



Notes to the Financial Statements

For the year ended 31st March, 2003

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 50.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group 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 the following new and revised accounting policies. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity but has had no material effect on the results for the current year or prior years. Accordingly, no prior period adjustment is required.

Foreign currencies

The revisions to SSAP 11 "Foreign Currency Translation" have eliminated the choice of translating the income statements of overseas subsidiaries, associates and jointly controlled entities at the closing rate for the year, the policy previously followed by the Group. They 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 periods.

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 statement amounts relating to the discontinuing operations 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 geographical segment of Australia as discontinued operation in the current year, details of which are disclosed in note 20.

Employee benefits

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

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, which were previously presented under a separate heading, are classified as operating or financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. Cash flows of overseas operations and subsidiaries have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date. The adoption of this revised SSAP has resulted in the change of format of presentation and no material effect on the results for the current or prior year.



Notes to the Financial Statements

For the year ended 31st March, 2003

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

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, associates and jointly controlled entities, 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.

Goodwill

Goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised on a straight line basis over its useful economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a separate intangible asset.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

Negative goodwill

Negative goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary, associate or jointly controlled entity.

Negative goodwill arising on acquisitions after 1st April, 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on the acquisition of an associate or a jointly controlled entity is deducted from the carrying value of that associate or jointly controlled entity. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

Investments in subsidiaries

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



Notes to the Financial Statements

For the year ended 31st March, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates less any negative goodwill arising on acquisition in so far as it has not already been released to income and any identified impairment loss.

Joint ventures

Jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the relevant jointly controlled entities less any identified impairment loss. The Group's share of post-acquisition results of jointly controlled entities is included in the consolidated income statement.

Other joint venture arrangements

Investments made by means of joint venture structures which do not result in the Group having joint control with the other venturers are accounted for as subsidiaries (where the Group controls the board of directors or equivalent governing body), associates (where the Group is in a position to exercise significant influence) or dealt with as investments in securities (where the Group exercises neither control nor significant influence).

Revenue recognition

Revenue from movies and television dramas produced for third parties is recognised as income when the relevant production is completed and released.

Income from movies, television dramas and documentary distribution is recognised when the movies, television dramas and documentary production is completed, released and the amount can be measured reliably.

Revenue from the operations of the entertainment complex, including theme restaurants, is recognised when the services are rendered to customers.

Non-refundable fixed franchise income is recognised when the right to use the Group's trademark has been assigned to the franchisee. Other franchise income is recognised on an accrual basis in accordance with the terms of the relevant franchising agreement and when the Group's entitlement to payments has been established.

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

Services income is recognised when the services are rendered.

Rental income, including rental invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the period of the respective leases.

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

Sales of investments in securities are recognised when the sales contract becomes unconditional.

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.



Notes to the Financial Statements

For the year ended 31st March, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property disposed of is transferred to the income statement.

No depreciation and amortisation is provided on investment properties except where the unexpired term, including the renewal period, of the relevant lease is twenty years or less.

Property, plant and equipment

Construction in progress

Construction in progress is stated at cost, which includes the related construction cost less accumulated impairment losses. No depreciation or amortisation is provided on construction in progress until the construction is completed and the properties are ready for use.

Other property, plant and equipment

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

Depreciation is provided to write off the cost of the assets over their estimated useful lives and after taking into account their estimated residual values, using the straight line method, at the following rates per annum:

Leasehold land	Over the term of the lease
Buildings	2% or the term of the lease, if shorter
Leasehold improvements	20% or the term of the lease, if shorter
Furniture and equipment	20% to 33 ¹ / ₃ %
Motor vehicles	20%
Operating equipment	20%

The gain or loss arising from 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.



Notes to the Financial Statements

For the year ended 31st March, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is 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 amount, but 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.

Properties held for resale

Properties held for resale are stated at the lower of cost and net realisable value.

Investments in securities

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

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) 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.

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

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 impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Work in progress represents movie, television drama and documentary production still in progress and is stated at production costs incurred to date, less foreseeable losses and applicable royalty income and progress payments received and receivable.

