

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. The principal activities of the Group consist of worldwide film and video distribution; film exhibition in Hong Kong, Malaysia, Singapore and Mainland China; film and television drama series production; and the operation of a film processing business in Hong Kong.

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following new and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") are effective for the first time in the preparation of the current year's financial statements:

- SSAP 1 (Revised): "Presentation of financial statements"
- SSAP 11 (Revised): "Foreign currency translation"
- SSAP 15 (Revised): "Cash flow statements"
- SSAP 34: "Employee benefits"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting those SSAPs which have had a significant effect on the financial statements, are summarised as follows:

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision of this SSAP is that a consolidated statement of changes in equity is now presented in the financial statements in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group's reserves note.

SSAP 11 prescribes the basis for the translation of foreign currency transactions in the financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries and associates are now translated into Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

30 June 2003

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(continued)*

SSAP 15 prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated into Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date, and the definition of cash equivalents for the purpose of the consolidated cash flow statement has been revised.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in the recognition of an accrual for unused holiday leave carried forward by the Group's employees as at the balance sheet date. The recognition of this accrual has resulted in a prior year adjustment, further details of which are included under the heading "Employee benefits" in note 3 and in note 4 to the financial statements. In addition, disclosures are now required in respect of the Company's share option scheme, as detailed in note 25 to the financial statements. These share option scheme disclosures are similar to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") disclosures previously included in the Report of the Directors, which are now included in the notes to the financial statements as a consequence of the adoption of this SSAP.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with SSAPs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of certain fixed assets, as further explained below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the year ended 30 June 2003, together with the Group's share of the results for the year and post-acquisition reserves of its associates, as set out below. The results of the subsidiaries and associates acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

Minority interests represent the interest of outside shareholders in the results and net assets of the Company's subsidiaries.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is a company, not being a subsidiary, in which the Group has a long term interest of not less than 20 percent of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and is calculated from the latest financial statements of the associates which are made up to 30 June 2003, with the exception of Golden Screen Cinemas Sdn. Bhd., and Golden Screen Film Distribution Company Sdn. Bhd., for which financial statements made up to 31 December 2002 are used. The share of results is arrived at based on the audited financial statements of these associates as at 31 December 2002, after making appropriate adjustments for significant transactions and events in the intervening period to 30 June 2003 between the associates and the Group.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

30 June 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Goodwill** *(continued)*

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

SSAP 30 "Business combinations" was adopted as at 1 July 2001. Prior to that date, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such goodwill to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to 1 July 2001 is treated according to the SSAP 30 goodwill accounting policy above.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any remaining attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of assets *(continued)*

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Long term leasehold land	over the unexpired terms of the leases
Buildings	4%
Leasehold improvements	10% – 33 ¹ / ₃ %
Machinery and equipment	10% – 25%
Furniture and fixtures	10% – 25%
Motor vehicles	20%
Air-conditioning systems	20%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset. On disposal or retirement, the attributable revaluation surplus not previously dealt with in retained profits or accumulated losses is transferred directly to retained profits or accumulated losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Investments in club memberships**

Investments in club memberships are stated at cost less any impairment losses. Cost includes fees and expenses directly related to the acquisition of the club memberships.

Trademarks

Trademarks are stated at cost less any impairment losses and are not amortised.

Long term investments

Long term investments in unlisted equity securities, which are intended to be held on a continuing basis, and which are held for identified long term purposes documented at the time of acquisition or change of purpose and are clearly identifiable for the documented purpose, are stated at cost less any impairment losses, on an individual investment basis.

When impairments in values have occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the directors, and the amounts of the impairments are charged to the profit and loss account for the period in which they arise.

When the circumstances and events that led to the impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the appreciation in fair value is credited to profit and loss account, on an individual investment basis, to the extent of the amount previously charged.

Accounts receivable

Accounts receivable, which generally have credit terms of between one to three months, are recognised and carried at the original invoiced amount. An estimate for doubtful debts is made and deducted when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowances for obsolete or slow-moving items. Cost is determined on the first-in, first-out basis and includes all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices, less any further costs expected to be incurred to completion and disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Film rights and amortisation

(i) *Film rights*

Film rights represent films and television drama series and are stated at cost less accumulated amortisation and any impairment losses.

Amortisation is charged to the profit and loss account based on the proportion of actual income earned during the year to the total estimated income from the sale of the film rights. Where there is an impairment in value, the unamortised balance is written down to its estimated recoverable amount.

(ii) *Films in progress*

Films in progress are stated at cost less any impairment losses. Cost includes all direct costs associated with the production of films or television drama series. Impairment losses are made for costs which are in excess of the expected future revenue generated by these films or television drama series. Costs are transferred to film rights upon completion.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

On consolidation, the financial statements of overseas subsidiaries and the Group's share of net assets of overseas associates expressed in foreign currencies are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and associates are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheet are translated into Hong Kong dollars as the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchanged rates for the year.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Employee benefits***Paid leave carried forward*

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Prior to the adoption of SSAP 34 during the year, as explained in note 2 to the financial statements, the Group did not accrue for paid annual leave carried forward at the balance sheet date. This change in accounting policy has resulted in a prior year adjustment due to the initial recognition of the accrual, further details of which are included in note 4 to the financial statements.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their services to the Group to the balance sheet date.

Retirement benefits scheme

The Group operates a defined contribution retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. Contributions to the Scheme are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The Group's employer contributions are fully and immediately vested with the employees when contributed to the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund.

30 June 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Employee benefits** *(continued)**Retirement benefits scheme (continued)*

The employees of the Group's subsidiaries in the People's Republic of China (the "PRC") are members of the state-sponsored retirement scheme (the "State Scheme") operated by the government of the PRC. Contributions to the State Scheme are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the State Scheme.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions *(continued)*

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

Provisions for long service payments are made based on relevant labour laws and regulations governing retirement payments and are reviewed by the directors on an annual basis and adjusted where applicable.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) film royalty income, theatre advertising income and video distribution income, on an accrual basis;
- (b) film distribution commission income, film developing and printing service income, advertising agency fee income, music production income, production control fee income, and film sourcing and consultancy service income, on completion of the services;
- (c) gross box office takings, on the sale of tickets and when the services have been rendered to the buyers;
- (d) income from confectionery sales and compact disc sales, at the point of sale when the confectionery and compact discs are given to the customers;
- (e) rental income, in the period in which the properties are let out and on the straight-line basis over the lease terms;
- (f) interest, on a time proportion basis taking into account the principal outstanding and the effective rate of interest applicable; and
- (g) dividends, when the shareholders' right to receive payment is established.

