

SUBSTANTIAL SHAREHOLDERS

At 30th June, 2004, the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain directors, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Name	Capacity	Number of shares held	Approximate percentage of interests held
Porterstone Limited	Beneficial owner	40,670,000	
	Interest of controlled corporation	18,510,000*	
		59,180,000	19.48
Glenstone Investments Limited	Interest of controlled corporation	18,510,000*	6.09
AXA Rosenberg Investment Management Asia Pacific Limited	Investment Manager	17,560,000	5.78

All interests stated above represent long positions.

* These shares are held by Dorest, a wholly-owned subsidiary of Glenstone Investments Limited which is in turn beneficially owned as to 60% by Porterstone.

Other than as disclosed above, the Company had not been notified of any other interests or short positions representing 5% or more of the Company's issued share capital at 30th June, 2004.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June, 2004.

AUDIT COMMITTEE

The audit committee of the Company comprising Messrs. Hung Cho Sing and Ho Wai Chi, Paul, both being independent non-executive directors.

The principal duties of the audit committee are to review with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including reviews of interim and annual financial statements.

The unaudited interim financial statements for the six months ended 30th June, 2004 have been reviewed by the audit committee of the Company as well as the Group's external auditors in accordance with Statement of Auditing Standards No. 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules throughout the accounting period covered by the interim results, except that the non-executive directors were not appointed for a specific term since they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Company's Bye-laws.

ADOPTION OF THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Director's securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the period under review.

DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES

Advance to an entity under Rule 13.13

Advance to entities by the Group which individually exceeded 8% of the relevant percentage ratios under Rule 13.13 of the Listing Rules at 30th June, 2004 were as follows:

- (i) On 15 March 2004, the Group entered into two subscription agreements with the Note Issuers. The ultimate beneficial owners of the Note Issuers are independent of and not connected with any of the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates. Pursuant to the relevant subscription agreements, the Group agreed to subscribe for two Convertible Notes issued by the Note Issuers at a consideration of HK\$26,000,000 each. At 30th June, 2004, the outstanding balance of each of the Convertible Notes amounted to HK\$26,000,000.

Each of the Convertible Notes is interest bearing at 1% per annum, secured by a charge on the relevant Note Issuers' entire equity interest in Colima. The Convertible Notes shall be repaid on the maturity date which is the date falling 36 months from the date of the relevant subscription agreements or the date of the listing of a proposed holding company of TAL, a limited company the entire issued share capital of which is beneficially owned as to 51% by Colima and as to 49% by the Group, on a recognised stock exchange, whichever is the earlier. TAL is principally engaged in the provision of artist management services.

Colima, a company incorporated in the British Virgin Islands with limited liability, is beneficially owned as to 50% by each of the Note Issuers. The principal asset of Colima is its 51% equity interest in TAL.

DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES – continued

Advance to an entity under Rule 13.13 – continued

- (ii) At 30th June, 2004, loan receivable from the Vendor, Mr. Jean-Christophe Scolari (an independent third party independent of and not connected with any of the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates) amounted to HK\$25,000,000 (the "Loan Receivable"). The Loan Receivable is secured by a corporate guarantee given by an independent third party (the "Guarantor") the ultimate beneficial owner of which is not a connected person (as defined in the Listing Rules) of the Company. In the event of the default of the Vendor, the Guarantor shall assume the liabilities of the Vendor to the Group. Details of the Loan Receivable are set out in note 9(b) to the financial statement on page 9.
- (iii) At 30th June, 2004, the advances to the Riche Group Companies by the Group are set out as follows:

Entities	Attributable interest held by the Group %	Advances HK\$'000
Riche Multi-Media	40.6	33,968
Bluelagoon Investment Holdings Limited	40.6	2
Legend Rich Limited	40.6	826
Riche International (Macao Commercial Offshore) Limited	40.6	7,108
Riche Video Limited	40.6	1
World East Investments Limited	40.6	58
		<hr/>
Aggregate of Riche Multi-Media and its wholly-owned subsidiaries (the "Riche Group Companies")		<u>41,963</u>

The advances to Riche Multi-Media (the "Riche Advances") which amounted to HK\$33,968,000 represented convertible notes in an aggregate amount of HK\$33,800,000 and the accrued interest thereon of approximately HK\$168,000. The principal amount of the convertible notes arose from the granting of distribution rights of 116 films to the Riche Group by the Group in April 2002. The convertible notes are unsecured and bear interest at 1% per annum which is payable semi-annually in arrears and will mature on 19th April, 2005. Prior to the maturity, neither the Group nor Riche Multi-Media has the right to redeem or request for redemption of the convertible notes. The convertible notes carry the right to convert the whole or any part of the outstanding principal amount of the convertible notes into ordinary shares of HK\$0.10 each in the share capital of Riche Multi-Media at a conversion price of HK\$4.00 per share at any time on or before 19th April, 2005.

The advances to the Riche Group Companies other than the Riche Advances represented trade receivables arising from the granting of distribution rights of films and the provision of post-production services during the period from December 2003 to June 2004 to the Riche Group Companies by the Group. These trade receivables are unsecured, interest-free and with payment terms ranging from 30 to 90 days.

DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES – continued

Financial assistance and guarantees to affiliated companies under Rule 13.16

Financial assistance to and guarantees given for facilities granted to the Company's affiliated companies by the Group which in aggregate exceeded 8% of the relevant percentage ratios under Rule 13.16 of the Listing Rules at 30th June, 2004 were as follows:

Affiliated companies	Attributable interest held by the Group %	Advances HK\$'000	Guarantees given HK\$'000	Guaranteed banking facilities utilised HK\$'000
The Riche Group Companies	40.6	41,963	–	–
Golden Capital	36.5	9	1,618	1,281
Total		<u>41,972</u>	<u>1,618</u>	<u>1,281</u>

The guarantees given represented deposits pledged to a bank to secure banking facility granted to the Group which was utilised by Golden Capital. The banking facility which represented letter of credit issued on behalf of Golden Capital will be charged for interest at 5% per annum for the amount drawn and the amount drawn will be repayable on demand. The advances to Golden Capital were bank charges that the Group paid on behalf of Golden Capital in relation to the banking facility utilised by Golden Capital which were unsecured, interest-free and repayable on demand. Save as disclosed above, there is no financial assistance to and guarantees given for any of its affiliated companies of the Group.

The Group did not have any committed capital injection to any of its affiliated companies.

At 30th June, 2004, the proforma combined balance sheet of the above affiliated companies is set out below:

	HK\$'000
Non-current assets	157,719
Current assets	259,336
Current liabilities	(111,480)
Non-current liabilities	–
Net assets	<u>305,575</u>

By Order of the Board
Li Yuk Sheung
Executive Director

Hong Kong, 27th September, 2004