

# NOTES TO THE PROFORMA CONDENSED FINANCIAL STATEMENTS

For the Six Months Ended 30th June, 2001

## 1. BASIS OF PREPARATION

The proforma condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Statement of Standard Accounting Practice ("SSAP") 25 Interim Financial Reporting, except that:

- (i) in this first year of implementation of the Standard, as permitted by the Listing Rules, no comparative amounts have been presented for the proforma condensed consolidated cash flow statement; and
- (ii) as required by the Stock Exchange in order for the interim financial information to be comparable with the financial information contained in the Company's prospectus dated 30th August, 2001 the ("Prospectus"), the proforma condensed consolidated income statement and cash flow statement include the results and cash flows of the companies now comprising the Group and have been prepared as if the current group structure had been in existence throughout the six months' periods ended 30th June, 2000 and 2001, or since their respective dates of incorporation or acquisition, where this is a shorter period. The proforma condensed consolidated balance sheets of the Group as at 31st December, 2000 and at 30th June, 2001 have been prepared to present the assets and liabilities of the companies now comprising the Group as at the respective dates, as if the current group structure had been in existence as at those dates. Since the group reorganisation occurred after the interim reporting date, this basis of presentation does not comply with SSAP 27 Accounting for Group Reconstructions.

In preparation for the listing of the Company's shares on the Stock Exchange, the companies now comprising the Group underwent a reorganisation to rationalise the group structure (the "Reorganisation"). As a result of the Reorganisation, the Company became the holding company of the Group on 21st August, 2001. The details of this Reorganisation are set out in the Prospectus.

## 2. PRINCIPAL ACCOUNTING POLICIES

The proforma condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of leasehold land and buildings.

The accounting policies adopted are consistent with those followed in the preparation of the accountants' report of the Group for the year ended 31st December, 2000 as set out in the Prospectus, except that the Group's leasehold land and buildings are carried at valuation as at 30th June, 2001 instead of carried at cost as at 31st December, 2000.

### *Goodwill*

In the current period, the Group has adopted SSAP 30 Business Combinations and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1st January, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1st January, 2001 will be credited to income at the time of disposal of the relevant subsidiary.

Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions after 1st January, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

### 3. SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to profit from operations by business and geographical segment is as follows:

#### BUSINESS SEGMENTS

	Six months ended 30th June, 2001					
	Advertising and promotional services	Film distribution and licensing	Film processing	Other operations	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE						
External revenue	11,868	20,163	16,143	1,858	—	50,032
Inter segment revenue	589	157	1,619	634	(2,999)	—
Total revenue	<u>12,457</u>	<u>20,320</u>	<u>17,762</u>	<u>2,492</u>	<u>(2,999)</u>	<u>50,032</u>
CONTRIBUTION TO PROFIT FROM OPERATIONS	<u>1,664</u>	<u>9,009</u>	<u>967</u>	<u>1,826</u>	<u>—</u>	<u>13,466</u>

	Six months ended 30th June, 2000					
	Advertising and promotional services	Film distribution and licensing	Film processing	Other operations	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE						
External revenue	—	20,233	17,213	2,055	—	39,501
Inter segment revenue	—	—	953	1,665	(2,618)	—
Total revenue	<u>—</u>	<u>20,233</u>	<u>18,166</u>	<u>3,720</u>	<u>(2,618)</u>	<u>39,501</u>
CONTRIBUTION TO PROFIT FROM OPERATIONS	<u>—</u>	<u>192</u>	<u>2,468</u>	<u>2,052</u>	<u>—</u>	<u>4,712</u>

## GEOGRAPHICAL SEGMENTS

### Six months ended 30th June, 2001

	Hong Kong HK\$'000	The PRC, other than Hong Kong HK\$'000	Others HK\$'000	Total HK\$'000
REVENUE				
Turnover	37,278	2,304	8,592	48,174
Other revenue	1,858	—	—	1,858
Total revenue	<u>39,136</u>	<u>2,304</u>	<u>8,592</u>	<u>50,032</u>
CONTRIBUTION TO PROFIT FROM OPERATIONS	<u>8,872</u>	<u>972</u>	<u>3,622</u>	<u>13,466</u>

### Six months ended 30th June, 2000

	Hong Kong HK\$'000	The PRC, other than Hong Kong HK\$'000	Others HK\$'000	Total HK\$'000
REVENUE				
Turnover	20,079	10,314	7,053	37,446
Other revenue	2,055	—	—	2,055
Total revenue	<u>22,134</u>	<u>10,314</u>	<u>7,053</u>	<u>39,501</u>
CONTRIBUTION TO PROFIT FROM OPERATIONS	<u>3,033</u>	<u>859</u>	<u>820</u>	<u>4,712</u>

#### 4. PROFIT FROM OPERATIONS

##### Six months ended

30.6.2001	30.6.2000
HK\$'000	HK\$'000

Profit from operations has been arrived at after charging:  
Depreciation and amortization of property, plant and equipment

<u>294</u>	<u>307</u>
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#### 5. TAXATION

The charge for the period represents Hong Kong Profits Tax calculated at 16% on the estimated assessable profit for the period.

