

1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain investment properties and leasehold land and buildings are stated at fair value.

In the current year, the Group adopted the revised Statement of Standard Accounting Practice ("SSAP") 12 "Income Taxes" issued by the HKSA which is effective for accounting periods commencing on or after 1st January 2003.

The changes to the Group's accounting policy and the effect of adopting this revised policy are set out in note 1(l) below.

(b) Group accounting**(i) Consolidation**

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account 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.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)***(b) Group accounting** *(Continued)***(i) Consolidation** *(Continued)*

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Jointly controlled entity

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entity for the year, and the consolidated balance sheet includes the Group's share of the net assets/liabilities of the jointly controlled entity.

Equity accounting is discontinued when the carrying amount of the investment in a jointly controlled entity reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the jointly controlled entity.

(iii) Associated companies

An associated company is a company, not being a subsidiary, or a jointly controlled entity, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets/liabilities of the associated companies.

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1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(iii) *Associated companies (Continued)*

In the Company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

(iv) *Translation of foreign currencies*

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. All exchange differences are dealt with in the profit and loss account.

The balance sheet of subsidiaries, jointly controlled entity and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as movements in reserves.

(c) Fixed assets

(i) *Investment properties*

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)***(c) Fixed assets** *(Continued)***(i) Investment properties** *(Continued)*

Investment properties held on leases with unexpired periods of greater than 20 years are valued by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

(ii) Property, plant and equipment

Leasehold land and buildings are stated at valuation at the balance sheet date.

It is the Group's policy to value leasehold land and buildings on an individual basis in each year by independent valuers. The valuations are on an open market basis related to individual properties except that certain leasehold land and buildings situated in Hong Kong are valued on a depreciated replacement cost basis. Increases in valuation are credited to the other properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations in respect of the same property and are thereafter debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Other tangible fixed assets, comprising leasehold improvements, furniture, fixtures and equipment, plant and machinery and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)***(c) Fixed assets** *(Continued)***(iii) Depreciation**

No depreciation is provided for investment properties and properties under development.

Leasehold land is depreciated over the period of the lease while other tangible fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	2%
Leasehold improvements	10% or lease term, whichever is the shorter
Furniture, fixtures and equipment	20% to 25%
Plant and machinery	10% to 25%
Motor vehicles	25%

Improvements are capitalised and depreciated over their expected useful lives to the Group.

(iv) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)***(d) Assets under leases****(i) Finance leases**

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

Assets leased out under operating leases are included in fixed assets in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned fixed assets. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease terms.

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1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Investment securities

Investment securities are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to the profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(f) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries, jointly controlled entity and associated companies at the date of acquisition.

Where an indication of impairment exists, the carrying amount of goodwill is assessed and written down immediately to its recoverable amount.

(g) Film and sub-licensing rights

(i) *Film rights and perpetual film rights*

Film rights generated by the Group or perpetual film rights acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Costs less provision for impairment losses represent the carrying value transferred from films in progress upon completion or the purchase price of the perpetual film rights, and are amortised at rates calculated to write off the costs in proportion to the expected revenues from exhibition, the reproduction and distribution of audio visual products, the licensing of video rights and other broadcast rights following their release. Such rates are subject to annual review by the directors.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)***(g) Film and sub-licensing rights** *(Continued)**(ii) Films in progress*

Films in progress are stated at cost less any provision for impairment losses. Costs include all direct costs associated with the production of films. Provisions are made for costs which are in excess of the expected future revenue generated by these films. The balance of film production costs payable at year end are disclosed as commitments. Costs of films are transferred to film rights upon completion.

(iii) Film sub-licensing rights and deposits

Licence fees paid in advance and by instalments during the production of films under licensing agreements for the reproduction and distribution of audio visual products and sub-licensing of film titles, in specified geographical areas and time periods, are accounted for as film sub-licensing rights and deposits. The balance payable under the licensing agreements is disclosed as a commitment. Upon the release of the pre-recorded audio visual products and the materials, the relevant portion of licence fees of purchased film titles are charged to the profit and loss account on a systematic basis, with reference to the projected revenue and the underlying licence periods. Provision for impairment loss is made against film sub-licensing rights and deposits to the extent that they are not expected to generate any future revenue for the Group.

In case where the Group is unable to exercise its rights under a licensing agreement because the film producer fails to complete the film, the Group writes off the difference between the advances made and the estimated recoverable amount from the film producer.

(iv) At each balance sheet date, both internal and external market information are considered to assess whether there is any indication that film rights, films in progress, film sub-licensing rights and deposits are impaired. If any such indication exists, the carrying amount of such assets is assessed and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

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1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises materials, direct labour and an appropriate proportion of all production expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(i) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(j) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from the date of investment and bank overdrafts.

(k) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision, where appropriate, is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)***(k) Employee benefits** *(Continued)***(ii) Pension obligations**

The Group's contributions to the defined contribution retirement scheme and the mandatory provident fund scheme are expensed as incurred. The Group's contributions to the defined contribution retirement scheme are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in independently administered funds.

