

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's ultimate holding company is Sunni International Limited, a company which is incorporated in the British Virgin Islands.

The Company acts as an investment holding company. The principal activities of its subsidiaries and associate are set out in notes 35 and 17 respectively.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standards ("HKFRS(s)") 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.

The principal effect of the implementation of SSAP 12 (Revised) "Income Taxes" is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. 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. This change in accounting policy has had no material effect 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 and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

The results of subsidiaries 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 intercompany transactions and balances within the Group are eliminated on consolidation.

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.

Goodwill

Goodwill arising from consolidation represents the excess cost of acquisition over Group's interest in the fair value of the identifiable assets and liabilities at the date of acquisition of a subsidiary and is recognised as an asset and amortised on a straight-line basis over its estimated economic useful life.

Investments in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associate for the year. In the consolidated balance sheet, interest in its associate is stated at the Group's share of the net assets of the associate, less any unrealised profits or identified impairment loss.

Revenue recognition

Income from the production and sale of computer graphics ("CG") animation pictures is recognised when the film copy of the relevant episodes is delivered and title has been passed. Payments received from purchasers prior to delivery of the film copy of the relevant episodes are recorded as unearned revenue and are classified as current liabilities.

Income from the licensing of the distribution and broadcasting rights over CG animation pictures is recognised when the Group's entitlement to such payments has been established, which, subject to the terms of the relevant agreements, is usually upon delivery of the relevant tapes to the customers.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

Depreciation and amortisation are provided to write off the cost of property, plant and equipment over their estimated useful lives, from the date on which they became fully operational and after taking into account their estimated residual value, using the straight line method as follows:

Leasehold improvements	Over a period of 5 years
Furniture, fixtures and equipment	Over a period of 5 years
Motor vehicles	Over a period of 5 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the terms of the relevant leases.

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

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 value of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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.

CG animation pictures

CG animation pictures, which represent CG animation pictures in which the Group retains ownership, consist of CG animation pictures of which the production is still in progress and film rights of completed CG animation pictures.

CG animation pictures in progress is stated at production costs incurred to date, including borrowing cost capitalised, less impairment losses. Upon completion and release of the CG animation pictures, the costs are amortised on a systematic basis over their estimated useful lives.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities.

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

Assets held under finance leases

Leases are classified as finance leases when the terms of the leases transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair value at the dates of acquisition. The corresponding liabilities to the lessor, net of interest charges, is included in the balance sheet as obligations under finance leases. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the periods of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting year.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease terms.

Inventories

Inventories represent CG animation pictures produced under CG animation pictures production contracts and are stated at the lower of cost and net realisable value. Cost is calculated at estimated cost per episode which will be revised and updated as necessary.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the costs of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit cost

Payments to the defined contribution retirement scheme are charged as an expense as they fall due.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing at the balance sheet date. Profits and losses arising on exchange are included in income statement for the year.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising from the translation, 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 income statement items that are never taxable or deductible.

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 bases 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 tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

Turnover represents the amounts received and receivable for goods sold by the Group to outside customers during the year and service income is analysed as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Sale of CG animation pictures	6,240	-
Income from licensing of CG animation pictures	1,736	15,316
Management consultancy income	11,236	11,270
Sales of artificial Christmas trees and accessories and leisure furniture	-	476,320
	<hr/>	<hr/>
	19,212	502,906

5. BUSINESS AND GEOGRAPHIC SEGMENTS

Business segments

For management purpose, the Group is organised into two operating divisions during the year. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

CG animation pictures – Production, licensing and sales of CG animation pictures

Management consultancy services – Provision of management consultancy services

Until, and including, 22nd August 2002, the Group was also engaged in the manufacture and sales of artificial Christmas festive products and leisure furniture. These two operations were disposed of on 23rd August 2002 (see note 8).

5. BUSINESS AND GEOGRAPHIC SEGMENTS *(Continued)*

Business segments *(Continued)*

Segment information about these businesses is presented below.

INCOME STATEMENT

For the year ended 31st March 2004

	CG animation pictures <i>HK\$'000</i>	Management consultancy services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER			
External sales	<u>7,976</u>	<u>11,236</u>	<u>19,212</u>
RESULTS			
Segment results	<u>(9,058)</u>	<u>1,684</u>	(7,374)
Other operating income			8,105
Bank interest income			632
Unallocated corporate expenses			<u>(16,648)</u>
Loss from operations			(15,285)
Finance costs			(7)
Gain on disposal of discontinuing operations			6,812
Share of loss of an associate			<u>(10,123)</u>
Loss before taxation			(18,603)
Taxation			<u>1,120</u>
Loss before minority interests			<u>(19,723)</u>

5. BUSINESS AND GEOGRAPHIC SEGMENTS *(Continued)*

Business segments *(Continued)*

BALANCE SHEET

At 31st March 2004

	CG animation pictures <i>HK\$'000</i>	Management consultancy services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	130,814	2,289	133,103
Interest in an associate			21,806
Unallocated corporate assets			91,431
Consolidated total assets			<u>246,340</u>
LIABILITIES			
Segment liabilities	17,008	-	17,008
Unallocated corporate liabilities			11,176
Consolidated total liabilities			<u>28,184</u>

OTHER INFORMATION

For the year ended 31st March 2004

	CG animation pictures <i>HK\$'000</i>	Management consultancy services <i>HK\$'000</i>	Unallocated items <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital additions	31,257	-	2,053	33,310
Depreciation and amortisation	<u>18,850</u>	<u>-</u>	<u>1,328</u>	<u>20,178</u>

