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## **NOTES TO THE FINANCIAL STATEMENTS**

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*For the year ended 31st December, 2003*

### **1. GENERAL**

The Company was incorporated in Bermuda on 9th May, 2001 as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The principal activities of its subsidiaries and jointly controlled entities are set out in notes 34 and 15 respectively.

### **2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS**

In the current year, the Group has adopted, for the first time, Statement of Standard Accounting Practice No. 12 (Revised) "Income taxes" which is one of the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Society of Accountants ("HKSA"). The term of HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAP(s)") and Interpretations approved by the HKSA. 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 bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of this revised SSAP has had no material impact on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

### **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 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.

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## **NOTES TO THE FINANCIAL STATEMENTS**

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*For the year ended 31st December, 2003*

(Continued)

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

#### **Investments in subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet 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.

#### **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.

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## **NOTES TO THE FINANCIAL STATEMENTS**

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*For the year ended 31st December, 2003*

(Continued)

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

#### **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 subsidiary or 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 jointly controlled entity, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisition since 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.

#### **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.

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## NOTES TO THE FINANCIAL STATEMENTS

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*For the year ended 31st December, 2003*

(Continued)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Property, plant and equipment** (Continued)

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.

#### **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 film rights 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 the range of two to twenty years.

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.

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## **NOTES TO THE FINANCIAL STATEMENTS**

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*For the year ended 31st December, 2003*

(Continued)

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

#### **Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its 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 expense as they fall due.

#### **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**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31st December, 2003*

(Continued)

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

#### **Taxation** (Continued)

Deferred tax is the tax expected to be payable or recoverable on 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, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### **4. TURNOVER**

	<b>2003</b>	<b>2002</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
An analysis of turnover is as follows:		
Film distribution and licensing income	<b>24,907</b>	34,169
Film processing income	<b>24,708</b>	29,939
Advertising and promotional service income	<b>8,920</b>	19,334
	<b><u>58,535</u></b>	<b><u>83,442</u></b>

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31st December, 2003*

(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.

#### 2003

	<b>Film distribution and licensing HK\$'000</b>	<b>Film processing HK\$'000</b>	<b>Advertising and promotional services HK\$'000</b>	<b>Other operations HK\$'000</b>	<b>Elimination HK\$'000</b>	<b>Total HK\$'000</b>
REVENUE						
External revenue	26,103	26,211	8,922	251	–	61,487
Inter segment revenue	2,383	2,508	684	216	(5,791)	–
Total revenue	<u>28,486</u>	<u>28,719</u>	<u>9,606</u>	<u>467</u>	<u>(5,791)</u>	<u>61,487</u>
RESULT						
Segment result	<u>8,183</u>	<u>(1,699)</u>	<u>(31)</u>	<u>(1,180)</u>	<u>–</u>	5,273
Impairment loss recognised in respect of investment securities						<u>(4,000)</u>
Profit from operations						1,273
Finance costs						(513)
Amortisation on premium of investment in jointly controlled entities				(300)		(300)
Share of results of jointly controlled entities				1,084		<u>1,084</u>
Profit before taxation						1,544
Income tax expense						<u>(1,011)</u>
Net profit for the year						<u>533</u>

Inter segment revenue is charged at prevailing market rate.

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31st December, 2003*

(Continued)

### 5. SEGMENTAL INFORMATION (Continued)

#### BUSINESS SEGMENTS (Continued)

2003

#### BALANCE SHEET

	Film distribution and licensing <i>HK\$'000</i>	Film processing <i>HK\$'000</i>	Advertising and promotional services <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
ASSETS					
Segmental assets	107,230	31,208	3,514	–	141,952
Interests in jointly controlled entities	–	–	–	27,261	27,261
Unallocated corporate assets					<u>5,372</u>
Consolidated total assets					<u><u>174,585</u></u>
LIABILITIES					
Segmental liabilities	15,148	6,261	1,292	–	22,701
Unallocated corporate liabilities					<u>25,481</u>
Consolidated total liabilities					<u><u>48,182</u></u>
OTHER INFORMATION					
Capital expenditure	57	689	34	–	780
Depreciation and amortisation	270	1,933	71	300	2,574
Impairment loss recognised in respect of investment securities	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,000</u>	<u>4,000</u>



## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31st December, 2003*

(Continued)