(l) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associated companies and jointly controlled entity, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit/loss as computed for taxation purposes and profit/loss as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively. The change in the accounting policy have no material financial impact on these accounts.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)***(m) Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(n) Revenue recognition

- (i) Revenue from the distribution of films and programs in audio visual product format is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.
- (ii) Film exhibition income is recognised when the right to receive payment is established.
- (iii) Income from the licensing and sub-licensing of audio visual products, video features and TV rights is recognised upon delivery of the pre-recorded audio visual products and the materials for video features including the master tapes to the customers.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)***(n) Revenue recognition** *(Continued)*

- (iv) Revenues from television operations mainly comprise sub-licensing of programme rights, advertising and airtime revenue. Revenue from sub-licensing of programme rights is recognised on the basis as set out in note 1(n)(iii) above, and advertising and airtime revenue is recognised when the relevant advertisements and programs are broadcast. Advertising and airtime revenue under barter arrangement is recognised upon receipt of relevant films and programs from independent third parties and when relevant advertisements and programs are broadcast by the Group pursuant to the terms of the relevant agreements.
- (v) Internet and related service fee income is recognised when the relevant services are rendered.
- (vi) Rental income is recognised on a straight-line basis.
- (vii) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.
- (viii) Commission income from royalty rights is recognised on an accrual basis.
- (ix) Dividend income is recognised when the right to receive payment is established.

(o) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction work of properties under development/leasehold land and buildings that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of these assets.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)***(p)** Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated costs mainly represent corporate expenses and deficit arising on revaluation of investment properties and leasehold land and buildings not covered by previous revaluation surplus of the Group. Unallocated income represents rental income, gain on disposal of fixed assets and surplus on revaluation of investment properties and leasehold land and buildings previously written off to the profit and loss account. Segment assets comprise primarily of fixed assets, film rights and films in progress, film sub-licensing rights and deposits, inventories, accounts receivable, prepayments, deposits and other receivables, pledged deposits and operating cash. Unallocated assets mainly represent investment properties and leasehold land and buildings. Segment liabilities comprise operating liabilities and exclude certain corporate borrowings. Capital expenditure comprises additions to fixed assets, film rights, films in progress, perpetual and non-perpetual film rights and film sub-licensing rights and deposits (notes 10, 15 and 16).

2 TURNOVER, REVENUES AND SEGMENT INFORMATION

The Group is principally engaged in the sale and distribution of films and programs, film exhibition, film rights licensing and sub-licensing, television operations and provision of internet and related services. Revenues recognised during the year are as follows:

	2004	2003
	HK\$'000	HK\$'000
Turnover		
Sale and distribution of films and programs in audio visual product format	133,135	137,091
Film exhibition and film rights licensing and sub-licensing	19,372	19,723
Television operations	22,479	19,343
Provision of internet and related services	219	502
	175,205	176,659
Other revenues		
Rental income from investment properties	2,562	873
Rental income from land and buildings and sub-letting of properties and plant and machinery	1,785	6,216
Dividend income from listed investment securities	—	700
Distribution commission income	2,987	1,697
Interest income	2	364
	7,336	9,850
Total revenues	182,541	186,509

2 TURNOVER, REVENUES AND SEGMENT INFORMATION *(Continued)***Primary report format — business segments**

The Group is organised into five main business segments:

- Sale and distribution of films and programs in audio visual product format
- Film exhibition and film rights licensing and sub-licensing
- Television operations
- Provision of internet and related services
- Processing of audio visual products

There are no significant sales or other transactions between the business segments.

2 TURNOVER, REVENUES AND SEGMENT INFORMATION (Continued)

An analysis of the Group's turnover and contribution to operating loss for the year by each principal activity is as follows:

For the year ended 31st March 2004						
	Sale and distribution of films and programs in audio visual product format	Film exhibition and film rights licensing and sub-licensing	Television operations	Provision of internet and related services	Processing of audio visual products	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenues	133,135	19,372	22,479	219	—	175,205
Segment results before impairment	1,130	4,693	(9,444)	(515)	—	(4,136)
Impairment of film rights, films sub-licensing rights and deposits	(4,319)	(3,313)	—	—	—	(7,632)
Segment results	(3,189)	1,380	(9,444)	(515)	—	(11,768)
Unallocated income						11,776
Unallocated costs						(4,027)
Operating loss						(4,019)
Finance costs						(3,795)
Share of profits less losses of:						
Jointly controlled entity	(1,237)	—	—	—	—	(1,237)
Associated companies	—	1,899	—	—	2,410	4,309
Loss before taxation						(4,742)
Taxation						(520)
Loss after taxation						(5,262)
Minority interests						(316)
Loss attributable to shareholders						(5,578)