5. BUSINESS AND GEOGRAPHIC SEGMENTS *(Continued)*

Business segments *(Continued)*

INCOME STATEMENT

For the year ended 31st March 2003

	Continuing operations		Discontinuing operations		Consolidated <i>HK\$'000</i>
	CG animation pictures <i>HK\$'000</i>	Management consultancy services <i>HK\$'000</i>	Christmas trees <i>HK\$'000</i>	Leisure furniture <i>HK\$'000</i>	
TURNOVER					
External sales	15,316	11,270	420,863	55,457	502,906
RESULTS					
Segment results	7,573	1,719	109,611	7,525	126,428
Other operating income					5,678
Bank interest income					2,272
Unallocated corporate expenses					(55,835)
Profit from operations					78,543
Finance costs					(1,717)
Gain on disposal of discontinuing operations					176,881
Gain on dilution of interest in an associate					6,136
Share of profit of an associate					3,342
Profit before taxation					263,185
Taxation					7,152
Profit before minority interests					256,033

5. BUSINESS AND GEOGRAPHIC SEGMENTS *(Continued)*
Business segments *(Continued)*
BALANCE SHEET
As at 31st March 2003

	Continuing operations		Discontinuing operations		Consolidated HK\$'000
	CG animation pictures HK\$'000	Management consultancy services HK\$'000	Christmas trees HK\$'000	Leisure furniture HK\$'000	
ASSETS					
Segment assets	69,639	1,214	-	-	70,853
Interest in an associate					32,715
Unallocated corporate assets					188,382
Consolidated total assets					<u>291,950</u>
LIABILITIES					
Segment liabilities	1,764	28	-	-	1,792
Unallocated corporate liabilities					52,772
Consolidated total liabilities					<u>54,564</u>

OTHER INFORMATION
For the year ended 31st March 2003

	Continuing operations		Discontinuing operations		Unallocated items HK\$'000	Consolidated HK\$'000
	CG animation pictures HK\$'000	Management consultancy services HK\$'000	Christmas trees HK\$'000	Leisure furniture HK\$'000		
Capital additions	44,601	-	59,899	767	3,047	108,314
Depreciation and amortisation	<u>11,092</u>	<u>-</u>	<u>16,597</u>	<u>643</u>	<u>1,175</u>	<u>29,507</u>

5. BUSINESS AND GEOGRAPHIC SEGMENTS *(Continued)*
Geographical segments

An analysis of the Group's turnover by geographical market is as follows:

	Total turnover		Contribution to operating results	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
North America	6,240	359,136	2,836	92,005
United Kingdom and Continental Europe	-	103,618	-	23,665
Asia Pacific	12,972	37,292	(10,210)	9,868
Others	-	2,860	-	890
	<u>19,212</u>	<u>502,906</u>	<u>(7,374)</u>	<u>126,428</u>
Other operating income			8,105	5,678
Bank interest income			632	2,272
Unallocated corporate expenses			<u>(16,648)</u>	<u>(55,835)</u>
(Loss) profit from operations			<u>(15,285)</u>	<u>78,543</u>

For the year ended 31st March 2003, turnover from the Group's discontinued operations relating to the sales of artificial Christmas trees and leisure furniture was derived from North America, United Kingdom and Continental Europe, Asia Pacific and other locations and it amounted to HK\$359,000,000, HK\$97,000,000, HK\$18,020,000 and HK\$2,300,000 respectively.

5. BUSINESS AND GEOGRAPHIC SEGMENTS *(Continued)*
Geographical segments *(Continued)*

Analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets by geographical area in which the assets are located is as follows:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	132,717	201,174	22,228	12,419
People's Republic of China, excluding Hong Kong	-	-	-	60,116
Others	113,623	90,776	11,082	35,779
	<u>246,340</u>	<u>291,950</u>	<u>33,310</u>	<u>108,314</u>

6. (LOSS) PROFIT FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
(Loss) profit from operations has been arrived at after charging:		
Directors' remuneration (<i>note 9</i>)	10,171	12,331
Other staff costs	32,842	106,036
Total staff costs	43,013	118,367
Less: amounts capitalised in CG animation pictures and inventories	(21,281)	(13,896)
	21,732	104,471
Depreciation and amortisation of property, plant and equipment		
– assets owned by the Group	4,121	19,578
– assets held under finance leases	2,117	1,884
	6,238	21,462
Less: amounts capitalised in CG animation pictures and inventories	(5,364)	(3,440)
	874	18,022
Rentals in respect of premises under operating leases	1,992	2,689
Less: amounts capitalised in CG animation pictures and inventories	(1,538)	(1,183)
	454	1,506
Auditors' remuneration:		
Current year	640	1,040
Underprovision in previous year	11	98
Amortisation of goodwill (included in administrative expenses)	454	392
Amortisation of CG animation pictures (included in cost of sales)	13,486	7,653
Loss on disposal of property, plant and equipment	–	247
Cost of inventories recognised as expenses	3,342	–
and after crediting:		
Gain on redemption of held-to maturity debt securities	5,612	–
Gain on disposal of property, plant and equipment	328	–
Amortisation of discount on held-to-maturity debt securities	2,044	1,301

7. FINANCE COSTS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest on borrowings wholly repayable within five years:		
Bank borrowings	351	2,492
Obligations under finance leases	39	590
	<hr/> 390	<hr/> 3,082
Less: amounts capitalised in CG animation pictures and inventories	(383)	(1,365)
	<hr/> 7	<hr/> 1,717

8. GAIN ON DISPOSAL OF DISCONTINUING OPERATIONS

On 23rd August 2002, the Group disposed of its Christmas festive products and leisure furniture businesses to BIHL (the "Disposal") and made a gain of approximately HK\$176,881,000 for the year ended 31st March 2003. Immediately subsequent to the Disposal, the Group acquired equity interest in BIHL and thereafter BIHL became an associate of the Group. Pursuant to the relevant Disposal agreements, in the event that BIHL or any of the disposed subsidiaries receives any tax relief or refund of any tax paid which is referable to the above disposed businesses and to any period prior to 23rd August 2002, BIHL or such respective subsidiary shall pay to the Group a sum equal to such tax relief or refund. During the year ended 31st March 2004, an aggregate amount of approximately HK\$6,812,000 in respect of such refund of tax was received and receivable by the Group, and such amount has been recognized in the current year as a further gain on the Disposal.

