

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2003

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

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

In the opinion of the directors, the accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2003, except as described below.

In the current period, the Group adopted SSAP 12 (Revised) “Income taxes”. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit with limited exceptions.

The adoption of SSAP 12 (Revised) has had no material effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment is required.

3. SEGMENTAL INFORMATION

Business segments

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

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

	Movies, television dramas and documentary production, distribution and licensing income HK\$'000	Investment in marketable securities HK\$'000	Theme restaurant income HK\$'000	Interest income from provision of finance HK\$'000	Property income HK\$'000	Entertainment complexes and theme restaurant franchising income HK\$'000	Music production HK\$'000	Others HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Six months ended 30th September, 2003										
TURNOVER										
External	4,013	-	25,271	2,891	4,724	1,237	684	913	-	39,733
Inter-segment #	-	-	-	6,087	-	500	137	506	(7,230)	-
Total revenue	<u>4,013</u>	<u>-</u>	<u>25,271</u>	<u>8,978</u>	<u>4,724</u>	<u>1,737</u>	<u>821</u>	<u>1,419</u>	<u>(7,230)</u>	<u>39,733</u>
RESULT										
Operating result	<u>142</u>	<u>(11,993)</u>	<u>(10,865)</u>	<u>27,735</u>	<u>(141)</u>	<u>3,188</u>	<u>(3,898)</u>	<u>(5,543)</u>	<u>(6,086)</u>	(7,461)
Interest income, other than from loans receivable										791
Unallocated corporate expenses										<u>(9,830)</u>
Loss from operations										(16,500)
Finance costs										(3,919)
Gain on disposal of interests in subsidiaries										8,806
Allowances for amounts due from jointly controlled entities										(809)
Allowances for amounts due from associates										(1,151)
Share of results of associates										(511)
Share of results of jointly controlled entities										<u>(465)</u>
Loss before taxation										<u>(14,549)</u>

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

3. SEGMENTAL INFORMATION – Continued

	Movies, television dramas and documentary production, distribution and licensing income	Investment in marketable securities	Theme restaurant income	Interest income from provision of finance	Property income	Entertainment complexes and theme restaurant franchising income	Music production	Others	Elimination	Consolidated
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Six months ended 30th September, 2002										
TURNOVER										
External	4,292	8,115	32,630	226	2,257	5,973	3,875	4,152	-	61,520
Inter-segment #	-	-	-	5,312	-	583	-	-	(5,895)	-
Total revenue	<u>4,292</u>	<u>8,115</u>	<u>32,630</u>	<u>5,538</u>	<u>2,257</u>	<u>6,556</u>	<u>3,875</u>	<u>4,152</u>	<u>(5,895)</u>	<u>61,520</u>
RESULT										
Operating result	<u>2,401</u>	<u>(6,219)</u>	<u>(11,878)</u>	<u>(11,104)</u>	<u>(9,782)</u>	<u>4,384</u>	<u>(9,994)</u>	<u>(997)</u>	<u>(5,312)</u>	<u>(48,501)</u>
Interest income, other than from loans receivable										1,756
Unallocated corporate expenses										<u>(10,418)</u>
Loss from operations										(57,163)
Finance costs										(5,222)
Gain on deconsolidation and disposal of interests in subsidiaries										12,831
Gain on dilution of interest in an associate										3,810
Recovery of amounts due from jointly controlled entities										1,386
Allowances for amounts due from associates										(8,154)
Share of results of associates										(20,439)
Share of results of jointly controlled entities										<u>(3,712)</u>
Loss before taxation										<u><u>(76,663)</u></u>

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

4. LOSS FROM OPERATIONS

	Six months ended 30th September,	
	2003 HK\$'000	2002 HK\$'000
Loss from operations has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	6,973	7,346
Amortisation (included in administrative expenses) of:		
– goodwill	–	275
– intangible assets	364	380
Loss (gain) on disposal of property, plant and equipment	974	(30)
Gain on disposal of listed other investments	–	(3,440)
Interest income, other than from loans receivable	(791)	(1,756)
	<u> </u>	<u> </u>