2 TURNOVER, REVENUES AND SEGMENT INFORMATION (Continued)

	For the year ended 31st March 2004					Group HK\$'000
	Sale and distribution of films and programs in audio visual product format	Film exhibition and film rights licensing and sub-licensing	Television operations	Provision of internet and related services	Processing of audio visual products	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment assets	68,044	11,531	2,886	518	—	82,979
Investment in jointly controlled entity	—	—	—	—	—	—
Investments in associated companies	—	25,533	—	—	52,834	78,367
Unallocated assets						171,794
Total assets						333,140
Segment liabilities	(41,877)	(8,763)	(3,023)	(113)	—	(53,776)
Unallocated liabilities						(44,464)
Total liabilities						(98,240)
Minority interests						27
Net assets						234,927
Capital expenditure	42,906	7,619	2,753	—	—	53,278
Unallocated capital expenditure						457
						53,735
Depreciation	1,105	52	446	245	—	1,848
Unallocated depreciation						4,196
						6,044
Amortisation charge	46,935	9,380	813	—	—	57,128

2 **TURNOVER, REVENUES AND SEGMENT INFORMATION** (Continued)

For the year ended 31st March 2003						
	Sale and distribution of films and programs in audio visual product format HK\$'000	Film exhibition and film rights licensing and sub-licensing HK\$'000	Television operations HK\$'000	Provision of internet and related services HK\$'000	Processing of audio visual products HK\$'000	Group HK\$'000
Revenues	137,091	19,723	19,343	502	—	176,659
Segment results before impairment	(4,649)	3,496	(12,985)	(14,695)	—	(28,833)
Impairment of film rights, films sub-licensing rights and deposits	(6,707)	(51)	—	—	—	(6,758)
Segment results	(11,356)	3,445	(12,985)	(14,695)	—	(35,591)
Unallocated income						20,502
Unallocated costs						(10,305)
Operating loss						(25,394)
Finance costs						(4,383)
Share of losses less profits of:						
Jointly controlled entity	(434)	—	—	—	—	(434)
Associated companies	—	(1,618)	—	—	(1,477)	(3,095)
Loss before taxation						(33,306)
Taxation						—
Loss after taxation						(33,306)
Minority interests						348
Loss attributable to shareholders						(32,958)

2 TURNOVER, REVENUES AND SEGMENT INFORMATION (Continued)

	For the year ended 31st March 2003					
	Sale and distribution of films and programs in audio visual product format HK\$'000	Film exhibition and film rights licensing and sub-licensing HK\$'000	Television operations HK\$'000	Provision of internet and related services HK\$'000	Processing of audio visual products HK\$'000	Group HK\$'000
Segment assets	75,433	19,524	4,783	2,694	—	102,434
Investment in jointly controlled entity	—	—	—	—	—	—
Investments in associated companies	—	28,246	—	(401)	56,063	83,908
Unallocated assets						169,643
Total assets						355,985
Segment liabilities	(50,510)	(10,060)	(2,281)	(1,026)	—	(63,877)
Unallocated liabilities						(53,857)
Total liabilities						(117,734)
Minority interests						343
Net assets						238,594
Capital expenditure	69,252	11,536	520	361	—	81,669
Unallocated capital expenditure						17,627
						99,296
Depreciation	6,922	54	951	236	—	8,163
Unallocated depreciation						5,026
						13,189
Amortisation charge	55,259	11,211	—	—	—	66,470

Secondary report format — geographical segment

No geographical analysis was provided as less than 10% of the consolidated turnover and of the consolidated trading results of the Group were attributable to markets outside Hong Kong.

3 OPERATING LOSS

	2004	2003
	HK\$'000	HK\$'000

Operating loss is stated after crediting and charging the following:

Crediting

Net exchange gains	43	31
Gain on disposal of fixed assets #	2,013	3,145
Reversal of impairment loss	235	—
Written back of provision for doubtful receivables #	—	2,833
Surplus arising on revaluation previously written off to the profit and loss account		
— investment properties #	5,396	—
— leasehold land and buildings #	20	—

Charging

Amortisation of film rights	7,304	3,029
Amortisation of perpetual and non-perpetual film rights	2,076	8,182
Amortisation of film sub-licensing rights	47,748	55,259
Auditors' remuneration		
— current year	620	790
— under/(over) provision in prior years	130	(193)
Deficit arising on revaluation not covered by previous revaluation surplus		
— investment properties*	—	1,886
— leasehold land and buildings*	—	5,145
Depreciation		
— owned fixed assets	5,369	12,113
— leased fixed assets	675	1,076
Impairment of films rights and films in progress	712	51
Impairment of perpetual and non-perpetual film rights	2,601	—
Impairment of film sub-licensing rights and deposits	4,319	6,707
Impairment loss on film rights	7,632	6,758
Operating lease rentals in respect of land and buildings	3,208	898
Provision for prepayments, deposits and other receivables *	748	—
Provision for amounts due from associated companies *	537	11,648
Staff costs (including directors' emoluments) (note 8)	15,298	18,370

included in other income

* included in other expenses

4 FINANCE COSTS

	2004	2003
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	3,537	4,134
Interest element of finance leases	258	249
Total borrowing costs incurred	3,795	4,383

5 TAXATION

No provision for Hong Kong and overseas profits tax has been made in these accounts as there was no estimated assessable profit for the year (2003: Nil).

The Group's jointly controlled entity in the People's Republic of China ("PRC") did not have any assessable income for the year for PRC tax purposes and accordingly no provision for PRC taxation has been made in these accounts (2003: Nil).

