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## 1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. The continuing principal activities of the Group consist of worldwide film distribution, film exhibition in Hong Kong, Malaysia, Singapore and Mainland China, and the operation of a film processing business in Hong Kong. During the year, the Group also engaged in film production, television drama series production, public relation services and music production.

## 2. IMPACT OF REVISED HONG KONG STATEMENT OF STANDARD ACCOUNTING PRACTICE

The revised Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 14 “Leases” has been adopted for the first time in the preparation of the current year’s financial statements.

SSAP 14 prescribes the appropriate accounting policies and disclosures to apply in relation to finance and operating leases for lessees and lessors. The principal impact of the SSAP 14 on the preparation of these financial statements is that all future minimum lease payments under non-cancellable operating leases are disclosed in the note to these financial statements.

## 3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

These financial statements have been prepared in accordance with SSAPs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of certain fixed assets, as further explained below.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the year ended 30 June 2001, together with the Group’s share of the results for the year and post-acquisition reserves of its associates, as set out below. The results of the subsidiaries and associates acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

### Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been diminutions in values other than temporary in nature, when they are written down to values determined by the directors.

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### 3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Associates

An associate is a company, not being a subsidiary, in which the Group has a long term interest of not less than 20 per cent. of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminutions in values other than temporary in nature deemed necessary by the directors.

The Group's share of the post-acquisition results of associates is included in the consolidated profit and loss account and is calculated from the latest financial statements of the associates which are made up to 30 June 2001, with the exception of Golden Communications (Taiwan) Company Limited, Golden Screen Cinemas Sdn. Bhd. and Golden Screen Film Distribution Company Sdn. Bhd. for which financial statements made up to 31 December 2000 are used. The share of results is arrived at based on the audited financial statements of these associates as at 31 December 2000, after making appropriate adjustments for significant transactions and events in the intervening period to 30 June 2001 between the associates and the Group.

#### Goodwill/capital reserve

Goodwill/capital reserve arising on consolidation of subsidiaries and on acquisition of associates represents the difference between the purchase consideration paid for subsidiaries/associates and the fair values ascribed to the net underlying assets acquired, and is eliminated against/credited to reserves in the year of acquisition.

Upon disposal of such subsidiaries or associates, the relevant portion of attributable goodwill/capital reserve previously eliminated against/credited to reserves is realised and accounted for in arriving at the gain or loss on disposal.

#### Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance costs, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of the fixed asset.

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### 3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Fixed assets and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Long term leasehold land	over the unexpired terms of the leases
Buildings	4%
Leasehold improvements	10% – 33 <sup>1</sup> / <sub>3</sub> %
Machinery and equipment	10% – 25%
Furniture and fixtures	10% – 25%
Motor vehicles	20%
Air-conditioning systems	15% – 20%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the sales proceeds and the carrying amount of the relevant asset. On disposal or retirement, the attributable revaluation surplus not previously dealt with in retained profits is transferred directly to retained profits.

#### Investments in club memberships

Investments in club memberships are stated at cost. Cost includes fees and expenses directly related to the acquisition of the club memberships.

#### Trademarks

Trademarks are stated at cost and are not amortised. Provision is made for any diminutions in values which are considered necessary other than those temporary in nature.

#### Long term investments

Long term investments in unlisted equity securities, which are intended to be held on a continuing basis, and which are held for identified long term purposes documented at the time of acquisition or change of purpose and are clearly identifiable for the documented purpose, are stated at cost less any provisions for diminutions in values other than temporary in nature deemed necessary by the directors, on an individual investment basis. Any reduction in carrying amounts is charged to the profit and loss account.

When the circumstances and events that led to the write-downs or write-offs of long term investments cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the appreciation in fair value is credited to the profit and loss account, on an individual investment basis, to the extent of the amount previously charged.

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### 3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Accounts receivable**

Accounts receivable, which generally have credit terms of between one to three months, are recognised and carried at the original invoiced amount. An estimate for doubtful debts is made and deducted when collection of the full amount is no longer probable. Bad debts are written off as incurred.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value after making due allowances for obsolete or slow-moving items. Cost is determined on the first-in, first-out basis and includes all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is based on estimated selling prices, less any further costs expected to be incurred to completion and disposal.

#### **Film rights and amortisation**

##### *(i) Film rights*

Film rights represent films and television drama series and are stated at cost less accumulated amortisation.

Amortisation is charged to the profit and loss account based on the proportion of actual income earned during the year to the total estimated income from the sale of film rights. In the case where there is a diminution in value other than temporary in nature, the unamortised balance is written down to its estimated recoverable amount.

##### *(ii) Films in progress*

Films in progress are stated at cost less provision. Costs include all direct costs associated with the production of films or television drama series. Provisions are made for costs which are in excess of the expected future revenue generated by these films or television drama series. Costs are transferred to film rights upon completion.

#### **Related parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

#### **Deferred tax**

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

### 3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries and the Group's share of net assets of overseas associates expressed in foreign currencies are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

#### Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are credited or charged to the profit and loss account as incurred.

#### Retirement benefits scheme

The Group operates a defined contribution retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. The Scheme became effective on 1 December 2000. Contributions to the Scheme are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The Group's employer contributions are fully and immediately vested with the employees when contributed to the Scheme. The assets of the scheme are held separately from those of the Group in an independent administered fund.

#### Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

#### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) film royalties income and theatre advertising income, on an accrual basis;
- (b) film distribution commission income, film developing and printing service income, advertising agency fee income, music production income, production control fee income, public relation services income and film sourcing and consultancy service income, on completion of the services;

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### 3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Revenue recognition (continued)

- (c) gross box office takings, on the sale of tickets and when the services have been rendered to the buyers;
- (d) income from confectionery sales and compact disc sales at the point of sales when the confectionery and compact disc are given to the customer;
- (e) rental income, in the period in which the properties are let out and on the straight-line basis over the lease terms;
- (f) interest, on a time proportion basis taking into account the principal outstanding and the effective rate of interest applicable; and
- (g) dividends, when the shareholders' right to receive payment is established.

### 4. TURNOVER AND REVENUE

Turnover represents proceeds from the sale of film, video and television rights, motion picture distribution and theatre operation, advertising agency fees earned, invoiced value of film developing and printing services rendered, production control fees earned, public relation services fees earned, music production income earned and service fees earned for film sourcing and consultancy.

Revenue from the following activities has been included in turnover:

	2001	2000
	HK\$'000	HK\$'000
Advertising agency fee income	5,923	4,212
Film developing and printing service income	18,639	19,938
Film distribution commission income	48,724	38,027
Film royalties income	19,951	11,166
Film sourcing and consultancy service income	4,164	3,907
Gross box office takings	145,225	24,125
Theatre confectionery sales	11,467	1,867
Theatre advertising income	1,251	348
Production control fee income	10,602	–
Public relation services income	2,912	–
Music production income	836	–
	269,694	103,590
Turnover	269,694	103,590

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## 5. SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to profit/(loss) after finance costs by principal activity and geographical area of markets, disclosed pursuant to the requirement of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") is as follows:

	Turnover		Contribution	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By principal activity:				
Film distribution	75,494	54,317	12,516	2,551
Film exhibition	161,211	29,335	(19,906)	(25,272)
Film processing	18,639	19,938	1,315	1,318
Production control	10,602	–	(18,210)	–
Public relations	2,912	–	(6,680)	–
Music production	836	–	(2,543)	–
	<u>269,694</u>	<u>103,590</u>	<u>(33,508)</u>	<u>(21,403)</u>
Add: Gain on disposal of associates			–	30,750
Less: Provision for diminution in value of long term investment			(8,205)	–
Finance costs			(26)	(263)
Profit/(loss) after finance costs			<u>(41,739)</u>	<u>9,084</u>

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## 5. SEGMENTAL INFORMATION (continued)

	Turnover		Contribution	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By geographical area:				
Hong Kong	224,279	78,475	(42,190)	(18,842)
Asia	26,677	17,559	(1,795)	(3,495)
North America	4,798	1,694	3,440	(167)
Elsewhere	13,940	5,862	7,037	1,101
	<u>269,694</u>	<u>103,590</u>	(33,508)	(21,403)
Add: Gain on disposal of associates			–	30,750
Less: Provision for diminution in value of long term investment			(8,205)	–
Finance costs			(26)	(263)
Profit/(loss) after finance costs			<u>(41,739)</u>	<u>9,084</u>



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## 6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	2001 HK\$'000	2000 HK\$'000
Cost of sales:		
Amortisation of film rights	18,048	8,777
Film distribution	11,634	4,591
Film exhibition	69,771	11,550
Film processing	11,218	11,076
Production control	5,325	–
Public relation services	3,763	–
Music production	2,219	–
Auditors' remuneration:		
Current year provision	1,591	1,312
Prior year overprovision	–	(187)
Depreciation	17,140	4,605
Loss on disposal of fixed assets	986	4,333
Operating lease rentals in respect of land and buildings	43,565	13,495
Staff costs, excluding directors' remuneration (see note 23)		
Wages and salaries	55,626	33,661
Pension contributions	1,012	–
	56,638	33,661
Rental income	(371)	–
Exchange losses/(gains), net	2,201	(46)
Interest income on bank deposits	(2,106)	(4,486)
Interest income from associates	–	(618)
Interest income from related parties	(6,967)	(1,736)
Gain on disposal of associates	–	(30,750)
Exchange losses arising from translation of advances to overseas associates in Asia and other monetary assets and liabilities denominated in foreign currencies as at the balance sheet date	4,561	613
Provision for diminution in investment cost of an associate under liquidation	569	–
Provision for diminution in value of long term investment	8,205	–
Provision for doubtful debts	918	5,143

The cost of sales includes approximately HK\$11,272,000 (2000: HK\$2,851,000) relating to staff costs which is also included in the amount disclosed above.

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## 7. FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Interest on bank loans and overdrafts, wholly repayable within five years	26	247
Interest on finance leases	–	16
	26	263

## 8. TAX

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable outside Hong Kong have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on country legislation, interpretations and practices in respect thereof.

	2001 HK\$'000	2000 HK\$'000
Group:		
Hong Kong	53	214
Elsewhere	675	900
Overprovision in prior year	(471)	(41)
Tax rebate relating to prior year	–	(35)
	257	1,038
Associates:		
Hong Kong	120	–
Elsewhere	198	2,874
Deferred	4,047	–
	4,365	2,874
Tax charge for the year	4,622	3,912

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## 9. NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders dealt with in the financial statements of the Company is HK\$126,519,000 (2000: HK\$833,000).

## 10. PROFIT/(LOSS) PER SHARE

The calculation of basic profit/(loss) per share is based on the net loss attributable to shareholders for the year of HK\$62,774,000 (2000: net profit of HK\$1,272,000) and the weighted average of 800,887,500 shares (2000: 686,451,025 shares) in issue during the year.

The calculation of diluted loss per share is based on the net loss from ordinary activities attributable to shareholders for the year and the weighted average of 801,046,668 shares in issue, which represents the weighted average number of 800,887,500 shares in issue during the year, plus the weighted average number of 159,168 shares assumed to be issued at no consideration on the deemed exercise of all exercisable options during the year.

No disclosure for diluted profit per share for the prior year was shown as the exercise price of the Company's outstanding share options was higher than the average market price of the Company's ordinary shares during that year and thus the share options had no diluting effect.

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## II. FIXED ASSETS

Group

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Machinery and equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Air- conditioning systems HK\$'000	Total HK\$'000
Cost or valuation:							
At beginning of year	9,300	60,145	28,878	18,781	1,955	588	119,647
Additions	–	6,171	3,776	2,223	1,068	44	13,282
Disposals	–	–	(3,649)	(898)	(140)	–	(4,687)
Exchange adjustments	–	(8)	(6)	4	(65)	–	(75)
At 30 June 2001	9,300	66,308	28,999	20,110	2,818	632	128,167
Accumulated depreciation:							
At beginning of year	1,933	384	6,978	2,474	958	535	13,262
Provided during the year	358	9,459	3,989	2,663	652	19	17,140
Disposals	–	–	(2,816)	(740)	(70)	–	(3,626)
Exchange adjustments	–	(4)	(13)	1	(53)	–	(69)
At 30 June 2001	2,291	9,839	8,138	4,398	1,487	554	26,707
Net book value:							
At 30 June 2001	7,009	56,469	20,861	15,712	1,331	78	101,460
At 30 June 2000	7,367	59,761	21,900	16,307	997	53	106,385
Analysis of cost or valuation:							
At cost	–	66,308	28,999	20,110	2,818	632	118,867
At valuation	9,300	–	–	–	–	–	9,300
	9,300	66,308	28,999	20,110	2,818	632	128,167

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## 11. FIXED ASSETS (continued)

The leasehold land and buildings are situated in Hong Kong and are held under long term leases.

