

---

---

## **NOTES TO THE FINANCIAL STATEMENTS**

---

---

*For the year ended 31st December, 2002*

### **1. GROUP REORGANISATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The Company was incorporated in Bermuda on 9th May, 2001 as an exempted company with limited liability. Its shares were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 12th September, 2001.

Pursuant to a group reorganisation (the “Group Reorganisation”) to rationalise the structure of the group in preparation for the listing of the Company’s shares on the Stock Exchange, the Company has since 21st August, 2001 become the holding company of the companies now comprising the Group. Further details of the Group Reorganisation are set out in the prospectus of the Company dated 30th August, 2001.

The group comprising the Company and its subsidiaries (the “Group”) resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the financial statements of the Group have been prepared using the principle of merger accounting in accordance with the Statement of Standard Accounting Practice (“SSAP”) 27 “Accounting for Group Reconstructions” issued by the Hong Kong Society of Accountants.

The Company is an investment holding company. The principal activities of its subsidiaries and jointly controlled entities are set out in notes 33 and 15 respectively.

### **2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE**

In the current year, the Group has adopted, for the first time, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants. The adoption of these standards has resulted in a change in the format of presentation of the cash flow statement and the inclusion of a statement of changes in equity. The adoption of these new and revised standards has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period 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 jointly controlled entities at the closing rate for the year. 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.

#### **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 income, interest expense and dividends, which were previously presented under a separate heading, are classified as investing, operating and financing cash flows, respectively. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

---

---

## **NOTES TO THE FINANCIAL STATEMENTS**

---

---

*For the year ended 31st December, 2002*

(Continued)

### **2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE** (Continued)

#### **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 the Group participates 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, as modified for the revaluation of leasehold land and buildings, and 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 December each year.

The results of subsidiary acquired or disposed of during the year (other than those resulting from the Group Reorganisation as explained in note 1) 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 intra-group transactions and balances have been eliminated on consolidation.

#### **Investments in subsidiaries**

Investments in subsidiaries are stated at cost less any identified impairment loss.

#### **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 jointly controlled entities plus the premium paid on acquisition in so far as it has not already been amortised, less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

---

---

## **NOTES TO THE FINANCIAL STATEMENTS**

---

---

*For the year ended 31st December, 2002*

(Continued)

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

#### **Revenue recognition**

Income from the production and distribution of films is recognised when the production is completed, released and the amount can be measured reliably, which is generally when the cinema circuit confirms to the Group its share of box office receipts.

Income from the licensing of the distribution and broadcasting rights over films and television series is recognised when the Company's entitlement to such payments has been established which, subject to the terms of the relevant agreements, is usually upon delivery of the film negatives to the customers.

Amounts received for pre-sales of the distribution and broadcasting rights over films and television series before completion of production are accounted for as receipts in advance and grouped under trade and other payables in the balance sheet.

Income from the provision of film processing services is recognised when the services are provided.

Advertising and promotional 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 shareholders' rights to receive payment have been established.

#### **Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a jointly controlled entity at the date of acquisition.

Goodwill arising on acquisition prior to 1st January, 2001 continues to be 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.

Goodwill arising on acquisition after 1st January, 2001 is capitalised and amortised on a straight line basis over its useful economic life. Goodwill arising on the acquisition of jointly controlled entities is included within the carrying amount of the relevant jointly controlled entities.

---

---

## **NOTES TO THE FINANCIAL STATEMENTS**

---

---

*For the year ended 31st December, 2002*

(Continued)

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

#### **Property, plant and equipment**

Property, plant and equipment are stated at cost or valuation less depreciation and amortisation and accumulated impairment losses.

The leasehold land and buildings are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation and amortisation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of leasehold land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Depreciation and amortisation is provided to write off the cost or valuation of property, plant and equipment over their estimated useful lives after taking into account their estimated residual value, using the straight line method at the following rates per annum:

Leasehold land	Over the term of the lease
Buildings	2.5%
Furniture and fixtures	20%
Leasehold improvements	20%
Motor vehicles	20% – 30%
Plant, machinery and equipment	20%

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

#### **Investment securities**

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

---

## **NOTES TO THE FINANCIAL STATEMENTS**

---

*For the year ended 31st December, 2002*

(Continued)

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

#### **Operating leases**

Rentals payable under operating leases are charged to the income statement on a straight line basis over the relevant lease term.

#### **Inventories**

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

#### **Film rights and production in progress**

Film rights generated by the Group or perpetual rights acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Costs less foreseeable losses, represent the carrying value transferred from film production in progress upon completion or the purchase price of the perpetual film rights, and are amortised over their economic lives.

Film production in progress represents films and television series under production and is stated at production costs incurred to date, less foreseeable losses. Such production costs are carried forward as production in progress and are transferred to film rights upon completion.

