列數據計算：

		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Earnings	盈利		
Profit attributable to equity holders of the Company for the year	本公司權益持有人應佔本年度溢利	<u>2,305</u>	<u>4,394</u>
Number of shares	股份數目		
Weighted average number of ordinary shares	普通股加權平均股數	402,300,000	402,225,205
Effect of dilutive potential ordinary shares:	普通股之潛在攤薄影響：		
Share options	購股權	<u>9,906,738</u>	<u>10,648,573</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	用以計算每股攤薄盈利之普通股加權平均股數	<u>412,206,738</u>	<u>412,873,778</u>

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For the year ended 31 March, 2006
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15. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

15. 物業、廠房及設備

本集團

		Leasehold improvements 租賃物業裝修 HK\$'000 千港元	Furniture and fixtures 傢俬及裝置 HK\$'000 千港元	Office equipment 辦公室設備 HK\$'000 千港元	Motor Vehicles 汽車 HK\$'000 千港元	Total 總計 HK\$'000 千港元
COST						
	原值					
At 1 April, 2004	於二零零四年四月一日	-	2,544	3,557	2,210	8,311
Additions	添置	-	29	94	626	749
Disposals	出售	-	(237)	(121)	(381)	(739)
At 31 March, 2005	於二零零五年三月三十一日	-	2,336	3,530	2,455	8,321
Additions	添置	2,528	864	330	1,829	5,551
Disposals	出售	-	(1,568)	(94)	(1,093)	(2,755)
At 31 March, 2006	於二零零六年三月三十一日	2,528	1,632	3,766	3,191	11,117
ACCUMULATED DEPRECIATION						
	累計折舊					
At 1 April, 2004	於二零零四年四月一日	-	2,223	2,396	1,881	6,500
Provided for the year	年內折舊	-	217	617	321	1,155
Disposals	出售	-	(237)	(118)	(381)	(736)
At 31 March, 2005	於二零零五年三月三十一日	-	2,203	2,895	1,821	6,919
Provided for the year	年內折舊	232	346	586	891	2,055
Disposals	出售	-	(1,568)	(94)	(1,093)	(2,755)
At 31 March, 2006	於二零零六年三月三十一日	232	981	3,387	1,619	6,219
NET BOOK VALUE						
	賬面淨值					
At 31 March, 2006	於二零零六年三月三十一日	2,296	651	379	1,572	4,898
At 31 March, 2005	於二零零五年三月三十一日	-	133	635	634	1,402

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財務報表附註

For the year ended 31 March, 2006
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15. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 March, 2006, the net book value of the Group's motor vehicles includes an amount of HK\$1,572,000 (2005: HK\$634,000) in respect of assets held under finance leases.

At 31 March, 2005, the net book value of the Group's furniture and fixtures and office equipments included an amount of HK\$76,000 and HK\$406,000 respectively, in respect of assets held under finance leases.

15. 物業、廠房及設備 (續)

本集團汽車於二零零六年三月三十一日之賬面淨值包括根據融資租約持有之資產為1,572,000港元(二零零五年: 634,000港元)。

本集團傢俬及裝置及辦公室設備於二零零五年三月三十一日之賬面淨值分別包括根據融資租約持有之各項資產為76,000港元及406,000港元。

16. FILM RIGHTS

		THE GROUP
		本集團
		HK\$'000
		千港元
COST	原值	
At 1 April, 2004	於二零零四年四月一日	106,675
Additions	添置	44,657
		<hr/>
At 31 March, 2005	於二零零五年三月三十一日	151,332
Additions	添置	33,444
		<hr/>
At 31 March, 2006	於二零零六年三月三十一日	184,776
		<hr/>
AMORTISATION AND IMPAIRMENT	攤銷及減值	
At 1 April, 2004	於二零零四年四月一日	59,641
Provided for the year	年內攤銷	21,925
Impairment loss recognised	已確認減值虧損	3,617
		<hr/>
At 31 March, 2005	於二零零五年三月三十一日	85,183
Provided for the year	年內攤銷	27,132
		<hr/>
At 31 March, 2006	於二零零六年三月三十一日	112,315
		<hr/>
CARRYING AMOUNT	賬面值	
At 31 March, 2006	於二零零六年三月三十一日	72,461
		<hr/>
At 31 March, 2005	於二零零五年三月三十一日	66,149
		<hr/>

The amortisation period adopted for film rights is 2 to 5 years.

影片版權採納之攤銷為期二至五年。

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17. TRADEMARK

17. 商標

		THE GROUP 本集團 HK\$'000 千港元
COST	原值	
At 1 April, 2004, 31 March, 2005 and 31 March, 2006	於二零零四年四月一日、二零零五年三月三十一日及 二零零六年三月三十一日	75
AMORTISATION	攤銷	
At 1 April, 2004	於二零零四年四月一日	30
Provided for the year	年內計提	15
At 31 March, 2005	於二零零五年三月三十一日	45
Provided for the year	年內計提	15
At 31 March, 2006	於二零零六年三月三十一日	60
CARRYING AMOUNT	賬面值	
At 31 March, 2006	於二零零六年三月三十一日	15
At 31 March, 2005	於二零零五年三月三十一日	30

The amortisation period adopted for trademark is 5 years.

商標採納之攤銷期為五年。

18. INTERESTS IN SUBSIDIARIES

18. 於附屬公司之權益

		THE COMPANY 本公司	
		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Unlisted shares, at cost	非上市股份，按成本值	25,572	25,572
Amounts due from subsidiaries	應收附屬公司款項	16,867	16,969
		<u>42,439</u>	<u>42,541</u>

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Directors, the amounts will not be repayable within twelve months from the balance sheet date and are shown as non-current.

