

1. GENERAL

The Company was incorporated in Bermuda as an exempt company with limited liability under the Companies Act 1981 of Bermuda. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's ultimate holding company is Sunni International Limited, a company incorporated in the British Virgin Islands.

The Company acts as an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 35 and 17 respectively.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants, which has resulted in the adoption of new and revised accounting policies. The adoption of these new and revised standards resulted in a change in the format of presentation of the cash flow statement and the disclosure of a statement of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior year adjustment has been required.

Foreign Currencies

The revisions to SSAP 11 "*Foreign Currency Translation*" have eliminated the choice of translating the income statements of overseas operations at the closing rate for the period. The income statements are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting years.

Cash Flow Statements

In the current year, the Group has adopted SSAP 15 (Revised) "*Cash Flow Statements*". Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as financing and investing cash flows as appropriate. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude trust receipt loans that are financing in nature. Cash flows of overseas operations have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling at the balance sheet date. The re-definition of cash and cash equivalents resulted in a restatement of the comparative amounts shown in the consolidated cash flow statement.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(Continued)*

Discontinuing Operations

SSAP 33 "*Discontinuing Operations*" is concerned with the presentation of financial information regarding discontinuing operations and replaces the requirements previously included in SSAP 2 "*Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies*". Under SSAP 33, financial information relating to the discontinuing operation are disclosed separately from the point at which either a binding sale agreement is entered into or a detailed plan for the discontinuance is announced. The adoption of SSAP 33 has resulted in the identification of the Group's manufacture and sale of Christmas trees and leisure furniture as discontinuing operations in the current year, details of which are disclosed in note 8.

Employee Benefits

In the current year, the Group has adopted SSAP 34 "*Employee Benefits*", which introduces measurement rules for employee benefits, including retirement benefit plans. Because of the Group's participation only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

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

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

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

Investments in subsidiaries

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

Goodwill

Goodwill arising from consolidation represents the excess cost of acquisition over Group's interest in the fair value of the identifiable assets and liabilities at the date of acquisition of a subsidiary and is capitalised and amortised on a straight-line basis over its estimated economic useful life.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Goodwill** *(Continued)*

On disposal of a subsidiary, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Investments in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associate for the year. In the consolidated balance sheet, interest in its associate is stated at the Group's share of the net assets of the associate, less any unrealised profits or identified impairment loss.

Revenue recognition

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

Income from the licensing of the distribution and broadcasting rights over computer graphics animation pictures is recognised when the Group's entitlement to such payments has been established, which, subject to the terms of the relevant agreements, is usually upon delivery of the relevant tapes to the customers.

Service income is recognised when the services are rendered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less depreciation, amortisation and accumulated impairment losses.

Depreciation and amortisation are provided to write off the cost of property, plant and equipment over their estimated useful lives, from the date on which they became fully operational and after taking into account their estimated residual values, using the straight line method as follows:

Leasehold land	Over the term of the lease
Leasehold buildings situated in Hong Kong	Over a period of 40 years
Leasehold buildings situated elsewhere in the People's Republic of China ("PRC")	Over a period of 20 years
Leasehold improvements	Over a period of 5 years
Plant and machinery	Over a period of 10 years
Furniture, fixtures and equipment	Over a period of 3 to 5 years
Motor vehicles	Over a period of 5 years
Moulds	Over a period of 5 years

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the terms of the relevant leases.

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

Impairment

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

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

Construction in progress

Construction in progress is stated at cost, which includes all development expenditure and the direct costs attributable to such projects. Construction in progress is transferred to relevant classes of property, plant and equipment when the construction work is completed and the relevant asset is ready for its intended use.

Motion picture production

Motion picture production in progress is stated at production costs incurred to date including borrowing cost capitalised, less impairment losses. Upon completion and release of the motion pictures, the costs are amortised on a systematic basis over their estimated useful lives.

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debts securities that the Company has the expressed intention and ability to hold to maturity are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in securities *(Continued)*

Investments other than held-to-maturity debt securities are classified as investment securities.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any identified impairment loss that is other than temporary.

Assets held under finance leases

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

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

Inventories

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the costs of that asset. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Retirement benefit cost

Payments to the defined retirement benefit scheme are charged as an expense as they fall due.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

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

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

4. TURNOVER

Turnover represents the amounts received and receivable for goods sold by the Group to outside customers and amounts received and receivable from the licensing of the distribution and broadcasting rights over computer graphics animation pictures during the year and management consultancy service income and is analysed as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Sales of goods	476,320	1,071,352
Income from licensing of computer graphics animation pictures	15,316	1,560
Management consultancy income	11,270	–
	<u>502,906</u>	<u>1,072,912</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

During the year, the Group is organised into four operating divisions, which form the basis on which the Group reports its primary segment information:

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)***Business segments** *(Continued)*

Computer graphics animation pictures – Production and licensing of computer graphics animation pictures

Management consultancy services – Provision of management consultancy services

Until, and including, 22nd August 2002, the Group was also involved in the manufacture and sale of artificial Christmas trees and accessories and leisure furniture (see note 8).

Segment information about these businesses is presented below.

For the year ended 31st March 2003

	Continuing operations		Discontinuing operations		
	Computer graphics animation pictures	Management consultancy services	Christmas trees	Leisure furniture	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER					
External sales	<u>15,316</u>	<u>11,270</u>	<u>420,863</u>	<u>55,457</u>	<u>502,906</u>
RESULTS					
Segment results	<u>7,573</u>	<u>1,719</u>	<u>109,611</u> <i>(Note)</i>	<u>7,525</u>	126,428
Other income					5,678
Unallocated corporate expenses					<u>(55,835)</u>
Profit from operations					76,271
Bank interest income					2,272
Finance costs					(1,717)
Gain on disposal of discontinuing operations					176,881
Gain on dilution of interest in an associate					6,136
Share of profit of an associate					<u>3,342</u>
Profit before taxation					263,185
Taxation					<u>(7,152)</u>
Profit before minority interests					<u>256,033</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

Note: The segment results for this segment differ from the amount disclosed in the Company's interim report for the six months ended 30th September 2002 by approximately HK\$6,481,000 because of a recovery from the Group's associate of an unutilised provision of distribution costs related to the period from 1st April 2002 to 22nd August 2002.

As at 31st March 2003

BALANCE SHEET

	Continuing operations		Discontinuing operations		Consolidated HK\$'000
	Computer graphics animation pictures HK\$'000	Management consultancy services HK\$'000	Christmas trees HK\$'000	Leisure furniture HK\$'000	
ASSETS					
Segment assets	69,639	1,214	-	-	70,853
Interest in an associate					32,715
Unallocated corporate assets					188,382
Consolidated total assets					<u>291,950</u>
LIABILITIES					
Segment liabilities	1,764	28	-	-	1,792
Unallocated corporate liabilities					52,772
Consolidated total liabilities					<u>54,564</u>

	Continuing operations		Discontinuing operations		Unallocated items HK\$'000	Consolidated HK\$'000
	Computer graphics animation pictures HK\$'000	Management consultancy services HK\$'000	Christmas trees HK\$'000	Leisure furniture HK\$'000		
OTHER INFORMATION						
Capital additions	44,601	-	59,899	767	3,047	108,314
Depreciation and amortisation	11,092	-	16,597	643	1,175	29,507

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

For the year ended 31st March 2002

	Continuing operations		Discontinuing operations		
	Computer graphics animation pictures <i>HK\$'000</i>	Management consultancy services <i>HK\$'000</i>	Christmas trees <i>HK\$'000</i>	Leisure furniture <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER					
External sales	<u>1,560</u>	<u>-</u>	<u>882,727</u>	<u>188,625</u>	<u>1,072,912</u>
RESULTS					
Segment results	<u>1,346</u>	<u>-</u>	<u>211,716</u>	<u>19,821</u>	232,883
Other income					5,976
Unallocated corporate expenses					<u>(87,036)</u>
Profit from operations					151,823
Bank interest income					2,698
Finance costs					<u>(6,491)</u>
Profit before taxation					148,030
Taxation					<u>(6,772)</u>
Profit before minority interests					<u>141,258</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

As at 31st March 2002

BALANCE SHEET

	Continuing operations		Discontinuing operations		Consolidated HK\$'000
	Computer graphics animation pictures HK\$'000	Management consultancy services HK\$'000	Christmas trees HK\$'000	Leisure furniture HK\$'000	
ASSETS					
Segment assets	44,737	-	741,587	96,567	882,891
Unallocated corporate assets					242,724
Consolidated total assets					<u>1,125,615</u>
LIABILITIES					
Segment liabilities	2,913	-	83,640	27,045	113,598
Unallocated corporate liabilities					136,195
Consolidated total liabilities					<u>249,793</u>

	Continuing operations		Discontinuing operations		Unallocated items HK\$'000	Consolidated HK\$'000
	Computer graphics animation pictures HK\$'000	Management consultancy services HK\$'000	Christmas trees HK\$'000	Leisure furniture HK\$'000		
OTHER INFORMATION						
Capital additions	25,679	-	87,435	21,458	6,466	141,038
Depreciation and amortisation	2,275	-	33,976	1,848	4,741	42,840

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical segments

Analysis of the Group's turnover by geographical market is as follows:

	Total turnover		Contribution to operating results	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
North America	359,136	868,654	92,005	179,041
United Kingdom and Continental Europe	103,618	169,163	23,665	44,848
Asia Pacific	37,292	33,243	9,868	8,700
Others	2,860	1,852	890	294
	<u>502,906</u>	<u>1,072,912</u>	<u>126,428</u>	<u>232,883</u>
Other income			5,678	5,976
Unallocated corporate expenses			(55,835)	(87,036)
Profit from operations			<u>76,271</u>	<u>151,823</u>

Analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets by geographical area in which the assets are located is as follows:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Hong Kong	201,174	316,182	12,419	13,205
People's Republic of China, excluding Hong Kong	-	789,527	60,116	108,404
Others	90,776	19,906	35,779	19,429
	<u>291,950</u>	<u>1,125,615</u>	<u>108,314</u>	<u>141,038</u>

6. PROFIT FROM OPERATIONS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Directors' remuneration (<i>note 9</i>)	12,331	13,430
Other staff costs	106,036	146,639
Total staff costs	118,367	160,069
Less: amounts capitalised in motion picture production	(13,896)	(11,112)
	104,471	148,957
Depreciation and amortisation of property, plant and equipment		
– assets owned by the Group	19,578	41,874
– assets held under finance leases	1,884	439
	21,462	42,313
Less: amounts capitalised in motion picture production	(3,440)	(1,743)
	18,022	40,570
Rentals in respect of premises under operating leases	2,689	5,866
Less: amounts capitalised in motion picture production	(1,183)	(808)
	1,506	5,058
Auditors' remuneration:		
Current year	1,040	1,075
Underprovision in previous year	98	–
Amortisation of goodwill	392	314
Amortisation of motion picture production	7,653	213
Loss on disposal of property, plant and equipment	247	1,278
and after crediting:		
Amortisation of discount on held-to-maturity debt securities	1,301	–

7. FINANCE COSTS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Interest on borrowings wholly repayable within five years:		
Bank borrowings	2,492	6,775
Convertible notes	–	16
Obligations under finance leases	590	283
	<hr/>	<hr/>
	3,082	7,074
Less: amounts capitalised in motion picture production	(1,365)	(583)
	<hr/>	<hr/>
	1,717	6,491
	<hr/>	<hr/>

8. DISCONTINUING OPERATIONS

During the year, the Group entered into certain agreements with Boto International Holdings Limited (“BIHL” and formerly known as Greenland Investments Holdings Limited), a company incorporated in the British Virgin Islands, under which the Group agreed to sell certain subsidiaries, business and assets of the Group, which together effectively constituted the Group’s Christmas festive products and leisure furniture businesses (the “Disposal”).

The aggregate consideration for the above Disposal amounted to approximately HK\$1,077,500,000 before a post-completion price adjustment of approximately HK\$33,506,000 in accordance with the Disposal agreements, resulting in a gain on disposal of these businesses of approximately HK\$176,881,000. The Disposal was completed on 23rd August 2002, on which date control of these businesses was passed to the acquirer. Details of the Disposal were set out in the circular of the Company dated 2nd August 2002.

During the year, the above disposed businesses paid HK\$153 million (2002: received HK\$69 million) in respect of net operating activities, paid HK\$61 million (2002: paid HK\$94 million) in respect of investing activities and received HK\$89 million (2002: paid HK\$17 million) in respect of financing activities.

The results for the year attributable to the above disposed businesses and the carrying amounts of assets and liabilities of the above disposed businesses at the date of Disposal are disclosed in notes 5 and 28 respectively.

Pursuant to the disposal agreement, in the event that BIHL or any of the disposed subsidiaries receives any tax relief or refund of any tax paid (including but not limited to any tax refund arising from the reinvestment of profits in the PRC or refund of value added tax in the PRC), which is referable to the above disposed businesses and to the period prior to 23rd August 2002, BIHL shall, subject to certification by the auditors for the time being of those companies, pay to the Group a sum equal to such tax relief or refund.

In addition, the Group entered into a subscription agreement to acquire a 25% equity interest in BIHL at a consideration of approximately HK\$88 million. The subscription was completed on 22nd August 2002.

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of the directors and the five highest paid employees' emoluments are as follows:

(a) Directors' emoluments

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Executive directors		
– Fees	–	–
– Salaries and other benefits	11,670	12,942
– Contribution to retirement benefit scheme	41	48
Non-executive directors		
– Fee	180	–
– Other emoluments	–	–
Independent non-executive directors		
– Fees	360	360
– Other emoluments	80	80
	<u>12,331</u>	<u>13,430</u>

The emoluments of the directors are within the following bands:

	2003 Number of Directors	2002 Number of Directors
Not exceeding HK\$1,000,000	4	5
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	–	2
HK\$2,000,001 to HK\$2,500,000	1	1
HK\$2,500,001 to HK\$3,000,000	–	1
HK\$3,500,001 to HK\$4,000,000	2	1
	<u> </u>	<u> </u>

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

During the year, the five highest paid individuals included three directors (2002: three directors), details of whose emoluments are set out above. The emoluments of the remaining two highest paid individuals are as follows:

	2003 HK\$'000 (Note)	2002 HK\$'000
Salaries and other benefits	5,647	4,004
Retirement benefits scheme contributions	12	24
	<u>5,659</u>	<u>4,028</u>

The emoluments of the employees were within the following bands:

	2003 Number of Employees	2002 Number of Employees
HK\$1,500,001 to HK\$2,000,000	-	1
HK\$2,000,001 to HK\$2,500,000	-	1
HK\$2,500,001 to HK\$3,000,000	2	-
	<u>2</u>	<u>-</u>

Note: The emoluments included HK\$1,065,500, which is also included in the directors' emoluments, paid to a former director who resigned during the year.

10. TAXATION

	2003 HK\$'000	2002 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
The Company and its subsidiaries		
Current year's provision	5,912	6,450
Overprovision in prior years	-	(782)
	<hr/>	<hr/>
	5,912	5,668
Associate	323	-
	<hr/>	<hr/>
	6,235	5,668
	<hr/>	<hr/>
Overseas tax		
The Company and its subsidiaries		
	403	1,104
Associate	786	-
	<hr/>	<hr/>
	1,189	1,104
	<hr/>	<hr/>
Deferred taxation		
The Company and its subsidiaries (note 24)		
	(518)	-
Associate	246	-
	<hr/>	<hr/>
	(272)	-
	<hr/>	<hr/>
Total	<hr/> 7,152	<hr/> 6,772

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profits for the year.

A portion of the Group's profit neither arises in, nor is derived from, Hong Kong. Accordingly, that portion of the Group's profit is not subject to Hong Kong Profits Tax.

Overseas tax is calculated at the tax rates prevailing in the respective jurisdictions.

10. TAXATION *(Continued)*

In connection with a tax field audit, the Inland Revenue Department in Hong Kong ("IRD") issued Notices of Additional/Estimated Assessment to two subsidiaries and one former subsidiary of the Company (the "Subsidiaries") during the period from March 2001 to March 2003. Objections were lodged by the Subsidiaries and holdovers of the taxes in dispute were granted by the IRD pending determination of the tax field audit result. The Additional/Estimated Assessments were mainly relating to the Group's income derived from its operations performed outside of Hong Kong.

Up to the balance sheet date, the taxes demanded under the Additional/Estimated Assessments amounted to an aggregate sum of HK\$117,165,000. Subsequent to the Subsidiaries' lodgment of objections against such Assessments, the IRD has granted both conditional and unconditional holdover of the taxes demanded, and the conditions stipulated were the placing with the IRD a sum of HK\$20,730,000 by cash deposit and the purchase of tax reserve certificates together with a further sum of HK\$24,200,000 by the issue of a bank guarantee, which is secured by a bank deposit of the same amount.

Although the outcome of this matter cannot be determined with reasonable certainty at this stage, the Company's directors consider that the Group had properly reported all of its taxable income derived in Hong Kong to the IRD previously and therefore are not in agreement to the Additional/Estimated Assessments. Accordingly, the amount placed by cash deposit and by the purchase of tax reserve certificates up to the balance sheet date have been recorded as taxation recoverable and no provision for additional tax in relation to this tax field audit has been made in the financial statements.