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of the directors and the five highest paid employees' emoluments are as follows:

(a) Directors' emoluments

	2004 HK\$'000	2003 HK\$'000
Executive directors		
– Fees	–	–
– Salaries and other benefits	9,513	11,670
– Contribution to retirement benefit scheme	38	41
Non-executive director		
– Fee	180	180
– Other emoluments	–	–
Independent non-executive directors		
– Fees	360	360
– Other emoluments	80	80
	<u>10,171</u>	<u>12,331</u>

The emoluments of the directors were within the following bands:

	2004 Number of Directors	2003 Number of Directors
Nil to HK\$1,000,000	4	4
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$2,000,001 to HK\$2,500,000	1	1
HK\$3,000,001 to HK\$3,500,000	1	–
HK\$3,500,001 to HK\$4,000,000	1	2
	<u>1</u>	<u>2</u>

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*
(b) Employees' emoluments

During the year, the five highest paid individuals included three directors (2003: three directors), details of whose emoluments are set out above. The emoluments of the remaining two highest paid individuals are as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Salaries and other benefits	4,114	5,647
Retirement benefits scheme contributions	12	12
	<u>4,126</u>	<u>5,659</u>

The emoluments of the above two employees are within the following bands:

	2004 Number of Employees	2003 Number of Employees
HK\$2,000,001 to HK\$2,500,000	2	-
HK\$2,500,001 to HK\$3,000,000	-	2
	<u>2</u>	<u>2</u>

10. TAXATION

	2004 HK\$'000	2003 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
The Company and its subsidiaries	18	5,912
Associate	-	323
	<u>18</u>	<u>6,235</u>
Overseas tax		
The Company and its subsidiaries	316	403
Associate	786	786
	<u>1,102</u>	<u>1,189</u>
Deferred taxation		
The Company and its subsidiaries (<i>note 23</i>)	-	(518)
Associate	-	246
	<u>-</u>	<u>(272)</u>
Total	<u>1,120</u>	<u>7,152</u>

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

A portion of the Group's profit neither arises in, nor is derived from, Hong Kong. Accordingly, that portion of the Group's profit is not subject to Hong Kong Profits Tax.

No provision for deferred taxation has been recognised in the financial statements as the amount involved is insignificant.

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

10. TAXATION *(Continued)*

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

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
(Loss) profit before taxation	<u>(18,603)</u>	<u>263,185</u>
Tax at the Hong Kong Profits Tax rate of 17.5% (2003: 16%)	(3,256)	42,110
Tax effect of expenses not deductible for tax purpose	3,788	241
Tax effect of income not taxable for tax purpose	(3,361)	(39,090)
Tax effect of additional tax losses not recognised	1,239	583
Utilisation of tax losses previously not recognised	–	1,915
Effect of different tax rates of subsidiaries operating in other jurisdictions	152	572
Tax effect of share of result of an associate	<u>2,558</u>	<u>821</u>
Income tax expenses for the year	<u>1,120</u>	<u>7,152</u>

During the period from March 2001 to March 2004, in connection with a tax field audit, the Inland Revenue Department of Hong Kong (“IRD”) issued Notices of Additional/Estimated Assessment (“Tax Notices”) to two subsidiaries relating to the tax years of 1994/95 to 2000/01 and 1996/97 to 1997/98, respectively, and to one former subsidiary of the Company relating to the tax years of 1996/97 to 1997/98 (the “Subsidiaries”). Objections were lodged by the Subsidiaries and holdovers of taxes in dispute were granted by the IRD pending determination of the tax field audit result. The Additional/Estimated Assessments were mainly relating to the Group’s income derived from its operations in the manufacture and sales of artificial Christmas festive products performed outside of Hong Kong.

Up to balance sheet date, the taxes demanded under the Tax Notices amounted in aggregate to HK\$127,678,801. However, objections were lodged by the Subsidiaries and the IRD granted both conditional and unconditional holdovers of the total taxes so demanded. The IRD granted an unconditional holdover in the sum of HK\$82,748,801. The conditions of the conditional holdover included: (A) the Group placing with the IRD a sum of HK\$5,000,000 by cash deposit, (B) the purchase by the Group of tax reserve certificates in the sum of HK\$15,730,000, and (C) the provision by the Group of further security in the sum of HK\$24,200,000 by way of the issue of a bank guarantee to the IRD, which is secured by a deposit from the Group of the same amount.

Although the outcome of this matter cannot be determined with reasonable certainty at this stage, the Company’s directors consider that the Group has properly reported all of its taxable income derived in Hong Kong to the IRD previously and therefore are not in agreement to the Additional/Estimated Assessments. Accordingly, the amount placed by cash deposit and by the purchase of tax reserve certificates up to the balance sheet date has been recorded as taxation recoverable and no provision for additional tax in relation to this tax field audit has been made in the financial statements.

