

Notes to the Accounts

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 Institute of Certified Public Accountants ("HKICPA"). 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.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(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.

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

Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(i) Consolidation *(Continued)*

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 the jointly controlled entity for the year, and the consolidated balance sheet includes the Group's share of the net liabilities of the jointly controlled entity.

Equity accounting is discontinued when the carrying amount of the investment in the 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.

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.

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.

Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(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. Exchange differences arising in these cases 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 account is translated at an average rate. Exchange differences arising in these cases are dealt with as a movement 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.

Investment properties held on leases with unexpired periods of greater than 20 years are valued at intervals of not more than three years by independent valuers; in each of the intervening years valuations are undertaken by professionally qualified executives of the Group. 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.

Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Fixed assets *(Continued)*

(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 at intervals of not more than three years by independent valuers, in each of the intervening years valuations are undertaken by professionally qualified executives of the Group. 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 thereafter are 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.

(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.

Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Fixed assets *(Continued)*

(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.

(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 lease 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.

Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) **Assets under leases** *(Continued)*

(ii) Operating leases (Continued)

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.

(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) **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.

(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.

Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Film and sub-licensing rights *(Continued)*

(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.

(g) 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 overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(h) 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.

Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) 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.

(j) 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.

(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.

(k) 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.

Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Deferred taxation *(Continued)*

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.

(l) 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.

(m) Revenue recognition

- (i) Revenue from the sale and 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.

Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) 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(m)(iii) above, and advertising and airtime revenue is recognised when the relevant advertisements and programs are broadcasted. 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 broadcasted 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.

(n) 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.

(o) 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.

Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Segment reporting *(Continued)*

Unallocated costs mainly represent corporate expenses, loss on disposal of investment securities and deficit arising on revaluation of investment properties and leasehold land and buildings not covered by previous revaluation surplus of the Group. Unallocated income mainly represents rental income, gain on disposal of fixed assets, gain on disposal of an associated company 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 and deferred tax liabilities. 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 11 and 16*).

Notes to the Accounts

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 processing of audio visual products through its associated companies. Revenues recognised during the year are as follows:

	2005	2004
	HK\$'000	HK\$'000
Turnover		
Sale and distribution of films and programs in audio visual product format	82,587	133,135
Film exhibition and film rights licensing and sub-licensing	30,849	19,372
Television operations	33,885	22,479
Provision of internet and related services	—	219
	147,321	175,205
Other revenues		
Rental income from investment properties	2,077	2,562
Rental income from land and buildings	1,956	1,785
Distribution commission income	2,641	2,987
Interest income	5	2
	6,679	7,336
Total revenues	154,000	182,541

Primary report format — business segments

The Group is organised into four 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; and
- Processing of audio visual products.

Notes to the Accounts

2 TURNOVER, REVENUES AND SEGMENT INFORMATION (Continued)

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

	For the year ended 31st March 2005					
	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	Processing of audio visual products HK\$'000	Elimination HK\$'000	Group HK\$'000
External sales	82,587	30,849	33,885	—	—	147,321
Inter-segment sales	—	15,475	—	—	(15,475)	—
Total revenues	82,587	46,324	33,885	—	(15,475)	147,321
Segment results before impairment	(13,374)	14,732	7,329	—	(8,333)	354
Impairment of film rights, film sub-licensing rights and deposits	(4,909)	(1,325)	—	—	—	(6,234)
Segment results	(18,283)	13,407	7,329	—	(8,333)	(5,880)
Unallocated income						19,617
Unallocated costs						(9,562)
Operating profit						4,175
Finance costs						(3,453)
Share of profits less losses of associated companies	—	(29,661)	—	17	—	(29,644)
Loss before taxation						(28,922)
Taxation						(285)
Loss after taxation						(29,207)
Minority interests						107
Loss attributable to shareholders						(29,100)