11. DIVIDENDS

	2003 HK\$'000	2002 HK\$'000
Special dividend of HK\$0.26 per share of HK\$0.02 each (2002: nil) <i>(Note a)</i>	894,641	–
Interim dividend paid – nil (2002: HK0.7 cents per share of HK\$0.02 each)	–	23,844
Underprovision of final dividend arising from share options <i>(Note b)</i>	–	214
	<u>894,641</u>	<u>24,058</u>

Notes:

- (a) On 4th September 2002, a special cash dividend of HK\$0.26 per share of HK\$0.02 each was paid to shareholders whose names appeared on the Register of Members of the Company on the record date of 30th August 2002.
- (b) The amount represented the underprovision for the additional 2001 final dividend arising from the issue of 11,900,000 new shares in the Company subsequent to 31st March 2001 which ranked for the final dividend for 2001.

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share of HK\$0.50 each is based on the following data:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Net profit for the year	255,997	141,421
Effect of dilutive potential ordinary shares in respect of interest on and provision for premium payable on redemption of convertible notes	—	16
Earnings for the purposes of diluted earnings per share of HK\$0.50 each	<u>255,997</u>	<u>141,437</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share of HK\$0.50 each	137,623,521	136,602,808
Effect of dilutive potential ordinary shares in respect of		
Convertible notes	—	110,439
Share options	5,365	361,959
Weighted average number of ordinary shares for the purposes of diluted earnings per share of HK\$0.50 each	<u>137,628,886</u>	<u>137,075,206</u>
Earnings per share of HK\$0.50 each		
Basic	<u>HK\$1.86</u>	<u>HK\$1.04</u>
Diluted	<u>HK\$1.86</u>	<u>HK\$1.03</u>

The denominators for both years for the purposes of calculating both basic and diluted earnings per share have been adjusted to reflect the consolidation of the shares in the Company in November 2002 referred to in note 25(a).

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Moulds <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP								
COST								
At 1st April 2002	470,101	11,646	254,025	58,394	11,250	5,601	10,235	821,252
Additions	9,111	2,940	28,812	10,745	1,378	1,693	16,630	71,309
Transfer	-	-	891	-	-	-	(891)	-
Disposal of businesses	(479,212)	(10,433)	(282,671)	(50,051)	(9,325)	(7,294)	(25,974)	(864,960)
Disposals	-	-	(1,057)	(174)	-	-	-	(1,231)
At 31st March 2003	-	4,153	-	18,914	3,303	-	-	26,370
DEPRECIATION AND AMORTISATION								
At 1st April 2002	75,373	7,658	99,955	16,346	9,062	718	-	209,112
Provided for the year	6,783	911	8,044	4,800	475	449	-	21,462
Elimination on disposal of businesses	(82,156)	(7,921)	(107,151)	(15,920)	(6,942)	(1,167)	-	(221,257)
Eliminated on disposals	-	-	(848)	(75)	-	-	-	(923)
At 31st March 2003	-	648	-	5,151	2,595	-	-	8,394
NET BOOK VALUES								
At 31st March 2003	-	3,505	-	13,763	708	-	-	17,976
At 31st March 2002	394,728	3,988	154,070	42,048	2,188	4,883	10,235	612,140

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The net book value of properties as at 31st March 2002 shown above comprises:

	Leasehold land and buildings <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>
Land and buildings held under medium-term leases:		
Situated in Hong Kong	54,433	–
Situated elsewhere in the PRC	340,295	10,235
	<u>394,728</u>	<u>10,235</u>

At 31st March 2003, the net book value of property, plant and equipment of the Group included an amount of approximately HK\$8,327,000 (2002: HK\$23,829,000) in respect of assets held under finance leases.

The Company did not have any property, plant and equipment as at the balance sheet date.

14. MOTION PICTURE PRODUCTION

	THE GROUP <i>HK\$'000</i>
COST	
At 1st April 2002	24,639
Addition during the year	<u>35,674</u>
At 31st March 2003	<u>60,313</u>
AMORTISATION	
At 1st April 2002	213
Provided for the year	<u>7,653</u>
At 31st March 2003	<u>7,866</u>
NET BOOK VALUE	
At 31st March 2003	<u>52,447</u>
At 31st March 2002	<u>24,426</u>

The amortisation period adopted for motion picture production is 3 years.

15. GOODWILL

	THE GROUP <i>HK\$'000</i>
COST	
At 1st April 2002	3,205
Addition during the year	<u>1,331</u>
At 31st March 2003	<u>4,536</u>
AMORTISATION	
At 1st April 2002	437
Provided for the year	<u>392</u>
At 31st March 2003	<u>829</u>
NET BOOK VALUE	
At 31st March 2003	<u>3,707</u>
At 31st March 2002	<u>2,768</u>

The amortisation period adopted for goodwill is 10 years.

16. INTERESTS IN SUBSIDIARIES

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Unlisted shares, at cost	85,000	678,430
Amounts due from subsidiaries	<u>35,151</u>	<u>353,190</u>
	<u>120,151</u>	<u>1,031,620</u>

Details of the Company's subsidiaries at 31st March 2003 are set out in note 35.

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors, the amounts are unlikely to be repaid within one year of the balance sheet date and are therefore classified as non-current assets.

17. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	89,935	-
Less: Unrealised gain on disposal of businesses	(57,220)	-
	<u>32,715</u>	<u>-</u>

Particulars of the Group's principal associate at 31st March 2003 are as follows:

Name of associate	Form of business structure	Place of incorporation/ operations	Class of share held	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activity
				Directly %	Indirectly %	
BIHL	Incorporated	British Virgin Islands/ Hong Kong	Ordinary	-	22.5	Manufacturing and trading of artificial Christmas trees and leisure furniture

The following details are extracted from the audited financial statements of the Group's principal associate, BIHL, and its subsidiaries (hereinafter collectively referred to as the "BIHL Group").