The amount of taxation charged to the consolidated profit and loss account during the year represents share of taxation attributable to associated companies.

The taxation on the Group's loss before taxation differs from the theoretical amount that would arise using the taxation rate of the countries in which the Group operates as follows:

	2004	2003
	HK\$'000	HK\$'000
Loss before taxation	(4,742)	(33,306)
Calculated at a taxation rate of 17.5% (2003: 17.5%)	(830)	(5,829)
Income not subject to taxation	(2,178)	(2,848)
Expenses not deductible for taxation purposes	1,067	7,617
Tax losses unrecognised	3,160	3,086
Utilisation of previously unrecognised tax losses	(699)	(2,026)
Taxation charge	520	—

6 LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK\$1,075,000 (2003: HK\$1,510,000).

7 LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK\$5,578,000 (2003: HK\$32,958,000) and on 771,000,000 (2003: 771,000,000) ordinary shares in issue during the year.

Diluted loss per share has not been presented for both years as there were no dilutive potential ordinary shares as at 31st March 2004 and 31st March 2003.

8 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Wages and salaries	14,950	17,847
Pension costs — defined contribution plans	348	523
	15,298	18,370

9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2004 HK\$'000	2003 HK\$'000
Fees	190	250
Other emoluments		
— basic salaries, allowances and other benefits in kind	4,655	5,045
Pension costs — defined contribution plans	43	51
	4,888	5,346

Directors' fees disclosed above include HK\$44,000 (2003: HK\$250,000) paid to independent non-executive directors.

The emoluments of the directors fell within the following bands:

	Number of directors	
	2004	2003
HK\$ Nil — HK\$1,000,000	*6	*4
HK\$1,000,001 — HK\$1,500,000	—	2
HK\$2,000,001 — HK\$2,500,000	—	1
HK\$2,500,001 — HK\$3,000,000	1	—
	7	7

* Including two independent non-executive directors

None of the directors has waived any of their emoluments in respect of the years ended 31st March 2004 and 2003.

9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2003: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2003: one) individual during the year are as follows:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic salaries, allowances and other benefits in kind	670	514
Pension costs — defined contribution plans	12	9
	682	523

During the years ended 31st March 2004 and 31st March 2003, no emoluments have been paid by the Group to the four (2003: four) directors or the one (2003: one) highest paid individual as an inducement to join the Group, or as compensation for loss of office.

10 FIXED ASSETS

	Group						Total HK\$'000
	Investment properties HK\$'000	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	
Cost or valuation							
At 1st April 2003	25,188	120,742	11,653	12,057	28,898	5,223	203,761
Additions	—	277	356	1,219	152	—	2,004
Revaluation adjustment	7,307	(2,664)	—	—	—	—	4,643
Transfers	8,355	(8,355)	—	—	—	—	—
Disposals	—	—	(699)	(5,421)	(25,446)	(171)	(31,737)
At 31st March 2004	40,850	110,000	11,310	7,855	3,604	5,052	178,671
Accumulated depreciation							
At 1st April 2003	—	—	955	6,150	27,844	4,489	39,438
Charge for the year	—	2,684	1,230	1,145	533	452	6,044
Revaluation adjustment	—	(2,684)	—	—	—	—	(2,684)
Disposals	—	—	(86)	(1,752)	(25,151)	(171)	(27,160)
At 31st March 2004	—	—	2,099	5,543	3,226	4,770	15,638
Net book value							
At 31st March 2004	40,850	110,000	9,211	2,312	378	282	163,033
At 31st March 2003	25,188	120,742	10,698	5,907	1,054	734	164,323

10 FIXED ASSETS (Continued)

The analysis of the cost or valuation at 31st March 2004 of the above assets is as follows:

	Group						Total HK\$'000
	Investment properties HK\$'000	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	
At cost	—	—	11,310	7,855	3,604	5,052	27,821
At 2004 professional valuation	40,850	110,000	—	—	—	—	150,850
	40,850	110,000	11,310	7,855	3,604	5,052	178,671

The analysis of the cost or valuation at 31st March 2003 of the above assets is as follows:

At cost	—	—	11,653	12,057	28,898	5,223	57,831
At 2003 professional valuation	25,188	120,742	—	—	—	—	145,930
	25,188	120,742	11,653	12,057	28,898	5,223	203,761

Net book value of
leased assets

At 31st March 2004	—	—	—	829	—	123	952
At 31st March 2003	—	—	—	3,807	—	216	4,023

10 FIXED ASSETS (Continued)

The Group's interests in investment properties and leasehold land and buildings at their net book value are analysed as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
In Hong Kong, held on:		
Leases of over 50 years	4,200	3,000
Leases of between 10 to 50 years	138,200	133,980
Outside Hong Kong, held on:		
Leases of over 50 years	8,450	8,950
	150,850	145,930