#### **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 amounts, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

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, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that other SSAP.

#### **Retirement benefits costs**

Payments to defined contribution retirement benefit plans and Mandatory Provident Fund Scheme are charged as expenses as they fall due.

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31st December, 2002*

(Continued)

### **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 ruling on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. 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 under 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**

	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
An analysis of turnover is as follows:		
Film distribution and licensing income	<b>34,169</b>	74,526
Film processing income	<b>29,939</b>	31,620
Advertising and promotional service income	<b>19,334</b>	23,531
	<b><u>83,442</u></b>	<u>129,677</u>

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31st December, 2002*

(Continued)

### 5. SEGMENTAL INFORMATION

#### BUSINESS SEGMENTS

For management purposes, the Group is currently organised into three operating divisions – film distribution and licensing, film processing and advertising and promotional services. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

#### 2002

	Advertising and promotional services <i>HK\$'000</i>	Film distribution and licensing <i>HK\$'000</i>	Film processing <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE						
External revenue	19,335	36,497	30,080	65	–	85,977
Inter segment revenue	1,303	1,103	2,621	10,226	(15,253)	–
Total revenue	<u>20,638</u>	<u>37,600</u>	<u>32,701</u>	<u>10,291</u>	<u>(15,253)</u>	<u>85,977</u>
RESULT						
Segment result	<u>(900)</u>	<u>(4,398)</u>	<u>(546)</u>	<u>(942)</u>	<u>–</u>	(6,786)
Finance costs						(49)
Share of results of jointly controlled entities				(847)		<u>(847)</u>
Loss before taxation						(7,682)
Taxation						<u>179</u>
Net loss for the year						<u><u>(7,503)</u></u>

Inter segment revenue is charged at prevailing market rate.

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31st December, 2002*

(Continued)

### 5. SEGMENTAL INFORMATION (Continued)

#### BUSINESS SEGMENTS (Continued)

2002

#### BALANCE SHEET

	<b>Advertising and promotional services <i>HK\$'000</i></b>	<b>Film distribution and licensing <i>HK\$'000</i></b>	<b>Film processing <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
ASSETS				
Segmental assets	4,190	86,661	29,875	120,726
Unallocated corporate assets				<u>17,396</u>
Consolidated total assets				<u><b>138,122</b></u>
LIABILITIES				
Segmental liabilities	2,073	5,865	4,527	12,465
Unallocated corporate liabilities				<u>67</u>
Consolidated total liabilities				<u><b>12,532</b></u>
OTHER INFORMATION				
Capital expenditure	194	996	5,309	6,499
Depreciation and amortisation	<u>60</u>	<u>343</u>	<u>1,322</u>	<u>1,725</u>



## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31st December, 2002*

(Continued)

### 5. SEGMENTAL INFORMATION (Continued)

#### BUSINESS SEGMENTS (Continued)

#### 2001

	<b>Advertising and promotional services</b>	<b>Film and distribution and licensing</b>	<b>Film processing</b>	<b>Other operations</b>	<b>Elimination</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>REVENUE</b>						
External revenue	23,542	74,509	34,561	277	–	132,889
Inter segment revenue	227	1,465	3,065	226	(4,983)	–
<b>Total revenue</b>	<b>23,769</b>	<b>75,974</b>	<b>37,626</b>	<b>503</b>	<b>(4,983)</b>	<b>132,889</b>
<b>RESULT</b>						
Segment result	2,882	37,019	6,347	(134)	–	46,114
Deficit arising on the revaluation of leasehold land and buildings			(1,604)			(1,604)
Profit from operations						44,510
Finance costs						(361)
Profit before taxation						44,149
Taxation						(3,001)
Net profit for the year						<b>41,148</b>

Inter segment revenue is charged at prevailing market rate.

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31st December, 2002*

(Continued)

### 5. SEGMENTAL INFORMATION (Continued)

#### BUSINESS SEGMENTS (Continued)

#### BALANCE SHEET

	<b>Advertising and promotional services</b>	<b>Film distribution and licensing</b>	<b>Film processing</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>				
Segmental assets	6,408	75,631	31,503	113,542
Unallocated corporate assets				<u>31,283</u>
Consolidated total assets				<u><u>144,825</u></u>
<b>LIABILITIES</b>				
Segmental liabilities	2,769	6,152	6,332	15,253
Unallocated corporate liabilities				<u>1,699</u>
Consolidated total liabilities				<u><u>16,952</u></u>
<b>OTHER INFORMATION</b>				
Capital expenditure	2,835	96	59	2,990
Depreciation and amortisation	<u>615</u>	<u>19</u>	<u>163</u>	<u>797</u>

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31st December, 2002*

(Continued)

### 5. SEGMENTAL INFORMATION (Continued)

#### **GEOGRAPHICAL SEGMENTS**

The Group's customers are located in Hong Kong, the People's Republic of China, other than Hong Kong (the "PRC"), Taiwan, Malaysia, Europe and other parts of Asia. Film distribution and licensing business is carried out in Hong Kong and the PRC. The Group's advertising and promotional and film processing divisions are located in Hong Kong.