11. DIVIDENDS

	2004 HK\$'000	2003 HK\$'000
Special dividend paid – nil (2003: HK\$0.26 per share of HK\$0.02 each) (<i>Note</i>)	–	894,641

Note:

On 4th September 2002, a special cash dividend of HK\$0.26 per share of HK\$0.02 each was paid to shareholders whose names appeared on the Register of Members of the Company on the record date of 30th August 2002.

12. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is based on the following data:

	2004 HK\$'000	2003 HK\$'000
(Loss) profit for the purposes of basic and diluted (loss) earnings per share	<u>(19,587)</u>	<u>255,997</u>
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	137,696,990	137,623,521
Effect of dilutive potential ordinary shares in respect of share options	<u>1,181,530</u>	<u>5,365</u>
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	<u>138,878,520</u>	<u>137,628,886</u>
(Loss) earnings per share		
– Basic	<u>(HK\$0.14)</u>	<u>HK\$1.86</u>
– Diluted	<u>N/A</u>	<u>HK\$1.86</u>

The computation of diluted earnings per share for the year ended 31st March 2004 does not assume the conversion of the Group's outstanding share option since their exercise would result in a decrease in net loss per share from continuing ordinary operations.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP				
COST				
At 1st April 2003	4,153	18,914	3,303	26,370
Additions	2,224	18,037	1,984	22,245
Disposals	(559)	(88)	(2,440)	(3,087)
	<u>5,818</u>	<u>36,863</u>	<u>2,847</u>	<u>45,528</u>
At 31st March 2004				
DEPRECIATION AND AMORTISATION				
At 1st April 2003	648	5,151	2,595	8,394
Provided for the year	902	5,004	332	6,238
Eliminated on disposals	(280)	(55)	(2,440)	(2,775)
	<u>1,270</u>	<u>10,100</u>	<u>487</u>	<u>11,857</u>
At 31st March 2004				
NET BOOK VALUES				
At 31st March 2004	<u>4,548</u>	<u>26,763</u>	<u>2,360</u>	<u>33,671</u>
At 31st March 2003	<u>3,505</u>	<u>13,763</u>	<u>708</u>	<u>17,976</u>

At 31st March 2004, the net book value of property, plant and equipment of the Group included an amount of approximately HK\$6,952,000 (2003: HK\$8,327,000) in respect of furniture, fixtures and equipment held under finance leases.

The Company did not have any property, plant and equipment at the balance sheet dates.

14. CG ANIMATION PICTURES

	THE GROUP <i>HK\$'000</i>
COST	
At 1st April 2003	60,313
Addition during the year	<u>11,065</u>
At 31st March 2004	<u>71,378</u>
AMORTISATION	
At 1st April 2003	7,866
Provided for the year	<u>13,486</u>
At 31st March 2004	<u>21,352</u>
NET BOOK VALUE	
At 31st March 2004	<u>50,026</u>
At 31st March 2003	<u>52,447</u>

The amortisation period adopted for completed CG animation pictures is 3 years.

15. GOODWILL

	THE GROUP <i>HK\$'000</i>
COST	
At 1st April 2003 and 31st March 2004	<u>4,536</u>
AMORTISATION	
At 1st April 2003	829
Provided for the year	<u>454</u>
At 31st March 2004	<u>1,283</u>
NET BOOK VALUE	
At 31st March 2004	<u>3,253</u>
At 31st March 2003	<u>3,707</u>

The amortisation period adopted for goodwill is 10 years.

16. INTERESTS IN SUBSIDIARIES

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Unlisted shares, at cost	85,000	85,000
Amounts due from subsidiaries	120,770	35,151
	<u>205,770</u>	<u>120,151</u>

Details of the Company's subsidiaries at 31st March 2004 are set out in note 35.

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors, the amounts are unlikely to be repaid within one year of the balance sheet date and are therefore classified as non-current assets.

17. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Share of net assets	79,026	89,935
Less: Unrealised gain on disposal of businesses	(57,220)	(57,220)
	<u>21,806</u>	<u>32,715</u>

Particulars of the Group's principal associate at 31st March 2004 is as follows:

Name of associate	Form of business structure	Place of incorporation/ operations	Class of share held	Proportion of nominal value of issued capital held by the Company indirectly	Principal activity
BIHL	Incorporated	British Virgin Islands/ Hong Kong	Ordinary	22.5%	Manufacture and sales of artificial Christmas trees and leisure furniture

The Group and the Company

The amount due from an associate is unsecured, interest-free and repayable on demand.

17. INTEREST IN AN ASSOCIATE *(Continued)*

The following details are extracted from the audited financial statements of the Group's principal associate, BIHL, and its subsidiaries (hereinafter collectively referred to as the "BIHL Group").

	1.4.2003 to 31.3.2004 <i>HK\$'000</i>	28.1.2002 (date of incorporation) to 31.3.2003 <i>HK\$'000</i>
RESULTS		
Turnover	<u>1,152,630</u>	<u>624,459</u>
(Loss) profit from ordinary activities before taxation	<u>(44,990)</u>	<u>13,127</u>
(Loss) profit from ordinary activities before taxation attributable to the Group	<u>(10,123)</u>	<u>3,342</u>

Consolidated financial position of BIHL Group at 31st March 2004 is as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Non-current assets	932,594	1,000,641
Current assets	429,018	523,571
Current liabilities	(418,707)	(416,709)
Non-current liabilities	<u>(591,678)</u>	<u>(707,793)</u>
Net assets	<u>351,227</u>	<u>399,710</u>
Net assets attributable to the Group	<u>79,026</u>	<u>89,935</u>

At 31st March 2004, BIHL Group had contingent liabilities in respect of bills discounted with recourse amounting to approximately HK\$47,798,000 (2003: HK\$68,173,000). Also, all the assets of BIHL's subsidiaries and its direct investment in its subsidiaries were pledged to the bank for banking facilities granted to BIHL's subsidiaries.