- (a) Except for certain leasehold land and buildings situated in Hong Kong which were valued at 31st March 2004 on the basis of its depreciated replacement cost (note (b)), all other investment properties and leasehold land and buildings situated in both the PRC and Hong Kong were revalued on the basis of their open market value by Memfus Wong Surveyors Limited, an independent professional valuers in Hong Kong ("Memfus Wong Surveyors").
- (b) Certain leasehold land and buildings situated in Hong Kong are held by the Group under a lease agreement dated 25th August 1997 with the Hong Kong Industrial Estates Corporation ("HKIEC") which restricts the usage of the premise to the manufacture of optical discs and related business. The Group's interests in the properties are transferable subject to the right of first refusal to purchase by HKIEC. Accordingly, the properties were valued by Memfus Wong Surveyors on a depreciated replacement cost basis, which is the aggregate of the land value in its existing use and the estimated replacement costs of the buildings.
- (c) The carrying amount of leasehold land and buildings would have been HK\$110,217,000 (2003: HK\$124,638,000) had they been stated at cost less accumulated depreciation.
- (d) At 31st March 2004, certain investment properties and leasehold land and buildings with an aggregate net book value of HK\$142,400,000 (2003: HK\$136,980,000) were pledged as security for banking facilities granted to the Group (note 28).

11 SUBSIDIARIES

	Company	
	2004	2003
	HK\$'000	HK\$'000
Unlisted shares, at cost (note (a))	46,010	46,010
Amounts due from subsidiaries (note (b))	454,460	451,619
Amounts due to subsidiaries (note (b))	(34,772)	(34,900)
	465,698	462,729
Provision for amounts due from subsidiaries	(167,000)	(167,000)
	298,698	295,729

(a) Details of principal subsidiaries are set out in note 30 to the accounts.

(b) The amounts due from/to subsidiaries are unsecured, interest-free and not repayable within the next twelve months from the balance sheet date.

12 INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group	
	2004 HK\$'000	2003 HK\$'000
Amount due from a jointly controlled entity (note (b))	18,841	17,604
Share of net liabilities and provision for amount due from a jointly controlled entity (note (a))	(18,841)	(17,604)
	—	—
Unlisted shares, at cost	1,083	1,083

- (a) This represents the Group's 70% interest in Guangdong Tung Ah Audio Video Production Company Limited. The Group's control over the jointly controlled entity (the "JCE") is restricted by a provision in the joint venture agreement that requires unanimous approval by all directors present for certain major decisions, notwithstanding the Group having a majority equity interest and the ability to appoint the majority of directors. Accordingly, in the opinion of the directors, the Group does not have unilateral control over the JCE and the equity method is used to account for its investment therein.

Particulars of the jointly controlled entity are as follows:

Name	Country of establishment	Principal activity and place of operation	Percentage of interest in ownership/voting power/loss sharing held indirectly
廣東東亞音像制作有限公司 ("Guangdong Tung Ah Audio Video Production Company Limited")	PRC	Processing and distribution of audio visual products in the PRC	70%

- (b) The amount due from the jointly controlled entity is unsecured, interest-free and not repayable within the next twelve months from the balance sheet date.

13 ASSOCIATED COMPANIES

	Group	
	2004 HK\$'000	2003 HK\$'000
Share of net liabilities	(16,185)	(19,974)
Amounts due from associated companies (note (b))	112,303	121,096
Provision for amounts due from associated companies	(17,751)	(17,214)
	78,367	83,908
Investment at cost:		
Listed shares in Hong Kong	3,682	3,682
Unlisted shares	30,065	30,042
	33,747	33,724
Market value of listed shares	95,976	41,133

(a) Details of principal associated companies are set out in note 31 to the accounts.

(b) The amounts due from associated companies are unsecured, interest-free, and have no fixed repayment terms.

(c) Interest in an associated company with shares listed in Hong Kong was disposed of subsequent to the balance sheet date. Details of the disposal are set out in note 32 to the accounts.

14 INVESTMENT SECURITIES

	Group	
	2004 HK\$'000	2003 HK\$'000
Listed equity securities, at cost	7,517	7,517
Market value of listed equity securities	11,160	9,960

15 FILM RIGHTS AND FILMS IN PROGRESS

	Group			Total <i>HK\$'000</i>
	Film rights <i>HK\$'000</i>	Perpetual film rights <i>HK\$'000</i>	Films in progress <i>HK\$'000</i>	
Cost				
At 1st April 2003	129,644	19,088	9,041	157,773
Additions	—	999	4,685	5,684
Transfers	9,319	500	(9,819)	—
Transfer to film sub-licensing rights (note 16)	(2,250)	—	—	(2,250)
Written off	—	—	(3,000)	(3,000)
At 31st March 2004	136,713	20,587	907	158,207
Accumulated amortisation and impairment				
At 1st April 2003	124,191	11,544	5,734	141,469
Amortisation charge for the year	7,304	1,246	—	8,550
Impairment loss	568	1,087	144	1,799
Transfers	2,100	—	(2,100)	—
Written off	—	—	(3,000)	(3,000)
At 31st March 2004	134,163	13,877	778	148,818
Net book value				
At 31st March 2004	2,550	6,710	129	9,389
At 31st March 2003	5,453	7,544	3,307	16,304

