

Notes to Financial Statements

30 June 2002

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. The continuing principal activities of the Group consist of worldwide film distribution, film exhibition in Hong Kong, Malaysia, Singapore and Mainland China, the operation of a film processing business in Hong Kong, film production and television drama series production. During the year, the Group also engaged in video distribution.

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following recently-issued and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") and related Interpretations are effective for the first time in the preparation of the current year's financial statements:

- SSAP 9 (Revised) : "Events after the balance sheet date"
- SSAP 18 (Revised) : "Revenue"
- SSAP 26 : "Segment reporting"
- SSAP 28 : "Provisions, contingent liabilities and contingent assets"
- SSAP 29 : "Intangible assets"
- SSAP 30 : "Business combinations"
- SSAP 31 : "Impairment of assets"
- SSAP 32 : "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12 : "Business combinations — subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13 : "Goodwill — continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

These SSAPs prescribe new accounting measurement and disclosure practices. Except for SSAP 26, SSAP 28, SSAP 29, SSAP 30, SSAP 31 and Interpretation 13, these SSAPs and Interpretations have no major impact on these financial statements. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of SSAP 26, SSAP 28, SSAP 29, SSAP 30, SSAP 31 and Interpretation 13 are summarised as follows:

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 5 to the financial statements.

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. Provisions are now disclosed as a separate line item on the face of the balance sheet and note 22 to the financial statements "Provision for retirement benefits" has been added to include the new required additional disclosures.

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(Continued)*

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. As further explained in note 16 to the financial statements, the Group has not provided for any amortisation for the trademarks.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life, and has had no major impact on these financial statements. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The Group has adopted the transitional provisions of SSAP 30 and the Interpretation. Prior year adjustments have been applied retrospectively in accordance with SSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies", further details of which are included in note 4 to the financial statements. The required new additional disclosures are included in note 25 to the financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets, together with disclosure requirements. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against reserves. The adoption of SSAP 31 and the Interpretation in conjunction with the transitional provisions of SSAP 30 have resulted in prior year adjustments regarding the impairment of goodwill described above. The impact of this SSAP on the financial statements is set out in note 4 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with SSAPs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of certain fixed assets, as further explained below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the year ended 30 June 2002, together with the Group's share of the results for the year and post-acquisition reserves of its associates, as set out below. The results of the subsidiaries and associates acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is a company, not being a subsidiary, in which the Group has a long term interest of not less than 20 per cent. of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results of associates is included in the consolidated profit and loss account and is calculated from the latest financial statements of the associates which are made up to 30 June 2002, with the exception of Golden Communications (Taiwan) Company Limited, Golden Screen Cinemas Sdn. Bhd. and Golden Screen Film Distribution Company Sdn. Bhd. for which financial statements made up to 31 December 2001 are used. The share of results is arrived at based on the audited financial statements of these associates as at 31 December 2001, after making appropriate adjustments for significant transactions and events in the intervening period to 30 June 2002 between the associates and the Group.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to 1 July 2001, to remain eliminated against consolidated reserves. On the adoption of SSAP 30 and SSAP 31 in conjunction with Interpretation 13, prior year adjustments, which represent a change in accounting policy, have been applied retrospectively in accordance with SSAP 2, further details of which are included in note 4 to the financial statements. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition and remained eliminated against consolidated reserves is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance costs, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of the fixed asset.

Notes to Financial Statements

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fixed assets and depreciation *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

| | |
|--------------------------|----------------------------------------|
| Long term leasehold land | over the unexpired terms of the leases |
| Buildings | 4% |
| Leasehold improvements | 10% – 33 ¹ / ₃ % |
| Machinery and equipment | 10% – 25% |
| Furniture and fixtures | 10% – 25% |
| Motor vehicles | 20% |
| Air-conditioning systems | 15% – 20% |

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the sales proceeds and the carrying amount of the relevant asset. On disposal or retirement, the attributable revaluation surplus not previously dealt with in retained profits or accumulated losses is transferred directly to retained profits or accumulated losses.

Investments in club memberships

Investments in club memberships are stated at cost less any impairment losses. Cost includes fees and expenses directly related to the acquisition of the club memberships.

Trademarks

Trademarks are stated at cost less any impairment losses and are not amortised.

Long term investments

Long term investments in unlisted equity securities, which are intended to be held on a continuing basis, and which are held for identified long term purposes documented at the time of acquisition or change of purpose and are clearly identifiable for the documented purpose, are stated at cost less any impairment losses, on an individual investment basis.

When impairments in values have occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the directors, and the amounts of the impairments are charged to the profit and loss account for the period in which they arise.

When the circumstances and events that led to the impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the appreciation in fair value is credited to profit and loss account, on an individual investment basis, to the extent of the amount previously charged.