18. INVESTMENTS IN SECURITIES

	Held-to-maturity debt security		Investment securities		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost (<i>note</i>)	-	-	7,864	-	7,864	-
Zero coupon note	-	18,047	-	-	-	18,047
Club debentures, at cost	-	-	1,201	1,201	1,201	1,201
	-	18,047	9,065	1,201	9,065	19,248

Note: During the year ended 31st March 2003, the Group entered into a subscription agreement and a call option agreement with certain independent third parties to subscribe for a 5-year zero coupon note with a face value of Japanese Yen 418,732,600 (the "Note") at a consideration of Japanese Yen 260,000,000 (equivalent to approximately HK\$16,746,000). During the year ended 31st March 2004, the zero coupon note was redeemed by the Note issuer at a consideration of Japanese Yen 365,000,000 (equivalent to approximately HK\$25,703,000) and the Group exercised a call option to acquire 100 issued shares in Kabushiki Kaisha Mad House ("KK Mad House"), a company incorporated in Japan and engaged in the production of CG animated pictures. Afterwards, the Group further subscribed for 200 new shares in KK Mad House at a consideration of Japanese Yen 100,000,000 (equivalent to approximately HK\$7,490,000). As a result, the Group held 15% equity interest in KK Mad House at an aggregate carrying value of approximately HK\$7,864,000 as at 31st March 2004.

19. TRADE AND OTHER RECEIVABLES

The Group allows its trade customers a credit period in accordance with the terms specified in the contracts, normally ranging from 30 days to 90 days.

The aged analysis of trade receivables at balance sheet date is stated as follows:

	THE GROUP	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
0 to 30 days	4,700	–
31 to 60 days	1,579	305
61 to 90 days	–	1,591
Over 90 days	–	181
	<hr/>	<hr/>
Total trade receivables	6,279	2,077
Other receivables	2,538	3,323
	<hr/>	<hr/>
	8,817	5,400

20. PLEDGED BANK DEPOSITS

At 31st March 2004, the amounts represent bank deposits pledged to a bank for the issue of bank guarantee in favour of the IRD for the conditional holdover of the taxes demanded as detailed in note 10, and in favour of a contract party in respect of a CG animation production project being undertaken by the Group. At 31st March 2003, the amount represented bank deposits pledged to a bank for the issue of a bank guarantee in favour of the IRD for the conditional holdover of the taxes demanded.

21. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Amounts payable under finance leases:				
Within one year	892	2,645	870	2,605
More than one year, but not exceeding two years	369	649	356	647
	<u>1,261</u>	<u>3,294</u>	<u>1,226</u>	<u>3,252</u>
Less: future finance charges	(35)	(42)	N/A	N/A
	<u>1,226</u>	<u>3,252</u>	1,226	3,252
Less: Amount due within one year and shown under current liabilities			(870)	(2,605)
Amount due after one year			<u>356</u>	<u>647</u>

It is the Group's policy to lease certain of its property, plant and equipment under finance leases. The average lease term is two years. For the year ended 31st March 2004, the average effective borrowing rate was 2.71% (2003: 2.80%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

22. BANK BORROWINGS

	THE GROUP	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Bank borrowings comprise:		
Bank loans	–	39,000
Bank overdraft	805	38
	<hr/>	<hr/>
	805	39,038
	<hr/>	<hr/>

The bank borrowings are unsecured and repayable on demand or within one year.

23. DEFERRED TAXATION

The following are the major deferred tax (liabilities) assets recognised by the Group and movements thereon during the current and prior year:

	Accelerated tax depreciation <i>HK\$'000</i>	Recognised tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April 2002	(4,334)	3,816	(518)
Charge (credit) to income statement	2,550	(2,032)	518
	<hr/>	<hr/>	<hr/>
At 31st March 2003	(1,784)	1,784	–
Effect of change in tax rate charge (credit) to income statement	(167)	167	–
Charge (credit) to income statement	(2,756)	2,756	–
	<hr/>	<hr/>	<hr/>
At 31st March 2004	(4,707)	4,707	–
	<hr/>	<hr/>	<hr/>

23. DEFERRED TAXATION *(Continued)*

For the purposes of balance sheet presentation, deferred tax assets and liabilities have been offset in accordance with the conditions set out in SSAP 12 (Revised). The following is the analysis of the deferred tax balances for financial reporting purposes:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Deferred tax liabilities	(4,707)	(1,784)
Deferred tax assets	4,707	1,784
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>

At the balance sheet date, the Company had unused tax losses of approximately HK\$58,379,000 (2003: HK\$34,598,000) available for offset against future profits. A deferred tax asset of HK\$4,707,000 (2003: HK\$1,784,000) has been recognised in respect of such losses. The remaining deferred tax asset amounted to HK\$5,509,000 (2003: HK\$3,752,000) in respect of the tax losses has not been recognised due to the unpredictability of future profit streams.

