

NOTES TO CONDENSED ACCOUNTS

1. Basis of preparation and accounting policies

This unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

This condensed consolidated financial information should be read in conjunction with the 2005 annual accounts.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual accounts for the year ended 31st March 2005 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRS”) which are effective for accounting periods commencing on or after 1st January 2005.

This interim financial information has been prepared in accordance with those new HKFRS standards and interpretations issued and effective as at the time of preparing this information. The HKFRS standards and interpretations that will be applicable at 31st March 2006, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this condensed consolidated financial information.

The changes to the Group’s accounting policies and the effect of adopting these new polices are set out in note 2 below.

2. Changes in accounting policies

Effect of adopting new HKFRS

From 1st April 2005, the Group adopted the new HKFRS below, which are relevant to its operations. The comparatives of last period have been amended, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 3	Business Combinations

Other than the adoption of the revised HKAS 17, the adoption of the others had no material effect on the Group’s accounting policies.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from property, plant and equipment to operating leases. The up-front prepayments made for leasehold land are expensed in the profit and loss account on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the profit and loss account. In prior years, the leasehold land was accounted for at cost less accumulated depreciation.

The effects of the adoption of revised HKAS 17 are summarized as follows:

	30th September 2005	31st March 2005
	HK\$’000	HK\$’000
Decrease in property, plant and equipment	(19,210)	(2,660)
Increase in leasehold land	19,210	2,660

3. Segment information

Primary reporting format – business segments

The Group is principally engaged in investment holding and business operations relating to the media and entertainment industries through the following major business segments:

Property rental	: Leases of properties for rentals
Film distribution	: Distribution of films for theatrical income and royalty income
Filming facilities services	: Provision of studio sites and filming facilities for income
Investment holding	: Investments in associated companies

The Group's inter-segment transactions mainly consist of film processing works, as well as provision of administration and accounting services. Film processing works were provided at similar terms as that contracted with third parties. Administration and accounting services were charged on a cost reimbursement basis.

	Six months ended 30th September 2005				
	Property rental	Film distribution	Filming facilities services	Investment holding	Group total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover (<i>Note</i>)	4,977	3,672	21,921	–	30,570
Segment results	3,401	(944)	2,795	(2,611)	2,641
Unallocated items					(4,858)
Operating loss					(2,217)
Share of profits less losses of associated companies	–	–	–	169,449	169,449
Profit before taxation					167,232
Taxation					(29,972)
Profit attributable to shareholders					137,260

Note:

Turnover is after eliminating inter-segment transactions amounting to HK\$112,000 attributable to filming facilities services.

	Six months ended 30th September 2004				
	Property rental	Film distribution	Filming facilities services	Investment holding	Group total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover (<i>Note</i>)	8,930	11,661	25,505	–	46,096
Segment results	6,160	1,125	3,239	(2,650)	7,874
Unallocated items					(6,091)
Operating profit					1,783
Share of profits less losses of associated companies	–	–	–	66,675	66,675
Profit before taxation					68,458
Taxation					(11,119)
Profit attributable to shareholders					57,339

The above comparatives were reclassified to conform to current period's presentation.

Note:

Turnover is after eliminating inter-segment transactions amounting to HK\$835,000 attributable to filming facilities services.

3. Segment information (continued)

Secondary reporting format – geographical segments

Although the Group's business segments are managed on a worldwide basis, they operate in four main geographical areas:

Hong Kong : Property rental, film distribution, filming facilities services and investment holding
 South East Asia, USA and others : Film distribution

There are no sales between the geographical segments.

	Turnover		Operating (loss)/profit	
	Six months ended 30th September		Six months ended 30th September	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	27,528	39,311	(3,757)	724
South East Asia	2,560	6,545	1,352	988
USA	80	180	28	47
Others	402	60	160	24
	<u>30,570</u>	<u>46,096</u>	<u>(2,217)</u>	<u>1,783</u>

4. Other revenues

	Six months ended 30th September	
	2005	2004
	HK\$'000	HK\$'000
Management fee income	5,914	4,374
Interest income	2,189	527
Others	1,179	961
	<u>9,282</u>	<u>5,862</u>

5. Expenses by nature

Included in cost of sales, selling and distribution expenses, property related expenses, general and administrative expenses and other operating expenses are the following:

	Six months ended 30th September	
	2005	2004
	HK\$'000	HK\$'000
Depreciation charge	10,168	10,070
Net amount realised from inventories	212	525
	<u>10,380</u>	<u>10,595</u>
Amortisation of leasehold land	231	31
Amortisation of released films	1,661	9,331
Staff costs	16,951	17,493
Operating leases – land and buildings	232	232
	<u>20,055</u>	<u>27,682</u>

6. Taxation

Hong Kong profits tax has not been provided as the Group has no estimated assessable profit for the period (2004: nil). Tax on overseas profits has been calculated, where applicable, at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents the Group's share of taxation attributable to associated companies.

	Six months ended 30th September	
	2005	2004
	HK\$'000	HK\$'000
Hong Kong profits tax	18,408	979
Overseas taxation	4,121	5,286
(Over)/under provisions in prior periods	(58)	29
Deferred taxation	7,501	4,825
	<u>29,972</u>	<u>11,119</u>

7. Earnings per share

The calculation of earnings per share is based on earnings for the period of HK\$137,260,000 (2004: HK\$57,339,000) and on 398,390,400 ordinary shares in issue throughout the two six-month periods ended 30th September 2005 and 2004.