Notes to the Accounts

2 TURNOVER, REVENUES AND SEGMENT INFORMATION (Continued)

	For the year ended 31st March 2005					Group HK\$'000
	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	Processing of audio visual products HK\$'000	Elimination HK\$'000	
Segment assets	49,300	22,020	24,121	—	(8,333)	87,108
Investment in a jointly controlled entity	—	—	—	—	—	—
Investments in associated companies	—	(3,728)	—	45,780	—	42,052
Unallocated assets						192,263
Total assets						321,423
Segment liabilities	(32,665)	(22,282)	(9,681)	—	—	(64,628)
Unallocated liabilities						(36,822)
Total liabilities						(101,450)
Minority interests						131
Net assets						220,104
Capital expenditure	25,816	25,910	28,010	—	(15,545)	64,191
Unallocated capital expenditure						3,277
						67,468
Depreciation	974	46	68	—	—	1,088
Unallocated depreciation						3,887
						4,975
Amortisation charge	33,605	15,951	10,207	—	(7,142)	52,621

Notes to the Accounts

2 TURNOVER, REVENUES AND SEGMENT INFORMATION (Continued)

	For the year ended 31st March 2004					
	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	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, film 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)

Notes to the Accounts

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 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	
Segment assets	68,044	11,531	2,886	518	—	82,979
Investment in a 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

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.

Notes to the Accounts

3 OPERATING PROFIT/(LOSS)

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>

Operating profit/(loss) is stated after crediting and charging the following:

Crediting

Gain on disposal of an associated company #	15,579	—
Net exchange gains	60	43
Gain on disposal of fixed assets #	—	2,013
Reversal of impairment loss	—	235
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, perpetual film rights, film sub-licensing rights and non-perpetual film rights	52,621	57,128
Auditors' remuneration		
— current year	624	620
— under provision in prior years	—	130
Cost of inventories	54,873	67,275
Deficit arising on revaluation of leasehold land and buildings not covered by previous revaluation surplus*	235	—
Depreciation		
— owned fixed assets	4,694	5,369
— leased fixed assets	281	675
Impairment of film rights, perpetual film rights, films in progress, film royalty deposits, film sub-licensing rights and non-perpetual film rights (note 16)	6,234	7,632
Impairment of investment securities* (note 15)	368	—
Loss on disposal of investment securities*	2,957	—
Operating lease rentals in respect of land and buildings	2,400	3,208
Provision for doubtful debts*	341	—
Provision for prepayments, deposits and other receivables*	2,710	748
Staff costs (including directors' emoluments) (note 9)	13,501	15,298

included in other income

* included in other expenses

Notes to the Accounts

4 FINANCE COSTS

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans and overdrafts		
— Wholly repayable within five years	3,167	1,944
— Not wholly repayable within five years	131	1,593
	3,298	3,537
Interest element of finance leases	155	258
Total borrowing costs incurred	3,453	3,795

5 SHARE OF PROFITS LESS LOSSES OF ASSOCIATED COMPANIES

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of profits less losses of associated companies		
in the current year	(2,963)	4,309
Provision for obligations in and amounts due from associated companies (<i>note below</i>)	(26,681)	—
Total	(29,644)	4,309

Note: During the year ended 31st March 2005, the Group has provided financial support to an associated company and made a provision for obligations in this associated company to the extent of its net liabilities as at 31st March 2005.

6 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 (2004: 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 (2004: Nil).

Notes to the Accounts

6 TAXATION (Continued)

The amount of taxation charged to the consolidated profit and loss account represents:

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred taxation (note 23)	285	—
Share of taxation attributable to associated companies	—	520
Taxation charge	285	520

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

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation	(28,922)	(4,742)
Calculated at a taxation rate of 17.5% (2004: 17.5%)	(5,061)	(830)
Income not subject to taxation	(3,342)	(2,178)
Expenses not deductible for taxation purposes	5,393	1,067
Tax losses unrecognised	4,561	3,160
Utilisation of previously unrecognised tax losses	(1,266)	(699)
Taxation charge	285	520

7 LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$67,764,000 (2004: HK\$1,075,000).

Notes to the Accounts

8 LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK\$29,100,000 (2004: HK\$5,578,000) and on 771,000,000 (2004: 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 2005 and 31st March 2004.

9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Wages and salaries	13,137	14,950
Pension costs — defined contribution plans	364	348
	13,501	15,298

10 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:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Fees	251	190
Other emoluments		
— basic salaries, allowances and other benefits in kind	3,803	4,655
Pension costs — defined contribution plans	36	43
	4,090	4,888

Directors' fees disclosed above include HK\$105,000 (2004: HK\$44,000) paid to independent non-executive directors.

Notes to the Accounts

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

The emoluments of the directors fell within the following bands:

	Number of directors	
	2005	2004
HK\$Nil — HK\$1,000,000	8*	6*
HK\$2,000,001 — HK\$2,500,000	1	—
HK\$2,500,001 — HK\$3,000,000	—	1
	9	7

* Including four (2004: two) independent non-executive directors.

None of the directors has waived any of their emoluments in respect of the years ended 31st March 2005 and 2004.

Notes to the Accounts

10 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 three (2004: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2004: one) individuals during the year are as follows:

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic salaries, allowances and other benefits in kind	1,105	670
Pension costs — defined contribution plans	24	12
	1,129	682

The emoluments fell within the following band:

	Number of individuals	
	2005	2004
HK\$Nil — HK\$1,000,000	2	1

During the years ended 31st March 2005 and 31st March 2004, no emoluments have been paid by the Group to the three (2004: four) directors or the two (2004: one) highest paid individuals as an inducement to join the Group, or as compensation for loss of office.

Notes to the Accounts

11 FIXED ASSETS

	Investment properties	Leasehold land and buildings	Leasehold improvements	Group Furniture, fixtures and equipment	Plant and machinery	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation							
At 1st April 2004	40,850	110,000	11,310	7,855	3,604	5,052	178,671
Additions	—	2,700	532	57	12	449	3,750
Revaluation adjustment	14,150	(2,700)	—	—	—	—	11,450
Disposals	—	—	—	(1,229)	—	—	(1,229)
At 31st March 2005	55,000	110,000	11,842	6,683	3,616	5,501	192,642
Accumulated depreciation							
At 1st April 2004	—	—	2,099	5,543	3,226	4,770	15,638
Charge for the year	—	2,465	1,213	687	249	361	4,975
Revaluation adjustment	—	(2,465)	—	—	—	—	(2,465)
Disposals	—	—	—	(1,229)	—	—	(1,229)
At 31st March 2005	—	—	3,312	5,001	3,475	5,131	16,919
Net book value							
At 31st March 2005	55,000	110,000	8,530	1,682	141	370	175,723
At 31st March 2004	40,850	110,000	9,211	2,312	378	282	163,033

Notes to the Accounts

11 FIXED ASSETS (Continued)

The analysis of the cost or valuation at 31st March 2005 of the above assets is as follows:

	Group						
	Investment	Leasehold	Leasehold	Furniture,	Plant and	Motor	Total
	properties	land and	improvements	and	machinery	vehicles	
	HK\$'000	buildings	HK\$'000	equipment	HK\$'000	HK\$'000	HK\$'000
		HK\$'000		HK\$'000			
At cost	—	—	11,842	6,683	3,616	5,501	27,642
At 2005 professional valuation	55,000	110,000	—	—	—	—	165,000
	55,000	110,000	11,842	6,683	3,616	5,501	192,642

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

	Group						
	Investment	Leasehold	Leasehold	Furniture,	Plant and	Motor	Total
	properties	land and	improvements	and	machinery	vehicles	
	HK\$'000	buildings	HK\$'000	equipment	HK\$'000	HK\$'000	HK\$'000
		HK\$'000		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
Net book value of leased assets							
At 31st March 2005	—	—	—	486	—	355	841
At 31st March 2004	—	—	—	829	—	123	952

Notes to the Accounts

11 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	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
In Hong Kong, held on:		
Leases of over 50 years	5,180	4,200
Leases of between 10 to 50 years	150,070	138,200
Outside Hong Kong, held on:		
Leases of over 50 years	9,750	8,450
	165,000	150,850

- (a) Except for certain leasehold land and buildings situated in Hong Kong which were valued at 31st March 2005 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 valuer 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\$110,239,000 (2004: HK\$110,217,000) had they been stated at cost less accumulated depreciation.
- (d) At 31st March 2005, certain investment properties and leasehold land and buildings with an aggregate net book value of HK\$155,250,000 (2004: HK\$142,400,000) were pledged as security for banking facilities granted to the Group (*note 28*).

Notes to the Accounts

12 SUBSIDIARIES

	Company	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost (<i>note (a)</i>)	46,010	46,010
Amounts due from subsidiaries (<i>note (b)</i>)	453,104	454,460
Amounts due to subsidiaries (<i>note (b)</i>)	(34,773)	(34,772)
	464,341	465,698
Provision for amounts due from subsidiaries	(233,885)	(167,000)
	230,456	298,698

Notes:

- (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.

13 INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount due from a jointly controlled entity (<i>note (b)</i>)	18,841	18,841
Share of net liabilities and provision for amount due from a jointly controlled entity (<i>note (a)</i>)	(18,841)	(18,841)
	—	—
Unlisted shares, at cost	1,083	1,083

Notes:

- (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.

Notes to the Accounts

13 INTEREST IN A JOINTLY CONTROLLED ENTITY (Continued)

Notes: (Continued)

(a) (Continued)

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.

14 ASSOCIATED COMPANIES

	Group	
	2005 HK\$'000	2004 HK\$'000
Share of net liabilities	(23,930)	(16,185)
Amounts due from associated companies (note (b))	110,414	112,303
Provision for obligations in and amounts due from associated companies	(44,432)	(17,751)
	42,052	78,367
Investment at cost:		
Listed shares in Hong Kong	—	3,682
Unlisted shares	34,565	30,065
	34,565	33,747
Market value of listed shares	—	95,976

Notes:

(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.

Notes to the Accounts

15 INVESTMENT SECURITIES

	Group	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Equity securities, at cost		
Listed in Hong Kong	2,384	7,517
Listed outside Hong Kong	1,184	—
	3,568	7,517
Unlisted equity securities, at cost	143	—
	3,711	7,517
Less: provision for impairment	(368)	—
	3,343	7,517
Market value of listed equity securities	3,004	11,160

Notes to the Accounts

16 FILM RIGHTS, FILMS IN PROGRESS, FILM SUB-LICENSING RIGHTS AND DEPOSITS

	Group						Total HK\$'000
	Film rights	Perpetual film rights	Films in progress	Film royalty deposits	Film sub- licensing rights	Non- perpetual film rights	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Cost							
At 1st April 2004	136,713	20,587	907	17,405	195,834	26,545	397,991
Additions	—	328	22,631	25,786	2,640	12,333	63,718
Transfers	16,299	—	(16,299)	(25,646)	25,534	112	—
At 31st March 2005	153,012	20,915	7,239	17,545	224,008	38,990	461,709
Accumulated amortisation and impairment							
At 1st April 2004	134,163	13,877	778	8,648	179,971	24,905	362,342
Amortisation charge for the year	13,771	2,150	—	—	31,855	4,845	52,621
Impairment loss	—	840	—	1,330	3,579	485	6,234
At 31st March 2005	147,934	16,867	778	9,978	215,405	30,235	421,197
Net book value							
At 31st March 2005	5,078	4,048	6,461	7,567	8,603	8,755	40,512
At 31st March 2004	2,550	6,710	129	8,757	15,863	1,640	35,649

Notes to the Accounts

17 INVENTORIES

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Films and programs in audio visual product format	9,298	12,439
Less: provision for obsolete inventories	(1,003)	(1,003)
	8,295	11,436

18 ACCOUNTS RECEIVABLE

The ageing analysis of accounts receivable was as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 3 months	15,463	14,757
4 to 6 months	6,966	5,568
Over 6 months	12,229	7,962
	34,658	28,287
Less: provision for doubtful debts	(4,179)	(3,838)
	30,479	24,449

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

Notes to the Accounts

19 ACCOUNTS PAYABLE

The ageing analysis of accounts payable was as follows:

	Group	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Current to 3 months	9,749	11,285
4 to 6 months	595	231
Over 6 months	6,587	1,624
	16,931	13,140

20 LONG-TERM LIABILITIES

	Group	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Bank loans — secured (<i>note (a)</i>)	37,151	44,682
Obligations under finance leases (<i>note (b)</i>)	357	1,211
	37,508	45,893
Current portion of long-term liabilities	(16,802)	(20,606)
	20,706	25,287

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

	Group	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Within one year	16,465	19,517
In the second year	5,757	4,944
In the third to fifth year	13,070	16,260
After the fifth year	1,859	3,961
	20,686	25,165
	37,151	44,682