16 FILM SUB-LICENSING RIGHTS AND DEPOSITS

	Group			Total HK\$'000
	Film royalty deposits HK\$'000	Film sub- licensing rights HK\$'000	Non- perpetual film rights HK\$'000	
Cost				
At 1st April 2003	18,878	147,999	24,610	191,487
Additions	23,147	20,965	1,935	46,047
Transfer from film rights (<i>note 15</i>)	—	2,250	—	2,250
Transfers	(24,620)	24,620	—	—
At 31st March 2004	17,405	195,834	26,545	239,784
Accumulated amortisation and impairment				
At 1st April 2003	8,883	127,904	22,561	159,348
Amortisation charge for the year	—	47,748	830	48,578
Impairment loss	—	4,319	1,514	5,833
Reversal of impairment loss	(235)	—	—	(235)
At 31st March 2004	8,648	179,971	24,905	213,524
Net book value				
At 31st March 2004	8,757	15,863	1,640	26,260
At 31st March 2003	9,995	20,095	2,049	32,139

17 INVENTORIES

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Blank tapes	—	335
Films and programs in audio visual product format	12,439	15,126
	12,439	15,461
Less: provision for obsolete inventories	(1,003)	(1,003)
	11,436	14,458

18 ACCOUNTS RECEIVABLE

The ageing analysis of accounts receivable is as follows:

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 3 months	14,757	15,139
4 to 6 months	5,568	9,369
Over 6 months	7,962	4,565
	28,287	29,073
Less: provision for doubtful debts	(3,838)	(4,462)
	24,449	24,611

The Group's credit term to accounts receivable generally ranges from 7 to 90 days.

19 ACCOUNTS PAYABLE

The ageing analysis of accounts payable is as follows:

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 3 months	11,285	5,991
4 to 6 months	231	578
Over 6 months	1,624	3,183
	13,140	9,752

20 LONG-TERM LIABILITIES

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans — secured (<i>note (a)</i>)	44,682	51,615
Obligations under finance leases (<i>note (b)</i>)	1,211	2,896
	45,893	54,511
Current portion of long-term liabilities	(20,606)	(19,883)
	25,287	34,628

20 LONG-TERM LIABILITIES (Continued)

(a) Secured bank loans are repayable in the following periods:

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	19,517	18,084
In the second year	4,944	8,084
In the third to fifth year	16,260	24,254
After the fifth year	3,961	1,193
	25,165	33,531
	44,682	51,615

(b) As at 31st March 2004, the Group's finance lease liabilities were repayable as follows:

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,237	2,054
In the second year	114	1,183
In the third to fifth year	21	62
	1,372	3,299
Future finance charges on finance leases	(161)	(403)
Present value of finance lease liabilities	1,211	2,896

20 LONG-TERM LIABILITIES (Continued)

(b) (Continued)

The present value of finance lease liabilities are repayable in the following periods:

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,089	1,799
In the second year	102	1,042
In the third to fifth year	20	55
	1,211	2,896

21 SHARE CAPITAL

	Authorised	
	Shares of HK\$0.1 each	
	No. of shares	
	<i>(Thousands)</i>	<i>HK\$'000</i>
At 31st March 2003 and 31st March 2004	3,000,000	300,000
	Issued and fully paid	
	Shares of HK\$0.1 each	
	No. of shares	
	<i>(Thousands)</i>	<i>HK\$'000</i>
At 31st March 2003 and 31st March 2004	771,000	77,100

22 RESERVES

	Group						
	Share premium HK\$'000	Share redemption reserve HK\$'000	Contributed surplus HK\$'000	Exchange difference HK\$'000	Investment	Accumulated losses HK\$'000	Total HK\$'000
					properties		
					revaluation reserve HK\$'000		
At 1st April 2002	222,791	12	128,418	(306)	109	(156,463)	194,561
Deficit on revaluation of properties	—	—	—	—	(109)	—	(109)
Loss for the year	—	—	—	—	—	(32,958)	(32,958)
At 31st March 2003	222,791	12	128,418	(306)	—	(189,421)	161,494
Representing:							
Company and subsidiaries	222,791	12	128,545	—	—	(124,442)	226,906
Jointly controlled entity	—	—	—	(253)	—	(18,432)	(18,685)
Associated companies	—	—	(127)	(53)	—	(46,547)	(46,727)
	222,791	12	128,418	(306)	—	(189,421)	161,494

22 RESERVES (Continued)

	Group							
	Share premium HK\$'000	Share		Contributed surplus HK\$'000	Exchange difference HK\$'000	Investment properties		Total HK\$'000
		redemption reserve HK\$'000	Accumulated losses HK\$'000			revaluation reserve HK\$'000		
At 1st April 2003	222,791	12	128,418	(306)	—	(189,421)	161,494	
Surplus on revaluation of properties	—	—	—	—	1,911	—	1,911	
Loss for the year	—	—	—	—	—	(5,578)	(5,578)	
At 31st March 2004	222,791	12	128,418	(306)	1,911	(194,999)	157,827	
Representing:								
Company and subsidiaries	222,791	12	128,545	—	1,911	(131,981)	221,278	
Jointly controlled entity	—	—	—	(253)	—	(19,669)	(19,922)	
Associated companies	—	—	(127)	(53)	—	(43,349)	(43,529)	
	222,791	12	128,418	(306)	1,911	(194,999)	157,827	

Note: The contributed surplus of the Group represents the credit arising from the reduction of share capital during the year ended 31st March 1999.