### 5. SEGMENTAL INFORMATION (Continued)

#### BUSINESS SEGMENTS (Continued)

2002

	<b>Film distribution and licensing</b>	<b>Film processing</b>	<b>Advertising and promotional services</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>
REVENUE						
External revenue	36,497	30,080	19,335	65	–	85,977
Inter segment revenue	1,103	2,621	1,303	10,226	(15,253)	–
Total revenue	<u>37,600</u>	<u>32,701</u>	<u>20,638</u>	<u>10,291</u>	<u>(15,253)</u>	<u>85,977</u>
RESULT						
Segment result	<u>(4,398)</u>	<u>(546)</u>	<u>(900)</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)
Income tax credit						<u>179</u>
Net loss for the year						<u>(7,503)</u>

Inter segment revenue is charged at prevailing market rate.

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31st December, 2003*

(Continued)

### 5. SEGMENTAL INFORMATION (Continued)

#### BUSINESS SEGMENTS (Continued)

2002

#### BALANCE SHEET

	Film distribution and licensing <i>HK\$'000</i>	Film processing <i>HK\$'000</i>	Advertising and promotional services <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
ASSETS					
Segmental assets	83,522	28,848	3,777	–	116,147
Interests in jointly controlled entities	–	–	–	10,850	10,850
Unallocated corporate assets					<u>11,125</u>
Consolidated total assets					<u><u>138,122</u></u>
LIABILITIES					
Segmental liabilities	5,865	2,648	2,073	–	10,586
Unallocated corporate liabilities					<u>1,946</u>
Consolidated total liabilities					<u><u>12,532</u></u>
OTHER INFORMATION					
Capital expenditure	996	5,309	194	–	6,499
Depreciation and amortisation	343	1,322	60	–	1,725
Gain on disposal of property, plant and equipment	<u>–</u>	<u>173</u>	<u>(19)</u>	<u>–</u>	<u>154</u>

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31st December, 2003*

(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.

#### **2003**

	<b>Hong Kong</b> <i>HK\$'000</i>	<b>The PRC</b> <i>HK\$'000</i>	<b>Others</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>REVENUE</b>				
Turnover	40,825	3,725	13,985	58,535
Other operating income	2,382	600	–	2,982
Total revenue	<u>43,207</u>	<u>4,325</u>	<u>13,985</u>	<u>61,517</u>
	<b>Hong Kong</b> <i>HK\$'000</i>	<b>The PRC</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>130,342</u>	<u>7,909</u>	<u>5,804</u>	<u>144,055</u>
Additions to property, plant and equipment	<u>760</u>	<u>20</u>	<u>–</u>	<u>780</u>

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31st December, 2003*

(Continued)

### 5. SEGMENTAL INFORMATION (Continued)

#### GEOGRAPHICAL SEGMENTS (Continued)

2002

	<b>Hong Kong</b> <i>HK\$'000</i>	<b>The PRC</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
	<u>69,460</u>	<u>6,587</u>	<u>9,930</u>	<u>85,977</u>
Total revenue	<u>69,460</u>	<u>6,587</u>	<u>9,930</u>	<u>85,977</u>
	<b>Hong Kong</b> <i>HK\$'000</i>	<b>The PRC</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>80,253</u>	<u>43,198</u>	<u>1,942</u>	<u>125,393</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, 2003*

(Continued)

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

	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit (loss) from operations has been arrived at after charging:		
Directors' remuneration ( <i>Note 8</i> )	4,274	4,260
Other staff costs	<u>11,318</u>	<u>13,338</u>
Total staff costs	<u>15,592</u>	<u>17,598</u>
Auditors' remuneration	820	764
Depreciation and amortisation	2,274	1,725
and after crediting:		
Interest income	36	148
Gain on disposal of property, plant and equipment	<u>–</u>	<u>154</u>

Included in total staff cost is an aggregate amount of approximately HK\$545,000 (2002: HK\$621,000) in respect of contribution to retirement benefit scheme paid or payable by the Group.