24. SHARE CAPITAL

	Number of shares	Values HK\$'000
Authorised:		
Ordinary shares of HK\$0.02 each at 1st April 2002	5,000,000,000	100,000
Share consolidation (<i>note a</i>)	<u>(4,800,000,000)</u>	<u>-</u>
Ordinary shares of HK\$0.50 each at 31st March 2003	200,000,000	100,000
Increase on 29th March 2004 (<i>note b</i>)	<u>300,000,000</u>	<u>150,000</u>
Ordinary shares of HK\$0.50 each at 31st March 2004	<u>500,000,000</u>	<u>250,000</u>
Issued and fully paid:		
At 1st April 2002	3,439,925,000	68,799
Exercise of share options	1,000,000	20
Share consolidation (<i>note a</i>)	<u>(3,303,288,000)</u>	<u>-</u>
At 1st April 2003	137,637,000	68,819
Exercise of share options (<i>note c</i>)	<u>236,000</u>	<u>118</u>
At 31st March 2004	<u>137,873,000</u>	<u>68,937</u>

The movements in the ordinary share capital for the year ended 31st March 2003 were as follows:

- (a) Pursuant to an ordinary resolution passed at the special general meeting held on 11th November 2002, the Company's issued and unissued shares of HK\$0.02 each were consolidated on 21st November 2002 on the basis that every twenty-five issued ordinary shares with par value of HK\$0.02 each were consolidated into one issued ordinary shares with par value of HK\$0.50 each ("Consolidated Share") and every twenty-five unissued ordinary shares of par value of HK\$0.02 each were consolidated into one unissued Consolidated Share (collectively the "Share Consolidation").

All the consolidated shares resulting from the Share Consolidation rank pari passu with the then existing shares in all respects.

24. SHARE CAPITAL *(Continued)*

The movements in the ordinary share capital for the year ended 31st March 2004 were as follows:

- (b) Pursuant to an ordinary resolution passed at the special general meeting held on 29th March 2004, the Company's authorised share capital was increased from HK\$100,000,000 to HK\$250,000,000 by the creation of an additional 300,000,000 shares of HK\$0.50 each.
- (c) The Company issued 100,000 and 136,000 shares of HK\$0.50 each in the Company for cash at HK\$1.06 and HK\$1.246 per share respectively, as a result of the exercise of share options. The shares issued rank pari passu with the then existing shares in all respects.

25. RESERVES

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
Balance at 1st April 2002	276,360	153,329	398,142	827,831
Exercise of share options	170	-	-	170
Net profit for the year	-	-	201,291	201,291
Transfer from share premium and contributed surplus	(276,360)	(153,329)	429,689	-
Special cash dividend paid <i>(note 11)</i>	-	-	(894,641)	(894,641)
Balance at 1st April 2003	170	-	134,481	134,651
Exercise of share options	157	-	-	157
Net profit for the year	-	-	1,699	1,699
Balance at 31st March 2004	<u>327</u>	<u>-</u>	<u>136,180</u>	<u>136,507</u>

The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition at the time of a previous corporate reorganisation.

25. RESERVES *(Continued)*

Under the Companies Act 1981 of Bermuda, the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

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

On 19th August 2002, a resolution had been passed in the special general meeting that an amount of approximately HK\$276,360,000 standing to the credit of the share premium account of the Company as at 30th August 2002 be cancelled and the credit arising be transferred to the contributed surplus account of the Company. Upon the transfer from the share premium account, the total amount of contributed surplus amounted to approximately HK\$429,689,000 was transferred to retained profits and utilised for the purpose of payment of the special cash dividend (note 11).

In the opinion of the Company's directors, the Company's reserves available for distribution to shareholders at 31st March 2004 comprised retained profits of HK\$136,180,000 (2003: HK\$134,481,000).

26. SHARE OPTION SCHEME

(a) 1997 Scheme

In accordance with the Company's share option scheme (the "1997 Scheme"), which was adopted pursuant to a resolution passed on 12th February 1997 for the purpose of recognising the contribution of the senior management and full-time employees of the Group and will expire on 11th February 2007, the directors of the Company may at their discretion grant options to any executive director or full time employee of the Company or any of its subsidiaries to subscribe for shares in the Company at a price not less than the higher of the nominal value of the Company's shares and 80% of the average of the closing prices of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of the grant of the options, subject to a maximum of 10% of the issued share capital of the Company from time to time, excluding any shares issued pursuant to the 1997 Scheme.

Options granted must be taken up within 28 days of date of grant upon payment of HK\$10 per each grant of options. Options may be exercised at any time in the two years commencing on the expiry of 6 months after the date of acceptance of such option.

On 23rd August 2001, the Stock Exchange has announced amendments to Chapter 17 of Listing Rules in respect of share option schemes, which has come into effect on 1st September 2001. To comply with the amendments to the Listing Rules and the announcement of the Stock Exchange, the directors considered that it is in the interest of the Company to terminate the 1997 Scheme of the Company and to adopt a new share option Scheme.

Pursuant to an ordinary resolution of the Company passed on 16th August 2002 at the annual general meeting, the operation of the 1997 Scheme was terminated and that no further options will be granted under the 1997 Scheme but in all other respects the provisions of the 1997 Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior to such termination.

26. SHARE OPTION SCHEME *(Continued)*

(b) 2002 Scheme

On 16th August 2002, the Company adopted a new share option scheme (the "2002 Scheme") for the primary purpose of providing incentives to, amongst others, employees, executives or officers, directors of the Company or any of its subsidiaries and any consultants, agents or professional advisers of the Company or any of its subsidiaries (the "Participants") for their contribution to the Group. The 2002 Scheme will be ending on 15th August 2012. Under the 2002 Scheme, the directors may grant options to the Participants to subscribe for shares in the Company for a consideration of HK\$10 for each lot of share options granted. Options granted must be taken up within 28 days of date of grant. The exercise price is determined by the directors and shall not be less than the highest of:

- (a) the official closing price of the shares as stated in the daily quotation sheet of the Stock Exchange on the date of the grant which must be a business day;
- (b) the average of the official closing price of the shares as stated in the daily quotation sheet of the Stock Exchange for the 5 business days immediately preceding the offer date; and
- (c) the nominal value of a share.

