

NOTES TO THE ACCOUNTS

1. Principal accounting policies and basis of presentation

The unaudited consolidated interim accounts (“interim accounts”) are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25, “Interim Financial Reporting” and on a basis consistent with the principal accounting policies adopted in the 2001 annual report, except for the recognition of proposed dividends.

Following the revised HKSSAP 9 “Events after the balance sheet date”, the Group and an associated company no longer recognize dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied by the Group and its associated company retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in note 12, opening retained profit at 1st April, 2000 has increased by HK\$59,758,000 which is the reversal of the provision for the 2000 proposed final dividend previously recorded as a liability as at 31st March, 2000 although not declared until after the balance sheet date. Opening retained profit at 1st April, 2001 has increased by HK\$59,758,000 which is the reversal of the provision for 2001 proposed final dividend previously recorded as a liability as at 31st March, 2001 although not declared until after the balance sheet date. A corresponding decrease in current liabilities by HK\$59,758,000 has been reflected in the comparative 31st March, 2001 balance sheet.

Changes to headings used in the previously reported 31st March, 2001 balance sheet and profit and loss account relating to dividends and profit for the year retained have also been made to reflect the changes resulting from SSAP 9 (revised).

2. Turnover

The group is principally engaged in investment holding and business operations relating to the media and entertainment industries.

An analysis of the group's turnover and operating profit for the period by principal activities is as follows:

	Turnover six months ended 30th September,		Operating Profit after finance costs six months ended 30th September,	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activities:				
Rental income from land and buildings	9,150	9,216	6,611	6,700
Investment administration	—	—	(1,662)	(1,662)
Gain on disposal of film library	—	—	—	471,980
Studio facilities fees, film production and distribution	24,745	3,514	(4,652)	(7,268)
	<u>33,895</u>	<u>12,730</u>	<u>297</u>	<u>469,750</u>
By geographical areas:				
Hong Kong	27,220		(913)	
South East Asia	5,265		920	
USA	630		119	
Others	780		171	
	<u>33,895</u>		<u>297</u>	

No geographical analysis is provided for the 6 months ended 30th September, 2000 as less than 10% of the consolidated turnover and less than 10% of the consolidated operating profit after finance costs of the group were attributable to markets outside Hong Kong.

3. Other revenue

	For the six months ended 30th September,	
	2001	2000
	HK\$'000	HK\$'000
Management fee income	4,789	5,196
Interest income	8,181	6,312
Others	1,239	670
	<u>14,209</u>	<u>12,178</u>

4. Operating profit

	For the six months ended 30th September,	
	2001	2000
	HK\$'000	HK\$'000
Operating profit is stated after crediting and charging the following:		
<u>Crediting</u>		
Gross rental income less outgoings	<u>8,957</u>	<u>9,017</u>
<u>Charging</u>		
Amortisation of released films	17,153	—
Depreciation charge	<u>3,946</u>	<u>3,391</u>

5. Finance costs

	For the six months ended 30th September,	
	2001	2000
	HK\$'000	HK\$'000
Interest expense on		
– bank overdrafts	6	1
– loan from a related company wholly repayable within one year	—	293
	<u>6</u>	<u>294</u>

6. Taxation

Hong Kong profits tax and overseas profits tax have not been provided as the Group has no assessable profit in Hong Kong and overseas for the period (2000: Nil).

	For the six months ended 30th September,	
	2001	2000
	HK\$'000	HK\$'000
Company and subsidiaries	—	—
Associated companies:		
Hong Kong profits tax	14,405	11,512
Overseas taxation	734	696
Over provisions in prior years	(997)	—
Deferred taxation	634	(815)
	<u>14,776</u>	<u>11,393</u>
	<u>14,776</u>	<u>11,393</u>

7. Dividends

	For the six months ended 30th September,	
	2001	2000
	HK\$'000	HK\$'000
2001 Final dividend, payable, of HK\$0.15 (2000 final payable: HK\$0.15) per ordinary share	59,758	59,758
2002 Interim dividend, declared on 5th December, 2001 of HK\$0.10 (2001: HK\$0.10) per ordinary share	39,839	39,839
	<u>99,597</u>	<u>99,597</u>

8. Earnings per share

The calculation of earnings per share is based on earnings for the period of HK\$64,611,000 (2000: HK\$527,243,000) and on 398,390,400 ordinary shares in issue throughout the two six-month periods ended 30th September.

9. Accounts receivable, prepayments and deposits, less provisions

The age analysis of trade debtors was as follows:

	30th September, 2001	31st March, 2001
	HK\$'000	HK\$'000
Current	2,922	2,547
1 – 3 months	1,566	681
Over 3 months	560	260
	<u>5,048</u>	<u>3,488</u>

The group has a defined credit policy. The general credit term is 30 days.

10. Creditors and accruals

The age analysis of trade creditors was as follows:

	30th September, 2001	31st March, 2001
	<u>HK\$'000</u>	<u>HK\$'000</u>
Current	460	—
1 – 3 months	1,804	1,177
Over 3 months	—	5
	<u>2,264</u>	<u>1,182</u>

11. Capital commitments

	30th September, 2001	31st March, 2001
	<u>HK\$'000</u>	<u>HK\$'000</u>
Authorised but not contracted for		
– in respect of property, plant and equipment	—	19,060
– in respect of the Group's contribution to an associated company for its development of film studio and ancillary facilities	<u>168,928</u>	<u>170,532</u>
	<u>168,928</u>	<u>189,592</u>
Contracted but not provided for		
– in respect of property, plant and equipment	4,867	5,410
– in respect of the Group's contribution to an associated company for its development of film studio and ancillary facilities	<u>2,722</u>	<u>2,868</u>
	<u>7,589</u>	<u>8,278</u>
	<u>176,517</u>	<u>197,870</u>

12. Retained profit

	HK\$'000
At 1st April, 2000 as previously reported	598,549
Effect of adopting SSAP 9 (revised)	59,758
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At 1st April, 2000 restated	658,307
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2000 Final dividend paid	(59,758)
Share of reserve movements of an associated company	(3,724)
Profit for the year	673,697
Transfer from capital reserve	10,478
2001 Interim dividend paid	(39,839)
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	580,854
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	1,239,161
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Retained profit	1,179,403
2001 Final dividend proposed	59,758
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	1,239,161
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Company and subsidiaries	684,408
Associated companies	554,753
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At 31st March, 2001	1,239,161
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At 1st April, 2001 as previously reported	1,179,403
Effect of adopting SSAP 9 (revised)	59,758
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At 1st April, 2001 restated	1,239,161
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2001 Final dividend payable	(59,758)
Profit for the period	64,611
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	4,853
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	1,244,014
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Retained profit	1,204,175
2002 Interim dividend, declared on 5th December, 2001	39,839
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	1,244,014
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Company and subsidiaries	710,363
Associated companies	533,651
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At 30th September, 2001	1,244,014
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13. Related party transactions

The Group entered into the following transactions in the normal course of business during the period with related parties:

- (i) The Group provided labour and administrative services to certain related companies for fees totaling HK\$4,226,000 (2000: HK\$4,753,000).
- (ii) The Group received studio facilities fees of HK\$2,673,000 (2000: HK\$2,673,000) from an associated company.
- (iii) The Group received rental income in respect of land and buildings amounting to HK\$8,866,000 (2000: HK\$8,866,000) from an associated company.