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22 RESERVES (Continued)

	Company				Total HK\$'000
	Share premium HK\$'000	Share redemption reserve HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	
At 1st April 2002	222,791	12	174,556	(173,888)	223,471
Loss for the year	—	—	—	(1,510)	(1,510)
At 31st March 2003	222,791	12	174,556	(175,398)	221,961
At 1st April 2003	222,791	12	174,556	(175,398)	221,961
Loss for the year	—	—	—	(1,075)	(1,075)
At 31st March 2004	222,791	12	174,556	(176,473)	220,886

Note: The contributed surplus of the Company represents the difference between the par value of the Company's shares issued in exchange for the issued share capital of the subsidiaries and the net asset value of the subsidiaries acquired, and the credit arising from the reduction of share capital during the year ended 31st March 1999. Under the Companies Act 1981 of Bermuda and the Company's bye-laws the contributed surplus is not distributable to shareholders except that immediately following the distributions or dividend payments, the Company is able to pay its debts as they fall due in the ordinary course of business.

23 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unreconciled tax losses of approximately HK\$145,943,000 (2003: approximately HK\$141,567,000) to carry forward against future taxable income. These tax losses have not been recognised due to uncertainty of their future recoverability. Such tax losses have no expiry date.

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax liabilities

	Group	
	Accelerated tax depreciation	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of year	1,944	3,347
Charged/(credited) to consolidated profit and loss account	279	(1,403)
At the end of year	2,223	1,944

23 DEFERRED TAXATION (Continued)**Deferred tax assets**

	Group	
	Tax losses	
	2004	2003
	HK\$'000	HK\$'000
At the beginning of year	(1,944)	(3,347)
(Credited)/charged to consolidated profit and loss account	(279)	1,403
At the end of year	(2,223)	(1,944)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Deferred tax assets	(2,223)	(1,944)
Deferred tax liabilities	2,223	1,944
At the end of year	—	—

24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss before taxation to net cash inflow generated from operations

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation	(4,742)	(33,306)
Share of loss of a jointly controlled entity	1,237	434
Share of profits less losses of associated companies	(4,309)	3,095
Provision for prepayments, deposits and other receivables	748	—
Provision for amounts due from associated companies	537	11,648
Reversal of impairment loss	(235)	—
Interest income	(2)	(364)
Dividend income from listed investment securities	—	(700)
Interest on bank loans and overdrafts	3,537	4,134
Interest element on finance leases	258	249
(Surplus previously written off to the profit and loss account)/deficit not covered by previous revaluation surplus arising on revaluation of leasehold land and buildings and investment properties	(5,416)	7,031
Gain on disposal of fixed assets	(2,013)	(3,145)
Depreciation of owned fixed assets	5,369	12,113
Depreciation of fixed assets held under finance leases	675	1,076
Amortisation of films rights and sub-licensing rights	57,128	66,470
Impairment of film rights, film in progress, film sub-licensing rights and deposits	7,632	6,758
Operating profit before working capital changes	60,404	75,493
Decrease/(increase) in inventories	3,022	(2,687)
Decrease/(increase) in accounts receivable	162	(2,876)
Decrease in prepayments, deposits and other receivables	1,287	5,267
(Decrease)/increase in accounts payable, bills payable, receipts in advance and accruals	(6,509)	16,751
Net cash inflow generated from operations	58,366	91,948

24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year

	Minority interests		Bank loans and finance lease obligations	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of year	(343)	—	54,511	53,109
Inception of finance lease (note (c))	—	—	142	795
Bank loan raised	—	—	2,000	10,480
Repayment of bank loans	—	—	(8,933)	(8,344)
Repayment of capital element of finance leases	—	—	(1,827)	(1,529)
Investment from a minority shareholder	—	5	—	—
Share of profits/(losses) by minority interests	316	(348)	—	—
At the end of year	(27)	(343)	45,893	54,511

(c) Major non-cash transaction

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of HK\$142,000 (2003: HK\$795,000).

25 CONTINGENT LIABILITIES

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Guarantees given to banks in respect of utilised banking facilities of:				
Subsidiaries	—	—	68,342	82,744
Associated companies	5,250	9,000	5,250	9,000
	5,250	9,000	73,592	91,744

26 COMMITMENTS

- (a) At 31st March 2004, the Group had contracted capital commitments but not provided for in these accounts as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
(i) Capital commitment for property, plant and machinery	—	159
(ii) Other commitments in respect of		
— film production	187	—
— film licensing agreements	13,199	29,340
	13,386	29,340

26 COMMITMENTS (Continued)

- (b) At 31st March 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:—

	Group	
	2004	2003
	HK\$'000	HK\$'000
Not later than one year	2,400	2,787
Later than one year and not later than five years	—	2,400
	2,400	5,187

- (c) At 31st March 2004, the Group did not have any commitments in relation to the jointly controlled entity and the associated companies.