Pursuant to the 2002 Scheme, the maximum number of shares in the Company in respect of which options may be granted when aggregated with any other share option scheme of the Company is not permitted to exceed 13,763,700 shares. Subject to the approval of the shareholders of the Company in general meeting and such other requirements prescribed under the Listing Rules from time to time, the Company may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meetings. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Scheme and any other share option schemes of the Company at any time shall not exceed 30 per cent of the shares in issue from time to time.

At 31st March 2004, the number of shares in respect of which options had been granted and remained outstanding under the 2002 Scheme was 6,664,000, representing 4.83% of the total number of shares of the Company in issue at that date.

No option may be granted to any person if the total number of shares of the Company already issued and issuable to him under all the options granted to him in any 12-month period up to and including the date of grant exceeding 1% of total number of shares in issue at the date of grant. Any further grant of option in excess of this 1 per cent limit shall be subject to the approval of the shareholders in general meetings, such Participant and his associates (as defined in the Listing Rules) abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time. Options granted to substantial shareholders or independent non-executive directors which would result in the shares issued and issuable to any such person under the 2002 scheme in the 12-month period up to and including the date of grant representing in aggregate in excess of 0.1% of the number of the Company's shares then in issue or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

26. SHARE OPTION SCHEME *(Continued)*
(b) 2002 Scheme *(Continued)*

There is no specific requirement that an option must be held for any minimum period before it can be exercised but the directors is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The period during which an option may be exercised will be determined by the directors at its absolute discretion, save that no option may be exercised more than 10 years from the date of grant.

The following table discloses details of the Company's share option held by employees and movements in such holding during the year:

For the year ended 31st March 2004

Date of grant	Exercisable period	Exercise price per share HK\$	At 1.4.2003	Number of share options			At 31.3.2004
				Granted during the year	Exercised during the year	Cancelled during the year	
2002 Scheme							
11th February 2003	11th February 2003 to 10th February 2006	1.06	2,060,000	-	(100,000)	(280,000)	1,680,000
11th February 2003	11th February 2003 to 10th February 2008	1.06	160,000	-	-	(20,000)	140,000
13th August 2003	13th August 2003 to 12th August 2006	1.246	-	5,320,000	(136,000)	(340,000)	4,844,000
			<u>2,220,000</u>	<u>5,320,000</u>	<u>(236,000)</u>	<u>(640,000)</u>	<u>6,664,000</u>

There was no outstanding share option held by directors on 31st March 2004. No share option was granted to any directors nor did any directors have exercised any options during the year under the 2002 Scheme.

The closing price of the Company's shares immediately before 13th August 2003, the date of grant of the options, was HK\$1.21.

The closing price of the Company's share immediately before the various exercise dates during the year ranged from HK\$1.35 to HK\$1.75.

26. SHARE OPTION SCHEME *(Continued)*

For the year ended 31st March 2003

Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding at 1.4.2002	Number of share options		Outstanding at 31.3.2003
				Granted during the year	Exercised during the year	
1997 Scheme						
14th May 2001	15th November 2001 to 14th November 2003	0.18944	1,000,000	-	(1,000,000)	-
2002 Scheme						
11th February 2003	11th February 2003 to 10th February 2006	1.06	-	2,060,000	-	2,060,000
11th February 2003	11th February 2003 to 10th February 2008	1.06	-	160,000	-	160,000
			1,000,000	2,220,000	(1,000,000)	2,220,000

There was no outstanding share option held by directors on 31st March 2003. No share option was granted to any directors nor did any directors have exercised any options during the year under the 1997 Scheme and 2002 Scheme.

The closing price of the Company's shares immediately before 2nd August 2002, on which the 1997 Scheme options were exercised during the year ended 31st March 2003, was HK\$0.30, before the date of consolidation of the Company's shares.

The financial impact of share options granted 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 recognised in the income statement in respect of the value of options granted in the year ended 31st March 2004 and 2003.

Total consideration received during the year from employees for taking up the options granted amounted to HK\$1,100 (2003: HK\$1,110).

27. DISPOSAL OF BUSINESSES

	2004 HK\$'000	2003 HK\$'000
NET ASSETS DISPOSED:		
Property, plant and equipment	-	643,703
Investments in securities	-	521
Inventories	-	332,388
Trade and other receivables	-	244,962
Bank balance and cash	-	27,844
Trade and other payables	-	(148,207)
Taxation payable	-	(9,427)
Bank borrowings	-	(288,249)
	-	803,535
Realised gain on disposal of businesses	-	176,881
Unrealised gain on disposal of businesses included in interest in an associate	-	63,578
	-	1,043,994
Analysis of net inflow of cash and cash equivalents in connection with the disposal of businesses		
Cash consideration received	-	1,077,500
Cash refunded to an associate (<i>note</i>)	-	(33,506)
Bank balance and cash disposed	-	(27,844)
Net inflow of cash and cash equivalents in connection with the disposal of businesses	-	1,016,150

Note: Cash refunded to an associate resulted from a post completion price adjustment of approximately HK\$33,506,000 in accordance with the relevant Disposal agreements as mentioned in note 8.

For the year ended 31st March 2003, the businesses disposed of contributed approximately HK\$476,320,000 to the Group's turnover and profit of approximately HK\$117,136,000 to the Group's profit from operations.

28. MAJOR NON-CASH TRANSACTION

During the year ended 31st March 2004, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of approximately HK\$618,000 (2003: HK\$3,800,000).

29. CAPITAL COMMITMENTS

At the balance sheet date, the Group had the following commitments for capital expenditure in respect of CG animation pictures:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Authorised but not contracted for	42,872	52,790
Contracted for but not provided in the financial statements	689	11,495
	<u>43,561</u>	<u>64,285</u>

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

30. OPERATING LEASE COMMITMENTS

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

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within one year	1,564	1,553
In the second to fifth year inclusive	1,297	886
	<u>2,861</u>	<u>2,439</u>

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

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

31. CONTINGENT LIABILITIES**THE GROUP**

At 31st March 2004 and 2003, the Group had no significant contingent liabilities.