An analysis of the Group's revenue by geographical market, based on the origin of the services and an analysis of the carrying amount of segment assets, and capital additions analysed by the geographical area in which the assets are located, is presented below.

#### **2002**

	<b>Hong Kong</b> <i>HK\$'000</i>	<b>The PRC, other than Hong Kong</b> <i>HK\$'000</i>	<b>Others</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
REVENUE				
Turnover	67,625	5,887	9,930	83,442
Other operating income	1,835	—	700	2,535
Total revenue	<u>69,460</u>	<u>5,887</u>	<u>10,630</u>	<u>85,977</u>

	<b>Hong Kong</b> <i>HK\$'000</i>	<b>The PRC, other than Hong Kong</b> <i>HK\$'000</i>	<b>Others</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Carrying amount of segment assets	<u>81,253</u>	<u>54,048</u>	<u>1,942</u>	<u>137,243</u>
Additions to property, plant and equipment	<u>6,499</u>	<u>—</u>	<u>—</u>	<u>6,499</u>

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31st December, 2002*

(Continued)

### 5. SEGMENTAL INFORMATION (Continued)

#### GEOGRAPHICAL SEGMENTS (Continued)

2001

	<b>Hong Kong</b> <i>HK\$'000</i>	<b>The PRC, other than Hong Kong</b> <i>HK\$'000</i>	<b>Others</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
REVENUE				
Turnover	76,048	29,518	24,111	129,677
Other operating income	2,598	–	614	3,212
	<u>78,646</u>	<u>29,518</u>	<u>24,725</u>	<u>132,889</u>

	<b>Hong Kong</b> <i>HK\$'000</i>	<b>The PRC, other than Hong Kong</b> <i>HK\$'000</i>	<b>Others</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Carrying amount of segment assets	<u>115,369</u>	<u>26,373</u>	<u>3,083</u>	<u>144,825</u>
Additions to property, plant and equipment	<u>2,990</u>	<u>–</u>	<u>–</u>	<u>2,990</u>

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31st December, 2002*

(Continued)

### **6. (LOSS) PROFIT FROM OPERATIONS**

	<b>2002</b> <b>HK\$'000</b>	<b>2001</b> <b>HK\$'000</b>
(Loss) profit from operations has been arrived at after charging:		
Directors' remuneration ( <i>Note 8</i> )	4,260	2,580
Other staff costs	<u>13,338</u>	<u>11,845</u>
Total staff costs	<u>17,598</u>	<u>14,425</u>
Auditors' remuneration	764	799
Depreciation and amortisation		
– owned assets	1,725	725
– asset held under a hire purchase contract	–	72
and after crediting:		
Interest income	148	379
Gain on disposal of property, plant and equipment	<u>154</u>	<u>–</u>

Included in total staff cost is an aggregate amount of approximately HK\$621,000 (2001: HK\$525,000) in respect of contribution to retirement benefit scheme paid or payable by the Group.

### **7. FINANCE COSTS**

	<b>2002</b> <b>HK\$'000</b>	<b>2001</b> <b>HK\$'000</b>
Interest on:		
Borrowings wholly repayable within five years:		
Bank borrowings	25	285
Obligations under a hire purchase contract	<u>–</u>	<u>32</u>
	25	317
Bank borrowings not wholly repayable within five years	<u>24</u>	<u>44</u>
	<u>49</u>	<u>361</u>

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31st December, 2002*

(Continued)

### 8. DIRECTORS' AND EMPLOYEES REMUNERATION

The emoluments of the directors and the five highest paid individuals are summarised as follows:

	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(a) Directors' remuneration</b>		
Fees		
– Executive directors	–	1,000
– Independent non-executive directors	<u>370</u>	<u>160</u>
	<b>370</b>	1,160
Other emoluments		
– Executive directors		
Salaries and allowances	3,504	1,357
Retirement benefits scheme	86	63
Performance related incentive payments	<u>300</u>	<u>–</u>
	<u><b>4,260</b></u>	<u><b>2,580</b></u>

The emoluments of the directors were within the following bands:

	<b>2002</b>	<b>2001</b>
	<b>No. of</b>	<b>No. of</b>
	<b>Directors</b>	<b>Directors</b>
HK\$nil to HK\$1,000,000	7	8
HK\$1,500,001 to HK\$2,000,000	<u>1</u>	<u>–</u>
	<u><b>8</b></u>	<u><b>8</b></u>

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31st December, 2002*

(Continued)

### 8. DIRECTORS' AND EMPLOYEES REMUNERATION (Continued)

#### (b) Employees' emoluments

The five highest paid individuals in the Group included four directors (2001: four directors) of the Company, details of whose emoluments are set out above. The emoluments of the remaining individual were as follows:

	<b>2002</b> <b>HK\$'000</b>	<b>2001</b> <b>HK\$'000</b>
Salaries and allowances	356	274
Retirement benefits scheme contributions	<u>5</u>	<u>13</u>
	<b><u>361</u></b>	<b><u>287</u></b>

The emoluments of the individual for both years were less than HK\$1,000,000.