The amount due from an associate is unsecured, interest-free and repayable on demand.

17. INTEREST IN AN ASSOCIATE *(Continued)*

Audited consolidated results of BIHL Group for the period from 28th January 2002 (date of incorporation) to 31st March 2003 are as follows:

	<i>HK\$'000</i>
Turnover	624,459
Profit from ordinary activities before taxation	13,127
Profit from ordinary activities before taxation attributable to the Group	3,342

Consolidated financial position of BIHL Group at 31st March 2003 are as follows:

	2003 <i>HK\$'000</i>
Non-current assets	1,000,641
Current assets	523,571
Current liabilities	(416,709)
Non-current liabilities	(707,793)
Net assets	399,710
Net assets attributable to the Group	89,935

At 31st March 2003, BIHL Group had contingent liabilities in respect of bills discounted with recourse amounting to approximately HK\$68,173,000. Also, all of BIHL's investment in its subsidiaries and their respective assets were pledged to the bank for banking facilities granted to BIHL's subsidiaries.

18. INVESTMENTS IN SECURITIES – THE GROUP

	HELD-TO-MATURITY DEBT SECURITY		INVESTMENT SECURITIES		TOTAL	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost (note a)	-	-	-	10	-	10
Club debentures, at cost	-	-	1,201	1,201	1,201	1,201
Zero coupon note (note b)	18,047	-	-	-	18,047	-
	18,047	-	1,201	1,211	19,248	1,211

Notes:

- (a) The amount represents the Group's unlisted investment in 10% of the issued share capital of Bo Cheong Manufacturing Company Limited, a company incorporated in Hong Kong which manufactures Christmas tree accessories. The investment was sold in the current year.
- (b) During the year, the Group entered into a subscription agreement and a call option agreement with certain independent third parties to subscribe for a 5-year zero coupon note with a face value of Japanese Yen 418,732,600 (the "Note") at a consideration of Japanese Yen 260,000,000 (equivalent to approximately HK\$16,746,000). The discount on acquisition of the Note would be amortised over 5 years at the discount rate of the note. The discount amortised during the year was approximately HK\$1,301,000.

The Group has been granted the right to purchase all the common shares of the issuer of the Note, which was incorporated in Japan and engaged in the production of computer graphics animation pictures, under a call option agreement in consideration of the payment by the Group to the shareholders of the issuer of the Note the sum of Japanese Yen 30,000,000, at any time on or before 14th June 2007.

19. INVENTORIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Raw materials	-	109,714
Work in progress	-	108,586
Finished goods	-	26,258
	-	244,558

The cost of inventories recognised as an expense during the year was approximately HK\$306,756,000 (2002: HK\$709,210,000).

20. TRADE AND OTHER RECEIVABLES

The Group allows its trade customers a credit period normally ranging from 30 days to 90 days, subject to the terms specified in the contract.

The aged analysis of trade receivables as at balance sheet date is stated as follows:

	THE GROUP	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
0 to 30 days	–	30,089
31 to 60 days	305	12,289
61 to 90 days	1,591	1,411
Over 90 days	181	1,220
	<hr/>	<hr/>
Total trade receivables	2,077	45,009
Other receivables	3,323	34,466
	<hr/>	<hr/>
	5,400	79,475

21. TRADE AND OTHER PAYABLES

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

	THE GROUP	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
0 to 30 days	–	37,595
31 to 60 days	–	10,692
61 to 90 days	–	159
Over 90 days	–	360
	<hr/>	<hr/>
Total trade payables	–	48,806
Other payables	4,769	62,024
	<hr/>	<hr/>
	4,769	110,830

22. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum		Present value	
	lease payments		of minimum	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under finance leases:				
Within one year	2,645	10,697	2,605	10,338
More than one year, but not exceeding two years	649	7,253	647	7,175
	<u>3,294</u>	<u>17,950</u>	<u>3,252</u>	<u>17,513</u>
Less: future finance charges	(42)	(437)	N/A	N/A
Present value of lease obligations	<u>3,252</u>	<u>17,513</u>	<u>3,252</u>	<u>17,513</u>
Less: Amount due within one year and shown under current liabilities			(2,605)	(10,338)
Amount due after one year			<u>647</u>	<u>7,175</u>

It is the Group's policy to lease certain of its property, plant and equipment under finance leases. The average lease term is two years. For the year ended 31st March 2003, the average effective borrowing rate was 2.80%. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

23. BANK BORROWINGS

	THE GROUP	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Bank borrowings are unsecured and comprise of:		
Trust receipt loans	-	23,758
Bank loans	39,000	91,580
Bank overdraft	38	-
	<u>39,038</u>	<u>115,338</u>
The bank borrowings are repayable as follows:		
On demand or within one year	39,038	65,838
More than one year, but not exceeding two years	-	38,580
More than two year, but not exceeding five years	-	10,920
	<u>39,038</u>	<u>115,338</u>
Less: Amount due within one year and shown under current liabilities	<u>(39,038)</u>	<u>(65,838)</u>
Amount due after one year	<u>-</u>	<u>49,500</u>

24. DEFERRED TAXATION

	2003 HK\$'000	2002 HK\$'000
Balance at beginning of the year	518	518
Credit for the year (note 10)	(518)	-
	<hr/>	<hr/>
Balance at end of the year	<u>-</u>	<u>518</u>

At the balance sheet date, the major components of the deferred taxation liabilities (assets), provided and unprovided, are as follows:

	Provided		Unprovided	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
THE GROUP				
Tax effect of timing difference because of:				
Excess of tax allowances over depreciation	-	518	4,679	4,089
Unutilised taxation losses	-	-	(5,359)	(7,009)
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>-</u>	<u>518</u>	<u>(680)</u>	<u>(2,920)</u>

The amount of the unprovided deferred tax for the year is as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Tax effect of timing differences because of:		
Excess of tax allowance over depreciation	590	889
Tax losses utilised (arising)	1,650	(1,535)
	<hr/>	<hr/>
	<u>2,240</u>	<u>(646)</u>

The Company had no significant unprovided deferred taxation for the year or at the balance sheet date.