應收附屬公司款項為無抵押、免息及無固定還款期。董事認為，有關款項不會在結算日後十二個月內償還，故列作非流動項目。

Details of the Company's subsidiaries as at 31 March, 2006 are set out in note 35.

本公司於二零零六年三月三十一日之附屬公司詳情載於附註35。

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19. INVENTORIES

Work in progress	在製品
Finished goods	製成品

19. 存貨

		THE GROUP 本集團	
		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
		2,066	3,346
		<u>20,311</u>	<u>19,563</u>
		<u>22,377</u>	<u>22,909</u>

All inventories are stated at cost.

所有存貨均以原值列賬。

20. TRADE AND OTHER RECEIVABLES

The Group generally allows an average credit period of 30 to 90 days to its trade customers. The aged analysis of trade receivables at the balance sheet date is as follows:

20. 貿易及其他應收款項

本集團一般給予貿易客戶平均30至90日之信貸期。貿易應收款項於結算日之賬齡分析如下：

Trade receivables:

0 – 30 days
31 – 60 days
61 – 90 days
91 – 180 days
Over 180 days

貿易應收款項：

30日內
31至60日
61至90日
91至180日
超過180日

		THE GROUP 本集團	
		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
		5,640	15,795
		2,885	3,891
		2,852	2,672
		6,369	1,817
		<u>5,337</u>	<u>3,304</u>
		23,083	27,479
		<u>3,770</u>	<u>8,325</u>
		<u>26,853</u>	<u>35,804</u>

Other receivables

其他應收款項

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21. AMOUNTS DUE FROM/TO RELATED COMPANIES

During the year, the Group had the following balances with related Companies:

21. 應收／應付關連公司款項

年內，本集團有以下與關連公司之往來結餘：

		THE GROUP 本集團		
		Balance at 31.3.2006 於二零零六年 三月三十一日 結餘 HK\$'000 千港元	Balance at 1.4.2005 於二零零五年 四月一日 結餘 HK\$'000 千港元	Maximum amount outstanding during the year 年內最高 尚餘金額 HK\$'000 千港元
Amount due from a related company:	應收關連公司款項：			
Golden Scene Company Limited (Note a)	高先電影有限公司 (附註a)	6,537	-	6,537
Applause Pictures Limited (Note b)	Applause Pictures Limited (附註b)	-	520	520
		<u>6,537</u>	<u>520</u>	
Amounts due to related companies:	應付關連公司款項：			
Golden Scene Company Limited (Note a)	高先電影有限公司 (附註a)	-	1,587	
Panorama Entertainment Holdings Limited (Note c)	Panorama Entertainment Holdings Limited (附註c)	3	7	
		<u>3</u>	<u>1,594</u>	

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21. AMOUNTS DUE FROM/TO RELATED COMPANIES

(continued)

Notes:

- (a) One of directors of Golden Scene Company Limited is also a director of a subsidiary of the Company. The amount is unsecured, interest-free and repayable on demand.
- (b) Applause Pictures Limited was a company of which Mr. Fung Yu Hing, Allan, an executive Director, was a director and had beneficial interest. During the year, Mr. Fung Yu Hing, Allan has resigned as an executive Director and has no beneficial interest in Applause Pictures Limited. The amount is unsecured, interest-free and repayable on demand.
- (c) Panorama Entertainment Holdings Limited is a company in which Mr. Fung Yu Hing, Allan, Ms. Leung Siu Kuen, Janet and Ms. Fung Suen Lai, Jacqueline have beneficial interests. The amount is unsecured, interest-free and repayable on demand.

22. TRADE AND OTHER PAYABLES

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

Trade payables:	貿易應付款項：
0 – 30 days	30日內
31 – 60 days	31至60日
61 – 180 days	61至180日
Over 180 days	超過180日
Other payables	其它應付款項

21. 應收／應付關連公司款項 (續)

附註：

- (a) 高先電影有限公司其中一名董事亦為本公司旗下某附屬公司之董事。該筆款項乃無抵押、免息及須於通知時償還。
- (b) Applause Pictures Limited曾為執行董事馮鈺卿先生任董事並實益擁有之公司。於本年度，馮鈺卿先生辭任 Applause Pictures Limited執行董事，於該公司亦無實益權益。該筆款項乃無抵押、免息及須於通知時償還。
- (c) Panorama Entertainment Holdings Limited乃馮鈺卿先生、梁少娟女士及馮宣妮小姐實益擁有之公司。該筆款項乃無抵押、免息及須於通知時償還。

22. 貿易及其他應付款項

資產負債表上貿易應付款項之賬齡分析如下：

THE GROUP		2006	2005
本集團		二零零六年	二零零五年
		HK\$'000	HK\$'000
		千港元	千港元
		5,732	2,952
		3,285	4,733
		8,531	7,474
		9,504	7,399
		<u>27,052</u>	<u>22,558</u>
		10,664	14,934
		<u>37,716</u>	<u>37,492</u>

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23. OBLIGATIONS UNDER FINANCE LEASES