The long term leasehold land and buildings were revalued on 30 September 1994 by an independent firm of professionally qualified valuers, C.Y. Leung & Company Limited, at HK\$9,300,000 at open market value assuming sale with vacant possession. The surplus arising from the revaluation was credited to the revaluation reserve account. The effect of this revaluation on the depreciation charge for the year was insignificant. The Group has adopted the transitional provision, as permitted under paragraph 72 of SSAP 17 issued in 1995, of not making further regular valuations on its revalued assets.

Had the Group's land and buildings been carried at cost less accumulated depreciation, they would have been included in the financial statements at approximately HK\$871,000 (2000: HK\$954,000).

## 12. INTERESTS IN SUBSIDIARIES

	Company	
	2001	2000
	HK\$'000	HK\$'000
Unlisted shares, at cost	167,647	167,647
Due from subsidiaries	678,933	680,657
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	846,580	848,304
Provisions	(348,720)	(222,647)
	<hr/>	<hr/>
	497,860	625,657
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The balances with subsidiaries are unsecured, interest-free and are not repayable within the next twelve months.

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## 12. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the subsidiaries are as follows:

Name	Place of incorporation and principal operations	Issued and fully paid share capital	Percentage of equity attributable to the Group	Principal activities
Bamboo Grove Enterprises Limited	British Virgin Islands	Ordinary US\$1	100	Sale of film rights and distribution of motion pictures
Cine Art Laboratory Limited	Hong Kong	Ordinary HK\$2,500 Deferred* HK\$997,500	100	Film developing and printing
City Entertainment Corporation Limited	Hong Kong	Ordinary HK\$2	100	Theatre operation
Conneway Films Company Limited	Hong Kong	Ordinary HK\$31,610,000	100	Theatre operation
Dootson Investment Corporation	Panama	Ordinary US\$10,000	100	Sale of film rights and distribution of motion pictures
Dwerryhouse Properties Limited	British Virgin Islands	Ordinary US\$1	100	Dormant
Exceptional Experts Limited	British Virgin Islands	Ordinary US\$1	100	Provision of film producer services
Fortune Wheel Limited	British Virgin Islands	Ordinary US\$2	100	Investment holding

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## 12. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation and principal operations	Issued and fully paid share capital	Percentage of equity attributable to the Group	Principal activities
Gala Film Distribution Limited	Hong Kong	Ordinary HK\$10,000 Deferred* HK\$10,000	100	Distribution of motion pictures
Gold Wheel Limited	British Virgin Islands	Ordinary US\$1	100	Sale of film rights and distribution of motion pictures
Golden Harvest China Cinemas Pte Limited	Singapore	Ordinary S\$2	100	Investment holding
Golden Harvest Cinemas Holding Limited	British Virgin Islands	Ordinary US\$1	100	Investment holding
Golden Harvest Entertainment Company Limited	Hong Kong	Ordinary HK\$100 Deferred* HK\$114,000,000	100	Investment holding
Golden Harvest Entertainment International Limited	British Virgin Islands	Ordinary US\$1,000	100	Investment holding
Golden Harvest Entertainment (Taiwan) Company Limited**	Taiwan	Ordinary TW\$1,200,000	100	Distribution of motion pictures
Golden Harvest Films Distribution Holding Limited	British Virgin Islands	Ordinary US\$1	100	Investment holding

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## 12. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation and principal operations	Issued and fully paid share capital	Percentage of equity attributable to the Group	Principal activities
Golden Harvest Films Distribution (Pte) Limited	Singapore	Ordinary S\$2	100	Investment holding
Golden Harvest Film Productions Limited	Hong Kong	Ordinary HK\$100,000	100	Provision of production controller and film producer services
Golden Harvest (Marks) Limited	British Virgin Islands	Ordinary US\$1	100	Holding of trademarks
Golden Harvest Multiplex (Pte) Limited	Singapore	Ordinary S\$2	100	Investment holding
Golden Harvest Music Limited**	Hong Kong	Ordinary HK\$2	100	Music production
Golden Harvest Television Productions Limited**	Hong Kong	Ordinary HK\$2	100	Production and provision of television controller services
Golden Movies International Limited	British Virgin Islands	Ordinary US\$1	100	Sale of film rights and distribution of motion pictures
Golden Reserves Limited	Hong Kong	Ordinary HK\$1,000 Deferred* HK\$16	100	Distribution of motion pictures



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## 12. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation and principal operations	Issued and fully paid share capital	Percentage of equity attributable to the Group	Principal activities
Golden Screen Limited	Hong Kong	Ordinary HK\$8,750,000	100	Investment holding
Golden Touch Licencing B.V.	Netherlands	Ordinary NLG40,000	100	Distribution of motion pictures
Goldlite Consultants Limited	British Virgin Islands	Ordinary US\$1	100	Dormant
Happy Way Limited	Hong Kong	Ordinary HK\$10,000	100	Theatre operation
Image Corporation Limited**	Hong Kong	Ordinary HK\$5 Deferred* HK\$5	100	Provision of public relation services
Kotewall Limited	British Virgin Islands	Ordinary US\$1	100	Sale of film rights and distribution of motion pictures
Linksun International Limited	Hong Kong	Ordinary HK\$100,000	100	Provision of production controller and film producer services
Panasia Films Limited	Hong Kong	Ordinary HK\$2,600,000	100	Distribution of motion pictures and acting as an advertising agent

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## 12. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation and principal operations	Issued and fully paid share capital	Percentage of equity attributable to the Group	Principal activities
Prime Prospect Enterprises Limited	Hong Kong	Ordinary HK\$2	100	Distribution of motion pictures
Real Merry Limited	Hong Kong	Ordinary HK\$16,831,002	100	Theatre operation
Right World Limited	Hong Kong	Ordinary HK\$10,000	60	Film sourcing for exhibition
Shanghai Golden Harvest Media Management Company Limited	The People's Republic of China ("PRC")	Ordinary US\$500,000	90	Distribution of motion pictures
Shanghai Golden Harvest Multiplexes Company Limited	PRC	Ordinary US\$1,000,000	90	Theatre operation
United Harvest Asia Limited	Hong Kong	Ordinary HK\$2	100	Provision of finance to group companies

Except for Golden Harvest Entertainment International Limited, all of the above subsidiaries are indirectly held by the Company.

\* For Golden Harvest Entertainment Company Limited, the deferred shares carry no rights to dividends and carry the right to receive one half of the surplus on a return of capital exceeding HK\$1,000,000,000,000,000. For Image Corporation Limited, the deferred shares carry rights to dividends for any given financial year calculated at 40 per cent. of profit that would have been distributed. Apart from the above, all other deferred shares carry rights to dividends for any given financial year of the respective companies when the net profit available for distribution exceeds HK\$1,000,000,000. They also carry rights to receive one half of the surplus on a return of capital of the respective companies exceeding HK\$500,000,000,000. None of the deferred shares carry any rights to vote at general meetings.