25. SHARE CAPITAL

	Number of shares	Values HK\$'000
Authorised:		
Ordinary shares of HK\$0.02 each at 1st April 2001 and 1st April 2002	5,000,000,000	100,000
Share consolidation (<i>note a</i>)	<u>(4,800,000,000)</u>	<u>–</u>
Ordinary shares of HK\$0.50 each at 31st March 2003	<u>200,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1st April 2001	3,385,825,000	67,717
Exercise of share options	<u>54,100,000</u>	<u>1,082</u>
At 1st April 2002	3,439,925,000	68,799
Exercise of share options (<i>note b</i>)	<u>1,000,000</u>	<u>20</u>
Share consolidation (<i>note a</i>)	<u>(3,303,288,000)</u>	<u>–</u>
At 31st March 2003	<u>137,637,000</u>	<u>68,819</u>

The movements in the ordinary share capital for the year ended 31st March 2003 were as follows:

- (a) Pursuant to an ordinary resolution passed at the special general meeting held on 11th November 2002, the Company's issued and unissued shares of HK\$0.02 each were consolidated on 21st November 2002 on the basis that every twenty-five issued ordinary shares with par value of HK\$0.02 each were consolidated into one issued ordinary shares with par value of HK\$0.50 each ("Consolidated Share") and every twenty-five unissued ordinary shares of par value of HK\$0.02 each were consolidated into one unissued Consolidated Share (collectively the "Share Consolidation").

All the consolidated shares resulting from the Share Consolidation rank pari passu with the then existing shares in all respects.

- (b) During the year, the Company issued and allotted 1,000,000 shares of HK\$0.02 each in the Company for cash at HK\$0.18944 per share as a result of the exercise of share options. The shares issued rank pari passu with the then existing shares in all respects.

26. RESERVES

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Dividend reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY					
Balance at 1st April 2001	269,173	153,329	61,314	10,080	493,896
Exercise of share options	7,187	-	-	-	7,187
Net profit for the year	-	-	-	412,120	412,120
Dividends paid	-	-	(85,372)	-	(85,372)
Dividends declared (<i>note 11</i>)	-	-	24,058	(24,058)	-
Balance at 1st April 2002	276,360	153,329	-	398,142	827,831
Exercise of share options	170	-	-	-	170
Net profit for the year	-	-	-	201,291	201,291
Transfer from share premium and contributed surplus	(276,360)	(153,329)	-	429,689	-
Special cash dividend paid (<i>note 11</i>)	-	-	-	(894,641)	(894,641)
Balance at 31st March 2003	170	-	-	134,481	134,651

The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition at the time of a previous corporate reorganisation.

Under the Companies Act 1981 of Bermuda, the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

On 19th August 2002, a resolution has been passed in the special general meeting that an amount of approximately HK\$276,360,000 standing to the credit of the share premium account of the Company as at 30th August 2002 be cancelled and the credit arising be transferred to the contributed surplus account of the Company. Upon the transfer from the share premium account, the total amount of contributed surplus amounting to approximately HK\$429,689,000 was transferred to retained profits and utilised for the purpose of payment of the special cash dividend (*note 11*).

26. RESERVES *(Continued)*

In the opinion of the Company's directors, the Company's reserves available for distribution to shareholders at 31st March 2003 comprised of:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Contributed surplus	–	153,329
Retained profits	134,481	398,142
	<u>134,481</u>	<u>551,471</u>

27. SHARE OPTION SCHEME

(a) 1997 Scheme

In accordance with the Company's share option scheme (the "1997 Scheme"), which was adopted pursuant to a resolution passed on 12th February 1997 for the purpose of recognising the contribution of the senior management and full-time employees of the Group and will expire on 11th February 2007, the directors of the Company may at their discretion grant options to any executive director or full time employee of the Company or any of its subsidiaries to subscribe for shares in the Company at a price not less than the higher of the nominal value of the Company's shares and 80% of the average of the closing prices of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of the grant of the options, subject to a maximum of 10% of the issued share capital of the Company from time to time, excluding any shares issued pursuant to the 1997 Scheme.

Options granted must be taken up within 28 days of date of grant upon payment of HK\$10 per each grant of options. Options may be exercised at any time in the two years commencing on the expiry of 6 months after the date of acceptance of such option.

On 23rd August 2001, the Stock Exchange has announced amendments to Chapter 17 of Listing Rules in respect of share option schemes, which has come into effect on 1st September 2001. To comply with the amendments to the Listing Rules and the announcement of the Stock Exchange, the directors considered that it is in the interest of the Company to terminate the 1997 Scheme of the Company and to adopt a new share option Scheme.

Pursuant to an ordinary resolution of the Company passed on 16th August 2002 at the annual general meeting, the operation of the 1997 Scheme was terminated and that no further options will be granted under the 1997 Scheme but in all other respects the provisions of the 1997 Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior to such termination.

27. SHARE OPTION SCHEME *(Continued)***(b) 2002 Scheme**

On 16th August 2002, the Company adopted a new share option scheme (the "2002 Scheme") for the primary purpose of providing incentives to employees, executives or officers, directors of the Company or any of its subsidiaries and any business consultants, agents, legal or financial advisers of the Company or any of its subsidiaries (the "Participants") for their contribution to the Group. The 2002 Scheme will be ending on 15th August 2012. Under the 2002 Scheme, the directors may grant options to the Participants to subscribe for shares in the Company for a consideration of HK\$10 for each lot of share options granted. Options granted must be taken up within 28 days of the date of grant. The exercise price is determined by the directors and shall not be less than the highest of

- (a) the official closing price of the shares as stated in the daily quotation sheet of the Stock Exchange on the date of the grant which must be a business day;
- (b) the average of the official closing price of the shares as stated in the daily quotation sheet of the Stock Exchange for the 5 business days immediately preceding the offer date; and
- (c) the nominal value of a share.