Accounts receivable

Accounts receivable, which generally have credit terms of between one to three months, are recognised and carried at the original invoiced amount. An estimate for doubtful debts is made and deducted when collection of the full amount is no longer probable. Bad debts are written off as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowances for obsolete or slow-moving items. Cost is determined on the first-in, first-out basis and includes all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is based on estimated selling prices, less any further costs expected to be incurred to completion and disposal.

Film rights and amortisation

(i) Film rights

Film rights represent films and television drama series and are stated at cost less accumulated amortisation and any impairment losses.

Amortisation is charged to the profit and loss account based on the proportion of actual income earned during the year to the total estimated income from the sale of film rights. In the case where there is an impairment in value, the unamortised balance is written down to its estimated recoverable amount.

(ii) Films in progress

Films in progress are stated at cost less any impairment losses. Costs include all direct costs associated with the production of films or television drama series. Impairment losses are made for costs which are in excess of the expected future revenue generated by these films or television drama series. Costs are transferred to film rights upon completion.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries and the Group's share of net assets of overseas associates expressed in foreign currencies are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Notes to Financial Statements

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Retirement benefits scheme

The Group operates a defined contribution retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. Contributions to the Scheme are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The Group's employer contributions are fully and immediately vested with the employees when contributed to the Scheme. The assets of the Scheme are held separately from those of the Group in an independent administered fund.

The employees of the Group's subsidiaries in the People's Republic of China (the "PRC") are members of the state-sponsored retirement scheme operated by the government of the PRC.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

Provisions for retirement benefits are made based on relevant labour laws and regulations governing retirement payments and are reviewed by the directors on an annual basis and adjusted where applicable.

The adoption of SSAP 28 has given rise to new required additional disclosure on the face of the balance sheet and note 22 to the financial statements.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) film royalties income, theatre advertising income and video distribution income, on an accrual basis;
- (b) film distribution commission income, film developing and printing service income, advertising agency fee income, music production income, production control fee income, public relation services income and film sourcing and consultancy service income, on completion of the services;
- (c) gross box office takings, on the sale of tickets and when the services have been rendered to the buyers;
- (d) income from confectionery sales and compact disc sales at the point of sales when the confectionery and compact disc are given to the customer;
- (e) rental income, in the period in which the properties are let out and on the straight-line basis over the lease terms;
- (f) interest, on a time proportion basis taking into account the principal outstanding and the effective rate of interest applicable; and
- (g) dividends, when the shareholders' right to receive payment is established.

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4. PRIOR YEAR ADJUSTMENTS

In accordance with the requirements of SSAP 31 and the transitional provisions of SSAP 30, adjustments have been made concerning the impairment of goodwill arising prior to the adoption of SSAP 30 which was eliminated against capital reserve. These adjustments, which represent a change in accounting policy, have been applied retrospectively in accordance with SSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies". Accordingly, goodwill which was eliminated against capital reserve in the amount of HK\$104,224,000 was determined to have been impaired in prior years. The effect of this change in accounting policy in respect of the year ended 30 June 2001 is an increase in loss from operating activities of HK\$11,000,000. The retained profits brought forward as at 1 July 2000 have been decreased by HK\$93,224,000, which is the adjustment of impairment of goodwill relating to the years prior to 1 July 2000.

5. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the film and video distribution segment engages in worldwide distribution of films and audio visual products related to films and programs;
- (b) the film exhibition segment engages in film exhibition in Hong Kong, Malaysia, Singapore and elsewhere in PRC;
- (c) the film and television drama series production segment engages in production controller and film producer services; and
- (d) the other segment comprises film processing business, public relations business and music production business, which provide film processing services, public relation and retainer services and produce soundtracks and sale of soundtrack albums.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

5. SEGMENT INFORMATION (Continued)

(a) Business segments

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's business segments.

| Group | Film and video distribution | | Film exhibition | | Film and television drama series production | | Others | | Eliminations | | Consolidated | |
|----------------------------------------------------------------|-----------------------------|------------------|------------------|------------------|---------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 | 2002 HK\$'000 | 2001 HK\$'000 | 2002 HK\$'000 | 2001 HK\$'000 | 2002 HK\$'000 | 2001 HK\$'000 | 2002 HK\$'000 | 2001 HK\$'000 | 2002 HK\$'000 | 2001 HK\$'000 |
| Segment revenue: | | | | | | | | | | | | |
| Sales to external customers | 91,316 | 75,494 | 148,996 | 161,211 | 2,505 | 10,602 | 21,213 | 22,387 | — | — | 264,030 | 269,694 |
| Inter-segment sales | 2,066 | — | — | 968 | 3,377 | 2,397 | 3,202 | 1,577 | (8,645) | (4,942) | — | — |
| Other revenue | 6,342 | 6,681 | 4,305 | 2,381 | 2,780 | 2,711 | 618 | 469 | (1,979) | (973) | 12,066 | 11,269 |
| Total | 99,724 | 82,175 | 153,301 | 164,560 | 8,662 | 15,710 | 25,033 | 24,433 | (10,624) | (5,915) | 276,096 | 280,963 |
| Segment results | 3,115 | 8,355 | (21,777) | (19,563) | (17,020) | (15,316) | (7,152) | (7,035) | 1,881 | (2,609) | (40,953) | (36,168) |
| Interest income and unallocated gains | | | | | | | | | | | 4,338 | 9,981 |
| Unallocated expenses | | | | | | | | | | | — | (6,752) |
| Impairment of film rights | (15,536) | — | — | — | — | — | — | — | — | — | (15,536) | — |
| Loss from operating activities | | | | | | | | | | | (52,151) | (32,939) |
| Write-off of interests in associates | (13,930) | — | (1,227) | — | — | — | — | — | — | — | (15,157) | — |
| Impairment of long term investment | | | | | | | | | | | (5,800) | (8,205) |
| Impairment of interests in associates | — | (569) | — | — | — | — | — | — | — | — | — | (569) |
| Impairment of goodwill | | | | | | | | | | | — | (11,000) |
| Finance costs | | | | | | | | | | | (242) | (26) |
| Share of profits less losses of associates | (5,174) | (6,165) | (3,745) | (10,253) | — | — | — | — | — | — | (8,919) | (16,418) |
| Loss before tax | | | | | | | | | | | (82,269) | (69,157) |
| Tax | | | | | | | | | | | (4,134) | (4,622) |
| Loss before minority interests | | | | | | | | | | | (86,403) | (73,779) |
| Minority interests | | | | | | | | | | | 5 | 5 |
| Net loss from ordinary activities attributable to shareholders | | | | | | | | | | | (86,398) | (73,774) |
| Segment assets | 113,922 | 91,467 | 129,122 | 144,412 | 14,861 | 20,653 | 10,030 | 12,704 | (11,076) | (15,704) | 256,859 | 253,532 |
| Interests in associates | 1,461 | 16,658 | 158,048 | 153,136 | — | — | — | — | — | — | 159,509 | 169,794 |
| Long term investment | | | | | | | | | | | 2,297 | 8,097 |
| Trademarks | | | | | | | | | | | 79,073 | 78,572 |
| Unallocated assets | | | | | | | | | | | 26,662 | 80,308 |
| Total assets | | | | | | | | | | | 524,400 | 590,303 |
| Segment liabilities | 44,135 | 50,009 | 16,672 | 21,922 | 9,921 | 10,561 | 3,040 | 3,727 | (9,382) | (12,830) | 64,386 | 73,389 |
| Unallocated liabilities | | | | | | | | | | | 45,528 | 19,820 |
| Total liabilities | | | | | | | | | | | 109,914 | 93,209 |
| Other segment information: | | | | | | | | | | | | |
| Depreciation | 540 | 253 | 14,326 | 13,649 | 1,009 | 917 | 933 | 946 | — | — | 16,808 | 15,765 |
| Unallocated amounts | | | | | | | | | | | 1,646 | 1,375 |
| | | | | | | | | | | | 18,454 | 17,140 |
| Amortisation | 27,321 | 18,048 | — | — | — | — | — | — | — | — | 27,321 | 18,048 |
| Capital expenditure | 2,855 | 285 | 1,729 | 8,540 | 403 | 534 | 45 | 2,149 | — | — | 5,032 | 11,508 |
| Unallocated amounts | | | | | | | | | | | 2,615 | 5,014 |
| | | | | | | | | | | | 7,647 | 16,522 |

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5. SEGMENT INFORMATION (Continued)

(b) Geographical segments

The following tables present revenue, results and certain asset and expenditure information for the Group's geographical segments.

Group

| | Hong Kong | | Elsewhere in the PRC | | Asia | | Others | | Eliminations | | Consolidated | |
|-----------------------------|-----------|----------|-------------------------|----------|----------|----------|----------|----------|--------------|----------|--------------|----------|
| | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Segment revenue: | | | | | | | | | | | | |
| Sales to external customers | 224,272 | 224,279 | 20,299 | 6,442 | 14,782 | 20,235 | 4,677 | 18,738 | — | — | 264,030 | 269,694 |
| Segment results | (43,216) | (45,419) | (4,781) | (6,110) | 6,515 | 4,884 | 529 | 10,477 | — | — | (40,953) | (36,168) |
| Other segment information: | | | | | | | | | | | | |
| Segment assets | 236,027 | 299,552 | 45,417 | 30,279 | 1,728 | 3,353 | 349 | 656 | — | — | 283,521 | 333,840 |
| Interests in associates | | | | | | | | | | | 159,509 | 169,794 |
| Long term investment | | | | | | | | | | | 2,297 | 8,097 |
| Trademarks | | | | | | | | | | | 79,073 | 78,572 |
| | | | | | | | | | | | 524,400 | 590,303 |
| Capital expenditure | 3,370 | 12,999 | 2,430 | 60 | 1,346 | 223 | — | — | — | — | 7,146 | 13,282 |
| Unallocated amounts | | | | | | | | | | | 501 | 3,240 |
| | | | | | | | | | | | 7,647 | 16,522 |