23. 融資租約承擔

		THE GROUP 本集團			
		Present value of minimum lease payments 最低租約付款額現值		Minimum lease payments 最低租約付款額	
		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Amounts payable under finance leases are as follows:	融資租約項下的應付款額如下：				
Within one year	一年內	430	503	493	558
In the second to fifth years inclusive	第二至第五年(首尾兩年包括在內)	1,099	394	1,230	440
		<u>1,529</u>	<u>897</u>	<u>1,723</u>	<u>998</u>
Less: Future finance charges	減：未來財務開支	-	-	(194)	(101)
		<u>1,529</u>	<u>897</u>	<u>1,529</u>	<u>897</u>
Present value of lease obligations	租約承擔現值				
Less: Amount due within one year shown under current liabilities	減：入賬列為流動負債的一年內到期款項	(430)	(503)		
Amount due after one year	一年後償還款額	<u>1,099</u>	<u>394</u>		

The average lease term was 2 years (2005: 2 years). For the year ended 31 March, 2006, the average effective annual interest rate is 3.0% (2005: 2.9%). Interest rates are fixed at the contract date. All leases were on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

平均租約年期為2年(二零零五年：2年)。於截至二零零六年三月三十一日止年度，平均實際年利率為3.0%(二零零五年：2.9%)。利息固定為訂約日期利率。所有租約均按定額還款法進行，且並無訂立任何須付或有租約付款之安排。

The Group's obligations under finance leases were secured by the lessor's charge over the leased assets.

本集團根據融資租約所作的承擔以出租人於租賃資產的押記擔保。

The fair value of the Group's obligations under finance leases, determined based on the present value of the estimated future cash flows discounted using the prevailing market rate at the balance sheet date approximate to their carrying amounts.

本集團根據融資租約所作承擔之公平值(按估計未來現金流量經現行市場利率貼現之現值釐定)於結算日與賬面值相若。

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For the year ended 31 March, 2006
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24. BANK AND OTHER BORROWINGS

24. 銀行及其他借貸

		THE GROUP 本集團	
		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Bank overdrafts	銀行透支	17,868	22,675
Bank borrowings	銀行借貸	14,867	2,120
Other borrowings	其他借貸	1,212	1,779
		<u>33,947</u>	<u>26,574</u>
Analysed as:	分析為：		
Secured	已抵押	32,467	26,091
Unsecured	未抵押	1,480	483
		<u>33,947</u>	<u>26,574</u>
The maturity profile of the above loans and overdrafts is as follows:	以上貸款及透支的到期日如下：		
On demand or within one year	需要時或一年內	27,187	25,370
More than one year, but not exceeding two years	一年後但兩年內	6,760	1,204
		<u>33,947</u>	<u>26,574</u>
Less: Amounts due within one year shown under current liabilities	減：入賬列為流動負債的一年內到期款項	(27,187)	(25,370)
Amounts due after one year	一年後到期之款項	<u>6,760</u>	<u>1,204</u>

The average effective annual interest rate during the year for bank overdrafts and bank borrowings are 8.44% and 7.09% respectively (2005: 8.55% and 6.24% respectively).

本年度銀行透支及銀行借貸之平均實際年利率分別為8.44%及7.09% (二零零五年：分別為8.55%及6.24%)。

The other borrowing represented a loan granted by a financial institution bears interest at 5% per annum.

其他借貸代表由一家財務機構授出的貸款，以年息五厘計算。

The carrying amounts of both current and non-current borrowings approximate to their fair values.

流動及非流動借貸之賬面值與其公平值相若。

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財務報表附註

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25. SHARE CAPITAL

Authorised:	法定股本：		
Ordinary shares	每股面值0.01 港元		
of HK\$0.01 each	之普通股	1,500,000,000	15,000
Issued and fully paid:	已發行及繳足股本：		
At 1 April, 2004	於二零零四年	401,600,000	4,016
	四月一日		
Exercise of share options	行使購股權	700,000	7
At 31 March, 2005 and	於二零零五年三月三十一日		
31 March, 2006	及二零零六年三月三十一日	402,300,000	4,023

There is no change in the issued share capital of the Company during the current year.

During the year ended 31 March, 2005, 700,000 shares of HK\$0.01 each were issued and allotted at HK\$0.033 per share as a result of the exercise of share options by the employees of the Company.

All the shares issued during the prior year ranked pari passu with the then existing shares in all respects.

26. OTHER PAYABLE

The amount is unsecured, interest-free and will not be repayable before 31 March, 2007. The carrying amount of other payable approximate to its fair value as at 31 March, 2006.

25. 股本

No. of shares	Amount
股份數目	數額
	HK\$'000
	千港元
Authorised:	
Ordinary shares	
of HK\$0.01 each	15,000
Issued and fully paid:	
At 1 April, 2004	4,016
Exercise of share options	7
At 31 March, 2005 and	
31 March, 2006	4,023

本公司之已發行股本於本年度概無變動。

截至二零零五年三月三十一日止年度，因本公司之僱員行使購股權，700,000股每股面值0.01港元之股份以每股0.033港元獲配發及發行。

所有去年內發行之股份在各方面與其時之現有股份均享有同等權利。

26. 其他應付款項

該筆款項乃無抵押、免息及將不會於二零零七年三月三十一日前償還。其他應付款項之賬面值與其於二零零六年三月三十一日之公平值相若。

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27 SHARE OPTION SCHEMES

The Company has two share options schemes, including the Share Option Scheme and Pre-IPO Share Option Scheme. Details of the two share option schemes are as follows:

(a) Share Option Scheme

The Share Option Scheme was adopted on 25 April, 2002 for the primary purpose of providing incentives and to recognise the contribution of the eligible participants to the growth of the Group and will expire on 24 April, 2012. Under the Share Option Scheme, the Board may grant options to eligible full-time or part-time employees, including any executive, non-executive and independent non-executive Directors, and consultants or advisers of the Company and/or any of its subsidiaries.