### **7. FINANCE COSTS**

	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on bank borrowing:		
– wholly repayable within five years	492	25
– not wholly repayable within five years	<u>21</u>	<u>24</u>
	<u>513</u>	<u>49</u>

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31st December, 2003*

(Continued)

### **8. DIRECTORS' AND EMPLOYEES REMUNERATION**

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

	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(a) Directors' remuneration</b>		
Fees		
– Executive directors	–	–
– Independent non-executive directors	<u>320</u>	<u>370</u>
	<b>320</b>	<b>370</b>
Other emoluments		
– Executive directors		
Salaries and allowances	3,855	3,504
Retirement benefits scheme	99	86
Performance related incentive payments	<u>–</u>	<u>300</u>
	<u><b>4,274</b></u>	<u><b>4,260</b></u>

The emoluments of the directors were within the following bands:

	<b>2003</b>	<b>2002</b>
	<b>No. of</b>	<b>No. of</b>
	<b>Directors</b>	<b>Directors</b>
HK\$nil to HK\$1,000,000	5	7
HK\$1,500,001 to HK\$2,000,000	<u>1</u>	<u>1</u>
	<u><b>6</b></u>	<u><b>8</b></u>

No emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office and no directors waived any emoluments in both years.

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31st December, 2003*

(Continued)

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

#### (b) Employees' emoluments

The five highest paid individuals in the Group included three directors (2002: four directors) of the Company, details of whose emoluments are set out above. The emoluments of the remaining two individuals (2002: one individual) were as follows:

	<b>2003</b> <b>HK\$'000</b>	<b>2002</b> <b>HK\$'000</b>
Salaries and allowances	<b>1,080</b>	356
Retirement benefits scheme contributions	<b>51</b>	5
	<b><u>1,131</u></b>	<b><u>361</u></b>

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

*Note:* The emoluments above included HK\$714,000, which are also included in the directors' emoluments, paid to former directors who resigned during the year.

### 9. INCOME TAX (EXPENSE) CREDIT

	<b>2003</b> <b>HK\$'000</b>	<b>2002</b> <b>HK\$'000</b>
Hong Kong Profits Tax		
– provision for current year	<b>(160)</b>	(165)
– overprovision of Hong Kong Profits Tax in prior years	<b>–</b>	1,044
	<b><u>(160)</u></b>	<b><u>879</u></b>
Deferred tax ( <i>note 22</i> )		
Current year	<b>(192)</b>	(700)
Attributable to a change in tax rate	<b>(68)</b>	–
	<b><u>(260)</u></b>	<b><u>(700)</u></b>
Taxation attributable to the Company and its subsidiaries	<b>(420)</b>	179
Taxation attributable to the jointly controlled entities	<b>(591)</b>	–
	<b><u>(1,011)</u></b>	<b><u>179</u></b>

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31st December, 2003*

(Continued)

### 9. INCOME TAX (EXPENSE) CREDIT (Continued)

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated profit for the year. In June 2003, the Hong Kong Tax rate was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment. The effect of this increase has been reflected in the calculation of current and deferred tax balances at 31st December, 2003.

The tax charge (credit) for the year can be reconciled to the profit (loss) per the income statement as follows:

	<b>2003</b>		<b>2002</b>	
	<b>HK\$'000</b>	<b>%</b>	<b>HK\$'000</b>	<b>%</b>
Profit (loss) before taxation	<u><b>1,544</b></u>		<u>(7,682)</u>	
Tax at the domestic income tax rate of 17.5% (2002: 16%)	<b>270</b>	<b>17.5</b>	(1,229)	(16.0)
Tax effect of expenses not deductible for tax purpose	<b>1,224</b>	<b>79.4</b>	423	5.5
Tax effect of income not taxable for tax purpose	<b>(856)</b>	<b>(55.6)</b>	(9)	(0.1)
Overprovision in respect of prior year	–	–	(1,044)	(13.5)
Tax effect of tax losses not recognised	<b>6</b>	<b>0.4</b>	1,563	20.3
Utilisation of tax losses previously not recognised	<b>(102)</b>	<b>(6.6)</b>	(18)	(0.2)
Tax effect on share of results of jointly controlled entities	<b>401</b>	<b>26</b>	135	1.7
Increase in opening deferred tax liabilities from an increase in tax rate	<u><b>68</b></u>	<u><b>4.4</b></u>	<u>–</u>	<u>–</u>
Tax effect and effective tax rate for the year	<u><b>1,011</b></u>	<u><b>65.5</b></u>	<u>(179)</u>	<u>(2.3)</u>



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## **NOTES TO THE FINANCIAL STATEMENTS**

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*For the year ended 31st December, 2003*

(Continued)

### **10. DIVIDENDS**

The directors do not recommend the payment of any dividend for the year ended 31st December, 2003.