\*\* Incorporated during the year.

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## 13. INTERESTS IN ASSOCIATES

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets other than goodwill	20,374	47,687
Due from associates	150,972	146,559
Due to associates	(1,552)	(2,692)
	<u>169,794</u>	<u>191,554</u>

All balances with associates are unsecured, interest-free and are not repayable within the next twelve months.

The Group's share of the post-acquisition accumulated reserves of associates as at 30 June 2001 amounted to accumulated losses of HK\$68,114,000 (2000: HK\$47,294,000).

Particulars of the associates are as follows:

Name	Business Structure	Place of incorporation and principal operations	Class of shares held	Percentage of issued shares held directly by the Group	Principal activities
Carnival Home Entertainment Limited	Corporate	Hong Kong	Ordinary	40	Dormant
Cathay-Golden Village Distribution Joint Venture*	Joint venture	Singapore	N/A	25	Distribution of motion pictures
Cathay-Golden Village Films Pte Limited	Corporate	Singapore	Ordinary	25	Dormant
Chinese Films Joint Venture**	Joint venture	Singapore	N/A	50	Dormant
Dartina Development Limited	Corporate	Hong Kong	Ordinary	50	Investment holding

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## 13. INTERESTS IN ASSOCIATES (continued)

Name	Business Structure	Place of incorporation and principal operations	Class of shares held	Percentage of issued shares held directly by the Group	Principal activities
Golden Abacus Pte Limited	Corporate	Singapore	Ordinary	50	Computer programming
Golden Communications (Taiwan) Company Limited	Corporate	Taiwan	Ordinary	47.75	Distribution of motion pictures
Golden China Entertainment Company Limited	Corporate	Taiwan	Ordinary	47.5	Distribution of motion pictures
Golden Million Development Limited	Corporate	Hong Kong	Ordinary	50	Dormant
Golden Paradise Holdings Limited	Corporate	Hong Kong	Ordinary	50	Dormant
Golden-STIC Investment Holdings Pte Limited	Corporate	Singapore	Ordinary	50	Investment holding
Golden-STIC Investment Holdings (BVI) Limited	Corporate	British Virgin Islands	Ordinary	50	Dormant
Golden Screen Cinemas Sdn. Bhd.	Corporate	Malaysia	Ordinary	40.22	Distribution of motion pictures and theatre operation
Golden Screen Film Distribution Company Sdn. Bhd.	Corporate	Malaysia	Ordinary	50	Not yet commenced business operations

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## 13. INTERESTS IN ASSOCIATES (continued)

Name	Business Structure	Place of incorporation and principal operations	Class of shares held	Percentage of issued shares held directly by the Group	Principal activities
Golden UIP Film Distributors Limited	Corporate	Hong Kong	Ordinary	50	Distribution of motion pictures
Golden UIP Film Distributors Limited	Corporate	British Virgin Islands	Ordinary	50	Not yet commenced business operations
Golden Village Entertainment (Singapore) Pte Limited	Corporate	Singapore	Ordinary	50	Investment holding
Golden Village Pictures Pte Limited	Corporate	Singapore	Ordinary	50	Distribution of motion pictures
Golden Village Holdings Pte Limited	Corporate	Singapore	Ordinary	50	Investment holding
Golden Village Multiplex Pte Limited	Corporate	Singapore	Ordinary	50	Theatre operation
Golden Village Regional Pte Limited	Corporate	Singapore	Ordinary	50	Dormant
Golden Village Renters Pte Limited	Corporate	Singapore	Ordinary	50	Dormant
Keenson Production Limited	Corporate	Hong Kong	Ordinary	30	Investment holding

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## 13. INTERESTS IN ASSOCIATES (continued)

Name	Business Structure	Place of incorporation and principal operations	Class of shares held	Percentage of issued shares held directly by the Group	Principal activities
Lucky Assets Holdings Limited	Corporate	Hong Kong	Ordinary	50	Distribution of motion pictures
Mongkol Golden Harvest Company Limited	Corporate	Thailand	Common	50	Theatre operation
Rich Will Limited	Corporate	Hong Kong	Ordinary	50	Theatre operation
Shanghai Golden Entertainment Limited	Corporate	PRC	Registered capital	27	Theatre operation
Tanjong Golden Village Sdn. Bhd.	Corporate	Malaysia	Ordinary	25	Theatre operation
Tanjong Golden Village Sunway Sdn. Bhd.	Corporate	Malaysia	Ordinary	25	Theatre operation
Top Yield Production Limited	Corporate	Hong Kong	Ordinary	50	Distribution of motion pictures
VidiVideo Corporation Limited	Corporate	Taiwan	Ordinary	47.75	Distribution of motion pictures

\* On 14 June 2001, Cathay-Golden Village Distribution Joint Venture was liquidated.

\*\* On 1 September 2000, Chinese Films Joint Venture was liquidated.

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## 14. LONG TERM INVESTMENT

The long term investment represented the 16% shareholding of an unlisted equity investment and is stated at cost, representing its fair value on acquisition as further explained below, less the provision for diminution in value other than temporary in nature.

The long term investment was acquired as a result of the purchase of a subsidiary in June 2000. During the year, the management obtained additional evidence to more accurately determine the estimated fair value of the investment at the date of acquisition. In light of such evidence, the investment was adjusted downwards by approximately HK\$23,698,000, with an adjustment of the same amount to increase goodwill arising on acquisition, which was eliminated against reserves in accordance with the Group's accounting policy.

Subsequent to the acquisition of the investment, a provision for diminution in value of HK\$8,205,000 was charged to the profit and loss account to adjust the carrying amount of the investment to its fair value as at the balance sheet date.

## 15. TRADEMARKS

The trademarks represent the perpetual licence of using the brandname "Golden Harvest" which takes the form of sign, symbol, name, logo, design or any combination thereof.

The trademarks are stated at cost and are not amortised. Additions during the year represent design fees and professional fees and registration fees incurred on the registration of the trademarks in overseas.

In the opinion of the directors, the value of the trademarks is not less than the amount stated in the balance sheet.