Production costs are carried forward as work in progress and are transferred to film stocks upon completion and released. Film stocks are amortised over the period of the expected total income being generated from film distribution. Fully amortised film stocks are carried forward at HK\$100 each.



Notes to the Financial Statements

For the year ended 31st March, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible asset is stated at cost less amortisation and any identified impairment loss. The cost of the intangible asset is amortised over the estimated economical life of the intangible asset on a straight line basis.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are dealt with in net profit or loss for the year.

On consolidation, the assets and liabilities of the subsidiaries, associates and jointly controlled entities which are denominated in currencies other than Hong Kong dollars are translated at the rates ruling on 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 operations 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.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the period of the respective leases.

Retirement Benefit Scheme

Payment to defined contribution retirement benefit plan are charged as an expenses as they fall due.

The amount of contributions payable to pension schemes in jurisdictions other than Hong Kong are charged to the income statement.



Notes to the Financial Statements

For the year ended 31st March, 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into seven major operating divisions. These divisions are the basis on which the Group reports its primary segment information.

An analysis of the Group's turnover and operating results and segment assets and liabilities by business segments is as follows:

	Movies, television dramas and documentary production, distribution and licensing income HK\$'000	Investment in marketable securities HK\$'000	Theme restaurant income HK\$'000	Interest income from provision of finance HK\$'000	Property income HK\$'000	Entertain- ment complexes and theme restaurant franchising income HK\$'000	Music production HK\$'000	Others HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
For the year ended 31st March, 2003										
TURNOVER										
External	12,426	15,676	60,372	676	28,553	8,670	6,981	6,559	-	139,913
Inter-segment*	-	-	-	16,027	-	984	407	1,520	(18,938)	-
Total revenue	<u>12,426</u>	<u>15,676</u>	<u>60,372</u>	<u>16,703</u>	<u>28,553</u>	<u>9,654</u>	<u>7,388</u>	<u>8,079</u>	<u>(18,938)</u>	<u>139,913</u>
RESULT										
Segment result	<u>1,713</u>	<u>836</u>	<u>(12,106)</u>	<u>17,041</u>	<u>4,724</u>	<u>1,932</u>	<u>(13,456)</u>	<u>(3,236)</u>	<u>(16,027)</u>	<u>(18,579)</u>
Interest income, other than loans receivable										2,251
Unallocated corporate expenses										(19,029)
Loss from operations										(35,357)
Finance costs										(9,545)
Impairment losses recognised in respect of investments in securities										(26,824)
Gain on deconsolidation and disposal of interest in subsidiaries										17,107
Loss on dilution and disposal of interest in an associate										(9,231)
Allowance for amounts due from associates										(13,760)
Allowance for amounts due from jointly controlled entities										(1,144)
Share of results of jointly controlled entities										(17,380)
Share of results of associates										(33,020)
Loss before taxation										(129,154)
Taxation										(1,356)
Loss before minority interests										(130,510)
Minority interests										101
Net loss for the year										<u>(130,409)</u>

* Inter-segment sales are charged at terms determined and agreed between group companies.



Notes to the Financial Statements

For the year ended 31st March, 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

	Movies, television dramas and documentary production, distribution and licensing income HK\$'000	Investment in marketable securities HK\$'000	Theme restaurant income HK\$'000	Interest income from provision of finance HK\$'000	Property income HK\$'000	Entertain- ment complexes and theme restaurant franchising income HK\$'000	Music production HK\$'000	Others HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
At 31st March, 2003										
ASSETS										
Segment assets	3,252	30,434	45,155	35,868	91,549	1,960	2,737	45,392	-	256,347
Interests in associates										35,148
Interests in jointly controlled entities										39,564
Unallocated corporate assets										46,032
Consolidated total assets										<u>377,091</u>
LIABILITIES										
Segment liabilities	11,109	71	53,620	2,216	27,502	11,880	5,921	8,613	-	120,932
Unallocated corporate liabilities										197,919
Consolidated total liabilities										<u>318,851</u>
OTHER INFORMATION										
For the year ended 31st March, 2003										
Capital additions	270	-	1,410	-	-	199	73	1,261	-	3,213
Depreciation and amortisation	132	-	11,432	-	238	679	67	2,893	-	15,441
Impairment losses recognised	-	26,824	-	-	1,403	-	-	-	-	28,227
Other non-cash expenses	-	52	-	-	2,100	-	-	15,786	-	17,938