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

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

The calculation of the basic earning (loss) per share for the year is based on the net profit for the year of HK\$551,000 (2002: net loss of HK\$7,503,000) and on the 330,000,000 (2002: weighted average number of 319,397,260) shares in issue during the year.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

(Continued)

### 12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Leasehold improvements <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, 2003	4,500	4,682	3,013	525	20,313	33,033
Additions	–	667	55	–	58	780
<b>At 31st December, 2003</b>	<b>4,500</b>	<b>5,349</b>	<b>3,068</b>	<b>525</b>	<b>20,371</b>	<b>33,813</b>
Comprising:						
At cost	–	5,349	3,068	525	20,371	29,313
At valuation – 2001	4,500	–	–	–	–	4,500
	4,500	5,349	3,068	525	20,371	33,813
DEPRECIATION AND AMORTISATION						
At 1st January, 2003	256	3,910	1,750	364	14,381	20,661
Provided for the year	172	309	294	45	1,454	2,274
<b>At 31st December, 2003</b>	<b>428</b>	<b>4,219</b>	<b>2,044</b>	<b>409</b>	<b>15,835</b>	<b>22,935</b>
NET BOOK VALUES						
<b>At 31st December, 2003</b>	<b>4,072</b>	<b>1,130</b>	<b>1,024</b>	<b>116</b>	<b>4,536</b>	<b>10,878</b>
At 31st December, 2002	4,244	772	1,263	161	5,932	12,372

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, 2003 is not significantly different to the revalued amount at 30th June, 2001.

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

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31st December, 2003*

(Continued)

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

At 31st December, 2003, 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\$5,675,000 (2002: HK\$5,847,000).

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

	<b>THE COMPANY</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Unlisted shares	44,172	44,172
Amounts due from subsidiaries	66,645	64,980
	<u>110,817</u>	<u>109,152</u>

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, 2003 are set out in note 34.

### **14. INVESTMENT SECURITIES**

	<b>THE GROUP</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Equity security in Hong Kong		
Unlisted shares, at cost	7,000	1,000
Less: accumulated impairment loss	(4,000)	–
	<u>3,000</u>	<u>1,000</u>

At 31st December, 2003, the directors reviewed the carrying amounts of the assets of the investee company in light of the current market condition. The directors identified an impairment loss of approximately HK\$4,000,000 which is charged to the income statement for the year.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

(Continued)

### 15. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	<b>THE GROUP</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Share of net assets	16,646	1,153
Premium on acquisition	2,700	3,000
	19,346	4,153
Loan to a jointly controlled entity	7,915	6,697
	27,261	10,850

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.

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 and the amount of HK\$300,000 has been charged in the consolidated income statement.

As at 31st December, 2003, 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
浙江東方國際發展有限公司 ("浙江東方")	PRC	–	37.5	Hotel operation

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31st December, 2003*

(Continued)

### 16. INVENTORIES

	<b>THE GROUP</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	2,087	1,678
Work in progress	537	18
	<u>2,624</u>	<u>1,696</u>

### 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\$19,734,000 (2002: HK\$12,871,000) and their aged analysis is as follows:

	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 90 days	14,190	5,287
91- 180 days	2,264	3,856
181 – 365 days	2,874	3,728
1 – 2 years	406	–
	<u>19,734</u>	<u>12,871</u>

### 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>Maximum amount outstanding during the year ended</b>
	<b>31st December,</b>	<b>31st December,</b>	<b>31st December,</b>
	<b>2003</b>	<b>2002</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
廣州東影影視出品有限公司 ("Tung Ying") (Note)	<u>6,385</u>	<u>5,870</u>	<u>6,385</u>

*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, 2003*

(Continued)

### 19. AMOUNT DUE FROM A MINORITY SHAREHOLDER OF A SUBSIDIARY

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

### 20. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$5,963,000 (2002: HK\$3,036,000) and their aged analysis is as follows:

	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 90 days	5,529	3,028
91 – 180 days	434	8
	<b>5,963</b>	<b>3,036</b>

### 21. BANK AND OTHER LOANS

	<b>THE GROUP</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans	14,325	1,180
Other loan	10,000	–
Bank overdrafts	75	–
	<b>24,400</b>	<b>1,180</b>
Secured	6,325	1,180
Unsecured	18,075	–
	<b>24,400</b>	<b>1,180</b>

The maturity of the bank and other loans is as follows:

On demand or within one year	14,996	391
More than one year, but not exceeding two years	5,922	218
More than two years, but not exceeding five years	3,286	277
More than five years	196	294
	<b>24,400</b>	<b>1,180</b>
<i>Less: Amount due within one year shown under current liabilities</i>	<b>(14,996)</b>	<b>(391)</b>
Amount due after one year	<b>9,404</b>	<b>789</b>

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31st December, 2003*

(Continued)

### **21. BANK AND OTHER LOANS** (Continued)

During the period, the Group obtained a loan from an individual in the amount of HK\$10,000,000. The loan bears interest at 1% per annum and will be repayable on or before 2nd December, 2004.