### 9. TAXATION CREDIT (CHARGE)

	<b>2002</b> <b>HK\$'000</b>	<b>2001</b> <b>HK\$'000</b>
The credit (charge) comprises:		
Hong Kong Profits Tax		
Provision for the year	<b>(165)</b>	(3,001)
Overprovision in prior years	<b>1,044</b>	–
Deferred tax charge ( <i>note 21</i> )	<b><u>(700)</u></b>	<u>–</u>
	<b><u>179</u></b>	<b><u>(3,001)</u></b>

Hong Kong Profits Tax was calculated at 16% on the estimated assessable profits for both years.

Certain income earned during the year, which in the opinion of the directors, was not taxable in any of the jurisdictions that the Group operates.

Details of deferred taxation are set out in note 21.

---

---

## **NOTES TO THE FINANCIAL STATEMENTS**

---

---

*For the year ended 31st December, 2002*

(Continued)

### **10. DIVIDENDS**

On 29th May, 2002, a dividend of HK\$0.035 per share was paid to shareholders as the final dividend for 2001.

The directors do not recommend the payment of any dividend for 2002.

### **11. (LOSS) EARNINGS PER SHARE**

The calculation of the basic (loss) earnings per share for the year is based on the net loss for the year of HK\$7,503,000 (2001: net profit of HK\$41,148,000) and on the weighted average number of 319,397,260 (2001: 249,041,095) shares in issue during the year.

No diluted loss per share has been calculated for the year ended 31st December, 2002 as the exercise of the share options would result in a decrease in the loss per share.

The calculation of the diluted earnings per share for the year ended 31st December, 2001 is based on the net profit of HK\$41,148,000 and on the weighted average number of 253,902,407 shares issued and issuable, calculated on the assumption that all of the outstanding share options had been exercised in full on their date of grant.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2002

(Continued)

### 12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Plant, machinery and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE GROUP</b>						
COST OR VALUATION						
At 1st January, 2002	4,500	4,143	1,623	475	16,146	26,887
Additions	–	548	1,413	50	4,488	6,499
Disposals	–	(9)	(23)	–	(321)	(353)
<b>At 31st December, 2002</b>	<b>4,500</b>	<b>4,682</b>	<b>3,013</b>	<b>525</b>	<b>20,313</b>	<b>33,033</b>
Comprising:						
At cost	–	4,682	3,013	525	20,313	28,533
At valuation – 2001	4,500	–	–	–	–	4,500
	4,500	4,682	3,013	525	20,313	33,033
DEPRECIATION AND AMORTISATION						
At 1st January, 2002	85	3,723	1,513	308	13,588	19,217
Provided for the year	171	190	246	56	1,062	1,725
Eliminated on disposals	–	(3)	(9)	–	(269)	(281)
<b>At 31st December, 2002</b>	<b>256</b>	<b>3,910</b>	<b>1,750</b>	<b>364</b>	<b>14,381</b>	<b>20,661</b>
NET BOOK VALUES						
<b>At 31st December, 2002</b>	<b>4,244</b>	<b>772</b>	<b>1,263</b>	<b>161</b>	<b>5,932</b>	<b>12,372</b>
At 31st December, 2001	4,415	420	110	167	2,558	7,670

The Group's leasehold land and buildings was revalued at 30th June, 2001 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 consolidated income statement for the year ended 31st December, 2001. In the opinion of directors, the carrying value of the Group's leasehold land and buildings as at 31st December, 2002 is not significantly different to the revalued amount at 30th June, 2001.

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31st December, 2002*

(Continued)

### **12. PROPERTY, PLANT AND EQUIPMENT (Continued)**

The leasehold land and buildings of the Group are situated in Hong Kong and are held under medium term leases.

At 31st December, 2002, had all of the land and buildings of the Group been carried at historical cost less accumulated depreciation and amortisation, their carrying amount would have been approximately HK\$5,847,000 (2001: HK\$6,018,000).