THE COMPANY

The Company has given guarantees to banks in respect of general banking facilities granted to its subsidiaries. The amount of such facilities utilised by the subsidiaries at 31st March 2004 was approximately HK\$1,227,000 (2003: HK\$42,252,000).

32. RETIREMENT BENEFITS SCHEME

The Group participates in a Mandatory Provident Fund ("MPF") Scheme established under the Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. The scheme is a defined contribution scheme effective from December 2000 and is funded by contributions from employer and employees according to the rules of the MPF Scheme. The assets of the scheme are held separately from those of the Group, in funds under the control of independent trustee. During the year under review, the total amount contributed by the Group to the scheme and charged to the income statement was approximately HK\$1,061,000 (2003: HK\$917,000) and no contributions were forfeited.

33. RELATED PARTY DISCLOSURES

Other than the disposal of businesses to an associate in August 2002 as detailed in note 8, the Group entered into the following transactions with related parties:

Name of related parties	Notes	Nature of transactions	2004 HK\$'000	2003 HK\$'000
Boko Glass Art Company Limited	(i)	Rental expense paid by the Group	960	960
Glory Dragon (Hong Kong) Limited	(i)	Rental expense paid by the Group	–	531
Kayin Insurance Consultants Company	(ii)	Gross insurance premium paid by the Group	313	343
BIHL	(iii)	Management consultancy income received by the Group	11,236	8,006
Boji (Shenzhen) Company Limited	(iv)	Sales of property, plant and equipment by the Group	300	–

Notes:

- (i) Mr. Kao Cheung Chong, Michael, a director of the Company, has indirect beneficial interests in these companies. These transactions were carried out at market prices.
- (ii) Mr. Lam Pak Kin, Philip, a director of the Company, and his wife have direct and indirect beneficial interests, respectively, in this company. This transaction was carried out at terms mutually agreed with the relevant parties.
- (iii) BIHL is an associate of the Group. This transaction was carried out in accordance with the terms of the relevant consultancy services agreement. Subsequent to the balance sheet date, the term of the aforesaid consultancy services agreement was extended to August 2007.
- (iv) Boji (Shenzhen) Company Limited was a subsidiary of BIHL, an associate of the Group. This transaction was carried out at terms mutually agreed with the relevant parties.

34. POST BALANCE SHEET EVENT

On 6th May 2004, a rights issue on the basis of one share for every two existing shares held by shareholders on the register of member on 16th April 2004 was allotted at an issue price of HK\$1.08 per rights share, resulting in the issue of 68,936,500 shares at HK\$1.08 each for a total cash consideration of, before share issue expenses, approximately HK\$74.5 million.

35. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31st March 2004 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital held by the Company <i>(Note (1))</i>	Principal activities
Freyner Limited	British Virgin Islands	US\$1,000	100%	Provision of management consultancy services
Imagi Animation Studios Limited	Hong Kong	HK\$2	100%	Investment holding and provision of creative services for CG animation pictures
Imagi Production Limited	Hong Kong	HK\$28,572	100%	Production of CG animation pictures
Imagi Production (FOTP) Limited (Formerly known as Cheer Faith Enterprise Limited)	Hong Kong	HK\$2	100%	Production of CG animation pictures
Imagi (IP) Licensing B.V.	Netherlands	EUR18,000	100%	Sub-licensing of intellectual property right in respect of CG animation pictures
Imagi (Zentrix) Licensing B.V.	Netherlands	EUR18,000	100%	Sub-licensing of intellectual property right in respect of CG animation pictures
Imagi International Japan Company Limited	Japan	JPY30,000,000	82.5%	Provision of marketing services on project licensing and acting as a full-service project management house in respect of CG animation pictures

35. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital held by the Company <i>(Note (1))</i>	Principal activities
Imagi Intellectual Properties Limited	Labuan	US\$1,000	100%	Holding and licensing of intellectual property right in respect of CG animation pictures
Imagi IP Holdings Pte. Limited	Labuan	US\$100	100%	Holding and licensing of intellectual property right in respect of CG animation pictures
Imagi Services Limited	Hong Kong	HK\$2	100%	Provision of administrative services
Imagi Services (USA) Limited	United States of America	US\$100	100%	Marketing of CG animation projects and providing CG animation production management services
Neo-Mad House Intellectual Properties Limited	Labuan	US\$1	100%	Holding and licensing of intellectual property right in respect of CG animation pictures
Neo-Mad House Intellectual Properties Licensing B.V.	Netherlands	EUR18,000	100%	Holding and licensing of intellectual property right in respect of CG animation pictures
Neo-Mad House (X.S.I.) Limited	Labuan	US\$1	100%	Holding and licensing of intellectual property right in respect of CG animation pictures

35. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital held by the Company <i>(Note (i))</i>	Principal activities
Topway Asset Limited	British Virgins Islands	US\$4	100%	Investment holding
Treasure Path Company Limited	Hong Kong	Ordinary shares HK\$100 Non-voting 5% deferred shares HK\$1,000,000 <i>(Note (ii))</i>	100%	Inactive

Notes:

- (i) The Company directly holds the interests in Topway Asset Limited. All other interests shown above are indirectly held by the Company.
- (ii) The non-voting 5% deferred shares, which are not held by the Group, practically carry no rights to dividend or to receive notice of or to attend or vote at any general meeting of the respective subsidiaries or to participate in any distribution on winding up.

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