Notes to the Financial Statements

For the year ended 31st March, 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

	Movies, television dramas and documentary production, distribution and licensing income HK\$'000	Investment in marketable securities HK\$'000	Theme restaurant income HK\$'000	Interest income from provision of finance HK\$'000	Property income HK\$'000	Entertain- ment complexes and theme restaurant franchising income HK\$'000	Music production HK\$'000	Others HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
For the year ended 31st March, 2002										
TURNOVER										
External	28,179	19,860	82,473	7,609	4,612	6,599	7,244	23,221	-	179,797
Inter-segment*	-	-	-	17,625	-	3,443	-	821	(21,889)	-
Total revenue	<u>28,179</u>	<u>19,860</u>	<u>82,473</u>	<u>25,234</u>	<u>4,612</u>	<u>10,042</u>	<u>7,244</u>	<u>24,042</u>	<u>(21,889)</u>	<u>179,797</u>
RESULT										
Segment result	<u>(29,234)</u>	<u>3,726</u>	<u>(108,135)</u>	<u>5,379</u>	<u>(26,755)</u>	<u>(5,814)</u>	<u>(14,542)</u>	<u>(12,684)</u>	<u>(17,625)</u>	(205,684)
Interest income, other than loans receivable										3,975
Unallocated corporate expenses										<u>(62,834)</u>
Loss from operations										(264,543)
Finance costs										(12,972)
Impairment losses recognised in respect of investments in securities										(114,956)
Gain on deconsolidation and disposal of interest in subsidiaries										5,296
Allowance for amounts due from associates										<u>(39,332)</u>
Recovery of amounts due from jointly controlled entities										6,970
Share of results of jointly controlled entities										<u>(37,475)</u>
Share of results of associates										<u>(22,724)</u>
Loss before taxation										(479,736)
Taxation										<u>17,726</u>
Loss before minority interests										(462,010)
Minority interests										<u>320</u>
Net loss for the year										<u>(461,690)</u>

* Inter-segment sales are charged at terms determined and agreed between group companies.



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For the year ended 31st March, 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

	Movies, television dramas and documentary production, distribution and licensing income HK\$'000	Investment in marketable securities HK\$'000	Theme restaurant income HK\$'000	Interest income from provision of finance HK\$'000	Property income HK\$'000	Entertain- ment complexes and theme restaurant franchising income HK\$'000	Music production HK\$'000	Others HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
At 31st March, 2002										
ASSETS										
Segment assets	8,095	4,534	62,339	15,547	199,150	4,257	4,155	46,987	-	345,064
Interests in associates										100,149
Interests in jointly controlled entities										61,218
Unallocated corporate assets										89,807
Consolidated total assets										<u>596,238</u>
LIABILITIES										
Segment liabilities	16,718	18	92,268	5,115	24,162	8,898	8,154	4,618	-	159,951
Unallocated corporate liabilities										294,553
Consolidated total liabilities										<u>454,504</u>
OTHER INFORMATION										
For the year ended 31st March, 2002										
Capital additions	4	-	44,224	-	5,704	858	-	1,487	-	52,277
Depreciation and amortisation	246	-	6,657	-	2,938	619	-	2,236	-	12,696
Impairment losses recognised	-	114,956	20,067	-	8,292	1,119	-	46,765	-	191,199
Other non-cash expenses	-	514	26,890	25,865	15,110	-	-	39,332	-	107,711



Notes to the Financial Statements

For the year ended 31st March, 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments

The Group's operations are mainly located in Hong Kong, Singapore, Australia, the People's Republic of China, other than Hong Kong (the "PRC") and Japan.

