

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. Basis of preparation

This unaudited condensed consolidated financial information for the six months ended 30th September 2006 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 (“HKICPA”). The unaudited condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31st March 2006.

2. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st March 2006, except that the Group has adopted the new standards, amendments to standards and interpretations issued by the HKICPA which are effective for accounting periods commencing on or after 1st January 2006.

Effect of adopting new standards, amendments to standards and interpretations

The HKICPA has issued a number of new standards (including HKASs and Hong Kong Financial Reporting Standards (“HKFRSs”)), Hong Kong (International Financial Reporting Interpretations Committee) Interpretations (“HK(IFRIC) – Int”) and amendments to standards, which are effective for accounting periods beginning on or after 1st January 2006. The Group has adopted the following amendments to standards and interpretation that are relevant to its operations:

HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – The Fair Value Option
HKAS 39 and HKFRS 4 (Amendments)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease

The application of these amendments to standards and interpretation do not have a material impact on the results of operations and the financial position of the Group.

The Group has not early adopted the following new standard and amendment to standard that have been issued but are not yet effective. The adoption of such standards will not result in substantial changes to the Group’s accounting policies.

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹

¹ Effective for annual periods beginning on or after 1st January 2007.

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 associates

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.

3. Segment information (continued)

Primary reporting format – business segments (continued)

	Six months ended 30th September 2006				
	Property rental	Film distribution	Filming facilities services	Investment holding	Group total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover (Note)	1,818	1,330	16,993	–	20,141
Segment results	722	(883)	1,593	(2,508)	(1,076)
Unallocated items					(5,996)
Operating loss					(7,072)
Share of profits less losses of associates	–	–	–	120,040	120,040
Profit before income tax					112,968
Income tax expense					–
Profit attributable to equity holders of the Company					112,968

Note:

There are no sales between the business segments.

	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 (Note)	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 associates	–	–	–	139,477	139,477
Profit before income tax					137,260
Income tax expense					–
Profit attributable to equity holders of the Company					137,260

Note:

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

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.

3. Segment information (continued)

Secondary reporting format – geographical segments (continued)

	Turnover		Operating (loss)/profit	
	Six months ended 30th September		Six months ended 30th September	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	19,255	27,528	(7,329)	(3,757)
South East Asia	886	2,560	257	1,352
USA	–	80	–	28
Others	–	402	–	160
	<u>20,141</u>	<u>30,570</u>	<u>(7,072)</u>	<u>(2,217)</u>

4. Capital expenditure

	Property, plant and equipment	Leasehold land
	HK\$'000	HK\$'000
Opening net book amount as at 1st April 2005	174,622	2,660
Additions	3,809	16,781
Depreciation/amortisation charge (Note 9)	(10,168)	(231)
Closing net book amount as at 30th September 2005	<u>168,263</u>	<u>19,210</u>
Additions	2,182	–
Disposals	(273)	–
Depreciation/amortisation charge	(10,457)	(232)
Closing net book amount as at 31st March 2006	<u>159,715</u>	<u>18,978</u>
Opening net book amount as at 1st April 2006	159,715	18,978
Additions	2,275	–
Depreciation/amortisation charge (Note 9)	(10,729)	(231)
Closing net book amount as at 30th September 2006	<u>151,261</u>	<u>18,747</u>

5. Accounts receivable, prepayments, deposits and other receivables

The ageing analysis of accounts receivable is as follows:

	30th September 2006	31st March 2006
	HK\$'000	HK\$'000
Current	6,716	6,662
1 – 3 months	1,420	1,602
Over 3 months	3,072	3,092
	<u>11,208</u>	<u>11,356</u>
Less: Specific provision for doubtful debts	(1,731)	(1,731)
	<u>9,477</u>	<u>9,625</u>

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

6. Share capital

	30th September 2006	31st March 2006
	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>

7. Accounts payable, other payables and accruals

The ageing analysis of accounts payable is as follows:

	30th September 2006	31st March 2006
	HK\$'000	HK\$'000
Current	1,415	694
Over 3 months	41	41
	<u>1,456</u>	<u>735</u>

8. Other revenues

	Six months ended 30th September 2006	30th September 2005
	HK\$'000	HK\$'000
Management fee income	5,689	5,914
Interest income	3,321	2,189
Others	1,263	1,179
	<u>10,273</u>	<u>9,282</u>

9. Operating loss

The following items have been charged/(credited) to the operating loss during the period:

	Six months ended 30th September 2006	30th September 2005
	HK\$'000	HK\$'000
Depreciation charge	10,729	10,168
Net amount (capitalised to)/realised from inventories	(1,410)	212
	<u>9,319</u>	<u>10,380</u>
Amortisation of leasehold land	231	231
Amortisation of released films	1,435	1,661
Employee benefit expense	15,647	16,951
Operating leases – land and buildings	235	232
	<u>17,567</u>	<u>29,457</u>

10. Income tax expense

Hong Kong profits tax has not been provided as the Group has no estimated assessable profit for the period (2005: nil). Tax on overseas profits has been calculated, where applicable, at the rates of taxation prevailing in the countries in which the Group operates.

11. Dividends

	Six months ended 30th September 2006	30th September 2005
	HK\$'000	HK\$'000
Interim dividend, proposed, of HK\$0.05 (2005: HK\$0.06) per ordinary share (<i>Note (b)</i>)	19,920	23,904
	<u>19,920</u>	<u>23,904</u>

Notes:

- (a) At a meeting held on 22nd June 2006, the Directors proposed a final dividend of HK\$0.34 per ordinary share for the year ended 31st March 2006, which was paid on 26th October 2006 and has been reflected as an appropriation of retained profits for the six months ended 30th September 2006.
- (b) At a meeting held on 29th November 2006, the Directors declared an interim dividend of HK\$0.05 per ordinary share for the year ending 31st March 2007. This proposed dividend is not reflected as a dividend payable in these condensed consolidated financial information, but will be reflected as an appropriation of retained profits for the year ending 31st March 2007.

12. Earnings per share

The calculation of earnings per share is based on the Group's profit attributable to equity holders of the Company of HK\$112,968,000 (2005: HK\$137,260,000) and on 398,390,400 ordinary shares in issue throughout the two six-month periods ended 30th September 2006 and 2005. No fully diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

13. Capital commitments

	30th September 2006	31st March 2006
	HK\$'000	HK\$'000
Authorised but not contracted for		
– in respect of the Group's share of contribution to an associate for its development of film studio and ancillary facilities	–	15,113
Contracted but not provided for		
– in respect of property, plant and equipment	4,580	5,732
– in respect of the Group's share of contribution to an associate for its development of film studio and ancillary facilities	3,914	8,751
	<u>8,494</u>	<u>14,483</u>
	<u>8,494</u>	<u>29,596</u>

14. Related party transactions

(a) 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 from an associate during the six months ended 30th September 2005 and the contract was not renewed upon its expiry date on 30th June 2005.
- (ii) The Group provided labour and administrative services to an associate for management fees totalling HK\$2,092,000 (2005: HK\$1,361,000). The fees for these services were determined by an agreement entered into between both parties.
- (iii) The Group provided labour and administrative services to certain related parties for management fees totalling HK\$3,413,000 (2005: HK\$4,370,000). The fees for these services were determined by an agreement entered into between the parties. These related parties are held by a substantial shareholder of the Company.

(b) Key management compensation

	Six months ended 30th September 2006	2005
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	<u>3,009</u>	<u>3,091</u>

(c) Period/year-end balances

	30th September 2006	31st March 2006
	HK\$'000	HK\$'000
Receivables from related parties		
Fellow subsidiaries	1,450	1,975
Associates	2,036	3,020
	<u>3,486</u>	<u>4,995</u>