### **22. DEFERRED TAXATION**

The followings are the major deferred tax liabilities recognised by the Group and movements thereon during the current and prior reporting periods.

	<b>THE GROUP</b>		
	Accelerated tax depreciation <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2002	–	–	–
Charge to income statement for the year	(1,200,000)	500,000	(700,000)
At 31st December, 2002	(1,200,000)	500,000	(700,000)
Charge (credit) to income statement for the year	193,000	(385,000)	(192,000)
Effect on change in tax rate	(113,000)	45,000	(68,000)
At 31st December, 2003	<u>(1,120,000)</u>	<u>160,000</u>	<u>(960,000)</u>

For the purposes of balance sheet presentation, the deferred tax assets and liabilities have been offset.

At the balance sheet date, the Group has unused tax losses of HK\$15,714,000 (2002: HK\$18,664,000) available for offset against future profits. No deferred tax asset in respect of such losses has been recognised due to the unpredictability of future profit streams.

The Company has no significant provided or unprovided deferred taxation at the balance sheet dates or for the year.

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31st December, 2003*

(Continued)

### **23. SHARE CAPITAL**

	<b>Number of shares</b>	<b>Amount <i>HK\$'000</i></b>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 31st December, 2002 and 31st December, 2003	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 31st December, 2001	300,000,000	30,000
Exercise of share options	<u>30,000,000</u>	<u>3,000</u>
At 31st December, 2002 and 31st December, 2003	<u>330,000,000</u>	<u>33,000</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.

### **24. 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. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the issued share capital of the Company for the time being, without prior approval from the Company's shareholders.



## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31st December, 2003*

(Continued)

### **24. SHARE OPTION SCHEME** (Continued)

Options granted must be taken up within 28 days from the date of grant, upon payment of HK\$1 per each grant of option(s). Options may generally be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the Board of Directors of the Company may at its discretion determine the specific exercise period and exercise price. The exercise price shall not be less than the highest of (i) the closing price of 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; (ii) the average closing price of Company's shares as stated in the daily operations sheet of the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

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>Outstanding at 1.1.2002</b>	<b>Exercised during 2002</b>	<b>Outstanding at 31.12.2002 and 31.12.2003</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.

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31st December, 2003*

(Continued)

### 25. RESERVES

	<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>				
At 1st January, 2002	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	34,653	44,072	507	79,232
Net loss for the year	–	–	(1,393)	(1,393)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December, 2003	<u>34,653</u>	<u>44,072</u>	<u>(886)</u>	<u>77,839</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.

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, 2003 represented by its contributed surplus and accumulated (deficit) profits, totalling approximately HK\$43,186,000 (2002: HK\$44,579,000).

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31st December, 2003*

(Continued)

### 26. OPERATING LEASE COMMITMENTS

Minimum lease payments paid under operating leases during the year:

	<b>2003</b>	<b>2002</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Premises	<u><b>1,513</b></u>	<u>1,585</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>2003</b>	<b>2002</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Operating leases which expire:		
Within one year	<b>1,537</b>	1,418
In the second to fifth year inclusive	<u><b>200</b></u>	<u>1,699</u>
	<u><b>1,737</b></u>	<u>3,117</u>

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

The Company had no significant operating lease commitments at the balance sheet dates.

### 27. CAPITAL COMMITMENTS

As at 31st December, 2003, the Group had no capital commitments.

As at 31st December, 2002, the Group had capital commitment of approximately HK\$371,000 in respect of acquisition of property, plant and equipment.

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

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31st December, 2003*

(Continued)

### 28. OTHER COMMITMENTS

At the balance sheet date, the Group had the commitment for expenditure in respect of artists' fee of approximately HK\$9,091,000 (2002: HK\$2,888,000) which was not provided in the financial statements.