The following provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods/services:

	Turnover	
	2003 HK\$'000	2002 HK\$'000
Hong Kong	61,574	100,525
Singapore	8,041	22,525
Australia (note)	-	21,814
The PRC	27,468	16,349
Japan	38,995	14,306
Others	3,835	4,278
	<u>139,913</u>	<u>179,797</u>

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	222,732	466,428	1,733	7,893
Singapore	1,579	6,389	-	1,031
Australia (note)	-	255	-	-
The PRC	116,358	79,514	1,185	7,550
Japan	34,609	40,118	225	35,803
Others	1,813	3,534	70	-
	<u>377,091</u>	<u>596,238</u>	<u>3,213</u>	<u>52,277</u>

Note: Following the deconsolidation of PH (Melbourne) Pty Ltd in April, 2002, the geographical segment of Australia of the Group was regarded as discontinuing operation thereafter. Details of these are set out in note 20.



Notes to the Financial Statements

For the year ended 31st March, 2003

5. LOSS ATTRIBUTABLE TO PROPERTY, PLANT AND EQUIPMENT/PROPERTIES HELD FOR DEVELOPMENT

	2003 HK\$'000	2002 HK\$'000
Loss attributable to property, plant and equipment:		
Impairment loss recognised	-	52,605
Loss on disposals	268	1,858
	<u>268</u>	<u>1,858</u>
	<u><u>268</u></u>	<u><u>54,463</u></u>
Loss attributable to properties held for development:		
Impairment loss recognised	-	8,292
Loss on disposals	-	552
	<u>-</u>	<u>8,844</u>
	<u><u>-</u></u>	<u><u>8,844</u></u>

6. RECOVERY OF (ALLOWANCES FOR) LOANS AND RECEIVABLES

	2003 HK\$'000	2002 HK\$'000
Recovery of (allowance for) loans and interest receivables	323	(21,513)
Allowance for amount due from a related company	-	(4,352)
	<u>323</u>	<u>(25,865)</u>
	<u><u>323</u></u>	<u><u>(25,865)</u></u>



Notes to the Financial Statements

For the year ended 31st March, 2003

7. LOSS FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000
Loss from operations has been arrived at after charging:		
Staff costs		
– directors' remuneration (note 8)	2,622	1,551
– other staff costs	42,870	70,216
– severance payments	–	139
– retirement benefit scheme contributions, excluding directors	490	2,559
	<u>45,982</u>	<u>74,465</u>
Auditors' remuneration		
– current year	1,307	2,412
– overprovision in prior years	(190)	(343)
Depreciation	14,173	11,755
Amortisation (included in administrative expenses) of:		
– goodwill	275	5
– intangible assets	993	941
Impairment loss recognised in respect of intangible assets	–	15,346
and after crediting:		
Gain on disposal of other investments	3,179	6,931
Interest income, other than from loans receivable	2,251	3,975
Property rental income, net of outgoings of HK\$508,000 (2002: HK\$857,000)	<u>3,249</u>	<u>3,755</u>

8. DIRECTORS' REMUNERATION

	2003 HK\$'000	2002 HK\$'000
Directors' fees:		
Executive	–	–
Non-executive	–	–
Independent non-executive	240	240
	<u>240</u>	<u>240</u>
Other emoluments:		
Executive		
Salaries and other benefits	2,370	1,302
Retirement benefit scheme contributions	12	9
	<u>2,382</u>	<u>1,311</u>
Total directors' emoluments	<u>2,622</u>	<u>1,551</u>



Notes to the Financial Statements

For the year ended 31st March, 2003

8. DIRECTORS' REMUNERATION (continued)

The emoluments of the directors were within the following bands:

	Number of directors	
	2003	2002
Nil to HK\$1,000,000	14	15
HK\$2,000,001 to HK\$2,500,000	1	-
	<u>15</u>	<u>15</u>

During the year, no emoluments were paid by the Group to any director as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the year, no director waived any emoluments.

9. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included one director (2002: one director) of the Company, whose emoluments are included in note 8 above. The aggregate emoluments of the remaining highest paid individuals attributable to the Group were as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries and other benefits	3,505	5,622
Retirement benefit scheme contributions	48	44
	<u>3,553</u>	<u>5,666</u>

The emoluments of the individuals were within the following bands:

	Number of employees	
	2003	2002
Nil to HK\$1,000,000	2	1
HK\$1,000,001 to HK\$1,500,000	2	3
	<u>4</u>	<u>4</u>

10. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest on:		
Bank and other borrowings wholly repayable within five years	7,973	2,082
Bank and other borrowings not wholly repayable within five years	353	4,764
	<u>8,326</u>	<u>6,846</u>
Convertible note	1,219	6,126
	<u>9,545</u>	<u>12,972</u>



Notes to the Financial Statements

For the year ended 31st March, 2003

11. GAIN ON DECONSOLIDATION AND DISPOSAL OF INTEREST IN SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
Gain on deconsolidation of subsidiaries (<i>note 20</i>)	12,814	4,323
Gain on disposal of subsidiaries	4,293	973
	<u>17,107</u>	<u>5,296</u>

12. LOSS ON DILUTION AND DISPOSAL OF INTEREST IN AN ASSOCIATE

The loss on dilution and disposal of interest in an associate for the year ended 31st March, 2003 represented the loss on the dilution of the Group's interest in Leadership Publishing Group Limited ("Leadership Publishing", formerly known as Sing Pao Media Group Limited) after the rights issue arrangement underwent by Leadership Publishing in September 2002 and the subsequent disposal of the Group's interest in Leadership Publishing in January 2003.

The loss on dilution and disposal of interests in Leadership Publishing recognised in the financial statements is calculated as follows:

	HK\$'000
Gain on dilution and disposal of interests in Leadership Publishing after release of negative goodwill of HK\$11,248,000	6,229
Amount due from Leadership Publishing written off	(15,460)
	<u>(9,231)</u>

Details of these are set out in note 22.

13. TAXATION

	2003 HK\$'000	2002 HK\$'000
The charge (credit) comprises:		
Hong Kong Profits Tax of the Company and its subsidiaries:		
Current year	-	-
Overprovision in previous period	(50)	(17,910)
Overseas taxation of subsidiaries	1,406	176
Share of Hong Kong Profits Tax of associates	-	8
	<u>1,356</u>	<u>(17,726)</u>

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit for the year.

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

The overprovision for the year ended 31st March, 2002 mainly represented the reversal of a provision for tax demanded by the Inland Revenue Department (the "IRD") in relation to sales of properties in a previous period. During the year ended 31st March, 2002, the IRD issued notices of revised assessment to those subsidiaries concerned and concluded that no additional tax was required.

Details of unrecognised deferred taxation are set out in note 43.



Notes to the Financial Statements

For the year ended 31st March, 2003

14. LOSS PER ORDINARY SHARE

The calculation of the basic loss per ordinary share for the year is based on the net loss for the year of HK\$130,409,000 (2002: HK\$461,690,000) and on weighted average of 2,326,717,621 (2002: 1,499,181,892) ordinary shares in issue during the year.

During the year ended 31st March, 2003, no diluted loss per ordinary share is presented because the exercise price of the Company's share options was higher than the average market price for shares.

During the year ended 31st March, 2002, no diluted loss per ordinary share was presented as the exercise and conversion of the shares options and convertible note would result in a decrease in the loss per ordinary share.

15. INVESTMENT PROPERTIES

	THE GROUP HK\$'000
VALUATION	
At 1st April, 2002	32,600
Deficit arising on revaluation	(2,100)
	<hr/>
At 31st March, 2003	<u>30,500</u>

The Group's investment properties were revalued at 31st March, 2003 by RHL Appraisal Ltd., an independent firm of professional property valuers, on an open market value basis. The deficit arising on revaluation has been charged to the income statement.

The Group's investment properties are held for rental under operating leases and are held under medium-term leases in Hong Kong.