30 June 2003

4. PRIOR YEAR ADJUSTMENTS

In the current year, the Group adopted SSAP 34 "Employee benefits" as detailed in note 2 to the financial statements. The resulting change in accounting policy relating to the accrual for unused holiday leave carried forward by employees has been made retrospectively and accordingly, the comparative balances for the year ended 30 June 2002, including the loss per share and the accumulated losses brought forward as at 1 July 2001 have been restated.

The effect of this change is an increase in general and administrative expenses and an increase in net losses attributable to shareholders of HK\$220,000 for the year ended 30 June 2002, which is the net movement in the accrued employees' unused annual leave during that year. The accumulated losses brought forward as at 1 July 2001 and 1 July 2002 have been increased by HK\$1,980,000 and HK\$2,200,000, respectively, which are the amounts of the adjustments in respect of the Group's required accrual for employees' unused annual leave as at those dates.

5. SEGMENT INFORMATION

Segment information is presented by way of segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the film and video distribution segment engages in the worldwide distribution of films and audio visual products related to films and television programmes;
- (b) the film exhibition segment engages in film exhibition in Hong Kong, Malaysia, Singapore and Mainland China;
- (c) the film and television drama series production segment engages in production controller and film producer services; and
- (d) the others segment comprises film processing business and music production business, which provide film processing services and produce soundtracks and sell soundtrack albums. In last year, the others segment also comprised public relations which provided public relations and retainer services.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

5. SEGMENT INFORMATION (continued)

(a) Business segments

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's business segments.

	Film and video distribution		Film exhibition		Film and television drama series production		Others		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	77,993	91,316	116,602	148,996	910	2,505	14,765	21,213	-	-	210,270	264,030
Inter-segment sales	2,024	2,066	-	-	-	3,377	268	3,202	(2,292)	(8,645)	-	-
Other revenue	3,806	6,342	2,308	4,305	1,505	2,780	319	618	(1,395)	(1,979)	6,543	12,066
Total	83,823	99,724	118,910	153,301	2,415	8,662	15,352	25,033	(3,687)	(10,624)	216,813	276,096
Segment results												
	(8,406)	3,146	(64,025)	(21,758)	(24,497)	(17,397)	574	(7,045)	722	1,881	(95,632)	(41,173)
Interest income and unallocated gains												
Impairment of film rights	(11,215)	(15,536)	-	-	-	-	-	-	-	-	962	4,338
											(11,215)	(15,536)
Loss from operating activities												
Write-off of interests in associates	(75)	(13,930)	-	(1,227)	-	-	-	-	-	-	(75)	(15,157)
Impairment of a long term investment											(2,297)	(5,800)
Impairment of interests in associates	-	-	(2,000)	-	-	-	-	-	-	-	(2,000)	-
Impairment of goodwill	-	-	-	(37,606)	-	-	-	-	-	-	(37,606)	-
Finance costs											(628)	(242)
Share of profits and losses of associates	(833)	(5,174)	13,546	(3,745)	-	-	-	-	-	-	12,713	(8,919)
Loss before tax											(135,778)	(82,489)
Tax											(5,611)	(4,134)
Loss before minority interests											(141,389)	(86,623)
Minority interests											6	5
Net loss from ordinary activities attributable to shareholders												
											(141,383)	(86,618)

30 June 2003

5. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Film and video distribution		Film exhibition		Film and television drama series production		Others		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	76,495	113,922	92,268	129,122	20,007	14,861	10,674	10,030	(15,390)	(11,076)	184,054	256,859
Interests in associates	737	1,461	159,393	158,048	-	-	-	-	-	-	160,130	159,509
Long term investment											-	2,297
Trademarks											79,203	79,073
Unallocated assets											14,291	26,662
Total assets											437,678	524,400
Segment liabilities	37,070	44,135	29,063	16,672	4,002	10,567	6,485	3,152	(15,426)	(9,382)	61,194	65,144
Unallocated liabilities											67,584	46,970
Total liabilities											128,778	112,114
Other segment information:												
Depreciation	628	540	14,363	14,326	802	1,009	680	933	-	-	16,473	16,808
Unallocated amounts											1,820	1,646
											18,293	18,454
Amortisation of film rights	30,919	27,321	-	-	-	-	-	-	-	-	30,919	27,321
Provision for/(write-back of) doubtful debts, net	2,559	(509)	339	38	-	-	(110)	36	-	-	2,788	(435)
Capital expenditure	202	2,855	1,183	1,729	-	403	-	45	-	-	1,385	5,032
Unallocated amounts											1,881	2,615
											3,266	7,647

5. SEGMENT INFORMATION (*continued*)

(b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments.

	Hong Kong		Mainland China		Elsewhere in Asia		Others		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	174,917	224,272	17,555	20,299	15,052	14,782	5,038	4,677	(2,292)	-	210,270	264,030
Other segment information:												
Segment assets	167,971	236,027	25,363	45,417	4,308	1,728	703	349	-	-	198,345	283,521
Interests in associates											160,130	159,509
Long term investment											-	2,297
Trademarks											79,203	79,073
											<u>437,678</u>	<u>524,400</u>
Capital expenditure	3,037	3,370	213	2,430	16	1,346	-	-	-	-	3,266	7,146
Unallocated amounts											130	501
											<u>3,396</u>	<u>7,647</u>

6. TURNOVER

Turnover represents proceeds from the sale of film, video and television rights; motion picture distribution and theatre operation; advertising agency fees earned; the invoiced value of film developing and printing services rendered; production control fees earned; music production income earned; service fees earned for film sourcing and consultancy, and the sale of audio visual products.

7. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging/(crediting):

	2003 HK\$'000	2002 HK\$'000
Cost of inventories sold	6,345	5,917
Cost of services provided	72,007	99,906
Amortisation of film rights	30,919	27,321
Auditors' remuneration	1,486	1,569
Depreciation (note 12)	18,293	18,454
Loss on disposal of fixed assets	108	544
Operating lease rental payments in respect of land and buildings:		
Minimum lease payments	39,165	40,319
Contingent rents	1,811	2,824
	40,976	43,143
Staff costs, excluding directors' remuneration (see note 29)		
Wages and salaries*	47,644	54,463
Pension contributions	1,632	2,068
	49,276	56,531
Provisions for long service payments	613	1,204
Exchange gains arising from translation of advances to overseas associates in Asia and other monetary assets and liabilities denominated in foreign currencies as at the balance sheet date	(456)	(2,747)
Provision for/(write-back of) doubtful debts, net	2,788	(435)
Provision for deposits paid for equipment	20,731	-
Exchange gains, net	(93)	(687)
Rental income, net	(365)	(365)
Interest income on bank deposits	(263)	(969)
Interest income from related parties	(140)	-

* Balance also included the amount of "Provision for long service payments" disclosed above.

7. LOSS FROM OPERATING ACTIVITIES *(continued)*

The cost of services provided includes approximately HK\$3,308,000 (2002: HK\$9,170,000) relating to staff costs which is also included in the amount disclosed above.

The amortisation of film rights for the year is included in "Cost of sales" on the face of the consolidated profit and loss account.

The provision for deposits paid for equipment for the year is included in "Other operating expenses" on the face of the consolidated profit and loss account.

8. FINANCE COSTS

	2003	2002
	HK\$'000	HK\$'000
Interest on accounts payable	548	201
Interest on finance leases	80	41
	628	242

9. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable outside Hong Kong have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on country legislation, interpretations and practices in respect thereof.

	2003 HK\$'000	2002 HK\$'000
Group:		
Hong Kong	355	395
Elsewhere	189	498
Under provision in prior years	–	92
Deferred (<i>note 23</i>)	(110)	–
	434	985
Associates:		
Overprovision in the prior year	–	(120)
Deferred	5,177	3,269
	5,177	3,149
Tax charge for the year	5,611	4,134

At the date of approval of the financial statements, a subsidiary of the Group has disputes with the Hong Kong Inland Revenue Department on the non-taxable claim of certain non-Hong Kong sourced income from the years of assessment 1995/1996 and 1996/1997. The subsidiary is pursuing objection against the disputes and the directors consider that sufficient tax provision has been made in this regard.

10. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$80,194,000 (2002: HK\$107,989,000).

11. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK\$141,383,000 (2002: HK\$86,618,000 (restated)) and the weighted average of 800,887,500 shares (2002: 800,887,500 shares) in issue during the year.

No disclosure of diluted loss per share for both the current year and prior year is shown as the exercise price of the Company's outstanding share options was higher than the average market price of the Company's ordinary shares during both years and thus the share options had no diluting effect on the basic loss per share for these years.

30 June 2003

12. FIXED ASSETS

Group	Leasehold land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Machinery and equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Air- conditioning systems HK\$'000	Total HK\$'000
Cost or valuation:							
At beginning of year	9,300	68,615	28,961	21,263	2,954	588	131,681
Additions	-	590	932	292	1,452	-	3,266
Disposals	-	-	(123)	(56)	(1,038)	-	(1,217)
Exchange adjustments	-	(2)	(12)	(9)	5	-	(18)
At 30 June 2003	9,300	69,203	29,758	21,490	3,373	588	133,712
Accumulated depreciation:							
At beginning of year	2,649	19,950	11,318	7,151	1,108	558	42,734
Provided during the year	358	10,279	4,123	2,892	630	11	18,293
Disposals	-	-	(94)	(35)	(817)	-	(946)
Exchange adjustments	-	-	(3)	(2)	4	-	(1)
At 30 June 2003	3,007	30,229	15,344	10,006	925	569	60,080
Net book value:							
At 30 June 2003	6,293	38,974	14,414	11,484	2,448	19	73,632
At 30 June 2002	6,651	48,665	17,643	14,112	1,846	30	88,947
Analysis of cost or valuation:							
At cost	-	69,203	29,758	21,490	3,373	588	124,412
At valuation	9,300	-	-	-	-	-	9,300
	9,300	69,203	29,758	21,490	3,373	588	133,712

12. FIXED ASSETS *(continued)*

The leasehold land and buildings are situated in Hong Kong and are held under long term leases.

The net book value of the Group's fixed assets held under finance leases included in the total amount of machinery and equipment, and motor vehicles at 30 June 2003, amounted to HK\$70,000 (2002: HK\$93,000) and HK\$1,911,000 (2002: HK\$942,000), respectively.

The long term leasehold land and buildings were revalued on 30 September 1994 by an independent firm of professionally qualified valuers, C.Y. Leung & Company Limited, at HK\$9,300,000 at open market value assuming sale with vacant possession. The surplus arising from the revaluation was credited to the revaluation reserve account. The effect of this revaluation on the depreciation charge for the year was insignificant. The Group has adopted the transitional provision, as permitted under paragraph 80 of SSAP 17 issued in 1995, of not making further regular valuations on its revalued assets.

Had the Group's land and buildings been carried at cost less accumulated depreciation and any impairment losses, they would have been included in the financial statements at approximately HK\$707,000 (2002: HK\$789,000).

13. INTERESTS IN SUBSIDIARIES

	Company	
	2003	2002
	HK\$'000	HK\$'000
Unlisted shares, at cost	167,647	167,647
Due from subsidiaries	717,718	718,948
	885,365	886,595
Provision for impairment	(577,386)	(496,720)
	307,979	389,875

The balances with subsidiaries are unsecured, interest-free and are not repayable within the next twelve months.