27 FUTURE OPERATING LEASE ARRANGEMENTS

As at 31st March 2004, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings as follows:—

	Group	
	2004	2003
	HK\$'000	HK\$'000
Not later than one year	1,622	1,529
Later than one year and not later than five years	1,840	2,603
	3,462	4,132

28 PLEDGE OF ASSETS — GROUP

At 31st March 2004, banking facilities amounting to HK\$70,875,000 (2003: HK\$74,809,000) granted by banks to the Group are secured by the following:

- (i) legal charges over certain of the Group's properties (*note 10(d)*);
- (ii) corporate guarantees executed by the Company (*note 25*);
- (iii) 30,000,000 shares of the Company held by Kuo Hsing Holdings Limited, which is beneficially controlled by Mr. Li Kuo Hsing, a director of the Company; and
- (iv) fixed deposits of HK\$500,000 (2003: HK\$500,000) held by the Group.

29 RELATED PARTY TRANSACTIONS

Save as disclosed in other notes to the accounts, significant related party transactions, which were carried out in the normal course of the Group's business, are as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Replication fees paid to an associated company	24,691	35,861
Rental income received from the sub-letting of premises to associated companies	2,562	4,416
Pre-mastering service fees paid to an associated company	369	1,983
Proceeds on sale of fixed assets to an associated company	5,700	15,000
Commission income received from an associated company	2,582	1,697
Playout and post-production service fees paid to an associated company	8,445	3,191

The above transactions were conducted in the normal course of business are charged at terms mutually agreed or in accordance with the terms of the underlying agreements, where appropriate.

30 GROUP STRUCTURE — PRINCIPAL SUBSIDIARIES

The following is a list of the principal subsidiaries at 31st March 2004:

Name	Place of incorporation	Principal activities	Nominal value of issued share capital	Percentage of equity interest attributable to the Group
Shares held directly:				
Mei Ah Holdings Limited	British Virgin Islands	Investment holding	50,050 ordinary shares of US\$1 each	100
Shares held indirectly:				
Mei Ah (HK) Company Limited	Hong Kong	Distribution of audio visual products	10,000 ordinary shares of HK\$1 each	100
Mei Ah Film Production Company Limited	Hong Kong	Production of films and tele-features	2 ordinary shares of HK\$1 each	100
Mei Ah Investment Company Limited	Hong Kong	Investment and property holding	2 ordinary shares of HK\$1 each 500,000 non-voting deferred shares of HK\$1 each	100
Mei Ah Trading Company Limited	British Virgin Islands	Sub-licensing of film rights	50,000 ordinary shares of US\$1 each	100
Mei Ah Development Company Limited	British Virgin Islands	Sub-licensing of film rights	50,000 ordinary shares of US\$1 each	100
MATV Limited	Hong Kong	Television operations	4 ordinary shares of HK\$1 each	100

30 GROUP STRUCTURE — PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation	Principal activities	Nominal value of issued share capital	Percentage of equity interest attributable to the Group
Shares held indirectly: (Continued)				
First Choice Media Group Limited	Hong Kong	Sale of audio visual products	2 ordinary shares of HK\$1 each	100
Winning Creator Limited	Hong Kong	Distribution of audio visual products	10,000 ordinary shares of HK\$1 each	51

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31 GROUP STRUCTURE — PRINCIPAL ASSOCIATED COMPANIES

The following is a list of the principal associated companies at 31st March 2004:

Name	Place of incorporation	Principal activities	Nominal value of issued share capital	Percentage of equity interest attributable to the Group
Shares held indirectly:				
Brilliant Idea Group Limited	Hong Kong	Production of films	10,000 ordinary shares of HK\$1 each	50
Silver Kent Technology Limited **	Hong Kong	Trading of audio visual products	100 ordinary shares of HK\$1 each	45
Link Tech Optical Disc Limited **	Hong Kong	Processing of audio visual products	100 ordinary shares of HK\$1 each	45
M21 Technology Limited	Bermuda	Investment holding	312,500,000 ordinary shares of HK\$0.01 each	29.25
M21 Investment Limited	British Virgin Islands	Investment holding	400 ordinary shares of US\$1 each	29.25
M21 Mastertech Company Limited	Hong Kong	Provision of broadband services and web hosting services	2,000 ordinary shares of HK\$1 each	29.25
M21 Digicast Company Limited	Hong Kong	Provision of audiovisual playout services on audiovisual data and provision of post-production services	1,000 ordinary shares of HK\$1 each	29.25

** Associated companies not audited by PricewaterhouseCoopers

Note: Other than Mei Ah Trading Company Limited and Mei Ah Development Company Limited which operate in Hong Kong and overseas, all subsidiaries and associated companies are principally operated in Hong Kong.

32 SUBSEQUENT EVENT

Pursuant to a placing agreement dated 4th May 2004, the Group disposed of its entire interest in M21 Technology Limited, an associated company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. The consideration of approximately HK\$25 million was settled by cash on 7th May 2004.

33 ULTIMATE HOLDING COMPANY

The directors regard Kuo Hsing Holdings Limited, a company incorporated in British Virgin Islands, as being the ultimate holding company of the Company.

34 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 26th July 2004.