Notes to the Financial Statements

For the year ended 31st March, 2003

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Operating equipment HK\$'000	Construction in progress HK\$'000	Total HK\$'000
THE GROUP							
COST							
At 1st April, 2002	123,880	45,830	10,452	527	8,682	29,568	218,939
Exchange realignment	-	3,388	134	-	227	-	3,749
Acquired on acquisition of subsidiaries	-	-	4,060	-	-	-	4,060
Additions	-	1,864	140	930	81	-	3,015
Disposal of subsidiaries	(122,300)	(153)	(542)	-	-	(29,568)	(152,563)
Disposals	-	(1,391)	(977)	-	(2,671)	-	(5,039)
At 31st March, 2003	<u>1,580</u>	<u>49,538</u>	<u>13,267</u>	<u>1,457</u>	<u>6,319</u>	<u>-</u>	<u>72,161</u>
DEPRECIATION AND IMPAIRMENT LOSS							
At 1st April, 2002	19,348	7,866	4,982	193	4,691	29,568	66,648
Exchange realignment	-	362	15	-	24	-	401
Acquired on acquisition of subsidiaries	-	-	3,357	-	-	-	3,357
Provided for the year	31	10,905	2,191	339	707	-	14,173
Eliminated on disposal of subsidiaries	(19,300)	(111)	(419)	-	-	(29,568)	(49,398)
Eliminated on disposals	-	(1,193)	(799)	-	(2,548)	-	(4,540)
At 31st March, 2003	<u>79</u>	<u>17,829</u>	<u>9,327</u>	<u>532</u>	<u>2,874</u>	<u>-</u>	<u>30,641</u>
NET BOOK VALUES							
At 31st March, 2003	<u>1,501</u>	<u>31,709</u>	<u>3,940</u>	<u>925</u>	<u>3,445</u>	<u>-</u>	<u>41,520</u>
At 31st March, 2002	<u>104,532</u>	<u>37,964</u>	<u>5,470</u>	<u>334</u>	<u>3,991</u>	<u>-</u>	<u>152,291</u>

The carrying value of the Group's land and buildings comprises:

	2003 HK\$'000	2002 HK\$'000
Property held under long-term land use rights in the PRC	1,501	1,532
Property held under medium-term leases in Hong Kong	-	103,000
	<u>1,501</u>	<u>104,532</u>



Notes to the Financial Statements

For the year ended 31st March, 2003

17. GOODWILL

	THE GROUP HK\$'000
COST	
At 1st April, 2002 and 31st March, 2003	280
AMORTISATION	
At 1st April, 2002	5
Provided for the year	275
At 31st March, 2003	280
NET BOOK VALUES	
At 31st March, 2003	-
At 31st March, 2002	275

18. INTANGIBLE ASSETS

	Franchise right HK\$'000	Trademark HK\$'000	Others HK\$'000	Total HK\$'000
THE GROUP				
COST				
At 1st April, 2002	15,606	3,157	477	19,240
Additions	-	198	-	198
At 31st March, 2003	15,606	3,355	477	19,438
AMORTISATION AND IMPAIRMENT LOSS				
At 1st April, 2002	15,606	1,066	77	16,749
Provided for the year	-	672	321	993
At 31st March, 2003	15,606	1,738	398	17,742
NET BOOK VALUES				
At 31st March, 2003	-	1,617	79	1,696
At 31st March, 2002	-	2,091	400	2,491



Notes to the Financial Statements

For the year ended 31st March, 2003

18. INTANGIBLE ASSETS (continued)

	Trademark HK\$'000
THE COMPANY	
COST	
At 1st April, 2002 and at 31st March, 2003	120
AMORTISATION	
At 1st April, 2002	42
Provided for the year	24
At 31st March, 2003	66
NET BOOK VALUES	
At 31st March, 2003	54
At 31st March, 2002	78

Trademarks of the Group and the Company represent initial fees paid for the registration of the trademarks in the respective country/place of registration.

Franchise right of the Group represents the cost incurred for obtaining the right to operate the theme restaurant in Japan.

Other intangible assets of the Group were acquired from third parties.

Intangible assets are amortised over the following periods on a straight line basis:

Franchise right	20 years
Trademarks	5 years
Others	5 years



Notes to the Financial Statements

For the year ended 31st March, 2003

19. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE TO SUBSIDIARIES

	THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	453,591	574,581
Less: Impairment losses recognised	(424,514)	(473,600)
	<u>29,077</u>	<u>100,981</u>
Amounts due from subsidiaries	2,036,113	2,108,399
Less: Allowances	(1,966,212)	(1,990,924)
	<u>69,901</u>	<u>117,475</u>
	<u>98,978</u>	<u>218,456</u>
Amounts due to subsidiaries	<u>-</u>	<u>26,310</u>

Included in the amounts due from and to subsidiaries are amounts of approximately HK\$110,994,000 (2002: HK\$232,480,000) due from subsidiaries which carried interest at prevailing market value. All the other amounts are unsecured, interest-free and have no fixed repayment terms.