30 June 2003

13. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation and principal operations	Nominal value of issued and fully paid share/registered capital	Percentage of equity attributable to the Group	Principal activities
Cine Art Laboratory Limited	Hong Kong	Ordinary HK\$2,500 Deferred* HK\$997,500	100	Film developing and printing
City Entertainment Corporation Limited	Hong Kong	Ordinary HK\$2	100	Theatre operation
Conneway Films Company Limited	Hong Kong	Ordinary HK\$31,610,000	100	Theatre operation
Gala Film Distribution Limited	Hong Kong	Ordinary HK\$10,000 Deferred* HK\$10,000	100	Distribution of motion pictures
Golden Harvest Cinemas Holding Limited	British Virgin Islands	Ordinary US\$1	100	Investment holding
Golden Harvest Entertainment Company Limited	Hong Kong	Ordinary HK\$100 Deferred* HK\$114,000,000	100	Investment holding

13. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation and principal operations	Nominal value of issued and fully paid share/registered capital	Percentage of equity attributable to the Group	Principal activities
Golden Harvest Entertainment International Limited	British Virgin Islands	Ordinary US\$1,000	100	Investment holding
Golden Harvest Films Distribution Holding Limited	British Virgin Islands	Ordinary US\$1	100	Investment holding
Golden Harvest Film Productions Limited	Hong Kong	Ordinary HK\$100,000	100	Provision of production controller and film producer services
Golden Harvest (Marks) Limited	British Virgin Islands	Ordinary US\$1	100	Holding of trademarks
Golden Harvest Multiplex (Pte.) Limited	Singapore	Ordinary S\$2	100	Investment holding
Golden Movies International Limited	British Virgin Islands	Ordinary US\$1	100	Sale of film rights and distribution of motion pictures

13. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation and principal operations	Nominal value of issued and fully paid share/registered capital	Percentage of equity attributable to the Group	Principal activities
Golden Screen Limited	Hong Kong	Ordinary HK\$8,750,000	100	Investment holding
Golden Touch Licencing B.V.	Netherlands	Ordinary EUR18,151.21	100	Distribution of motion pictures
Happy Way Limited	Hong Kong	Ordinary HK\$10,000	100	Distribution of audio visual products related to films and programmes
Kotewall Limited	British Virgin Islands	Ordinary US\$1	100	Sale of film rights and distribution of motion pictures
Panasia Films Limited	Hong Kong	Ordinary HK\$2,600,000	100	Distribution of motion pictures and acting as an advertising agent
Real Merry Limited	Hong Kong	Ordinary HK\$16,831,002	100	Theatre operation

13. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation and principal operations	Nominal value of issued and fully paid share/registered capital	Percentage of equity attributable to the Group	Principal activities
Shanghai Golden Harvest Media Management Company Limited**	PRC	Ordinary US\$500,000	90	Distribution of motion pictures
Shanghai Golden Harvest Multiplexes Company Limited**	PRC	Ordinary US\$1,000,000	90	Theatre operation
Splendid Ventures Limited	Hong Kong	Ordinary HK\$2	100	Theatre operation
SML (Hong Kong) Limited	Samoa	Ordinary US\$1	100	Distribution of motion pictures
United Harvest Asia Limited	Hong Kong	Ordinary HK\$2	100	Provision of finance to group companies

Except for Golden Harvest Entertainment International Limited, all of the above subsidiaries are indirectly held by the Company.

13. INTERESTS IN SUBSIDIARIES (continued)

* For Golden Harvest Entertainment Company Limited, the deferred shares carry no rights to dividends and carry the right to receive one half of the surplus on a return of capital exceeding HK\$1,000,000,000,000. Apart from this, all other deferred shares carry rights to dividends for any given financial year of the respective companies when the net profit available for distribution exceeds HK\$1,000,000,000. They also carry rights to receive one half of the surplus on a return of capital of the respective companies exceeding HK\$500,000,000,000. None of the deferred shares carry any rights to vote at general meetings.

** Shanghai Golden Harvest Media Management Company Limited and Shanghai Golden Harvest Multiplexes Company Limited are Sino-foreign equity joint venture enterprises under the PRC Law.

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

14. INTERESTS IN ASSOCIATES

	Group	
	2003	2002
	HK\$'000	HK\$'000
Share of net assets other than goodwill	12,163	4,160
Due from associates	149,967	155,918
	162,130	160,078
Provision for impairment	(2,000)	(569)
	160,130	159,509

All balances with associates are unsecured, interest-free and not repayable within the next twelve months.

The Group's share of the post-acquisition accumulated reserves of associates as at 30 June 2003 amounted to accumulated losses of HK\$72,646,000 (2002: HK\$80,182,000).

14. INTERESTS IN ASSOCIATES *(continued)*

Particulars of the principal associates are as follows:

Name	Business structure	Place of incorporation and principal operations	Class of shares held	Percentage of issued shares/paid-up registered capital held by the Group	Principal activities
Dartina Development Limited	Corporate	Hong Kong	Ordinary	50	Investment holding
Global Entertainment and Management Systems Sdn. Bhd.	Corporate	Malaysia	Ordinary	33.33	Investment holding
Golden Access Pte. Limited (Formerly known as Golden Abacus Pte. Limited)	Corporate	Singapore	Ordinary	50	Computer programming
Golden Screen Cinemas Sdn. Bhd.	Corporate	Malaysia	Ordinary	40.22	Distribution of motion pictures and theatre operation
Golden UIP Film Distributors Limited	Corporate	Hong Kong	Ordinary	50	Distribution of motion pictures
Golden Village Entertainment (Singapore) Pte. Limited	Corporate	Singapore	Ordinary	50	Investment holding

14. INTERESTS IN ASSOCIATES *(continued)*

Name	Business structure	Place of incorporation and principal operations	Class of shares held	Percentage of issued shares/paid-up registered capital held by the Group	Principal activities
Golden Village Pictures Pte. Limited	Corporate	Singapore	Ordinary	50	Distribution of motion pictures
Golden Village Holdings Pte. Limited	Corporate	Singapore	Ordinary	50	Investment holding
Golden Village Multiplex Pte. Limited	Corporate	Singapore	Ordinary	50	Theatre operation
Keen Fortune Production Limited*	Corporate	British Virgin Islands	Ordinary	50	Distribution of motion pictures
Rich Will Limited	Corporate	Hong Kong	Ordinary	50	Theatre operation
Shanghai Golden Entertainment Limited	Corporate	PRC	Registered capital	27	Theatre operation
Tanjong Golden Village Sdn. Bhd.	Corporate	Malaysia	Ordinary	33.34	Theatre operation

* Incorporated during the year

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed 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.

15. LONG TERM INVESTMENT

The long term investment represented a 16% shareholding in an unlisted equity investment and is stated at cost, representing its fair value on acquisition, less any impairment losses.