Up to 31 March, 2006, no options have been granted since the adoption of the Share Option Scheme. The total number of shares in respect of which options may be granted under the Share Option Scheme, the Pre-IPO Share Option Scheme (as referred to below) and any other option schemes is not permitted to exceed 30% of the issued share capital of the Company from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the issued share capital of the Company, without prior approval from the Company's shareholders.

Options granted must be taken up within three days of the date of grant, upon payment of HK\$1 per grant.

Options may be exercised at any time during a period to be notified by the board of Directors upon the grant of options provided that the option period shall not exceed 10 years from the date of grant of the options. No minimum period for which an option must be held is required. The exercise price, which is determined by the Board is the highest of: (i) the closing price per share on the date of grant; (ii) the average closing price per share for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

27. 購股權計劃

本公司設有兩項購股權計劃，即購股權計劃及首次公開發售前購股權計劃。該兩項購股權計劃之詳情如下：

(a) 購股權計劃

本集團於二零零二年四月二十五日採納購股權計劃，首要目的為激勵合資格人士及肯定彼等對本集團發展之貢獻，並將於二零一二年四月二十四日屆滿。根據購股權計劃，董事會可向本公司及／或其任何附屬公司之合資格全職或兼職僱員（包括執行、非執行及獨立非執行董事）及專業顧問或顧問建議授出購股權。

截至二零零六年三月三十一日，自採納購股權計劃以來並無授出購股權。根據購股權計劃、首次公開發售前購股權計劃（見下文）及任何其他購股權計劃可授出之購股權涉及之股份總數不得超逾本公司不時已發行股本之30%。於任何一年可授予任何個人之購股權所涉及之股份數目不得超逾本公司不時已發行股本之1%，惟取得本公司股東批准者則作別論。

購股權須於授出日期起計三日內予以接納，並須就每份購股權支付1港元。

於授出購股權將由董事會知會的期間內之任何時間，購股權可予行使，惟購股權行使期間不得超過授出購股權當日起計的10年。購股權並無須持有之最短期。行使價由董事會釐定，為以下三者之最高者：(i)授出日期之每股收市價；(ii)授出購股權當日前五個營業日之每股平均收市價；及(iii)以及股份面值。

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27. SHARE OPTION SCHEMES (continued)

(b) Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme was adopted on 25 April, 2002 for the primary purpose of providing incentives and to recognise the contribution of the eligible participants to the growth of the Group and/or to the listing of the Shares on GEM and expired on 9 May, 2002. Options granted prior to such expiry shall continue to be valid and exercisable during the exercise period.

Under the Pre-IPO Share Option Scheme, the Board may grant options to eligible full-time or part-time employees, including any executive, non-executive and independent non-executive Directors, and consultants or advisers of the Company and/or any of its subsidiaries.

As at 31 March, 2006, the number of shares in respect of which options had been granted and remained outstanding under the Pre-IPO Share Option Scheme was 30,000,000 (2005: 30,950,000), representing 7.5% (2005: 7.7%) of the shares of the Company in issue at balance sheet date.

Options granted must be taken up by the end of the next business day following the date of grant, upon payment of HK\$1 per grant. Options may be exercised at any time from the expiry of twelve months from and including the date when dealings in the shares first commenced on GEM to the 10th anniversary of the date on which dealings in the shares first commenced on GEM. The exercise price, which is determined by the Board is either 10% of the placing price (options granted at this price being referred to below as "Pool A Options") or 70% of the placing price (options granted at this price being referred to below as "Pool B Options").

27. 購股權計劃 (續)

(b) 首次公開發售前購股權計劃

本公司於二零零二年四月二十五日採納首次公開發售前購股權計劃，主要旨在獎勵及肯定合資格人士對本集團發展及／或股份在創業板上市之貢獻，並於二零零二年五月九日屆滿。於屆滿日期前授出之購股權可於行使期內一直有效及可予行使。

根據首次公開發售前購股權計劃，董事會可向本公司及／或其任何附屬公司之合資格全職或兼職僱員（包括執行、非執行及獨立非執行董事）及專業顧問或顧問授出購股權。

於二零零六年三月三十一日，根據首次公開發售前購股權計劃授出而尚未行使之購股權涉及之股份數目為30,000,000股（二零零五年：30,950,000股），佔本公司於結算日之已發行股份約7.5%（二零零五年：7.7%）。

授出之購股權須於授出日期後下一個營業日完結前接納，並須就每份購股權繳交1港元。購股權可於股份在創業板開始買賣當日起計十二個月後隨時行使，行使期於股份在創業板首次買賣當日起計足十週年之日屆滿，每股行使價由董事會釐定，為配售價之10%（以此價格授出之價格屬「A組購股權」）或配售價之70%（以此價格授出之價格屬「B組購股權」）。

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27. SHARE OPTION SCHEMES (continued)

(b) Pre-IPO Share Option Scheme (continued)

The following table discloses the details of the Company's share options held by employees and movements in such holdings during the year ended 31 March, 2006:

Category of participants	Option Type	Outstanding at 1.4.2005 於二零零五年四月一日未行使	Exercised during the year 年內行使 (Note) (附註)	Lapsed during the year 年內失效	Outstanding at 31.3.2006 於二零零六年三月三十一日未行使
Participants of the Company 本公司董事	Pool A Options A組購股權	14,800,000	-	-	14,800,000
	Pool B Options B組購股權	10,000,000	-	-	10,000,000
		<u>24,800,000</u>	<u>-</u>	<u>-</u>	<u>24,800,000</u>
Senior management 高級管理層	Pool A Options A組購股權	-	-	-	-
	Pool B Options B組購股權	500,000	-	(500,000)	-
		<u>500,000</u>	<u>-</u>	<u>(500,000)</u>	<u>-</u>
Other employees 其他僱員	Pool A Options A組購股權	1,400,000	-	-	1,400,000
	Pool B Options B組購股權	4,250,000	-	(450,000)	3,800,000
		<u>5,650,000</u>	<u>-</u>	<u>(450,000)</u>	<u>5,200,000</u>
	<u>30,950,000</u>	<u>-</u>	<u>(950,000)</u>	<u>30,000,000</u>	

27. 購股權計劃 (續)

(b) 首次公開發售前購股權計劃 (續)

下表披露截至二零零六年三月三十一日止年度僱員所持本公司購股權詳情及有關變動：

Notes to the Financial Statements

財務報表附註

For the year ended 31 March, 2006
 截至二零零六年三月三十一日止年度

27. SHARE OPTION SCHEMES (continued)

(b) Pre-IPO Share Option Scheme (continued)

The following table discloses the details of the Company's share options held by employees and movements in such holdings during the year ended 31 March, 2005:

Category of participants	Option Type	Outstanding at 1.4.2004 於二零零四年四月一日 未行使	Exercised during the year 年內行使 (Note) (附註)	Lapsed during the year 年內失效	Outstanding at 31.3.2005 於二零零五年三月三十一日 未行使
Directors of the Company 本公司董事	Pool A Options A組購股權	14,800,000	-	-	14,800,000
	Pool B Options B組購股權	10,000,000	-	-	10,000,000
		<u>24,800,000</u>	<u>-</u>	<u>-</u>	<u>24,800,000</u>
Senior management 高級管理層	Pool A Options A組購股權	500,000	-	(500,000)	-
	Pool B Options B組購股權	950,000	-	(450,000)	500,000
		<u>1,450,000</u>	<u>-</u>	<u>(950,000)</u>	<u>500,000</u>
Other employees 其他僱員	Pool A Options A組購股權	2,100,000	(700,000)	-	1,400,000
	Pool B Options B組購股權	4,500,000	-	(250,000)	4,250,000
		<u>6,600,000</u>	<u>(700,000)</u>	<u>(250,000)</u>	<u>5,650,000</u>
	<u>32,850,000</u>	<u>(700,000)</u>	<u>(1,200,000)</u>	<u>30,950,000</u>	

27. 購股權計劃 (續)

(b) 首次公開發售前購股權計劃 (續)

下表披露截至二零零五年三月三十一日止年度僱員所持本公司購股權詳情及有關變動：

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財務報表附註

For the year ended 31 March, 2006
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27. SHARE OPTION SCHEMES (continued)

(b) Pre-IPO Share Option Scheme (continued)

Details of specific categories of options are as follows:

Option type 購股權類別	Date of grant 授出日期	Vesting period 歸屬期	Exercisable period 行使期	Exercise price 行使價 HK\$ 港元
Pool A Options A組購股權	25.4.2002	26.4.2002 – 08.5.2003	09.5.2003 – 08.5.2012	0.033
Pool B Options B組購股權	25.4.2002	26.4.2002 – 08.5.2003	09.5.2003 – 08.5.2012	0.231

Note: The closing price of the Company's share immediately before the dates on which the share options were exercised were HK\$0.094 and HK\$0.098 per share.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options lapsed or cancelled prior to their exercise date are deleted from the register of outstanding options.

27. 購股權計劃 (續)

(b) 首次公開發售前購股權計劃 (續)

購股權之具體類別詳情如下：

附註：緊隨購股權獲行使前日期本公司股份收市價為每股0.094港元及0.098港元。

授出購股權之財務影響將不會於本公司或本集團之資產負債表內列賬，直至購股權獲行使為止，而授出之購股權沒有費用列賬於損益表內。因行使購股權而發行之股份，均以股份面值列入本公司之額外股本，而每股行使價高於股份面值之部份，將於本公司之股份溢價賬內列賬。行使日期到期前失效或被註銷之購股權，將於尚未行使購股權登記名冊上刪除。

Notes to the Financial Statements

財務報表附註

For the year ended 31 March, 2006
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28. RESERVES

THE COMPANY

At 1 April, 2004	於二零零四年四月一日
Issue of shares on exercise of share options	因行使購股權發行股份
Net loss for the year	本年度虧損淨額
At 1 April, 2005	於二零零五年四月一日
Net loss for the year	本年度虧損淨額
At 31 March, 2006	二零零六年三月三十一日

The contributed surplus of the Company represents the excess of the net assets of the subsidiaries acquired pursuant to the Group Reorganisation, and the nominal value of the Company's shares issued in exchange.

The Company's reserves available for distribution represent the share premium, contributed surplus and accumulated losses. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. At 31 March, 2006, the reserve available for distribution to shareholders is HK\$38,230,000 (2005: HK\$38,255,000) which represents the aggregate of share premium and contributed surplus of HK\$38,524,000 (2005: HK\$38,524,000) net of accumulated losses HK\$294,000 (2005: HK\$269,000).