During the year, the directors of the Company reviewed the carrying value of the investment in subsidiaries with reference to the estimated net realisable value of the identifiable net assets attributable to the Company, impairment losses of approximately HK\$70,923,000 (2002: nil) was identified and charged to the Company's income statement.

Details of the Company's principal subsidiaries at 31st March, 2003 are set out in note 50.



Notes to the Financial Statements

For the year ended 31st March, 2003

20. OTHER LONG-TERM INVESTMENTS

Subsequent to the deconsolidation of interests in Planet Hollywood Australia Pty Ltd and its subsidiaries ("PH Australia") for the year ended 31st March, 2002, PH (Melbourne) Pty Ltd ("PH (Melbourne)"), an indirect wholly-owned subsidiary of the Company, was also placed under administration in April 2002 and operated under severe restrictions that significantly impaired its ability to transfer funds to the Company. PH (Melbourne) was mainly engaged in operation of theme restaurant in Australia. Accordingly, PH (Melbourne) has been deconsolidated from the Company's financial statements from the date it was placed under administration.

The investments are accounted for in accordance with the Group's accounting policy for investments other than held-to-maturity securities in accordance with SSAP 24 "Accounting for Investments in Securities".

The gain on deconsolidation of subsidiaries recognised in the income statement is calculated as follows:

	2003 HK\$'000	2002 HK\$'000
Net liabilities of subsidiaries at the date from which they were deconsolidated	6,983	95,201
Exchange reserve released	5,831	(6,032)
Amounts due from subsidiaries written off	-	(84,846)
	<u>12,814</u>	<u>4,323</u>

At the date of this report, the administration proceedings of PH (Melbourne) and PH Australia are still in progress. In addition, upon the deconsolidation of PH (Melbourne) from the Company's financial statements, the geographical segment of Australia of the Group was regarded as discontinuing operation thereafter.

The aggregate carrying amount of the assets and liabilities of the discounting operation of the geographical segment of Australia at the date of discontinuance, 10th April, 2002 and the turnover and loss from operations contributed to the Group for the period from 1st April, 2002 to the date of discontinuance are as follows:

	Australia HK\$'000
Turnover	<u>-</u>
Loss from operations	<u>-</u>
Total assets	<u>265</u>
Total liabilities	<u>(7,248)</u>

No cash flow from the geographical segment of Australia is attributable to the Group up to the date of discontinuance.



Notes to the Financial Statements

For the year ended 31st March, 2003

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES/AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	31,514	48,894
Amounts due from jointly controlled entities, less allowances	8,050	12,324
	<u>39,564</u>	<u>61,218</u>

Details of the Group's principal jointly controlled entities which were held indirectly by the Company at 31st March, 2003 are as follows:

Name of jointly controlled entity	Place of incorporation	Attributable proportion of nominal value of issued capital	Principal activity
Earn Elite Development Limited	Hong Kong	50%	Property investment
StarEastWorks Limited ("StarEastWorks")	British Virgin Islands	50%	Investment holding

Included in the amounts due from jointly controlled entities is an amount of HK\$4,750,000 (2002: HK\$4,750,000) due from Earn Elite Development Limited which carried interest at prevailing market rate. The remaining balances are unsecured, interest-free and have no fixed repayment terms.

The above tables lists the jointly controlled entities of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other jointly controlled entities would, in the opinion of the directors, result in particulars of excessive length.

Extracts from the audited financial statements of StarEastWorks, the Group's major jointly controlled entity, are set out in note 51.