### **13. INVESTMENTS IN SUBSIDIARIES**

	<b>THE COMPANY</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Unlisted shares	<b>44,172</b>	44,172
Amounts due from subsidiaries	<b>64,980</b>	20,699
	<b><u>109,152</u></b>	<b><u>64,871</u></b>

The carrying value of the unlisted shares is based on the directors' estimate of the underlying net assets of Grimston Limited and its subsidiaries at the time these subsidiaries were acquired by the Company pursuant to the Group Reorganisation in 2001.

The amounts due from subsidiaries are unsecured, interest free and have no fixed repayment terms. In the opinion of the directors, no part of the amounts are repayable within one year from the balance sheet date and the amounts are therefore shown in the balance sheet as non-current.

Details of the Company's subsidiaries at 31st December, 2002 are set out in note 33.

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31st December, 2002*

(Continued)

### 14. INVESTMENT SECURITIES

	<b>THE GROUP</b>	
	<b>2002</b>	<b>2001</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
At cost		
Unlisted equity security in Hong Kong	<b><u>1,000</u></b>	<b><u>1,000</u></b>

The directors consider the unlisted investment is worth at least its carrying value.

### 15. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	<b>THE GROUP</b>	
	<b>2002</b>	<b>2001</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Share of net assets	<b>1,153</b>	–
Premium on acquisition	<b><u>3,000</u></b>	<u>–</u>
	<b>4,153</b>	–
Loan to a jointly controlled entity	<b><u>6,697</u></b>	<u>–</u>
	<b><u>10,850</u></b>	<u>–</u>

The loan advanced to a jointly controlled entity is unsecured, non-interest bearing and has no fixed repayment terms. In the opinion of the directors, this amount will not be repaid within the next twelve months from the balance sheet date and accordingly, the amount is classified as non-current in the balance sheet.

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31st December, 2002*

(Continued)

### **15. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)**

As at 31st December, 2002, the Group had interests in the following jointly controlled entities:

Name of entity	Place of incorporation/ operation	Proportion of nominal value of issued capital/ registered capital held by the Company		Nature of business
		Directly	Indirectly	
		%	%	
Prosper China Limited ("PCL")	British Virgin Islands ("BVI")/ Hong Kong	40	–	Investment holding
北京東方新青年文化發展有限公司 ("Beijing Youth")	PRC	–	40	Provision of cultural education courses

The premium on acquisition of the jointly controlled entities is amortised on a straight line basis over 10 years starting from year of commencement of operation, i.e. 2003. No amortisation is charged to the consolidated income statement in the current year.

### **16. INVENTORIES**

	<b>THE GROUP</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Raw materials	<b>1,678</b>	1,610
Work in progress	<b>18</b>	38
	<b><u>1,696</u></b>	<u>1,648</u>

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31st December, 2002*

(Continued)

### 17. 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\$12,871,000 (2001: HK\$32,206,000) and their aged analysis is as follows:

	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
0 – 90 days	5,287	21,513
91 – 180 days	3,856	3,548
181 – 365 days	3,728	6,409
1 – 2 years	–	736
	<b>12,871</b>	<b>32,206</b>
	<b>12,871</b>	<b>32,206</b>

### 18. AMOUNT DUE FROM A RELATED COMPANY

Details of the amount due from a related company are as follows:

	<b>THE GROUP</b>		
	<b>As at</b>	<b>31st December,</b>	<b>Maximum amount outstanding during the year ended</b>
	<b>31st December,</b>	<b>2001</b>	<b>31st December,</b>
	<b>2002</b>	<b>2001</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
廣州東影影視出品有限公司 ("Tung Ying") (Note)	<b>5,870</b>	5,620	<b>5,870</b>
	<b>5,870</b>	5,620	<b>5,870</b>

*Note:* A brother of Mr. Wong Pak Ming ("Mr. Wong") has a beneficial interest in this company.

The amount is unsecured, non-interest bearing and is repayable on demand.

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31st December, 2002*

(Continued)

### 19. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$3,036,000 (2001: HK\$5,767,000) and their aged analysis is as follows:

	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
0 – 90 days	3,028	5,649
91 – 180 days	8	118
	<b>3,036</b>	<b>5,767</b>
	<b>3,036</b>	<b>5,767</b>

### 20. BANK BORROWINGS

	<b>THE GROUP</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Secured bank borrowings, other than bank overdrafts	1,180	1,559
Unsecured bank overdrafts	–	809
	<b>1,180</b>	<b>2,368</b>
	<b>1,180</b>	<b>2,368</b>

The maturity of the bank borrowings is as follows:

Within one year	391	1,187
Between one and two years	218	391
Between two and five years	277	399
Over five years	294	391
	<b>1,180</b>	<b>2,368</b>
<i>Less: Amount due within one year shown under current liabilities</i>	<b>(391)</b>	<b>(1,187)</b>
Amount due after one year	<b>789</b>	<b>1,181</b>