## 16. INVENTORIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Raw materials	398	597
Chemicals	64	80
Machinery parts	57	67
Music compact disc	32	—
	551	744

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## 17. ACCOUNTS RECEIVABLE

The Group usually grants credit periods ranging from one to three months. The age analysis of the accounts receivable, net of provision at 30 June, is as follows:

	2001 HK\$'000	2000 HK\$'000
Current to 3 months	16,422	121,695
4 to 6 months	233	161
7 to 12 months	218	–
Over 1 year	98	2,989
	16,971	124,845

The accounts receivable of the Group includes trading balances due from Golden Harvest Private Group companies totalling HK\$586,000 (2000: HK\$4,258,000). All of the balances with the Golden Harvest Private Group companies are unsecured, repayable in accordance with normal trading terms, and interest-free.

The Golden Harvest Private Group represents the private companies in the Golden Harvest Group, a group of companies controlled by Chow Ting Hsing, Raymond, a director of the Company, which were not included in the Group reorganisation in November 1994.

The accounts receivable of the Group also included an amount due from related companies, GH Pictures (China) Limited, GH Media Management Pte Limited and Best Creation International Limited, of approximately HK\$50,000 (2000: HK\$67,065,000), HK\$250,000 (2000: Nil) and HK\$891,000 (2000: Nil), respectively. The amounts are unsecured, interest-free and have no fixed repayment terms except for the accounts receivable due from GH Pictures (China) Limited, last year which bore then interest ranging from prime rate minus 2.5% to prime rate per annum. Chow Ting Hsing, Raymond, Phoon Chiong Kit and Chu Siu Tsun, Stephen, who were directors of the Company, were also directors and/or beneficial shareholders of these related companies.



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## 18. ACCOUNTS PAYABLE

The age analysis of trade creditors included in accounts payable at 30 June is as follows:

	2001 HK\$'000	2000 HK\$'000
Current to 3 months	28,849	48,916
4 to 6 months	845	–
7 to 12 months	268	27,208
Over 1 year	7,603	9,921
	37,565	86,045

The accounts payable of the Group includes trading balances due to Golden Harvest Private Group companies totalling HK\$767,000 (2000: HK\$1,701,000). The amounts are unsecured, interest-free and repayable in accordance with normal trading terms.

The accounts payable of the Group also includes amounts due to GH Pictures (China) Limited and GH Media Management Pte Limited of HK\$6,964,000 (2000: HK\$3,708,000) and HK\$4,323,000 (2000: HK\$27,208,000), respectively. The amounts are unsecured, interest-free and have no fixed repayment terms. Chow Ting Hsing, Raymond, Phoon Chiong Kit and Chu Siu Tsun, Stephen, who were directors of the Company, were also directors and/or beneficial shareholders of these related companies.

## 19. DEFERRED TAX

Deferred tax has been provided for, under the liability method, at the rate of 16% (2000: 16%) on the significant timing differences between the taxable profits and the profits reported in the financial statements.

The movement in the deferred tax liabilities for the year is set out below:

	Group	
	2001 HK\$'000	2000 HK\$'000
Balance at beginning of year	110	–
Acquisition of a subsidiary	–	110
	110	110
At 30 June	110	110

The revaluation of the Group's fixed assets does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon is not taken into consideration.

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## 19. DEFERRED TAX (continued)

The principal components of the Group's deferred tax assets not recognised at the balance sheet date calculated at the rate of 16% (2000: 16%) are as follows:

	2001 HK\$'000	2000 HK\$'000
Accelerated capital allowances	(5,618)	(6,476)
Tax losses	34,019	25,978
Others	(31)	129
	28,370	19,631
	28,370	19,631

There were no other significant potential deferred tax liabilities of the Group and the Company for which provision has not been made.

## 20. SHARE CAPITAL

### Shares

	Company	
	2001 HK\$'000	2000 HK\$'000
Authorised:		
1,300,000,000 ordinary shares of HK\$0.10 each	130,000	130,000
Issued and fully paid:		
800,887,500 ordinary shares of HK\$0.10 each	80,089	80,089
	80,089	80,089

### Share options

Under the terms of the Company's share option scheme approved by the shareholders on 2 November 1994, the board of directors may at its discretion invite employees, including executive directors, of the Company and its subsidiaries to take up options to subscribe for shares of the Company at any time during the ten years from its date of approval. The board of directors may impose restrictions on the exercise of subscription rights and the exercise price is to be determined by the directors at their absolute discretion, provided that, in no event, shall such a price be less than the higher of the nominal value of the shares and 80 per cent. of the average of the closing prices of the shares on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of the granting of the options.

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## 20. SHARE CAPITAL (continued)

The maximum number of shares in respect of which options may be granted, under the share option scheme when aggregated with any securities subject to any other scheme, may not exceed 10 per cent. of the issued share capital of the Company from time to time.

The maximum number of shares in respect of which options may be granted to any one employee shall not exceed 25 per cent. of the maximum number of shares in respect of which options may be granted under the share option scheme.

The movements on the options granted by the Company during the year are as follows:

	2001 HK\$'000	2000 HK\$'000
Outstanding at beginning of year	2,000,000	2,000,000
Cancelled during the year	(2,000,000)	–
Granted during the year	4,600,000	–
	<hr/>	<hr/>
Outstanding at end of year	<u>4,600,000</u>	<u>2,000,000</u>

During the year, on 25 July 2000, 2,000,000 share options outstanding and granted in prior years to a director of the Company, Phoon Chiong Kit, pursuant to the terms of the Share Option Scheme were cancelled and replaced by the issuance of 4,600,000 new share options to the same director. Such options are exercisable in various stages within the period from 25 July 2000 to 24 July 2010 at an exercise price of HK\$0.78 per share.

The exercise in full of the exercisable outstanding share options at the balance sheet date would, under the present capital structure of the Company, result in the issue of 2,300,000 additional shares and cash proceeds to the Company of approximately HK\$1,794,000 before related expenses.