Notes to the Financial Statements

For the year ended 31st March, 2003

22. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Share of net assets	8,833	33,625	-	-
Negative goodwill				
At 1st April	(14,060)	-	-	-
Arising from acquisition of associates	(2,098)	(20,294)	-	-
Release of negative goodwill	3,105	6,234	-	-
Realised upon dilution and disposal of interest in associates	11,248	-	-	-
	(1,805)	(14,060)	-	-
Goodwill				
At 1st April	-	-	-	-
Arising from acquisition of an associate	3,172	-	-	-
Less: Amortisation	(528)	-	-	-
	2,644	-	-	-
	9,672	19,565	-	-
Amounts due from associates, less allowances	25,476	80,584	-	21,771
	35,148	100,149	-	21,771
Market value of listed associates	11,991	59,597	-	-



Notes to the Financial Statements

For the year ended 31st March, 2003

22. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES (continued)

Details of the Group's principal associates which were held indirectly by the Company at 31st March, 2003 are as follows:

Name of associate	Place of incorporation	Attributable proportion of nominal value of issued capital	Principal activity
Applause Holdings Limited ("Applause")	British Virgin Islands	40%	Movie production and distribution
M Channel Corporation Limited ("M Channel")	Bermuda	26.91%	Out-of-home audio and video media business

In April 2002, Gold Focus Ltd. ("Gold Focus"), a company beneficially owned as to 49.29% by the Company, entered into a conditional agreement with M Channel, formerly known as 36.com Holdings Limited, in respect of the disposal of 92.1% of the issued share capital of Fortune Impact Limited ("Fortune Impact") at a consideration of HK\$230,250,000 which was satisfied by the issue of 14,390,625,000 shares in M Channel of HK\$0.0001 each to Gold Focus. Fortune Impact and its subsidiaries are principally engaged in the out-of-home audio and video media business in Hong Kong and the PRC. This transaction was completed on 18th April, 2002. Following the distribution of the shares of M Channel held by Gold Focus in form of special dividend to its respective shareholders and repayment of shareholders' loan due by Gold Focus to the Group, as at 31st March, 2003, the Group's interest in M Channel was approximately 26.91%.

In September 2002, following the rights issue arrangement underwent by Leadership Publishing Group Limited ("Leadership Publishing", formerly known as Sing Pao Media Group Limited), the shareholding held by the Group was diluted from 25.56% to 18.56%. In November 2002, the Company entered into a conditional sale and purchase agreement with Sun Media Group Holdings Limited ("Sun Media"), the then third party, in connection with the disposal of 86,961,250 ordinary shares of Leadership Publishing and the aggregate amount of HK\$15,126,750 warrants of Leadership Publishing to Sun Media together with the shareholder's loans of HK\$37,576,000 due by Leadership Publishing to the Group.

The consideration was satisfied by (i) issuing 521,767,500 new ordinary shares in Sun Media for the shares in Leadership Publishing held by the Group; (ii) HK\$1.00 for the total amount of warrants; and (iii) issuing 146,992,000 new ordinary shares in Sun Media at a price of HK\$0.10 per share at the expiry of two calendar years from the date of completion for the shareholder's loan of HK\$14,699,000 (the "Consideration Receivable").



Notes to the Financial Statements

For the year ended 31st March, 2003

22. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES (*continued*)

Pursuant to the above agreement, the remaining balances of shareholder's loan of HK\$15,460,000 and HK\$7,417,000 will be (i) waived by the Company; and (ii) due and payable upon the expiry of 30 calendar months after the year end of the financial year of Leadership Publishing in respect of which Leadership Publishing declares a profit after taxation in its audited financial statements, respectively.

The transaction was completed in January 2003 and a loss on dilution and disposal of the Group's interest in Leadership Publishing of HK\$9,231,000 was arisen after the release of the relevant negative goodwill of HK\$11,248,000.

At 31st March, 2003, the Consideration Receivable, after allowances, from Sun Media stated in the balance sheet of the Group and the Company at HK\$7,937,000.

The amounts due from and to associates are unsecured, interest-free and have no fixed repayment terms. As at 31st March, 2002, an amount of HK\$27,825,000 due from Sing Pao Media, which was included in the amount due from associates, carried interest at prevailing market rate.

During the year, the Group acquired further 10% interest in Applause at a consideration of HK\$4,750,000 and a goodwill of HK\$3,172,000 was resulted.

Goodwill is amortised on a straight-line basis and the amortisation for goodwill is 5 years. Negative goodwill is released on a straight-line basis over the remaining useful life of the identifiable acquired depreciable/amortised assets.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

Extracts from the audited financial statements of M Channel, the Group's major associate, are set out in note 52.