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31st December, 2002*

(Continued)

### 21. DEFERRED TAXATION

	<b>THE GROUP</b>	
	<b>2002</b>	<b>2001</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Charge for the year (note 9) and balance at end of year	<u><b>700</b></u>	<u><b>–</b></u>

At the balance sheet date, the major components of deferred taxation (liabilities) assets in the financial statements are as follows:

	<b>THE GROUP</b>			
	<b>Provided</b>		<b>Unprovided</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Tax effect of timing differences attributable to:				
Excess of depreciation allowances claimed for tax purposes over depreciation charged in the financial statements	<b>(1,200)</b>	–	<b>(17)</b>	(553)
Unutilised tax losses	<u><b>500</b></u>	–	<u><b>2,267</b></u>	<u>1,530</u>
	<u><b>(700)</b></u>	–	<u><b>2,250</b></u>	<u>977</u>

Deferred taxation asset is not recognised for both years because it is uncertain whether the tax benefit will be realised in the foreseeable future.

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31st December, 2002*

(Continued)

### 21. DEFERRED TAXATION (Continued)

The major components of the provided and unprovided deferred taxation credit (charge) for the year are as follows:

	<b>The Group</b>			
	<b>Provided</b>		<b>Unprovided</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Tax effect of timing differences attributable to:				
Differences between depreciation allowances claimed for tax purposes and depreciation charged in the financial statements	<b>(1,200)</b>	–	<b>536</b>	(391)
Tax losses arising (utilised)	<b>500</b>	–	<b>737</b>	(10)
	<b><u>(700)</u></b>	<b><u>–</u></b>	<b><u>1,273</u></b>	<b><u>(401)</u></b>

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



## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31st December, 2002*

(Continued)

### 22. SHARE CAPITAL

	<b>Number of shares</b>	<b>Amount HK\$'000</b>
Ordinary shares of HK\$0.10 each		
<i>Authorised:</i>		
On date of incorporation	1,000,000	100
Increase during the period ended 31st December, 2001	<u>999,000,000</u>	<u>99,900</u>
At 31st December, 2001 and 31st December, 2002	<u><u>1,000,000,000</u></u>	<u><u>100,000</u></u>
<i>Issued and fully paid:</i>		
Allotted and issued nil paid on date of incorporation	1,000,000	–
Issue of shares on Group Reorganisation	1,000,000	100
Credited as fully paid from share premium account	–	100
Issue of shares by capitalisation of share premium account (the “Capitalisation Issue”)	223,000,000	22,300
Issue of shares for placing and public offer	<u>75,000,000</u>	<u>7,500</u>
At 31st December, 2001	300,000,000	30,000
Exercise of share options	<u>30,000,000</u>	<u>3,000</u>
<b>At 31st December, 2002</b>	<u><u><b>330,000,000</b></u></u>	<u><u><b>33,000</b></u></u>

During the year ended 31st December, 2002, 30,000,000 share options were exercised at a subscription price of HK\$0.56 per share, resulting in the issue of 30,000,000 ordinary shares of HK\$0.10 each in the Company.

All the shares which were issued during the year rank pari passu with the then existing shares in all respects.

During the year ended 31st December, 2001, the movements in ordinary share capital are as follows:

---

---

## NOTES TO THE FINANCIAL STATEMENTS

---

---

*For the year ended 31st December, 2002*

(Continued)

### 22. SHARE CAPITAL (Continued)

Pursuant to written resolutions of the sole shareholder of the Company on 21st August, 2001 to effect the Group Reorganisation in preparation for the listing of the Company's shares on the Stock Exchange, the following movements in the authorised and issued share capital of the Company took place:

- (a) the authorised share capital of the Company was increased from HK\$100,000 to HK\$100,000,000 by the creation of an additional 999,000,000 shares of HK\$0.10 each to rank pari passu with the then existing shares in issue in all respects;
- (b) 1,000,000 shares of HK\$0.10 each were allotted and issued, credited as fully paid, to the shareholders of Grimston Limited as consideration for the acquisition of the entire share capital of Grimston Limited pursuant to the Group Reorganisation;
- (c) an amount of HK\$100,000 standing to the credit to the share premium account was capitalised and applied to pay up in full at par 1,000,000 shares of HK\$0.10 each which were allotted and issued at nil paid on 31st May, 2001;
- (d) conditional on the share premium account being credited as a result of the placing and public offer on 7th September, 2001, an amount of HK\$22,300,000 was capitalised and applied to pay up in full at par 223,000,000 shares of HK\$0.10 each for allotment and issue to the shareholders of the Company whose names appeared on the register of members of the Company at the close of business on 21st August, 2001 (or as they may direct) in proportion to their then shareholdings in the Company.