Notes to the Accounts

20 LONG-TERM LIABILITIES (Continued)

(b) As at 31st March 2005, the Group's finance lease liabilities were repayable as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Within one year	359	1,237
In the second year	21	114
In the third to fifth year	—	21
	380	1,372
Future finance charges on finance leases	(23)	(161)
Present value of finance lease liabilities	357	1,211

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

	Group	
	2005 HK\$'000	2004 HK\$'000
Within one year	337	1,089
In the second year	20	102
In the third to fifth year	—	20
	357	1,211

21 SHARE CAPITAL

	Authorised Ordinary Shares of HK\$0.1 each	
	No. of shares (Thousands)	HK\$'000
At 31st March 2004 and 31st March 2005	3,000,000	300,000
	Issued and fully paid Ordinary Shares of HK\$0.1 each	
	No. of shares (Thousands)	HK\$'000
At 31st March 2004 and 31st March 2005	771,000	77,100

Notes to the Accounts

22 RESERVES

	Group						Total HK\$'000
	Share premium HK\$'000	Share redemption reserve HK\$'000	Contributed surplus HK\$'000	Exchange difference HK\$'000	Investment properties		
					revaluation reserve HK\$'000	Accumulated losses HK\$'000	
At 1st April 2004	222,791	12	128,418	(306)	1,911	(194,999)	157,827
Realisation upon disposal of an associated company	—	—	127	—	—	—	127
Surplus on revaluation of properties	—	—	—	—	14,150	—	14,150
Loss for the year	—	—	—	—	—	(29,100)	(29,100)
At 31st March 2005	222,791	12	128,545	(306)	16,061	(224,099)	143,004
Representing:							
Company and subsidiaries	222,791	12	128,545	—	16,061	(131,851)	235,558
Jointly controlled entity	—	—	—	(253)	—	(19,669)	(19,922)
Associated companies	—	—	—	(53)	—	(72,579)	(72,632)
	222,791	12	128,545	(306)	16,061	(224,099)	143,004
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.

Notes to the Accounts

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 2004	222,791	12	174,556	
Loss for the year	—	—	—	(67,764)	(67,764)
At 31st March 2005	222,791	12	174,556	(244,237)	153,122
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% (2004: 17.5%).

The movement in the deferred tax liabilities account is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
At the beginning of year	—	—
Charged to consolidated profit and loss account (note 6)	285	—
At the end of year	285	—

Notes to the Accounts

23 DEFERRED TAXATION (Continued)

Deferred income 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 unrecognised tax losses of HK\$168,550,000 (2004: HK\$145,943,000) 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	
	2005	2004
	HK\$'000	HK\$'000
At the beginning of year	2,223	1,944
Charged to consolidated profit and loss account	231	279
At the end of year	2,454	2,223

Deferred tax assets

	Group	
	Tax losses	
	2005	2004
	HK\$'000	HK\$'000
At the beginning of year	(2,223)	(1,944)
Charged/(credited) to consolidated profit and loss account	54	(279)
At the end of year	(2,169)	(2,223)

Notes to the Accounts

23 DEFERRED TAXATION *(Continued)*

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	
	2005	2004
	HK\$'000	HK\$'000
Deferred tax assets	(2,169)	(2,223)
Deferred tax liabilities	2,454	2,223
At the end of year	285	—

Notes to the Accounts

24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation	(28,922)	(4,742)
Share of loss of a jointly controlled entity	—	1,237
Share of profits less losses of associated companies	29,644	(4,309)
Provision for doubtful debts	341	—
Provision for prepayments, deposits and other receivables	2,710	748
Provision for amounts due from associated companies	—	537
Reversal of impairment loss	—	(235)
Interest income	(5)	(2)
Interest on bank loans and overdrafts	3,298	3,537
Interest element of finance leases	155	258
Deficit not covered by previous revaluation surplus/ (surplus previously written off to the profit and loss account) arising on revaluation of leasehold land and buildings and investment properties	235	(5,416)
Gain on disposal of fixed assets	—	(2,013)
Gain on disposal of an associated company	(15,579)	—
Loss on disposal of investment securities	2,957	—
Impairment of investment securities	368	—
Depreciation of owned fixed assets	4,694	5,369
Depreciation of fixed assets held under finance leases	281	675
Amortisation of film rights, perpetual film rights, film sub-licensing rights and non-perpetual film rights	52,621	57,128
Impairment of film rights, perpetual film rights, films in progress, film royalty deposits, film sub-licensing rights and non-perpetual film rights	6,234	7,632
Operating profit before working capital changes	59,032	60,404
Decrease in inventories	3,141	3,022
(Increase)/decrease in accounts receivable	(6,371)	162
Decrease in prepayments, deposits and other receivables	1,603	1,287
Increase/(decrease) in accounts payable, bills payable, receipts in advance and accruals	18,469	(6,509)
Net cash inflow generated from operations	75,874	58,366