5. FINANCE COSTS

	Six months ended 30th September,	
	2003 HK\$'000	2002 HK\$'000
Interest on:		
Bank and other borrowings wholly repayable within five years	3,749	4,003
Bank and other borrowings not wholly repayable within five years	170	–
	<u> </u>	<u> </u>
	3,919	4,003
Convertible notes	–	1,219
	<u> </u>	<u> </u>
	<u>3,919</u>	<u>5,222</u>

6. TAXATION

	Six months ended 30th September,	
	2003 HK\$'000	2002 HK\$'000
The charge comprises:		
Hong Kong Profits Tax of the Company and its subsidiaries	–	–
Overseas taxation of subsidiaries	484	51
	<u> </u>	<u> </u>
	<u>484</u>	<u>51</u>

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

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

7. LOSS PER ORDINARY SHARE

The calculation of the basic loss per ordinary share for the period is based on the net loss for the period of HK\$14,957,000 (2002: HK\$76,680,000) and on weighted average of 3,367,768,598 (2002: 2,225,692,095) ordinary shares during the period.

No diluted loss per ordinary share was presented as the exercise of the share options would result in a decrease in the loss per ordinary share for both periods. In addition, the conversion of convertible notes would result in a decrease in the loss per ordinary share during the six months ended 30th September, 2002.

8. INVESTMENT PROPERTIES

At 30th September, 2003, the directors of the Company have considered the carrying amount of the Group's investment properties carried at revalued amounts and have estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at 31st March, 2003. Consequently no revaluation surplus or deficit has been recognised in the current period.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, property, plant and equipment with an aggregate net book value of HK\$371,000 were disposed of as a result of the disposal of subsidiaries.

The Group incurred expenditure of HK\$166,000 on its property, plant and equipment.

The Group also disposed of property, plant and equipment with an aggregate net book value of HK\$2,093,000.

10. OTHER LONG-TERM INVESTMENTS

The other long-term investments represented the aggregate carrying value of subsidiaries under administration at their dates of deconsolidation.

11. INTERESTS IN JOINTLY CONTROLLED ENTITIES

During the period, the Group invested an amount of RMB5 million for a 50% equity interest in a Sino-foreign joint venture which was established in the People's Republic of China, other than Hong Kong and mainly engaged in production and distribution of multi-media appliances.

12. INTERESTS IN ASSOCIATES

During the period, the Group disposed of its 70% interest in Bob & Partners Co., Limited ("Bob") at a consideration of HK\$10,000. The Group's interest in Bob was decreased from 100% to 30% and Bob was classified as an associate of the Group thereafter.

13. LOANS AND INTEREST RECEIVABLES

	30th September, 2003 HK\$'000	31st March, 2003 HK\$'000
Loans and interest receivables	459,246	463,634
Less: Allowances	<u>(416,802)</u>	<u>(435,711)</u>
	<u>42,444</u>	<u>27,923</u>
Loans and interest receivables	42,444	27,923
Less: Amount due within one year included under current assets	<u>(34,843)</u>	<u>(20,506)</u>
Amount due after one year	<u>7,601</u>	<u>7,417</u>

The Group allows its borrowers a repayment period normally ranging from 3 months to 1 year, the aged analysis of loans and interest receivables (net of allowances) at the reporting date is as follows:

	30th September, 2003 HK\$'000	31st March, 2003 HK\$'000
Current	39,444	24,923
6 - 12 months	-	-
Over 1 year	<u>3,000</u>	<u>3,000</u>
	<u>42,444</u>	<u>27,923</u>

Certain receivables were secured by property interests, shares of companies which are under common control of the borrowers and personal guarantees from independent third parties. These receivables carry interest at the prevailing market rates.

14. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows its trade customers a credit period normally ranging from 30 days to 60 days. Included in debtors, deposits and prepayments are trade debtors (net of allowances for bad and doubtful debts) with the following aged analysis:

	30th September, 2003 HK\$'000	31st March, 2003 HK\$'000
Trade debtors:		
0 – 30 days	9,086	2,439
31 – 60 days	66	253
> 60 days	<u>1,520</u>	<u>3,012</u>
	10,672	5,704
Other debtors, deposits and prepayments	<u>26,594</u>	<u>16,805</u>
	<u><u>37,266</u></u>	<u><u>22,509</u></u>

15. CREDITORS, ACCRUED CHARGES AND DEPOSITS

The following is an aged analysis of trade creditors at the reporting date:

	30th September, 2003 HK\$'000	31st March, 2003 HK\$'000
Trade creditors:		
0 – 30 days	1,947	2,249
31 – 60 days	2,736	1,516
> 60 days	<u>12,051</u>	<u>22,186</u>
	16,734	25,951
Other creditors, accrued charges and deposits	<u>47,760</u>	<u>45,432</u>
	<u><u>64,494</u></u>	<u><u>71,383</u></u>

16. SHARE CAPITAL

	Number of shares	Value HK\$'000
Authorised:		
Ordinary shares of HK\$0.005 each at 1st April, 2003 and 30th September, 2003	<u>10,000,000,000</u>	<u>50,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.005 each at 1st April, 2003	2,451,375,155	12,257
Issue of new shares during the period	<u>1,900,000,000</u>	<u>9,500</u>
Ordinary shares of HK\$0.005 each at 30th September, 2003	<u>4,351,375,155</u>	<u>21,757</u>

During the six months ended 30th September, 2003, the movements in share capital are as follows:

- (i) On 12th June, 2003, the Company placed 300,000,000 ordinary shares of HK\$0.005 each, through a placing agent, to independent investors at a price of HK\$0.040 per share to provide additional general working capital to the Company.
- (ii) Pursuant to the resolutions passed at a special general meeting held on 5th May, 2003, 500,000,000 and 1,100,000,000 ordinary shares of HK\$0.005 each were issued and allotted to ITC Corporation Limited and Strategic Media International Limited, respectively, at HK\$0.040 per share to provide additional general working capital to the Company. The transactions were completed on 9th July, 2003.

Shares issued during the period rank pari passu with the then existing shares in all respects.

17. PLEDGE OF ASSETS

At 30th September, 2003, certain of the Group's property interests with an aggregate carrying value of approximately HK\$31 million (31.3.2003: HK\$31 million) and the Group's bank deposits of approximately HK\$37 million (31.3.2003: HK\$40 million) were pledged to banks to secure credit facilities for the Group.

18. RELATED PARTY TRANSACTIONS

During the period, the Group had the following transactions with related parties:

	Six months ended 30th September,	
	2003 HK\$'000	2002 HK\$'000
Substantial shareholder and its subsidiaries/associates <i>(note i)</i> :		
Interest expenses paid <i>(note ii)</i>	2,731	2,383
Disposal of a subsidiary <i>(note iii)</i>	-	103,000
Rental and building management expenses paid <i>(note iii)</i>	1,319	1,521
Interest on convertible notes paid <i>(note iv)</i>	-	1,219
Associates:		
Interest income received <i>(note ii)</i>	170	977
Jointly controlled entities:		
Franchise and royalty income received <i>(note iii)</i>	42	2,072
Interest income received <i>(note ii)</i>	322	322
Purchase of film stock <i>(note iii)</i>	2,300	-
Companies in which certain directors have beneficiary interests:		
Management service fee paid <i>(note iii)</i>	-	540
	-	540

Notes:

- (i) In December 2002, Paul Y. - ITC Construction Holdings Limited ("Paul Y.") became a subsidiary of ITC Corporation Limited ("ITC") upon the further acquisition of approximately 22% of the issued share capital of Paul Y. by ITC. For the period ended 30th September, 2002, Paul Y. was an associate of ITC.
- (ii) Interest was charged at prevailing market rate in accordance with the respective loan agreements.
- (iii) The transactions were entered at terms determined and agreed by the Group and the relevant party.
- (iv) Interest was charged at the interest rate stipulated in the respective convertible notes.