Pursuant to the 2002 Scheme, the maximum number of shares in the Company in respect of which options may be granted when aggregated with any other share option scheme of the Company is not permitted to exceed 13,763,700 shares, representing approximately 10% of the issued share capital of the Company as at 31st March 2003. Subject to the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the directors may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meetings. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Scheme and any other share option schemes of the Company at any time shall not exceed 30 per cent of the shares in issue from time to time.

At 31st March 2003, the number of shares in respect of which options had been granted and remained outstanding under the 2002 Scheme was 2,220,000, representing 1.61% of the total number of shares of the Company in issue at that date.

No option may be granted to any person if the total number of shares of the Company already issued and issuable to him under all the options granted to him in any 12-month period up to and including the date of grant exceeding 1% of total number of shares in issue at the date of grant. Any further grant of option in excess of this 1 per cent limit shall be subject to the approval of the shareholders in general meetings, such Participant and his associates (as defined in the Listing Rules) abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

27. SHARE OPTION SCHEME *(Continued)*

(b) **2002 Scheme** *(Continued)*

There is no specific requirement that an option must be held for any minimum period before it can be exercised but the directors is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The period during which an option may be exercised will be determined by the directors at its absolute discretion, save that no option may be exercised more than 10 years from the date of grant.

The following table discloses details of the Company's share option held by employees and movements in such holding during the year:

For the year ended 31st March 2003

Date of grant	Exercisable period	Exercise price per share* HK\$	Number of share options held			
			At 1.4.2002	Granted during the year	Exercised during the year	At 31.3.2003
1997 Scheme						
14th May 2001	15th November 2001 to 14th November 2003	0.18944	1,000,000	-	(1,000,000)	-
2002 Scheme						
11th February 2003	11th February 2003 to 10th February 2006	1.06	-	2,060,000	-	2,060,000
11th February 2003	11th February 2003 to 10th February 2008	1.06	-	160,000	-	160,000
			1,000,000	2,220,000	(1,000,000)	2,220,000

There was no outstanding share options held by directors as at 31st March 2003. No share options was granted to any directors nor did any directors have exercised any options during the year under the 1997 Scheme and 2002 Scheme.

The closing price of the Company's shares immediately before 11th February 2003, the date of grant of the 2002 scheme options, was HK\$1.05.

The closing price of the Company's share immediately before 2nd August 2002, on which the 1997 scheme options were exercised during the year, was HK\$0.30, before the date of consolidation of the Company's shares.

27. SHARE OPTION SCHEME *(Continued)*

For the year ended 31st March 2002

Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding at 1.4.2001	Number of share options held			
				Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Outstanding at 31.3.2002
24th October 1998	24th April 1999 to 23rd April 2001	0.09376	20,500,000	-	(20,500,000)	-	-
10th April 2001	11th October 2001 to 10th October 2003	0.17104	-	1,000,000	(1,000,000)	-	-
14th May 2001	15th November 2001 to 14th November 2003	0.18944	-	33,600,000	(32,600,000)	-	1,000,000
			<u>20,500,000</u>	<u>34,600,000</u>	<u>(54,100,000)</u>	<u>-</u>	<u>1,000,000</u>

Details of the share options held by the directors included in the above table were as follows:

Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding at 1.4.2001	Number of share options held			
				Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Outstanding at 31.3.2002
24th October 1998	24th April 1999 to 23rd April 2001	0.09376	18,000,000	-	(18,000,000)	-	-
14th May 2001	15th November 2001 to 14th November 2003	0.18944	-	14,500,000	(14,500,000)	-	-
			<u>18,000,000</u>	<u>14,500,000</u>	<u>(32,500,000)</u>	<u>-</u>	<u>-</u>

The closing price of the Company's share immediately before the various exercise dates during the year ranged from HK\$0.235 to HK\$0.339.

No charge was recognized in the income statement in respect of the value of options granted during the years ended 31st March 2003 and 2002.

Total consideration received during the year from employees for taking up the options granted is amounted to HK\$1,110 (2002: HK\$230).

28. DISPOSAL OF BUSINESSES

	2003 HK\$'000	2002 HK\$'000
NET ASSETS DISPOSED:		
Property, plant and equipment	643,703	-
Investments in securities	521	-
Inventories	332,388	-
Trade and other receivables	244,962	-
Bank balance and cash	27,844	-
Trade and other payables	(148,207)	-
Taxation payable	(9,427)	-
Bank borrowings	(288,249)	-
	<hr/>	<hr/>
	803,535	-
Realised gain on disposal of businesses	176,881	-
Unrealised gain on disposal of businesses included in interest in associate	63,578	-
	<hr/>	<hr/>
	1,043,994	-
Analysis of net inflow of cash and cash equivalents in connection with the disposal of businesses		
Cash consideration received	1,077,500	-
Cash refunded to an associate (<i>note</i>)	(33,506)	-
Bank balance and cash disposed	(27,844)	-
	<hr/>	<hr/>
Net inflow of cash and cash equivalents in connection with the disposal of businesses	1,016,150	-

Note: Cash refunded to an associate was resulted from a post completion price adjustment of approximately HK\$33,506,000 in accordance with the Disposal agreement as mentioned in note 8.

The businesses disposed of during the year contributed approximately HK\$476,320,000 (2002: HK\$1,071,352,000) to the Group's turnover and profit of approximately HK\$117,137,000 (2002: HK\$231,537,000) to the Group's profit from operations.

29. MAJOR NON-CASH TRANSACTIONS

During the year ended 31st March 2003, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of approximately HK\$3,800,000 (2002: HK\$20,766,000).