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## 21. RESERVES

Group	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Surplus reserve HK\$'000	Revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Total HK\$'000
At 30 June 1999 and 1 July 1999	426,283	145	(93,225)	97,122	–	7,864	(43,236)	394,953
Premium on issue of shares	139,294	–	–	–	–	–	–	139,294
Exchange adjustments on translation of:								
– overseas subsidiaries	–	–	–	–	–	–	337	337
– overseas associates	–	–	–	–	–	–	2,352	2,352
On disposal of interests in associates	–	–	–	–	–	–	5,734	5,734
Goodwill on acquisition of subsidiaries	–	–	(37,390)	–	–	–	–	(37,390)
Net profit for the year	–	–	–	1,272	–	–	–	1,272
Transfer to surplus reserve	–	–	–	(443)	443	–	–	–
At 30 June 2000 and 1 July 2000	565,577	145	(130,615)	97,951	443	7,864	(34,813)	506,552
Exchange adjustments on translation of:								
– overseas subsidiaries	–	–	–	–	–	–	413	413
– overseas associates	–	–	–	–	–	–	(4,203)	(4,203)
Goodwill on acquisition of subsidiaries (note 14)	–	–	(23,698)	–	–	–	–	(23,698)
On disposal of interests in an associate	–	–	–	–	–	–	682	682
Net loss for the year	–	–	–	(62,774)	–	–	–	(62,774)
Transfer to surplus reserve	–	–	–	(37)	37	–	–	–
At 30 June 2001	565,577	145	(154,313)	35,140	480	7,864	(37,921)	416,972

The surplus reserve represents an amount transferred from retained profits in accordance with statutory requirements and the articles of association of an associate in Taiwan. The surplus reserves may only be applied to make up any losses and for capitalisation by way of fully paid bonus issues of the shares of the associate in Taiwan.

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## 21. RESERVES (continued)

Company	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 July 1999	426,283	145	191,644	(213,042)	405,030
Premium on issue of shares	139,294	–	–	–	139,294
Net loss for the year	–	–	–	(833)	(833)
At 30 June 2000 and 1 July 2000	565,577	145	191,644	(213,875)	543,491
Net loss for the year	–	–	–	(126,519)	(126,519)
At 30 June 2001	565,577	145	191,644	(340,394)	416,972

	Group	
	2001 HK\$'000	2000 HK\$'000
Profits retained/(losses accumulated) by:		
Company and subsidiaries	103,254	145,245
Associates	(68,114)	(47,294)
	35,140	97,951

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the issued share capital of the subsidiaries and the aggregate net asset value of the subsidiaries acquired at the date of acquisition. Under the Companies Act of Bermuda 1981 (as amended), the contributed surplus of the Company is distributable to shareholders under certain conditions.

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## 22. RELATED PARTY TRANSACTIONS

In addition to the balances detailed in notes 13, 17 and 18, the Group had the following transactions with related parties. The directors confirm that all of these transactions were carried out in the ordinary and usual course of business of the Group.

### (a) Transactions with the Golden Harvest Private Group

During the year, the Group had material transactions to which members of the Golden Harvest Private Group were parties. The significant transactions are summarised below:

	Notes	Group	
		2001 HK\$'000	2000 HK\$'000
Film distribution commission income	(i)	54	1,106
Management fee income	(ii)	102	–
Rental income	(iii)	6	–
Film developing and printing services income	(iv)	–	66

Notes:

- (i) The Group acted as the distributor of the films produced by companies within the Golden Harvest Private Group and commission income was charged according to prices and conditions similar to those offered to other customers of the Group.
- (ii) The management fee income related to the provision of consulting services to a company within the Golden Harvest Private Group and was charged at rate of HK\$8,500 per month for the year.
- (iii) The rental income related to the provision of warehouse services to a company within the Golden Harvest Private Group and was charged at rate of HK\$6,000 for the month of July 2000.
- (iv) The service income related to the provision of film developing and printing services to the companies within the Golden Harvest Private Group and was charged according to prices and conditions similar to those offered to other customers of the Group.

Chow Ting Hsing, Raymond (“Mr. Chow”), Phoon Chiong Kit (“Mr. Phoon”), Chan Sik Hong, David (“Mr. Chan”), Chu Siu Tsun, Stephen (“Mr. Chu”) and Lee, Albert, who were directors of the Company during the year, were interested, directly or indirectly, in certain of the above transactions as directors and/or beneficial shareholders of the members of the Golden Harvest Private Group.

All of the above related party transactions with the members of the Golden Harvest Private Group also constituted connected transactions, as defined in the Listing Rules.

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## 22. RELATED PARTY TRANSACTIONS (continued)

### (a) Transactions with the Golden Harvest Private Group (continued)

In respect of transactions set out in notes (i) and (iv) above, a conditional waiver from strict compliance with the connected transaction requirements as set out in Chapter 14 of the Listing Rules has been obtained. The directors have reviewed and confirmed that these connected transactions were conducted in the ordinary course of the business of the Group and on terms no less favourable than those offered by unrelated third parties.

### (b) Transactions with other related parties

Apart from the above, during the year, the Group also had the following material transactions with other related parties:

		Group	
	Notes	2001 HK\$'000	2000 HK\$'000
Advertising agency fee income from related companies	(i), (ii)	4,270	2,938
Film developing and printing services income from related companies	(i), (iii)	10,443	8,769
Film distribution commission income from related companies	(i), (iv)	43,715	26,864
Interest income from related companies	(i), (v)	6,967	1,736
Consultancy fee income from related companies	(i), (vi)	3,700	–
Film production control fee income from a related company	(i), (vii)	9,305	–
Public relation services income from a related company	(i), (viii)	169	–
Services fees income from a related company	(i), (ix)	1,593	–
Purchase of debt from a related company	(i), (x)	20,000	–
Accounting services income from a related company	(i), (xi)	442	–
Distribution administrative service income from a related company	(i), (xii)	401	–
Rental income from a related company	(i), (xiii)	365	–
Talent management fee income from a related company	(i), (xiv)	1,000	–
Film royalty income from associates	(i), (xv)	257	788
Management fee income from associates	(i), (xvi)	2,504	3,829
Film sourcing service fee paid to an associate	(i), (xvii)	50	–
Accounting service fee paid to an associate	(i), (xviii)	81	–
Corporate guarantees given in respect of banking facilities granted to associates	(i), (xix)	47,056	65,765

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## 22. RELATED PARTY TRANSACTIONS (continued)

### (b) Transactions with other related parties (continued)

Notes:

- (i) Mr. Chow, Mr. Phoon, Mr. Chan and Mr. Chu, who were directors of the Company during the year, were interested, directly or indirectly, in the above transactions as directors and/or beneficial shareholders of certain of these companies.
- (ii) The agency fee income related to the provision of advertising services which was charged according to prices and conditions similar to those offered to other customers of the Group.
- (iii) The income related to the provision of film developing and printing services which was charged according to prices and conditions similar to those offered to other customers of the Group.
- (iv) The Group acted as the distributor of the films produced by the related companies and the film distribution commission income was charged according to the terms of the distribution agreement dated 21 April 1997 or charged according to prices and conditions similar to those offered to other customers of the Group.
- (v) The interest income represented the following:
  - an amount of HK\$5,732,000 (2000: HK\$498,000) from a related company which arose from an advance to the related company and was charged at rates ranging from prime minus 2.5% to prime rate;
  - an amount of HK\$934,000 (2000: Nil) from a related company which arose from the amount of debt purchased from a related company pursuant to the factoring agreement dated 4 December 2000 entered into between GH Pictures (China) Limited and Bamboo Grove Enterprises Limited, a wholly-owned subsidiary of the Group, (the “Factoring Agreement”) and was charged at prime rate on amounts paid to the related company; and
  - an amount of HK\$301,000 (2000: HK\$1,238,000) from a related company which arose from the outstanding proceeds receivable for sales of Thailand and Korea cinemas to the related companies and was charged at 5% per annum.
- (vi) The consultancy fee income represented the following:
  - an amount of HK\$600,000 in respect of promotional and advertising services rendered to an associate within the Golden Harvest Private Group and was charged at a rate of HK\$50,000 per month from July 2000 onward; and
  - an amount of HK\$3,100,000 in respect of film exhibition advisory services rendered to a substantial shareholder of an associate of the Group and was charged according to the terms of the agreement dated 1 August 2000.



## 22. RELATED PARTY TRANSACTIONS (continued)

### (b) Transactions with other related parties (continued)

Notes: (continued)

(vi) (continued)

In the prior year, the consultancy fee represented by an amount of HK\$2,438,000 that was charged at an annual rate of US\$500,000 from February 1999 to January 2000 and HK\$175,000 for the three-month period from February 2000 to April 2000.

(vii) The film production control fee income of HK\$8,431,000 was charged according to the terms of the service agreement dated 8 February 2000 and the remaining balance was charged according to the terms of respective service agreements.

(viii) The public relation services income was charged according to prices and conditions similar to those offered to other customers of the Group.

(ix) The service fee income represented the following:

- an amount of HK\$296,000 related to the handling service provided to a related company on the Factoring Agreement mentioned above and was charged at 1% of the total amount of debt to be purchased; and
- an amount of HK\$1,297,000 related to the film production service provided to a related company and was charged at a rate ranging from 0.5% to 1.3% of the total budgeted film production cost.

(x) The purchase of debt represented the amount paid to a related company pursuant to the terms of the Factoring Agreement mentioned above. The total amount to be purchased in accordance with the Factoring Agreement is HK\$29,640,000. The amount of debt purchased had been fully settled during the year.

(xi) The accounting service income was charged at 0.25% of the total budgeted film production cost.

(xii) The distribution administrative service income was charged at 5% of the actual payment of distribution expense.

(xiii) The rental income was charged at a rate of approximately HK\$30,000 per month for sub-letting the office to an associate of the Golden Harvest Private Group.

(xiv) The talent management service income was charged according to the prices and conditions similar to those offered to other customers of the Group.

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**22. RELATED PARTY TRANSACTIONS (continued)**

**(b) Transactions with other related parties (continued)**

Notes: (continued)

(xv) The royalty income was charged according to prices and conditions similar to those offered to other customers of the Group.

(xvi) The management fee income was charged at rates mutually agreed between the Group and each of the associates with reference to the management services provided by the Group.

Included in the total management fee income received in the prior year, there was an amount of HK\$1,377,000 received from an associate which became a subsidiary of the Company on 30 June 2000 in connection with its cinema operations which constituted a connected transaction, as defined in the Listing Rules. This associate is indirectly interested by a then substantial shareholder of the Company as to 50%. The Group started to provide the services in July 1997. Such management fee income was charged at HK\$159,000 per month from March 1999 to February 2000 and HK\$67,000 per month from March 2000 onwards.

(xvii) The film sourcing service fee was charged at a rate of HK\$10,000 per month from February 2001 onwards.

(xviii) The accounting service fee was charged at a rate of S\$1,500 per month.

(xix) The corporate guarantees were given by the Group in respect of banking facilities granted to certain associates at nil consideration.

The transactions amounted to HK\$138,000 (2000: HK\$3,086,000) included in notes (ii), (iii) and (iv) above with a related company (2000: four related companies) constituted connected transactions as defined in the Listing Rules.

None of the other related party transactions set out above constituted connected transactions as defined in the Listing Rules.

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## 23. REMUNERATION OF DIRECTORS AND OF FIVE HIGHEST PAID INDIVIDUALS

### Directors' remuneration

The remuneration of the directors of the Company disclosed pursuant to the Listing Rules of the Stock Exchange and Section 161 of the Hong Kong Companies Ordinance is analysed as follows:

	2001 HK\$'000	2000 HK\$'000
Fees:		
Executive directors	–	–
Non-executive directors	120	120
Independent non-executive directors	120	168
	<u>240</u>	<u>288</u>
Basic salaries, allowances and benefits in kind:		
Executive directors	10,175	8,264
Non-executive directors	–	–
Independent non-executive directors	–	–
	<u>10,175</u>	<u>8,264</u>
Pension contributions:		
Executive directors	21	–
Non-executive directors	–	–
Independent non-executive directors	–	–
	<u>21</u>	<u>–</u>
	<u>10,436</u>	<u>8,552</u>

The above remuneration of directors fell within the following bands:

	2001 Number	2000 Number
Nil – HK\$1,000,000	8	17
HK\$1,000,001 – HK\$1,500,000	1	–
HK\$3,000,001 – HK\$3,500,000	1	1
HK\$3,500,001 – HK\$4,000,000	–	1
HK\$4,500,001 – HK\$5,000,000	1	–
	<u>11</u>	<u>19</u>

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## 23. REMUNERATION OF DIRECTORS AND OF FIVE HIGHEST PAID INDIVIDUALS (continued)

### Directors' remuneration (continued)

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

No value is included in the directors' remuneration in respect of the share options granted during the year because, in the absence of a readily available market value for the options on the Company's shares, the directors were unable to arrive at an accurate assessment of the value of the options granted. Details of the options granted to the directors during the year are set out in note 20 to the financial statements.

