

MAJOR EVENTS SUBSEQUENT

On 7 September 2004, the Company proposed to consolidate every twenty shares of HK\$0.005 each in both the issued and unissued share capital of the Company into one new ordinary share of HK\$0.10 each in the share capital of the Company (the “Share Consolidation”) and the change in the board lot size from 2,000 existing ordinary shares of HK\$0.005 each to 4,000 new ordinary shares of HK\$0.10 each (the “Board Lot Change”) following the Share Consolidation. The Share Consolidation and the Board Lot Change were approved by shareholders at a special general meeting (the “SGM”) of the Company held on 30 September 2004. After the consolidation, the number of authorised shares of the Company has been reduced from 20,000,000,000 to 1,000,000,000 and the number of issued shares reduced from 6,281,375,155 to 314,068,757.

At the SGM held on 30 September 2004, the shareholders of the Company also approved the reduction of its Share Premium Account (the “Share Premium Reduction”). An amount of HK\$200 million in the share premium account of the Company was transferred to the contributed surplus account of the Company and thus increasing it to approximately HK\$352 million. An amount equal to approximately HK\$316 million in the contributed surplus account was then applied to set off the Company’s accumulated deficit of approximately HK\$316 million as at 31 March 2004.

The Share Consolidation, Board Lot Change and the Share Premium Reduction (“Capital Reorganization”) was approved by the Listing Committee of The Stock Exchange of Hong Kong Limited and became effective on 4 October 2004. Details of the Capital Reorganisation are contained in the Company’s announcement dated 13 August 2004 and the Company’s circular dated 7 September 2004.

On 27 October 2004, the Group completed the disposal of its entire equity interest in Redcliff Property Corp., a subsidiary, together with the shareholder’s loan advanced to it. Details of this disposal, a discloseable transaction, are contained in the Company’s announcement dated 26 October 2004 and the Company’s circular dated 17 November 2004.

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING RATIO

To support the growth of its core business, the Group maintained sufficient liquid funds of approximately HK\$13 million, net of pledged bank deposits. The funds maintained comprise of approximately HK\$5 million in bank balances and cash and approximately HK\$8 million in short-term marketable securities. Approximately 80% of these liquid funds were denominated in Hong Kong dollars and the remainder was in foreign currency.

As at 30 September 2004, the Group’s total borrowings amounted to approximately HK\$147 million, comprising of bank borrowings of approximately HK\$132 million and other borrowings of approximately HK\$15 million. The interest-bearing borrowings of approximately HK\$147 million bear interest at prevailing market rates and approximately 10% of these borrowings bear interest at fixed interest rate. The bank borrowings were mainly made in Hong Kong dollars with approximately HK\$35 million denominated in Japanese Yen. The Japanese bank borrowings have been used to hedge a substantial part of the Group’s foreign currency investment in Japan.

The bank borrowings include an instalment loan extended by Bank of China (Hong Kong) Limited of which one instalment was due in September 2004 but was paid only in November 2004.

Following the completion of the placing of shares during the period under review, the Group's gearing ratio as at 30 September 2004 was approximately 66% (31.3.2004: 44%), which was calculated on the basis of the Group's total interest bearing debts net of bank balances and cash, pledged bank deposits and short-term marketable securities over the total equity interest as at the reporting date.

There has not been any change in the Group's funding and treasury policies, and the Group continues to follow the practice of prudent cash management and, when necessary, will engage in currency hedging against exchange risks.

CONTINGENT LIABILITIES

As at 30 September 2004 and 31 March 2004, the Group had no significant contingent liabilities.

PLEDGE OF ASSETS

As at 30 September 2004, the Group's investment properties with an aggregate carrying value of approximately HK\$50 million (31.3.2004: HK\$48 million) and the Group's bank deposits of approximately HK\$35 million (31.3.2004: HK\$38 million) were pledged to banks to secure credit facilities granted to the Company and certain of its subsidiaries.

COMMITMENTS

As at 30 September 2004, the Group was committed to the payment of approximately HK\$3 million for the co-production of an entertainment program.

As at 31 March 2004, the Group had paid deposits of approximately HK\$17.3 million for the acquisition of a 50% interest in Stellar Digital and a 25% interest in Stellar Cinema. They were acquired at an aggregate consideration of HK\$38.6 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2004, the Group had 246 employees (2003: 272). Employees' remuneration, excluding Directors' emoluments, for the six months ended 30 September 2004 totalled approximately HK\$13 million (2003: HK\$14 million). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually.