

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS:

1 Principal accounting policies

These unaudited condensed consolidated interim financial statements (“interim financial statements”) are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual financial statements for the year ended 31st March 2000. The interim financial statements should be read in conjunction with the 2000 annual financial statements.

As a result of the adoption of the revised Statement of Standard Accounting Practice No. 1 “Presentation of financial statements” issued by the Hong Kong Society of Accountants, certain comparative figures have been reclassified and extended accordingly.

2 Turnover and segment information

The group is principally engaged in the production and distributions of films and programs, film exhibition, film rights sub-licensing and provision of information technology and related services. Revenues by principal activities recognised during the period are as follows:

	Turnover		Operating profit/(loss)	
	Unaudited		Unaudited	
	six months ended		six months ended	
	30th September		30th September	
	2000	1999	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Principal activities				
Distribution of films and programs in audio visual product formats	89,742	70,922	10,096	(1,453)
Film exhibition and film rights sub-licensing	17,043	17,493	989	(150)
Provision of information technology and related services, website design and management services	2,037	821	502	(355)
Others	600	1,423	173	962
	109,422	90,659	11,760	(996)

No geographical analysis is provided as less than 10% of the consolidated turnover and of the consolidated trading results of the Group are attributable to markets outside Hong Kong.

3 Operating profit/(loss)

Operating profit/(loss) is stated after crediting and charging the following:

	Unaudited	
	Six months ended	
	30th September	
	2000	1999
	HK\$'000	HK\$'000
Crediting		
Gain on dilution of interest in an associated company, net of premium on acquisition of additional interest in that associated company prior to the dilution	6,563	—
Interest income	636	119
	<u>6,563</u>	<u>119</u>
Charging		
Amortisation of film rights	10,268	19,172
Depreciation:		
— owned fixed assets	7,874	4,395
— leased fixed assets	18	620
	<u>7,892</u>	<u>5,015</u>

4 Taxation

No provision for Hong Kong and overseas profits tax has been made as there are sufficient tax losses brought forward to set off against the assessable profit for the period.

The Group's jointly controlled entity in mainland China did not have any assessable income for mainland China tax purposes and accordingly no provision for mainland China taxation has been made in the accounts.

5 Earnings/(loss) per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$3,373,000 (1999: loss of HK\$2,819,000) and on the weighted average of 257,041,400 shares in issue during the period (1999: weighted average of 177,295,600 shares, adjusted to reflect the rights issue of shares in August 1999).

The outstanding share options as at 30th September 2000 have not been included in the calculation of the diluted earnings per share as the exercise of these share options would have an anti-dilutive effect.

6 Accounts receivable

The ageing analysis of accounts receivable is as follows:

	Unaudited	
	30th	31st
	September	March
	2000	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 3 months	27,019	12,500
4 to 6 months	654	736
Over 6 months	3,008	4,158
	30,681	17,394

The sales of films and programs in audio visual product formats are with credit terms of 7 to 30 days. The turnover from film exhibition, film right sub-licensing and the provision of information technology and related services are on open account term. Certain balances are covered by customers' deposits placed with the Group.

7 Accounts payable

The ageing analysis of accounts payable is as follows:

	Unaudited	
	30th	31st
	September	March
	2000	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 3 months	3,733	3,456
4 to 6 months	3,202	4,542
Over 6 months	2,297	1,879
	9,232	9,877

8 Long term liabilities

	Unaudited	
	30th	31st
	September	March
	2000	2000
	HK\$'000	HK\$'000
Secured bank loans (<i>note (a)</i>)	24,947	24,551
Obligations under finance leases (<i>note (b)</i>)	81	77
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	25,028	24,628
Current portion of long-term liabilities	(16,048)	(12,442)
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	8,980	12,186
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(a) Secured bank loans are repayable in the following periods:

	Unaudited	
	30th	31st
	September	March
	2000	2000
	HK\$'000	HK\$'000
Within one year	16,020	12,426
Over one year	8,927	12,125
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	24,947	24,551
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(b) **Obligations under finance leases are repayable in the following periods:**

	Unaudited	
	30th	31st
	September	March
	2000	2000
	HK\$'000	HK\$'000
Within one year	28	16
Over one year	53	61
	81	77

9 Share capital

	Authorised	
	(Ordinary shares of	
	HK\$0.1 each)	
	<i>No. of shares</i>	<i>HK\$'000</i>
	<i>(Thousands)</i>	
At 31st March 2000 and 30th September 2000	<u>3,000,000</u>	<u>300,000</u>
	Issued and fully paid	
	(Ordinary shares of	
	HK\$0.1 each)	
	<i>No. of shares</i>	<i>HK\$'000</i>
	<i>(Thousands)</i>	
At 31st March 2000 and 30th September 2000	<u>257,042</u>	<u>25,704</u>

In August 2000, the board of directors of the Company proposed a bonus issue on a basis of two bonus shares, credited as fully paid by way of capitalisation, for every one existing share held by shareholders on 28th September 2000, subject to the following conditions:

- (i) the approval by the shareholders at the Annual General Meeting held on 28th September 2000;

- (ii) the Listing Committee of the Hong Kong Stock Exchange granting the listing of and permission to deal in the bonus shares and
- (iii) (if required) the Bermuda Monetary Authority granting permission for the issue and transfer of the bonus shares.

The bonus issue became unconditional in 13th October 2000 and 514,082,800 new shares were issued by capitalising HK\$51,408,000 through a debit to the share premium account of the Company. The bonus shares ranked pari passu in all respects with the existing issued shares of the Company.

In relation to the bonus issue, the exercise price of the outstanding share options of the Company granted on 28th January 2000 was also adjusted from HK\$3.38 to HK\$1.1267 per share and the total number of outstanding share options increased from 20,000,000 to 60,000,000.

10 Reserves

	Share premium <i>HK\$'000</i>	Contri- buted surplus <i>HK\$'000</i>	Exchange difference <i>HK\$'000</i>	Investment properties revaluation reserve <i>HK\$'000</i>	Other properties revaluation reserve <i>HK\$'000</i>	Accumu- lated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April 2000	274,303	118,620	(306)	4,583	3,329	(48,088)	352,441
Profit for the period	—	—	—	—	—	3,373	1,810
At 30th September 2000	<u>274,303</u>	<u>118,620</u>	<u>(306)</u>	<u>4,583</u>	<u>3,329</u>	<u>(44,715)</u>	<u>355,814</u>
At 1st April 1999	146,334	128,545	(306)	5,541	—	(66,183)	213,931
Share premium on issue of shares, net of issuing expenses	48,791	—	—	—	—	—	48,791
Loss for the period	—	—	—	—	—	(2,819)	(2,819)
At 30th September 1999	<u>195,125</u>	<u>128,545</u>	<u>(306)</u>	<u>5,541</u>	<u>—</u>	<u>(69,002)</u>	<u>259,903</u>

11 Capital and financial commitments

As at 30th September 2000, the Group had capital and financial commitments not provided for in these financial statements as follows:

	Unaudited	
	30th	31st
	September	March
	2000	2000
	HK\$'000	HK\$'000
(i) Capital commitment in respect of properties under development	<u>39,216</u>	<u>58,800</u>
(ii) Commitment in respect of the acquisition of additional interest in an associated company	<u>—</u>	<u>2,000</u>
(ii) Other commitments in respect of		
— film production	19,540	24,976
— film licensing agreements	<u>28,988</u>	<u>31,401</u>
	<u>48,528</u>	<u>56,377</u>