Notes to the Accounts

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	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of year	(27)	(343)	45,893	54,511
Inception of finance lease (note (d))	—	—	470	142
Bank loans raised	—	—	4,800	2,000
Repayment of bank loans	—	—	(12,331)	(8,933)
Repayment of capital element of finance leases	—	—	(1,324)	(1,827)
Increase in minority interests resulting from deemed disposal of a subsidiary to minority shareholders (note (c))	3	—	—	—
Share of (losses)/profits by minority interests	(107)	316	—	—
At the end of year	(131)	(27)	37,508	45,893

Notes to the Accounts

24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(c) Deemed disposal of a subsidiary

During the year, the Group's wholly-owned subsidiary, Sun Media Group Limited, issued 6,998 ordinary shares to the Group and 3,000 ordinary shares to a third party at par value of HK\$1 each respectively. As a result, the Group's equity interest in Sun Media Group Limited was reduced from 100% to 70%. There was no significant profit or loss arising from the deemed disposal of this subsidiary.

(d) Major non-cash transactions

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\$470,000 (2004: HK\$142,000).

25 CONTINGENT LIABILITIES

	Group		Company	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given to banks in respect of utilised banking facilities of:				
Subsidiaries	—	—	64,144	68,342
Associated companies	5,250	5,250	5,250	5,250
	5,250	5,250	69,394	73,592

Notes to the Accounts

26 COMMITMENTS

- (a) At 31st March 2005, the Group had contracted commitments but not provided for in these accounts as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Commitments in respect of		
— film production	4,540	187
— program licensing agreements	12,137	13,199
	16,677	13,386

- (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	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	—	2,400

- (c) At 31st March 2005, the Group did not have any commitments in relation to the jointly controlled entity and the associated companies.

Notes to the Accounts

27 FUTURE OPERATING LEASE ARRANGEMENTS

As at 31st March 2005, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings and motor vehicles as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	2,678	1,622
Later than one year and not later than five years	2,123	1,840
	4,801	3,462

28 PLEDGE OF ASSETS — GROUP

At 31st March 2005, banking facilities amounting to HK\$65,144,000 (2004: HK\$70,875,000) granted by banks to the Group are secured by the following:

- (i) legal charges over certain of the Group's properties (*note 11(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\$Nil (2004: HK\$500,000) held by the Group.

Notes to the Accounts

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	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Replication fees paid to an associated company	15,672	24,691
Rental income received from the sub-letting of premises to associated companies	1,410	2,562
Pre-mastering service fees paid to an associated company	341	369
Proceeds on sale of fixed assets to an associated company	—	5,700
Film rights and film sub-licencing rights purchased from an associated company	8,500	5,500
Commission income received from an associated company	2,082	2,582
Payout and post-production service fees paid to an associated company	606	8,445

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

Notes to the Accounts

30 GROUP STRUCTURE — PRINCIPAL SUBSIDIARIES

The following is a list of the principal subsidiaries at 31st March 2005:

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
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

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

Notes to the Accounts

31 GROUP STRUCTURE — PRINCIPAL ASSOCIATED COMPANIES

The following is a list of the principal associated companies at 31st March 2005:

Name	Place of incorporation	Principal activities	Nominal value of issued share capital	Percentage of equity interest attributable to the Group
Shares held indirectly: (Continued)				
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	10,000,000 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

* Associated companies not audited by PricewaterhouseCoopers

32 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.

33 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 28th July 2005.