	Group	
	2003 HK\$'000	2002 HK\$'000
Unlisted equity investment, at fair value	16,302	16,302
Less: Provision for impairment	(16,302)	(14,005)
	–	2,297

16. TRADEMARKS

The trademarks represent the perpetual licence for the use of the brandname "Golden Harvest" which takes the form of sign, symbol, name, logo, design or any combination thereof.

The trademarks are stated at cost less any impairment losses and are not amortised. The additions during the year represent design fees and professional fees and registration fees incurred on the registration of the trademarks overseas.

In accordance with the requirements of SSAP 29, the cost of the Group's trademarks should be amortised over the best estimate of their useful lives. SSAP 29 also states that there is a rebuttable presumption that the useful life of an intangible asset will not exceed 20 years from the date when the asset is available for use. In the opinion of the directors, to follow the requirements of SSAP 29 would give a misleading view of the results of the Group and its loss per share for the following reasons:

- (i) The trademarks, which were acquired by the Group in 2000, have been in use for a long time and will continue to be used for the long term. The valuation of the Group's trademarks performed by Adonis Appraisal Limited, an independent professional appraiser, has confirmed that the market value of the trademarks exceeded the carrying value as at 30 June 2003. In the opinion of the directors, there has been no material change in the valuation since 30 June 2003; and

16. TRADEMARKS *(continued)*

- (ii) The Group has incurred and intends to continue to incur significant advertising and promotion expenses, which are charged to profit and loss account when incurred, to maintain and increase the market value of its trademarks.

As a result, the Group has decided not to follow the requirements of SSAP 29 and to continue to adopt the accounting policy to state trademarks at cost less any impairment losses. The Group intends to confirm the value of its trademarks by independent professional valuation periodically.

17. INVENTORIES

	Group	
	2003	2002
	HK\$'000	HK\$'000
Raw materials	266	191
Chemicals	38	36
Machinery parts	113	91
	<u>417</u>	<u>318</u>

18. FILM RIGHTS AND FILMS IN PROGRESS

As at 30 June 2003, the balance of film rights and films in progress included an impairment loss of HK\$11,215,000 (2002: HK\$15,536,000), which was charged to the profit and loss account for the year. The impairment loss was determined by management with reference to the net realisable values of film rights and films in progress as at the balance sheet date in accordance with the Group's accounting policy.

19. ACCOUNTS RECEIVABLE

The Group usually grants credit periods ranging from one to three months. The age analysis of the accounts receivable, net of provision, at 30 June is as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Current to 3 months	14,345	28,035
4 to 6 months	656	451
7 to 12 months	2,873	10
Over 1 year	2,163	599
	20,037	29,095

The accounts receivable of the Group at 30 June 2003 included trading balances due from Golden Harvest Private Group companies totalling HK\$123,000 (2002: HK\$11,000). All of the balances with the Golden Harvest Private Group companies are unsecured, interest-free and repayable in accordance with normal trading terms.

The Golden Harvest Private Group represents the private companies in the Golden Harvest Group, a group of companies controlled by Chow Ting Hsing, Raymond, a director of the Company, which were not included in the Group pursuant to the Group reorganisation in November 1994.

The accounts receivable of the Group at 30 June 2003 also included amounts due from certain related companies, namely GH Pictures (China) Limited, GH Media Management Pte. Limited, Best Creation International Limited and Wigston Company Limited, of approximately HK\$56,000 (2002: HK\$53,000), HK\$198,000 (2002: HK\$50,000), HK\$299,000 (2002: HK\$599,000) and HK\$8,000 (2002: Nil), respectively. These balances are unsecured, interest-free and have no fixed repayment terms. Chow Ting Hsing, Raymond, Phoon Chiong Kit, Chu Siu Tsun, Stephen and Chan Sik Hong, David, who were directors of the Company, are also directors and/or beneficial shareholders of these related companies.

30 June 2003

20. ACCOUNTS PAYABLE

The age analysis of trade creditors included in accounts payable at 30 June is as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Current to 3 months	24,663	48,023
4 to 6 months	4,517	718
7 to 12 months	9,154	1,970
Over 1 year	31,750	5,032
	<u>70,084</u>	<u>55,743</u>

The accounts payable of the Group at 30 June 2003 included trading balances due to Golden Harvest Private Group companies totalling HK\$11,000 (2002: HK\$52,000). The amounts are unsecured, interest-free and repayable in accordance with normal trading terms.

The accounts payable of the Group at 30 June 2003 also included amounts due to GH Pictures (China) Limited and Harvest Crown Limited of HK\$39,464,000 (2002: HK\$30,237,000) and HK\$284,000 (2002: HK\$107,000), respectively. The amounts are unsecured, interest-free except for an amount of HK\$38,930,000 due to GH Pictures (China) Limited which bears interest at the Hong Kong dollar short term time deposit rate plus 1% per annum, and have no fixed repayment terms. Chow Ting Hsing, Raymond, Phoon Chiong Kit and Chu Siu Tsun, Stephen, three directors of the Company, are also directors and/or beneficial shareholders of these related companies.

21. FINANCE LEASE PAYABLES

At 30 June 2003, the total future minimum lease payments under finance leases and their present values, were as follows:

Group

	Minimum lease payments		Present value of minimum lease payments	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Amounts payable:				
Within one year	544	210	445	178
In the second year	544	210	467	180
In the third to fifth years, inclusive	761	331	707	293
Total minimum finance lease payments	1,849	751	1,619	651
Future finance charges	(230)	(100)		
Total net finance lease payables	1,619	651		
Portion classified as current liabilities	(445)	(178)		
Non-current portion	1,174	473		

30 June 2003

22. PROVISIONS

Group

	Long service payments HK\$'000	Other employee benefits HK\$'000	Total HK\$'000
At beginning of year	2,478	2,200	4,678
Additional provision	613	–	613
Reversal of unutilised amounts	–	(585)	(585)
At 30 June 2003	3,091	1,615	4,706
Portion classified as current liabilities	–	(1,615)	(1,615)
Non-current portion	3,091	–	3,091

Under the relevant labour laws and regulations governing retirement payments, the Company's directors have estimated and provided for the amount of provisions for long service payments. The estimation basis is reviewed on an ongoing basis and is revised where appropriate.

The Group provides for the unused holiday leave carried forward by the Group's employees. The provision is based on the best estimate of the probable future costs of such paid leave earned during the year by the employees and carried forward at the balance sheet date.