28. 儲備

本公司

		Share Contributed Accumulated			Total
		premium	surplus	losses	
		股份溢價	實繳盈餘	累計虧損	總計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元
At 1 April, 2004	於二零零四年四月一日	12,937	25,571	(228)	38,280
Issue of shares on exercise of share options	因行使購股權發行股份	16	-	-	16
Net loss for the year	本年度虧損淨額	-	-	(41)	(41)
At 1 April, 2005	於二零零五年四月一日	12,953	25,571	(269)	38,255
Net loss for the year	本年度虧損淨額	-	-	(25)	(25)
At 31 March, 2006	二零零六年三月三十一日	12,953	25,571	(294)	38,230

本公司的實繳盈餘代表根據集團重組收購的附屬公司資產淨值超出發行作為交換之本公司股份面值之部份。

本公司可供分派儲備代表股份溢價賬、實繳盈餘及累計虧損。根據開曼群島公司法(經修訂)第22章，倘於分派股息後可即時償還日常業務中的到期債項，本公司的股份溢價賬可根據組織章程大綱或細則的規定用以向股東支付攤派或股息。於二零零六年三月三十一日可供分派予股東的儲備為38,230,000港元(二零零五年：38,255,000港元)，代表股份溢價及實繳盈餘總額38,524,000港元(二零零五年：38,524,000港元)減累計虧損294,000港元(二零零五年：269,000港元)。



Notes to the Financial Statements

財務報表附註

For the year ended 31 March, 2006
截至二零零六年三月三十一日止年度

29. DEFERRED TAXATION

The following are the major deferred tax liability (asset) recognised by the Group and movements thereon for the year:

29. 遞延稅項

下表載列本集團於本年度所確認之主要遞延稅項負債(資產)及其變動:

		THE GROUP 本集團		
		Accelerated tax depreciation 加速稅項折舊 HK\$'000 千港元	Tax losses 稅項虧損 HK\$'000 千港元	Total 總計 HK\$'000 千港元
THE GROUP	本集團			
At 1 April, 2004	於二零零四年四月一日	8,231	(6,368)	1,863
Charge (credit) to income statement for the year	本年度扣除(計入)收益表	3,115	(1,694)	1,421
At 31 March, 2005 and 1 April, 2005	於二零零五年三月三十一日及二零零五年四月一日	11,346	(8,062)	3,284
Charge (credit) to income statement for the year	本年度扣除(計入)收益表	1,306	(413)	893
At 31 March, 2006	於二零零六年三月三十一日	12,652	(8,475)	4,177

Notes to the Financial Statements

財務報表附註

For the year ended 31 March, 2006
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29. DEFERRED TAXATION (continued)

For the purpose of balance sheet presentation, the deferred tax liability (asset) had been offset in accordance with the conditions set out in HKAS 12. The following is the analysis of the deferred tax balances for financial reporting purposes:

		THE GROUP 本集團	
		2006 二零零六年	2005 二零零五年
		HK\$'000 千港元	HK\$'000 千港元
Deferred taxation liability	遞延稅項負債	12,652	11,346
Deferred taxation asset	遞延稅項資產	(8,475)	(8,062)
		<u>4,177</u>	<u>3,284</u>

The Company has no significant unrecognised deferred taxation for the year or at the balance sheet date.

29. 遞延稅項 (續)

本集團已按香港會計準則第12號之條件抵銷遞延稅項負債(資產)，以呈列資產負債表。財務申報之遞延稅項結餘分析如下：

本公司於本年度內或於結算日並無任何重大未撥備遞延稅項。

Notes to the Financial Statements

財務報表附註

For the year ended 31 March, 2006
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30. OPERATING LEASE ARRANGEMENTS

30. 經營租約安排

		THE GROUP 本集團	
		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Minimum lease payments under operating leases during the year:	年內根據經營租約的最低租約付款額如下：		
Premises	物業	2,932	2,696
Office equipment	辦公室設備	232	337
		<u>3,164</u>	<u>3,033</u>

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises and office equipment which fall due as follows:

於結算日，本集團根據多份不可撤銷經營租約的物業及辦公室設備而有經營租約承擔。根據該等協議到期應付的未來最低租約付款額如下：

		THE GROUP 本集團	
		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Premises	物業		
Within one year	一年內	433	251
In the second to fifth years inclusive	第二年至第五年 (首尾兩年包括在內)	161	-
		<u>594</u>	<u>251</u>
Office equipment	辦公室設備		
Within one year	一年內	164	337
In the second to fifth years inclusive	第二年至第五年 (首尾兩年包括在內)	559	252
		<u>723</u>	<u>589</u>
		<u>1,317</u>	<u>840</u>

Leases are negotiated for an average term of one to two years with fixed rentals.

租約經磋商為一至兩年不等的年期及固定租金。

Notes to the Financial Statements

財務報表附註

For the year ended 31 March, 2006
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31. OTHER COMMITMENTS

Contracted for but not provided
 for in the financial statements

已訂約但未在財務報表計提

Other commitments represent licence fees commitment to licensors for which film master materials have not been delivered to the Group.

The Company did not have any significant commitments as at the balance date.

32. PLEDGE OF ASSETS

At 31 March, 2006, the Group pledged time deposits of approximately HK\$8,218,000 to banks to secure banking facilities granted to the Group.

At 31 March, 2005, the Group pledged time deposits of approximately HK\$10,127,000 and a film right with a carrying value of HK\$7,155,000 to banks to secure banking facilities granted to the Group.