On 7th September, 2001, by means of placing and public offer, the Company issued a total of 75,000,000 new ordinary shares of HK\$0.10 each at the price of HK\$0.90 per share. The proceeds were used to expand the film production business in China, to acquire film processing machinery and to provide additional working capital for the Group.

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31st December, 2002*

(Continued)

### **23. SHARE OPTION SCHEME**

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 21st August, 2001 for the purpose of recognising the contribution of the senior management and full-time employees of the Group. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares of the Company at the subscription price which shall not be less than the higher of the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day or the average closing price of the Company's shares as stated in the daily operations sheets of the Stock Exchange for the five business days immediately proceeding the date of grant. The Scheme will expire on 20th August, 2011.

The following tables disclose details of the Company's share options held by employees and movements in such holdings during the year.

<b>Option type</b>	<b>Granted during the year ended 31.12.2001 and outstanding at 31.12.2001</b>	<b>Exercised during the year</b>	<b>Outstanding at 31.12.2002</b>
2001	<u>30,000,000</u>	<u>(30,000,000)</u>	<u>–</u>

Details of specific categories of options are as follows:

<b>Option type</b>	<b>Date of grant</b>	<b>Exercise period</b>	<b>Exercise price</b>	<b>Exercise date</b>
2001	12th October, 2001	11th April, 2002 to 20th August, 2011	HK\$0.56 per share	10th May, 2002

The closing price of the Company's shares immediately before 10th May, 2002, the date on which the options were exercised, was HK\$1.62.

Total consideration received during the year ended 31st December, 2001 from employees for taking up the options granted amounted to HK\$10. No charge is recognised in the income statement in respect of the value of options granted in 2001.

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31st December, 2002*

(Continued)

### **24. RESERVES**

The special reserve of the Group that arose during the year ended 31st December, 2001 represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the Group Reorganisation in 2001.

The special reserve of the Group at 1st January, 2001 represents the consideration for the acquisition of additional interests in jointly controlled entities which became wholly owned subsidiaries by the substantial shareholder of the Company prior to the Group Reorganisation.

	<b>Share premium</b>	<b>Contributed surplus</b>	<b>Accumulated profit (deficit)</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>THE COMPANY</b>				
Premium arising on issues of shares	60,000	–	–	60,000
Expenses incurred in connection with the issue of shares	(16,717)	–	–	(16,717)
Capitalisation	(22,400)	–	–	(22,400)
Contributed surplus arising from Group Reorganisation	–	44,072	–	44,072
Net loss for the year	–	–	(25)	(25)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December, 2001	20,883	44,072	(25)	64,930
Exercise of share options	13,800	–	–	13,800
Expenses incurred a connection with the issue of shares	(30)	–	–	(30)
Net profit for the year	–	–	12,082	12,082
Dividends paid	–	–	(11,550)	(11,550)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December, 2002	<u>34,653</u>	<u>44,072</u>	<u>507</u>	<u>79,232</u>

The contributed surplus of the Company represents the excess of the combined net assets of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange thereof at the time of the Group Reorganisation in 2001.

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31st December, 2002*

(Continued)

### **24. RESERVES** (Continued)

Under the laws in Bermuda, the contributed surplus account of a company is available for distribution. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

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

The Company's reserves available for distribution to shareholders as at 31st December, 2002 represented by its contributed surplus of approximately HK\$44,072,000 (2001: HK\$44,072,000) and accumulated profit of approximately HK\$507,000 (2001: nil).

### **25. OPERATING LEASE COMMITMENTS**

Minimum lease payments paid under operating leases during the year:

	<b>2002</b> <i>HK\$'000</i>	<b>2001</b> <i>HK\$'000</i>
Premises	<u><b>1,585</b></u>	<u>720</u>

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>2002</b> <i>HK\$'000</i>	<b>2001</b> <i>HK\$'000</i>
Operating leases which expire:		
Within one year	<b>1,418</b>	363
In the second to fifth year inclusive	<u><b>1,699</b></u>	<u>–</u>
	<u><b>3,117</b></u>	<u>363</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of three to five years with rental fixed throughout the year.

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31st December, 2002*

(Continued)

### 26. CAPITAL COMMITMENTS

The Group had capital expenditure amounting to approximately HK\$371,000 (2001: nil) contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment.

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

### 27. OTHER COMMITMENTS

	<b>THE GROUP</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Expenditure contracted for but not provided in the financial statements in respect of:		
Artists' fee	2,888	2,692
Purchase of film rights	—	3,458
	<u>2,888</u>	<u>6,150</u>

The Company had no other commitments at the balance sheet dates.

### 28. CONTINGENT LIABILITIES

	<b>THE COMPANY</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Guarantees given to bank in respect of banking facilities utilised by a subsidiary	<u>1,180</u>	<u>—</u>

The Group did not have any significant contingent liabilities at the balance sheet date.