30. CAPITAL COMMITMENTS

At the balance sheet date, the Group had the following commitments for capital expenditure in respect of motion picture production:

	THE GROUP	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Authorised but not contracted for	52,790	15,575
Contracted for but not provided in the financial statements	11,495	4,941
	<hr/>	<hr/>
	64,285	20,516
	<hr/>	<hr/>

The Company had no capital commitments at the balance sheet date.

31. OPERATING LEASE COMMITMENTS

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

	THE GROUP	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Within one year	1,553	2,909
In the second to fifth year inclusive	886	3,723
Over five years	–	3,815
	<hr/>	<hr/>
	2,439	10,447
	<hr/>	<hr/>

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

The Company had no operating lease commitments at the balance sheet date.

32. CONTINGENT LIABILITIES**THE GROUP**

At 31st March 2003, the Group had no significant contingent liabilities. At 31st March 2002, the Group had contingent liabilities in respect of bills discounted with recourse amounting to approximately HK\$14,212,000.

Pursuant to the terms of the Disposal and other related agreements as mentioned in Note 8 of this report, the Group has provided warranties and tax indemnities in favour of the purchasers of the disposed businesses for valid claims received by the Group within 15 months (36 months for claims relating to PRC tax and certain PRC property liabilities) following the Disposal on 23rd August 2002, subject to a total claim amount of HK\$170,000,000.

THE COMPANY

The Company has given guarantees to banks in respect of general banking facilities granted to its subsidiaries. The amount of such facilities utilised by the subsidiaries at 31st March 2003 was approximately HK\$42,251,845 (2002: HK\$132,851,000).

33. RETIREMENT BENEFITS SCHEME

The Group participates in a Mandatory Provident Fund ("MPF") Scheme established under the Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. The scheme is a defined contribution scheme effective from December 2000 and is funded by contributions from employer and employees according to the rules of the MPF Scheme. The assets of the scheme are held separately from those of the Group, in funds under the control of independent trustee. During the year under review, the total amount contributed by the Group to the scheme and charged to the income statement was approximately HK\$917,000 (2002: HK\$1,547,000) and no contributions were forfeited.

34. RELATED PARTY DISCLOSURES

During the year, other than disposal of businesses to an associate as detailed in note 8, the Group entered into the following transactions with related parties:

Name of related parties	Notes	Nature of transactions	2003 HK\$'000	2002 HK\$'000
Boko Glass Art Company Limited	(i)	Rental expense paid by the Group	960	903
Glory Dragon (Hong Kong) Limited	(i)	Rental expense paid by the Group	531	1,613
Kayin Insurance Consultants Company	(ii)	Gross insurance premium paid by the Group	343	595
BIHL	(iii)	Management consultancy income received by the Group	8,006	-
Otiari Designs LLC	(iv)	Sales by the Group	-	1,847

34. RELATED PARTY DISCLOSURES *(Continued)**Notes:*

- (i) Mr. Kao Cheung Chong, Michael, a director of the Company, has indirect beneficial interests in these companies. These transactions were carried out at market prices.
- (ii) Mr. Lam Pak Kin, Philip, a director of the Company, and his wife have direct and indirect beneficial interests, respectively, in this company. This transaction was carried out at terms mutually agreed with the relevant parties.
- (iii) BIHL is an associate of the Group. This transaction was carried out in accordance with the terms of the relevant consultancy services agreement.
- (iv) Otiari Designs LLC was an associate of the Group and was disposed of as part of the disposal of businesses as detailed in note 8.

35. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31st March 2003 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital held by the Company <i>(Note (i))</i>	Principal activities
Freyner Limited (Formerly known as Freyner Manufacturing Limited)	British Virgin Islands	US\$1,000	100%	Provision of management consultancy
Imagi Animation Studios Limited	Hong Kong	HK\$2	100%	Investment holding
Imagi Intellectual Properties Limited	Labuan	US\$100	100%	Holding and licensing of intellectual property right in respect of motion pictures
Imagi International Japan Company Limited	Japan	JPY30,000,000	82.5%	Provision of marketing services on project licensing and acting as a full-service project management house in respect of motion pictures

35. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital held by the Company (Note (i))	Principal activities
Imagi IP Holdings Pte. Limited	Labuan	US\$100	100%	Holding and licensing of intellectual property right in respect of motion pictures
Imagi (IP) Licensing B.V.	Netherlands	EUR18,000	100%	Sub-licensing of intellectual property right in respect of motion pictures
Imagi Production Limited	Hong Kong	HK\$28,572	100%	Production of computer graphics animation pictures
Imagi (Zentrix) Licensing B.V.	Netherlands	EUR18,000	100%	Sub-licensing of intellectual property right in respect of motion pictures
Imagi Services Limited	Hong Kong	HK\$2	100%	Provision of administrative services
Neo-Mad House Intellectual Properties Limited	Labuan	US\$1	100%	Inactive
Neo-Mad House Intellectual Properties Licensing B.V.	Netherlands	EUR18,000	100%	Inactive
Neo-Mad House (X.S.I.) Limited	Labuan	US\$1	100%	Holding and licensing of intellectual property right in respect of motion pictures
Topway Asset Limited	British Virgins Islands	US\$4	100%	Investment holding

35. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital held by the Company <i>(Note (i))</i>	Principal activities
Treasure Path Company Limited (Formerly known as Boto Company Limited)	Hong Kong	Ordinary shares HK\$100 Non-voting 5% deferred shares HK\$1,000,000 <i>(Note (ii))</i>	100%	Inactive

Notes:

- (i) The Company directly holds the interests in Topway Asset Limited. All other interests shown above are indirectly held by the Company.
- (ii) The non-voting 5% deferred shares, which are not held by the Group, practically carry no rights to dividend or to receive notice of or to attend or vote at any general meeting of the respective subsidiaries or to participate in any distribution on winding up.

None of the subsidiaries had issued any debt securities at the end of the year.