### Five highest paid individuals

Of the five highest paid individuals, three (2000: two) were directors of the Company and their remuneration has been included in the directors' remuneration above. The remuneration of the remaining two (2000: three) highest paid individuals for the year is as follows:

	2001	2000
	HK\$'000	HK\$'000
Basic salaries, allowances and benefits in kind	2,290	4,053
Pension contributions	7	–
	2,297	4,053

The above remuneration of employees fell within the following bands:

	2001	2000
	HK\$'000	HK\$'000
HK\$1,000,001 – HK\$1,500,000	2	2
HK\$1,500,001 – HK\$2,000,000	–	1
	2	3

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## 24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

- (a) Reconciliation of profit/(loss) from operating activities to net cash inflow/(outflow) from operating activities

	2001 HK\$'000	2000 HK\$'000
Profit/(loss) from operating activities	(41,713)	9,347
Interest income	(9,073)	(6,840)
Depreciation	17,140	4,605
Loss on disposal of fixed assets	986	4,333
Gain on disposal of associates	–	(30,750)
Exchange losses arising from translation of advances to overseas associates	4,561	613
Provision for diminution in value of long term investment	8,205	–
Provision for doubtful debts	918	5,143
Provision for diminution in investment cost of an associate under liquidation	569	–
Increase in prepayments, deposits and other receivables	(3,805)	(7,387)
Decrease/(increase) in inventories	193	(18)
Decrease/(increase) in film rights and films in progress	(5,867)	3,561
Decrease/(increase) in accounts receivable	106,956	(38,788)
Decrease in due to a director	(205)	–
Increase/(decrease) in accounts payable	(48,480)	4,802
Increase/(decrease) in accrued liabilities and other payables	462	(166)
Increase/(decrease) in customer deposits	322	(2,790)
Exchange adjustments	429	337
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	31,598	(53,998)
	<hr/> <hr/>	<hr/> <hr/>

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## 24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

### (b) Analysis of changes in financing during the years

	Share capital (including share premium) HK\$'000	Bank loans HK\$'000	Finance lease payables HK\$'000	Minority interests HK\$'000
Balance at 1 July 1999	494,153	16,757	197	38
Net cash inflows/(outflows) from financing	1,513	(16,757)	(197)	–
Issue of new shares for the acquisition of subsidiaries	150,000	–	–	–
Balance at 30 June 2000 and 1 July 2000	645,666	–	–	38
Share of loss after tax of a subsidiary	–	–	–	(5)
Balance at 30 June 2001	645,666	–	–	33

### (c) Major non-cash transaction

An associate was under a process of liquidation during the year, and the net receivable of HK\$2,440,000 was recorded as an amount due from an associate.

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## 24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(d) Disposal of a subsidiary

	2001 HK\$'000	2000 HK\$'000
Net assets disposed of:		
Fixed assets	–	13,050
Rental deposits	–	2,022
Cash and bank balances	–	5
Accounts receivable	–	92
Prepayments, deposits and other receivables	–	240
Inventories	–	76
Accounts payable	–	(3,372)
	–	12,113
Gain on disposal	–	1,016
	–	13,129
Satisfied by:		
Cash	–	3,250
Due from an associate	–	9,879
	–	13,129

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary:

	2001 HK\$'000	2000 HK\$'000
Cash consideration	–	3,250
Cash and bank balances disposed of	–	(5)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	–	3,245

In respect of the cash flows for the year ended 30 June 2000, the subsidiary disposed of in the prior year made no significant contribution to the Group.

The subsidiary disposed of in the prior year contributed HK\$15,066,000 to the Group's turnover and a loss of HK\$652,000 to the net profit attributable to shareholders for that year.

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## 24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

### (e) Acquisition of subsidiaries

	2001	2000
	HK\$'000	HK\$'000
Net assets acquired:		
Fixed assets	–	91,328
Investments in associates	–	2,437
Due from associates	–	171
Investment in club memberships	–	1,490
Long term investment	–	40,000
Trademarks	–	75,332
Rental deposits	–	12,712
Cash and bank balances	–	5,517
Time deposits	–	14,100
Accounts receivable	–	10,138
Prepayments, deposits and other receivables	–	20,942
Film rights	–	9,186
Accounts payable	–	(132,707)
Due to a director	–	(205)
Tax payable	–	(258)
Deferred tax	–	(110)
Due to associates	–	(24)
	–	150,049
Goodwill on acquisition	–	40,557
	–	190,606
	–	190,606
Satisfied by:		
Accounts payable	–	14,903
Discharge of accounts receivable from vendors	–	45,977
Shares issued	–	150,000
Reclassification of interests in an associate	–	(20,274)
	–	190,606
	–	190,606



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## 24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

### (e) Acquisition of subsidiaries (continued)

Analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries:

	2001 HK\$'000	2000 HK\$'000
Cash and bank balances acquired	–	5,517
Time deposits	–	14,100
		<hr/>
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	–	19,617
		<hr/> <hr/>

The subsidiaries acquired last year made no significant contribution to the Group in respect of the cash flows, turnover and contribution to the consolidated net profit attributable to shareholders for that year.

## 25. BANKING FACILITIES

Last year, the Group had settled all of its bank borrowings and thereafter cancelled all of its banking facilities.

## 26. CONTINGENT LIABILITIES

Contingent liabilities at the balance sheet date were as follows:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Guarantee of banking facilities granted to subsidiaries	–	–	113,000	113,000
Guarantee of banking facilities granted to associates	47,056	65,765	45,883	24,359
			<hr/>	<hr/>
	47,056	65,765	158,883	137,359
			<hr/> <hr/>	<hr/> <hr/>

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## 27. COMMITMENTS

		Group	
		2001	2000
		HK\$'000	HK\$'000
(a)	Capital commitments:		
	Contracted for	5,469	10,907
	Authorised, but not contracted for	485	–
		5,954	10,907
		5,954	10,907

		Group	
		2001	2000
		HK\$'000	HK\$'000
(b)	Aggregate commitments payable in the following years under non-cancellable operating leases for land and buildings:		
	Within one year	39,700	38,647
	In the second to fifth years, inclusive	163,061	153,703
	After five years	49,228	86,486
		251,989	278,836
		251,989	278,836

Certain non-cancellable operating leases included in above were subject to contingent rent payments, which were charged for the amount of 17% to 29% of their monthly or annual gross box office takings in excess of the base rents as determined in respective lease agreements. In additions, 10% of theatre confectionery sales and advertising income were also charged for certain leases.

		Group	
		2001	2000
		HK\$'000	HK\$'000
(c)	Commitment for capital contribution to a proposed subsidiary registered in the PRC	9,360	–
		9,360	–
		9,360	–

		Group	
		2001	2000
		HK\$'000	HK\$'000
(d)	Commitment in respect of the acquisition of interests in an associate	963	–
		963	–
		963	–

The Company had no significant commitments at the balance sheet date (2000: Nil).

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## **28. COMPARATIVE AMOUNTS**

As further explained in note 2 to the financial statements, due to the adoption of revised SSAP 14 during the current year, the supporting note for operating commitments has been revised to comply with the new requirement. Accordingly, the comparative amounts of the corresponding supporting note have been revised to conform with the current year's presentation.

## **29. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved by the board of directors on 16 October 2001.