8. Dividends

	Six months ended 30th September	
	2005	2004
	HK\$'000	HK\$'000
Interim dividend, proposed, of HK\$0.06 (2004: HK\$0.05) per ordinary share (<i>Note (b)</i>)	23,904	19,920
	<u>23,904</u>	<u>19,920</u>

Notes:

- (a) At a meeting held on 22nd June 2005, the Directors proposed a final dividend of HK\$0.22 per ordinary share for the year ended 31st March 2005, which was paid on 26th October 2005 and has been reflected as an appropriation of retained profits for the six months ended 30th September 2005.
- (b) At a meeting held on 30th November 2005, the Directors declared an interim dividend of HK\$0.06 per ordinary share for the year ending 31st March 2006. This proposed dividend is not reflected as a dividend payable in these condensed accounts, but will be reflected as an appropriation of retained profits for the year ending 31st March 2006.

9. Capital expenditure

	Property, plant and equipment	Leasehold land
	HK\$'000	HK\$'000
Opening net book amount as at 1st April 2004	192,232	2,723
Additions	2,523	–
Disposals	(160)	–
Depreciation/amortisation charge (<i>Note 5</i>)	(10,070)	(31)
	<u>184,525</u>	<u>2,692</u>
Closing net book amount as at 30th September 2004	184,525	2,692
Additions	225	–
Depreciation/amortisation charge	(10,128)	(32)
	<u>174,622</u>	<u>2,660</u>
Closing net book amount as at 31st March 2005	174,622	2,660
Opening net book amount as at 1st April 2005	174,622	2,660
Additions	3,809	16,781
Depreciation/amortisation charge (<i>Note 5</i>)	(10,168)	(231)
	<u>168,263</u>	<u>19,210</u>
Closing net book amount as at 30th September 2005	168,263	19,210

10. Accounts receivable, prepayments, deposits and other receivables

Included in accounts receivable, prepayments, deposits and other receivables are trade debtors and their ageing analysis is as follows:

	30th September 2005	31st March 2005
	HK\$'000	HK\$'000
Current	9,892	3,176
1 – 3 months	1,506	1,089
Over 3 months	2,059	3,931
	<u>13,457</u>	<u>8,196</u>

The Group has a defined credit policy. The general credit term ranges from 30 to 90 days.

11. Share capital

	<u>30th September 2005</u>	<u>31st March 2005</u>
	HK\$'000	HK\$'000
Authorised: 600,000,000 ordinary shares of HK\$0.25 each	<u>150,000</u>	<u>150,000</u>
Issued and fully paid: 398,390,400 ordinary shares of HK\$0.25 each	<u>99,598</u>	<u>99,598</u>

12. Other reserves

	<u>Legal reserve</u>	<u>Capital reserve</u>	<u>Exchange fluctuation reserve</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2004	2,036	32,902	(6,618)	28,320
Share of reserve movements of an associated company	<u>–</u>	<u>–</u>	<u>(978)</u>	<u>(978)</u>
At 30th September 2004	2,036	32,902	(7,596)	27,342
Share of reserve movements of an associated company	<u>368</u>	<u>–</u>	<u>1,812</u>	<u>2,180</u>
At 31st March 2005	<u>2,404</u>	<u>32,902</u>	<u>(5,784)</u>	<u>29,522</u>
At 1st April 2005	2,404	32,902	(5,784)	29,522
Share of reserve movements of an associated company	<u>–</u>	<u>–</u>	<u>2,180</u>	<u>2,180</u>
At 30th September 2005	<u>2,404</u>	<u>32,902</u>	<u>(3,604)</u>	<u>31,702</u>

13. Creditors and accruals

Included in creditors and accruals are trade creditors and their ageing analysis is as follows:

	<u>30th September 2005</u>	<u>31st March 2005</u>
	HK\$'000	HK\$'000
Current	1,686	202
Over 3 months	<u>41</u>	<u>41</u>
	<u>1,727</u>	<u>243</u>

14. Contingent liabilities

	<u>30th September 2005</u>	<u>31st March 2005</u>
	HK\$'000	HK\$'000
Legal claim arising from film production	<u>–</u>	<u>1,000</u>

The civil suit filed by a stuntman who was injured during the course of film production, against Film Power Company Limited, a non-wholly owned subsidiary of the Company, has been settled at HK\$1,300,000 pursuant to the settlement deed dated 10th August 2005.

15. Capital commitments

	30th September 2005	31st March 2005
	HK\$'000	HK\$'000
Authorised but not contracted for		
– in respect of property, plant and equipment	–	14,400
– in respect of the Group's share of contribution to an associated company for its development of film studio and ancillary facilities	41,820	53,315
	<u>41,820</u>	<u>67,715</u>
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Contracted but not provided for		
– in respect of property, plant and equipment	209	121
– in respect of the Group's share of contribution to an associated company for its development of film studio and ancillary facilities	3,919	1,979
	<u>4,128</u>	<u>2,100</u>
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	<u>45,948</u>	<u>69,815</u>

16. Related party transactions

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

- (i) The Group received rental income in respect of land and buildings amounting to HK\$4,433,000 (2004: HK\$8,866,000) from an associated company. The rental income was determined by contract between both parties and the contract was not renewed upon its expiry date on 30th June 2005.
- (ii) The Group provided labour and administrative services to an associated company for management fees totaling HK\$1,361,000 (2004: nil). The fees for these services were determined by agreement between both parties.
- (iii) The Group provided labour and administrative services to certain related companies for management fees totaling HK\$4,370,000 (2004: HK\$4,191,000). The fees for these services were determined by agreement between the parties. These related companies are held by a substantial shareholder of the Company.