23. DEFERRED TAX

Deferred tax has been provided for, under the liability method, at the rate of 17.5% (2002: 16%) on the significant timing differences between the taxable profits and the profits reported in the financial statements.

The movement in the deferred tax liabilities for the year is set out below:

	Group	
	2003 HK\$'000	2002 HK\$'000
Balance at beginning of year	110	110
Credit for the year (<i>note 9</i>)	(110)	–
At 30 June	–	110

The revaluation of the Group's fixed assets does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon is not taken into consideration.

The principal components of the Group's deferred tax assets not recognised at the balance sheet date calculated at the rate of 17.5% (2002: 16%) are as follows:

	2003 HK\$'000	2002 HK\$'000
Accelerated capital allowances	(1,956)	(4,108)
Tax losses	56,108	37,943
Others	–	121
	54,152	33,956

There were no other significant potential deferred tax liabilities of the Company and of the Group for which provision has not been made.

24. SHARE CAPITAL**Shares**

	Company	
	2003	2002
	HK\$'000	HK\$'000
Authorised:		
1,300,000,000 ordinary shares of HK\$0.10 each	130,000	130,000
Issued and fully paid:		
800,887,500 ordinary shares of HK\$0.10 each	80,089	80,089

Subsequent to the balance sheet date, on 11 July 2003, the Company entered into a placing agreement (the "Placing Agreement") with FB Gemini Capital Limited ("FB Gemini"), an independent placing agent. Pursuant to the Placing Agreement, FB Gemini agreed to procure third party individuals and institutional investors to subscribe for 83,400,000 new shares of the Company at a price of HK\$0.28 per share. 83,400,000 new shares were issued on 1 August 2003 and the net proceeds of approximately HK\$23.4 million were used to provide additional working capital of the Group.

Share options

Details of the Company's share option scheme are included in note 25 to the financial statements.

25. SHARE OPTION SCHEME

SSAP 34 was adopted during the year, as explained in note 2 and under the heading "Employee benefits" in note 3 to the financial statements. As a result, the following detailed disclosures relating to the Company's share option scheme are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

The Company operates a share option scheme (the "Scheme") for the purpose for providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, and other employees of the Group, suppliers of goods or services to the Group and customers of the Group. The Scheme became effective on 31 October 2001 and, unless otherwise cancelled or amended, will remain in force for a period of 10 years from that date.

25. SHARE OPTION SCHEME *(continued)*

The maximum number of shares of the Company issuable upon exercise of all share options granted and to be granted under the Scheme and any other share option schemes of the Company (if any) is a number equivalent to 10% of the shares of the Company in issue as at 28 November 2001. This limit can be refreshed by the shareholders of the Company in a general meeting in accordance with the provisions of the Listing Rules. As at 30 June 2003, the aggregate number of shares of the Company issuable under share options granted under the Scheme and the previous share option scheme of the Company (which was terminated on 28 November 2001) was 29,100,000, of which 24,500,000 shares of the Company remain issuable under options granted under the Scheme (which represented approximately 3.1% of the Company's shares in issue as at 30 June 2003), and 4,600,000 shares of the Company remain issuable under options granted on 25 July 2000 under the terminated share option scheme of the Company (which represented approximately 0.6% of the Company's shares in issue as at 30 June 2003). The maximum number of shares issuable under share options granted to each eligible participant under the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options to an eligible participant in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by independent non-executive directors. In addition, any share options granted within any 12-month period to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options must be accepted within 30 days inclusive of, and from the day of the offer, upon payment of a nominal consideration of HK\$1 by the grantee. The exercise period of the share options granted is determinable by the directors, which may not exceed 10 years commencing on such date on or after the date of grant as the directors of the Company may determine in granting the share options (which in any event must be prior to the close of business on 30 October 2011) and ending on such date as the directors of the Company may determine in granting the share options. Save as determined by the directors of the Company and provided in the offer of the grant of the relevant share option, there is no general requirement that a share option must be held for any minimum period before it can be exercised.

30 June 2003

25. SHARE OPTION SCHEME *(continued)*

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the closing price of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of the offer of the share options; and (ii) the average Stock Exchange's closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

As at 30 June 2003, the Company had the following outstanding share options granted to directors and employees of the Company:

Name or category of participant	Date of grant	Exercise price HK\$	Exercisable period	Notes	Number of share options			At 30 June 2003
					At 1 July 2002	Granted during the year	Cancelled/ lapsed during the year	
<i>Directors</i>								
Phoon Chiong Kit	25/7/2000	0.78	25/7/2000 to 24/7/2010	1	4,600,000	-	-	4,600,000
	31/10/2001	0.62	31/10/2001 to 30/10/2011	2	10,000,000	-	-	10,000,000
Chu Siu Tsun, Stephen	31/10/2001	0.62	31/10/2001 to 30/10/2011	2	8,000,000	-	-	8,000,000
Chan Sik Hong, David	31/10/2001	0.62	31/10/2001 to 30/10/2011	2	5,000,000	-	-	5,000,000
<i>Other employees</i>								
In aggregate	31/10/2001	0.62	31/10/2001 to 30/10/2011	2	2,500,000	-	(1,000,000)	1,500,000
					30,100,000	-	(1,000,000)	29,100,000

25. SHARE OPTION SCHEME (continued)

Notes:

1. 50%, 25% and 25% of the share options granted are exercisable during the periods from 25 July 2000 to 24 July 2010, 25 July 2001 to 24 July 2010 and 25 July 2002 to 24 July 2010, respectively.
2. 30%, 30% and 40% of the share options granted are exercisable during the periods from 31 October 2001 to 30 October 2011, 1 August 2002 to 30 October 2011 and 1 August 2003 to 30 October 2011, respectively.

No share options were granted or exercised during the year.

26. RESERVES

(a) Group

The surplus reserve represents an amount transferred from retained profits in accordance with statutory requirements and the articles of association of an associate in Taiwan. The surplus reserve may only be applied to make up any losses and for the capitalisation by way of fully paid bonus issues of the shares of the associate in Taiwan.

During the year, the management determined the estimated fair value of the goodwill arising from the acquisition of a subsidiary which was engaged in film production business in June 2000 with reference to the recent film production market environment. In light of such review, the corresponding goodwill was adjusted downwards by approximately HK\$37,606,000 which was removed from the reserves and charged to profit and loss account for the year in accordance with the Group's accounting policy.