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

### 29. CONTINGENT LIABILITIES

	<b>THE COMPANY</b>	
	<b>2003</b>	<b>2002</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Guarantees given to bank in respect of banking facilities utilised by a subsidiary	<b><u>12,400</u></b>	<b><u>1,180</u></b>

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

### 30. BANKING FACILITIES AND PLEDGE OF ASSETS

At 31st December, 2003, the Group's bank facilities is secured by the followings:

- (1) the unlimited corporate guarantee given by the Company;
- (2) the legal charge over the copyright of one film "Dating Death" with a carrying value of approximately HK\$5,543,000, included in film rights and production in progress, at 31st December, 2003 (2002: Nil);
- (3) the assignment of income receivables to be derived from the licensing of the film "Dating Death" in all territories throughout the world; and
- (4) certain of its leasehold land and buildings with a carrying value of HK\$4,072,000 (2002: HK\$4,244,000) and its plant and machinery of HK\$3,004,000 (2002: Nil).

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## **NOTES TO THE FINANCIAL STATEMENTS**

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*For the year ended 31st December, 2003*

(Continued)

### **31. POST BALANCE SHEET EVENT**

On 15th March, 2004, Mandarin Laboratory Limited, a wholly-owned subsidiary, entered into a joint venture agreement (“JV Agreement”) with an independent third party and 浙江東方 in connection with the formation of a Chinese-foreign equity joint venture company in the PRC to be engaged in film processing activities. Pursuant to the JV Agreement, Mandarin Laboratory Limited, the independent third party and 浙江東方 will hold 49%, 30% and 21% equity interest in the joint venture company. Also, Mandarin Laboratory Limited is required to contribute a capital injection of RMB24,500,000 (equivalent to approximately HK\$23,030,000) as the respective portion of the registered capital of the joint venture company. As a result of a 37.5% beneficial interest in 浙江東方 being held by the Group, the Group would effectively hold an aggregate of approximately 56.9% direct and indirect interests in the joint venture company.

Further details of the above are also set out in the Company’s announcement dated 16th March, 2004.

At the date of this report, joint venture company has not yet been formed pending approval of the JV Agreement by the relevant authority in the PRC. The Group has not made any registered capital contribution according to the JV Agreement.

### **32. 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.

The employees of the Group’s subsidiary in the PRC are members of the state-managed retirement benefit scheme operated by the Government of the PRC. The subsidiary is required to contribute certain percentage of the payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specific contributions.

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31st December, 2003*

(Continued)

### **33. 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 transactions</b>	<i>Notes</i>	<b>2003</b>	<b>2002</b>
			<b>HK\$'000</b>	<b>HK\$'000</b>
Pure Project Limited	Rental expenses	(i)	–	500
Mandarin Recording Studio Limited	Rental expenses	(i)	–	52
PCL	Management fee income	(ii)	<b>600</b>	750
Tung Ying	Agency fees	(iii)	<b>81</b>	413
	Consultancy services fee paid	(iv)	<b>270</b>	–

*Notes:*

- (i) The rentals were 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 fee income was charged by reference to the actual cost incurred.
- (iii) The agency fees are charged by Tung Ying at the agreed terms of 10% (2002: 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 consultancy services fee paid to a brother of Mr. Wong was determined and mutually agreed with both parties.

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

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31st December, 2003*

(Continued)

### **34. PARTICULARS OF SUBSIDIARIES**

Details of the subsidiaries of the Company as at 31st December, 2003 are as follows:

<b>Name of company</b>	<b>Place of incorporation</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 Distribution Company Limited	Hong Kong	HK\$20 ordinary shares HK\$10,000,000 non-voting deferred shares <i>(Note 1)</i>	100	Distribution of films produced or purchased by the Group
Mandarin Films Distribution Co., Ltd. (formerly known as Media Elite Enterprises Limited)	BVI	US\$10,000	100	Distribution of films produced or purchased by the Group
Mandarin Films Limited	Hong Kong	HK\$100 ordinary shares	100	Production of films

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31st December, 2003*

(Continued)

### 34. PARTICULARS OF SUBSIDIARIES (Continued)

Name of company	Place of incorporation	Issued and fully paid share capital	Proportion of nominal value of issued share capital held by Company %	Principal activities
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
Walsbo Limited	Hong Kong	HK\$2 ordinary shares non-voting deferred shares <i>(Note 1)</i>	100	Investment holding
廣州智理廣告有限公司 <i>(Note 2)</i>	PRC	RMB1,000,000	70	Provision of promotional services for films

*Note:*

1. The deferred shares practically carry no rights to dividends or to receive notice to attend or vote at any general meeting of the Company or to participate in any distribution on winding up.
2. 廣州智理廣告有限公司 is a sino foreign equity joint venture.

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.