33. CONTINGENT LIABILITIES

At 31 March, 2006, the Company has given corporate guarantees with the aggregate amount of HK\$40,700,000 (2005: HK\$29,250,000) to banks for banking facilities granted to the Group.

31. 其他承擔

THE GROUP

本集團

2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
----------------------------------	----------------------------------

15,069

23,451

其他承擔指尚未送交本集團之影片母帶而付予版權商之版權費用承擔。

截至結算日，本公司並無訂立任何重大承擔。

32. 資產抵押

於二零零六年三月三十一日，本集團向銀行抵押約值8,218,000港元，用作授予本集團的銀行融通的抵押品。

於二零零五年三月三十一日，本集團向銀行抵押約值10,127,000港元的定期存款及賬面值約7,155,000港元之影片版權，用作授予本集團的銀行融通的抵押品。

33. 或然負債

於二零零六年三月三十一日，本公司就授予本集團的銀行融通向銀行作出總值40,700,000港元(二零零五年：29,250,000港元)的公司擔保。

Notes to the Financial Statements

財務報表附註

For the year ended 31 March, 2006
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34. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with related parties:

34. 關連人士交易

年內，本集團與關連人士達成以下交易：

Name of related party 關連人士名稱	Nature of transactions 交易性質	THE GROUP 本集團	
		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Golden Scene Company Limited (Note a) 高先電影有限公司(附註a)	Acquisitions of film rights (Note e) 收購影片版權(附註e)	7,175	4,173
	Film exhibition expenses (Note e) 電影上映開支(附註e)	1,186	110
	Management fee (Note e) 管理費(附註e)	1,000	1,000
Players Pictures Company Limited ("PPCL") (Note b) (附註b)	Office rental (Note e) 辦公室租賃(附註e)	327	-
Metropolis Communications Limited ("MCL") (Note c) (附註c)	Office rental (Note e) 辦公室租賃(附註e)	327	-
Brilliant Business Limited ("BBL") (Note d) (附註d)	Office rental (Note e) 辦公室租賃(附註e)	217	-
Sunny Fancy Limited ("SFL") (Note d) (附註d)	Office rental (Note e) 辦公室租賃(附註e)	305	-
		<u>305</u>	<u>-</u>

Notes:

- (a) One of the directors of Golden Scene Company Limited is also a director of a subsidiary of the Company.
- (b) PPCL is a company beneficially owned equally by Mr. Fung Yu Hing, Allan and Ms. Leung Siu Kuen, Janet.
- (c) MCL is beneficially owned by Mr. Fung Yu Hing, Allan and Ms. Leung Siu Kuen, Janet as to 10% and 90% respectively.
- (d) BBL and SFL are the companies wholly owned by Mr. Fung Yee Sang.
- (e) These transactions were entered in accordance with the terms of the relevant agreement.

附註：

- (a) 高先電影有限公司其中一名董事亦為本公司某附屬公司之董事。
- (b) PPCL為馮懿卿先生及梁少娟女士實益擁有同等權益之公司。
- (c) 馮懿卿先生及梁少娟女士分別實益擁有MCL之10%及90%權益。
- (d) BBL及SFL為馮懿生先生全資擁有之公司。
- (e) 此等交易乃根據有關協議之條款訂立。

Notes to the Financial Statements

財務報表附註

For the year ended 31 March, 2006
 截至二零零六年三月三十一日止年度

34. RELATED PARTY TRANSACTIONS (continued)

During the year, certain Directors provided personal guarantees and security to banks and financial institution to the extent of HK\$23,200,000 (2005: HK\$5,000,000) to secure credit facilities granted to the subsidiaries of the Company as follows:

- (i) Properties owned by Ms. Leung Siu Kuen, Janet, an executive Director of the Company.
- (ii) Properties owned by PPCL, MCL, BBL and SFL in which Mr. Fung Yu Hing, Allan, Ms. Leung Siu Kuen, Janet and Mr. Fung Yee Sang have interest.
- (iii) Corporate guarantee from Patora Optical Industrial Limited in which the wife of Mr. Fung Yee Sang has interest.

In addition, the Group had certain balances with related companies, details of which are set out in note 21.

34. 關連人士交易 (續)

年內，若干董事就授予本公司附屬公司的信貸融通作出個人擔保及向銀行及財務機構作23,200,000港元(二零零五年：5,000,000港元)抵押如下：

- (i) 本公司執行董事梁少娟女士所擁有的物業。
- (ii) 馮懿卿先生、梁少娟女士及馮懿生先生持有權益的PPCL、MCL、BBL及SFL擁有之物業。
- (iii) 由馮懿生先生配偶持有權益之Patora Optical Industrial Limited作出的公司擔保。

此外，本集團與關連公司尚有若干往來結餘，詳情載於附註21。

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財務報表附註

For the year ended 31 March, 2006
截至二零零六年三月三十一日止年度

35. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries at 31 March, 2006 are as follows:

Name of subsidiaries 附屬公司名稱	Place of incorporation/ operation (note) 註冊成立/經營 地點 (附註)	Issued and fully paid share capital 已發行及 繳足股本	Proportion of nominal value of issued capital 已發行股本面值百分比		Principal activities 主要業務
			Held by the Company and its subsidiaries 由本公司及 其附屬公司 所持有	Attributable to the Group 本集團應佔	
Panorama Entertainment Group Limited	British Virgin Islands 英屬處女群島	Ordinary US\$200 普通股200美元	100%	100%	Investment holding 投資控股
Panorama Distributions Company Limited 鐳射發行有限公司	Hong Kong 香港	Ordinary HK\$10,000,002 普通股10,000,002港元	100%	100%	Distribution of video products 發行錄像產品
Panorama Entertainment Company Limited	Hong Kong 香港	Ordinary HK\$10,000 普通股10,000港元	100%	100%	Holding of film rights 持有影片版權
Panorama Entertainment (Singapore) Pte Ltd.	Singapore 新加坡	Ordinary S\$100,000 普通股100,000 新加坡元	100%	100%	Distribution of video products 發行錄像產品
Punch Pictures Company Limited	Hong Kong 香港	Ordinary HK\$100 普通股100港元	100%	100%	Production of film 製作影片
Panorama Film Company Limited	British Virgin Islands 英屬處女群島	Ordinary US\$1 普通股1美元	100%	100%	Inactive 暫無業務
Panorama Theatrical Distributions Company Limited	British Virgin Islands 英屬處女群島	Ordinary US\$100 普通股100美元	100%	100%	Investment holding 投資控股

35. 附屬公司詳情

於二零零六年三月三十一日，本公司之附屬公司如下：

Notes to the Financial Statements

財務報表附註

For the year ended 31 March, 2006
截至二零零六年三月三十一日止年度

35. PARTICULARS OF SUBSIDIARIES (continued)

Name of subsidiaries 附屬公司名稱	Place of incorporation/ operation (note) 註冊成立/經營 地點(附註)	Issued and fully paid share capital 已發行及 繳足股本
Scenerama Holdings Company Limited	British Virgin Islands 英屬處女群島	Ordinary US\$100 普通股100美元
Scenerama Company Limited	British Virgin Islands 英屬處女群島	Ordinary US\$100 普通股100美元
Go Film Distribution Limited	Hong Kong 香港	Ordinary HK\$10,000 普通股10,000港元

Note: They are limited companies incorporated in the respective jurisdictions.

With the exception of Panorama Entertainment Group Limited, all the subsidiaries are indirectly held.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

35. 附屬公司詳情 (續)

Proportion of nominal value of issued capital 已發行股本面值百分比		Principal activities 主要業務
Held by the Company and its subsidiaries 由本公司及其附屬公司所持有	Attributable to the Group 本集團應佔	

58%	58%	Investment holding 投資控股
57.5%	33.4%	Investment holding 投資控股
60%	20%	Distribution of films 影片發行

附註：此等均為於有關司法權區註冊成立的有限公司。

除Panorama Entertainment Group Limited外，所有附屬公司皆屬間接持有。

於本年底或本年度任何時間，均無任何附屬公司有任何未償還債務證券。

EXHIBIT B

MANAGEMENT ACCOUNTS

Panorama International Holdings Limited
 Consolidated Balance Sheet as at 31 July, 2006
 - Unaudited (For Management Purpose)

	HK\$
NON-CURRENT ASSETS	
Property, plant and equipment	4,534,905.36
Film rights	68,374,549.38
Films in progress	4,517,397.11
Trademark	10,000.00
Payment for acquisition of film rights	<u>2,179,170.00</u>
	79,616,021.85
CURRENT ASSETS	
Inventories	22,892,278.42
Trade and other receivables	32,698,753.68
Amount due from a related company	3,658,935.10
Pledged bank deposits	10,322,357.72
Bank balance and cash	<u>1,515,879.80</u>
	71,088,204.72
CURRENT LIABILITIES	
Trade and other payables	(31,636,653.34)
Amounts due to a related companies	(2,426.34)
Taxation payable	(104,674.40)
Obligations under finance leases	
- due within one year	(383,347.06)
Bank and other borrowings	
- due within one year	<u>(28,933,129.09)</u>
	(61,060,230.23)
NET CURRENT ASSETS	10,027,974.49
TOTAL ASSETS LESS CURRENT LIABILITIES	89,643,996.34
NON-CURRENT LIABILITIES	
Other payables	(5,585,940.57)
Obligations under finance leases	
- due after one year	(898,890.32)
Bank and other borrowings	
- due after one year	(12,102,990.23)
Deferred tax liabilities	<u>(4,241,000.00)</u>
	<u>(22,828,821.12)</u>
	<u>66,815,175.22</u>
CAPITAL AND RESERVES	
Share capital	(4,023,000.00)
Reserves	<u>(56,247,898.79)</u>
	(60,270,898.79)
MINORITY INTERESTS	<u>(6,544,276.43)</u>
TOTAL EQUITY	<u>(66,815,175.22)</u>

Panorama International Holdings Limited
Consolidated Income Statement for the four months ended 31 July, 2006
- Unaudited (For Management Purpose)

	HK\$
Turnover	21,861,780.93
Cost of Sales	<u>(14,954,078.44)</u>
Gross Profit	6,907,702.49
Other operating income	160,817.80
Distribution costs	(164,169.09)
Administrative expenses	(5,514,997.49)
Other operating expenses	<u>(514,301.39)</u>
Profit from operations	875,052.32
Finance costs	<u>(937,142.79)</u>
Loss before taxation	(62,090.47)
Taxation	<u>(64,000.00)</u>
Loss for the year	<u><u>(126,090.47)</u></u>
Attributable to :	
Equity holders of the Company	74,996.39
Minority Interest	<u>(201,086.86)</u>
Profit for the year	<u><u>(126,090.47)</u></u>