The amount of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

26. RESERVES (continued)**(a) Group (continued)**

The amounts of goodwill remaining in consolidated reserves, arising from the acquisition of subsidiaries and associates prior to 1 July 2001, is as follows:

	Goodwill eliminated against capital reserve HK\$'000
Cost:	
At beginning of year and at 30 June 2003	154,313
Accumulated impairment:	
At beginning of year	104,224
Impairment provided during the year	37,606
At 30 June 2003	141,830
Net amount:	
At 30 June 2003	12,483
At 30 June 2002	50,089

(b) Company

	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 July 2001	565,577	145	191,644	(340,394)	416,972
Net loss for the year	-	-	-	(107,989)	(107,989)
At 30 June 2002 and 1 July 2002	565,577	145	191,644	(448,383)	308,983
Net loss for the year	-	-	-	(80,194)	(80,194)
At 30 June 2003	565,577	145	191,644	(528,577)	228,789

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchanged for the issued share capital of the subsidiaries and the aggregate net asset value of the subsidiaries acquired at the date of acquisition. Under the companies Act of Bermuda 1981 (as amended), the contributed surplus of the Company is distributable to shareholders under certain conditions.

27. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transaction

During the year, the Group entered into finance lease arrangements in respect of fixed assets acquired at a total consideration of HK\$1,452,000 (2002: HK\$1,458,000).

28. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the financial statements, the Group also had the following transactions with related parties. The directors confirm that all of these transactions were carried out in the ordinary and usual course of business of the Group.

(a) Transactions with the Golden Harvest Private Group

During the year, the Group had transactions to which members of the Golden Harvest Private Group were parties. The significant transactions are summarised below:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Film distribution commission income	29	139

The Group acted as the distributor of the films produced by companies within the Golden Harvest Private Group and commission income was charged according to prices and conditions similar to those offered to other customers of the Group.

Chow Ting Hsing, Raymond ("Mr. Chow"), Phoon Chiong Kit ("Mr. Phoon"), Chu Siu Tsun, Stephen ("Mr. Chu") and Chan Sik Hong, David ("Mr. Chan"), who were directors of the Company during the year, were interested, directly or indirectly, in certain of the above transactions as directors and/or beneficial shareholders of the members of the Golden Harvest Private Group.

The above related party transactions with the members of the Golden Harvest Private Group also constituted connected transactions, as defined in the Listing Rules.

In respect of the transactions set out above, a conditional waiver from strict compliance with the connected transaction requirements as set out in Chapter 14 of the Listing Rules has been obtained. The directors have reviewed and confirmed that these connected transactions were conducted in the ordinary course of the business of the Group and on terms no less favourable than those offered by unrelated third parties.

28. RELATED PARTY TRANSACTIONS *(continued)***(b) Transactions with other related parties**

Apart from the above, during the year, the Group also had the following material transactions with other related parties:

	Notes	Group	
		2003 HK\$'000	2002 HK\$'000
Film developing and printing services income from related companies	(i), (ii)	223	2,610
Film distribution commission income from related companies	(i), (iii)	2,185	11,329
Consultancy fee income from related companies	(i), (iv)	600	600
Interest income from a minority shareholder of a subsidiary	(i), (v)	140	–
Artist service fees paid to a related company	(i), (vi)	845	–
Producer fees paid to related companies	(i), (vii)	1,386	–
Rental income from a related company	(i), (viii)	365	365
Interest expense to a related company	(i), (ix)	548	201
Consultancy fee paid to a related company	(i), (x)	749	796
Film royalty income from associates	(i), (xi)	1,769	3,452
Management fee income from associates	(i), (xii)	2,309	2,549
Film distribution commission income from an associate	(i), (xiii)	2,171	–
Film developing and printing services income from an associate	(i), (xiv)	1,105	–
Advertising agency fee income from an associate	(i), (xv)	779	–
Film production control fee income from an associate	(i), (xvi)	710	–
Film sourcing service fee paid to an associate	(i), (xvii)	132	126
Accounting service fee paid to an associate	(i), (xviii)	82	81
Film royalty paid to an associate	(i), (xix)	6,068	–
Film rental paid to an associate	(i), (xix)	1,633	–
Screen rental paid to an associate	(i), (xx)	20	–
Ticketing system development costs paid to an associate	(i), (xxi)	519	–
Corporate guarantees given in respect of banking facilities granted to associates	(i), (xxii)	48,207	48,493

28. RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with other related parties *(continued)*

Notes:

- (i) Mr. Chow, Mr. Phoon, Mr. Chu and Mr. Chan, who were directors of the Company during the year, were interested, directly or indirectly, in the above transactions as directors and/or beneficial shareholders of certain of these companies.
- (ii) The income related to the provision of film developing and printing services which was charged according to prices and conditions similar to those offered to other customers of the Group.
- (iii) The Group acted as the distributor of the films produced by the related companies and the film distribution commission income was charged according to the terms of the distribution agreement dated 21 April 1997 and 2 August 1999 or charged according to prices and conditions similar to those offered to other customers of the Group.
- (iv) The consultancy fee income related to the promotional and advertising services rendered to an associate of the Golden Harvest Private Group and was charged at a rate of HK\$50,000 (2002: HK\$50,000) per month.
- (v) The interest income was charged on a loan to a minority shareholder of a subsidiary at a rate of 6% per annum on the outstanding balance.
- (vi) The Group paid artist service fees to a related company for the services of two artists in respect of a film co-owned by the Group and other independent parties. The fees were charged according to the terms of the respective artist service agreements.
- (vii) The producer fees were charged by related companies according to the terms under the respective service contracts.
- (viii) The rental income was charged at a rate of approximately HK\$30,000 (2002: HK\$30,000) per month for sub-letting the office to an associate of the Golden Harvest Private Group.
- (ix) The interest expense to an associate of the Golden Harvest Private Group was charged at the Hong Kong dollar short-term time deposit rate plus 1% per annum.
- (x) The consultancy fee paid represented the film production and distribution consulting services provided by a related company to the Group and was charged according to the terms of the agreement dated 1 October 2001.

28. RELATED PARTY TRANSACTIONS *(continued)***(b) Transactions with other related parties** *(continued)*

Notes: *(Continued)*

- (xi) The royalty income was charged according to the terms of the respective distribution agreements.
- (xii) The management fee income representing the following:
- an amount of HK\$312,000 related to accounting services provided to three associates of the Group and was charged at rates of HK\$10,000 per month (2002: HK\$10,000 per month), HK\$14,000 per month (2002: HK\$14,000 per month), and HK\$24,000 per annum (2002: HK\$24,000 per annum), respectively; and
 - an amount of approximately HK\$1,997,000 related to consultancy services provided to three associates of the Group and was charged at rates of HK\$120,000 per month (2002: HK\$120,000 per month) and RMB5,000 per month (2002: RMB5,000 per month), and HK\$500,000 per annum (2002: HK\$500,000 per annum), respectively.
- (xiii) The Group acted as the distributor of a film produced by an associate and the film distribution commission income was charged according to the terms of the distribution agreement dated 6 January 2003.
- (xiv) The income related to the provision of film developing and printing services which was charged according to prices and conditions similar to those offered to other customers of the Group.
- (xv) The agency fee income related to the provision of advertising services which was charged according to prices and conditions similar to those offered to other customers of the Group.
- (xvi) The film production fee income was charged according to the terms of the production agreement dated 18 October 2002.
- (xvii) The film sourcing service fee was charged at a rate of HK\$11,000 per month from 1 January 2002 onward (2002: HK\$10,000 per month from July to December 2001).
- (xviii) The accounting service fee was charged at a rate of S\$1,500 (2002: S\$1,500) per month.
- (xix) The film royalty and rental paid were charged according to prices and conditions similar to those offered to other customers of the associate.

28. RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with other related parties *(continued)*

Notes: (Continued)

- (xx) The screen rental paid was charged according to prices and conditions similar to those offered to other customers of the associate.
- (xxi) The ticketing system development cost paid was charged according to prices and conditions which were determined between the Group and that associate.
- (xxii) The corporate guarantees were given by the Group in respect of banking facilities granted to certain associates at nil consideration.

Certain transactions amounted to HK\$1,447,000 (2002: HK\$889,000) included in notes (iii), (vii) and (x) above with four related companies (2002: two related company) constituted connected transactions as defined in the Listing Rules.

None of the other related party transactions set out above constituted connected transactions as defined in the Listing Rules.

29. REMUNERATION OF DIRECTORS AND OF FIVE HIGHEST PAID INDIVIDUALS**Directors' remuneration**

The remuneration of the directors of the Company disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is analysed as follows:

	2003 HK\$'000	2002 HK\$'000
Fees:		
Executive directors	–	–
Non-executive directors	–	–
Independent non-executive directors	120	–
	120	–
Basic salaries, allowances and benefits in kind:		
Executive directors	11,352	11,752
Non-executive directors	–	–
Independent non-executive directors	–	–
	11,352	11,752
Pension contributions:		
Executive directors	97	36
Non-executive directors	–	–
Independent non-executive directors	–	–
	97	36
	11,569	11,788

29. REMUNERATION OF DIRECTORS AND OF FIVE HIGHEST PAID INDIVIDUALS

(continued)

Directors' remuneration *(continued)*

The above remuneration of directors fell within the following bands:

	2003 Number	2002 Number
Nil – HK\$1,000,000	7	7
HK\$1,500,001 – HK\$2,000,000	1	1
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$2,500,001 – HK\$3,000,000	1	–
HK\$3,000,001 – HK\$3,500,000	1	1
HK\$3,500,001 – HK\$4,000,000	1	–
HK\$4,500,001 – HK\$5,000,000	–	1
	11	11

There was no other arrangement under which a director waived or agreed to waive any remuneration during the year.

Five highest paid individuals

Of the five highest paid individuals in the Group, four (2002: four) were directors of the Company and their remuneration has been included in the directors' remuneration disclosures above. The remuneration of the remaining one (2002: one) non-director, highest paid individual for the year is as follows:

	2003 HK\$'000	2002 HK\$'000
Basic salary, allowances and benefits in kind	1,228	1,279
Pension contributions	12	11
	1,240	1,290

The above remuneration of the non-director, highest paid individual employee fell within the bands of HK\$1,000,001 – HK\$1,500,000.

30 June 2003

30. CONTINGENT LIABILITIES

Contingent liabilities at the balance sheet date were as follows:

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Guarantee of banking facilities granted to subsidiaries	-	-	-	5,000
Guarantee of banking facilities granted to associates	48,207	48,493	47,034	47,320

In addition to above, certain associates of the Group had executed guarantees to certain bankers in favour of certain third parties of approximately HK\$16,521,000 (2002: Nil) and given letter of credit in favour of related companies as security for the leasing of certain fixed assets of approximately HK\$2,144,000 (2002: Nil) as at the balance sheet date.

31. COMMITMENTS

(a) Capital commitments

	Group	
	2003 HK\$'000	2002 HK\$'000
Contracted for	2,854	4,623
Authorised, but not contracted for	-	562
	2,854	5,185

31. COMMITMENTS *(continued)*

(b) Operating lease commitments

The Group leases certain of its office premises and cinemas under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 10 years.

	Group	
	2003	2002
	HK\$'000	HK\$'000
Total future minimum lease payments under non-cancellable operating leases for land and buildings:		
Within one year	49,073	39,618
In the second to fifth years, inclusive	128,227	161,920
After five years	3,790	13,696
	181,090	215,234

Certain non-cancellable operating leases included in the above were subject to contingent rent payments, which were charged at rates ranging from 17% to 29% (2002: 17% to 29%) of their monthly or annual gross box office takings in excess of the base rents as determined in the respective lease agreements. In addition, 10% of theatre confectionery sales and advertising income are also charged under certain leases.

The Company had no significant commitments at the balance sheet date (2002: Nil).

32. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, on 11 July 2003, the Company entered into the Placing Agreement with FB Gemini. Pursuant to the Placing Agreement, 83,400,000 new shares were issued on 1 August 2003 at HK\$0.28 per share and the net proceeds of approximately HK\$23.4 million were used to provide additional working capital for the Group. Further details of the Placement are set out in note 24 to the financial statements.

33. COMPARATIVE AMOUNTS

As further explained in notes 2 and 4 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified to conform with the current year's presentation.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 17 October 2003.