There were no significant unprovided deferred taxation for the period or at the balance sheet date.

## 6. DIVIDENDS

No dividends have been paid or declared by the Company since its incorporation. However, in respect of six months ended 30th June, 2000, dividends were paid by Walsbo Limited, a wholly owned subsidiary, to its then shareholders prior to the Reorganisation.

	Six months ended	
	30.6.2001	30.6.2000
	HK\$'000	HK\$'000
Interim dividends, paid	—	(2,600)
	<u>          </u>	<u>          </u>

## 7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months' periods ended 30th June, 2000 and 2001 is based on the profit for the period and on the 225,000,000 shares in issue and issuable comprising 2,000,000 shares in issue as at the balance sheet date and 223,000,000 shares to be issued pursuant to the capitalisation issue ("Capitalisation Issue") as set out in the Prospectus.

## 8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately HK\$1,363,000 on the acquisition of property, plant and equipment for the expansion of the Group's operation.

The valuation of the Group's leasehold land and buildings at 30th June, 2001 was carried out by Vigers Hong Kong Limited, an independent firm of qualified professional valuers, on an open market value basis. The deficit arising on revaluation of HK\$1,604,000 has been charged to the income statement for the six months ended 30th June, 2001.

## 9. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing its trade customers credit periods normally ranging from 90 days to 120 days. Included in trade and other receivables are trade receivables of HK\$22,465,000 (31.12.2000: HK\$16,416,000) and their aged analysis is as follows:

	30.6.2001	31.12.2000
	HK\$'000	HK\$'000
0 - 90 days	11,570	7,189
91- 180 days	4,073	5,675
181 - 365 days	6,822	3,552
	<u>          </u>	<u>          </u>
	<b>22,465</b>	16,416
	<u>          </u>	<u>          </u>

## 10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$4,432,000 (31.12.2000: HK\$2,974,000) and their aged analysis is as follows:

	<b>30.6.2001</b> <b>HK\$'000</b>	31.12.2000 HK\$'000
0 - 90 days	<b>4,405</b>	2,951
91 - 180 days	<b>4</b>	—
181 - 365 days	—	—
1 - 2 years	—	—
Over 2 years	<b>23</b>	23
	<u><b>4,432</b></u>	<u>2,974</u>

## 11. AMOUNT DUE TO A DIRECTOR

The amount was unsecured, non-interest bearing and had been subsequently settled.

## 12. BANK BORROWINGS

During the period, the Group obtained new bank borrowings of HK\$900,000 for general working capital purpose. The loans bear interest at prevailing market rates and are repayable in instalments over a period of ten years from the date of advance. The Group also repaid bank loans of approximately HK\$1,319,000.

## 13. SHARE CAPITAL

For the purpose of the preparation of the proforma condensed consolidated balance sheets, the balances of the share capital at 31st December, 2000 and at 30th June, 2001 respectively represent 225,000,000 shares of the Company comprising 2,000,000 shares in issue at the balance sheet date and 223,000,000 shares to be issued pursuant to the Capitalisation Issue.

	<i>HK\$'000</i>
Shares of HK\$0.10 each	<u>22,500</u>

## 14. RESERVES

	<b>Contributed surplus</b> <i>HK\$'000</i>	<b>Special reserve</b> <i>HK\$'000</i>	<b>Goodwill reserve</b> <i>HK\$'000</i>	<b>Accumulated profits (losses)</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1st January, 2000	7,506	(11,990)	1,720	(7,159)	(9,923)
Arising on acquisition of interest in a subsidiary	—	10	—	—	10
Profit for the year	—	—	—	25,955	25,955
Dividends	—	—	—	(2,600)	(2,600)
	<u>7,506</u>	<u>(11,980)</u>	<u>1,720</u>	<u>16,196</u>	<u>13,442</u>
At 31st December, 2000	7,506	(11,980)	1,720	16,196	13,442
Profit for the period	—	—	—	11,998	11,998
	<u>7,506</u>	<u>(11,980)</u>	<u>1,720</u>	<u>28,194</u>	<u>25,440</u>
At 30th June, 2001	<u>7,506</u>	<u>(11,980)</u>	<u>1,720</u>	<u>28,194</u>	<u>25,440</u>