### 29. PLEDGE OF ASSETS

The Group pledged its leasehold land and buildings at 31st December, 2002 with an aggregate carrying value of HK\$4,244,000 (2001: HK\$4,415,000) for banking facilities granted to the Group.

---

---

## **NOTES TO THE FINANCIAL STATEMENTS**

---

---

*For the year ended 31st December, 2002*

(Continued)

### **30. POST BALANCE SHEET EVENT**

Subsequent to the balance sheet date, the Group entered into an agreement to make a capital investment of HK\$15,000,000 in a sino-foreign joint venture in the PRC. Accordingly, the Group will hold 37.5% in the joint venture which is engaged in the hotel operation in the PRC.

### **31. RETIREMENT BENEFITS SCHEME**

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance (the “ORSO Scheme”) and a Mandatory Provident Fund Scheme (the “MPF Scheme”) established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by the employee.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at 5% of the employee’s basic salary.

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31st December, 2002*

(Continued)

### **32. RELATED PARTY TRANSACTIONS**

During year, the Group entered into the following significant transactions with related parties:

<b>Name of related party</b>	<b>Nature of transaction</b>	<i>Notes</i>	<b>2002</b> <b>HK\$'000</b>	<b>2001</b> <b>HK\$'000</b>
Pure Project Limited	Rental expenses	(i)	<b>500</b>	720
Mandarin Recording Studio Limited	Rental expenses	(i)	<b>52</b>	156
Mandarin Recording Studio Limited	Management fee expenses	(ii)	–	48
Tung Ying	Agency fees	(iii)	<b>413</b>	971
Prosper China Limited	Management fee income	(iv)	<b>750</b>	–

*Notes:*

- (i) The rentals are agreed after negotiation between the Group and Pure Project Limited and Mandarin Recording Studio Limited, both of which Mr. Wong holds beneficial interests, and on the basis of estimated market value as determined by the directors of the Company.
- (ii) The management fees were charged by reference to the actual cost incurred. Mr. Wong held beneficial interests in Mandarin Recording Studio Limited.
- (iii) The agency fees are charged by Tung Ying at the agreed terms of 10% (2001: 10%) of the distribution income generated by Tung Ying on behalf of the Group, in which it acted as an agent to generate that income.
- (iv) The management fee income was charged by reference to the actual cost incurred. Prosper China Limited is a jointly controlled entity of the Group.

In the opinion of the directors, the above related party transactions are on normal commercial terms and in the ordinary course of business.



## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31st December, 2002*

(Continued)

### **33. PARTICULARS OF SUBSIDIARIES**

Details of the subsidiaries of the Company as at 31st December, 2002 are as follows:

<b>Name of company</b>	<b>Place of incorporation/ operation</b>	<b>Issued and fully paid share capital</b>	<b>Proportion of nominal value of issued share capital held by Company</b> %	<b>Principal activities</b>
Chili Advertising & Promotions Limited	Hong Kong	HK\$10,000 ordinary shares	100	Provision of promotional services for films
Film City Enterprises Limited	BVI	US\$1 ordinary shares	100	Inactive
Grimston Limited	BVI	US\$10,000 ordinary shares	100	Investment holding
Mandarin Films Limited	Hong Kong	HK\$100 ordinary shares	100	Production of films
Mandarin Films Distribution Company Limited	Hong Kong	HK\$20 ordinary shares HK\$10,000,000 non-voting deferred shares ( <i>Note</i> )	100	Distribution of films produced or purchased by the Group
Mandarin Laboratory Limited	Hong Kong	HK\$10,000	100	Distribution of films produced by third parties
Mandarin Laboratory (International) Limited	Hong Kong	HK\$1,000,000	100	Film processing and storage of films
Mandarin Motion Picture Limited	Hong Kong	HK\$500,000	100	Production of films
Media Elite Enterprises Limited	BVI	US\$10,000	100	Distribution of films produced or purchased by the Group

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31st December, 2002*

(Continued)

### **33. PARTICULARS OF SUBSIDIARIES** (Continued)

<b>Name of company</b>	<b>Place of incorporation/ operation</b>	<b>Issued and fully paid share capital</b>	<b>Proportion of nominal value of issued share capital held by Company %</b>	<b>Principal activities</b>
Walsbo Limited	Hong Kong	HK\$2 ordinary shares HK\$9,800 non-voting deferred shares ( <i>Note</i> )	100	Investment holding

*Note:* The deferred shares practically carry no rights to dividends or to receive notice of attend or vote at any general meeting of the Company or to participate in any distribution on winding up.

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

The Company directly holds the interest in Grimston Limited. All other interests shown above are indirectly held.