6. TURNOVER

Turnover represents proceeds from the sale of film, video and television rights, motion picture distribution and theatre operation, advertising agency fees earned, invoiced value of film developing and printing services rendered, production control fees earned, public relation services fees earned, music production income earned, service fees earned for film sourcing and consultancy, and sale of audio visual products.

7. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging/(crediting):

| | 2002 HK\$'000 | 2001 HK\$'000 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| Cost of inventories sold | 5,917 | 8,245 |
| Cost of services provided | 99,906 | 95,685 |
| Amortisation of film rights | 27,321 | 18,048 |
| Auditors' remuneration | 1,569 | 1,591 |
| Depreciation | 18,454 | 17,140 |
| Loss on disposal of fixed assets | 544 | 986 |
| Operating lease rentals payments in respect of land and buildings | | |
| Minimum lease payments | 40,319 | 38,705 |
| Contingent rents | 2,824 | 4,860 |
| | 43,143 | 43,565 |
| Staff costs, excluding directors' remuneration (<i>see note 28</i>) | | |
| Wages and salaries | 54,463 | 55,626 |
| Pension contributions | 2,068 | 1,012 |
| | 56,531 | 56,638 |
| Provisions for retirement benefits | 1,204 | 180 |
| Exchange losses/(gains) arising from translation of advances to overseas associates in Asia and other monetary assets and liabilities denominated in foreign currencies as at the balance sheet date | (2,747) | 4,561 |
| Provision for/(write-back of) doubtful debts, net | (435) | 918 |
| Exchange losses/(gains), net | (687) | 2,201 |
| Rental income, net | (365) | (371) |
| Interest income on bank deposits | (969) | (2,106) |
| Interest income from related parties | — | (6,967) |

The cost of services provided includes approximately HK\$9,170,000 (2001: HK\$11,272,000) relating to staff costs which is also included in the amount disclosed above.

The amortisation of film rights for the year is included in "Cost of Sales" on the face of the consolidated profit and loss account.

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8. FINANCE COSTS

| | 2002 HK\$'000 | 2001 HK\$'000 |
|------------------------------------------------------------------------------|------------------|------------------|
| Interest on bank loans and overdrafts, wholly repayable within five years | — | 26 |
| Interest on accounts payable | 201 | — |
| Interest on finance leases | 41 | — |
| | 242 | 26 |

9. TAX

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable outside Hong Kong have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on country legislation, interpretations and practices in respect thereof.

| | 2002 HK\$'000 | 2001 HK\$'000 |
|---------------------------------------|------------------|------------------|
| Group: | | |
| Hong Kong | 395 | 53 |
| Elsewhere | 498 | 675 |
| Under/(over) provision in prior years | 92 | (471) |
| | 985 | 257 |
| Associates: | | |
| Hong Kong | — | 120 |
| Elsewhere | — | 198 |
| Overprovision in the prior year | (120) | — |
| Deferred | 3,269 | 4,047 |
| | 3,149 | 4,365 |
| Tax charge for the year | 4,134 | 4,622 |

At the date of approval of the financial statements, a subsidiary of the Group has disputes with the Hong Kong Inland Revenue Department on the non-taxable claim of certain non-Hong Kong sourced income from the year of assessment 1995/1996. The subsidiary is pursuing objection against the disputes and the directors consider that sufficient tax provision has been made in this regard.

10. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders dealt with in the financial statements of the Company is HK\$107,989,000 (2001: HK\$126,519,000).

11. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK\$86,398,000 (2001: HK\$73,774,000) and the weighted average of 800,887,500 shares (2001: 800,887,500 shares) in issue during the year.

No disclosure for diluted loss per share for the year ended 30 June 2002 is shown as the exercise price of the Company's outstanding share options is higher than the average market price of the Company's ordinary shares during the year and thus the share options have no diluting effect.

In last year, the calculation of diluted loss per share was based on the net loss from ordinary activities attributable to shareholders for that year and the weighted average of 801,046,668 shares in issue, which represented the weighted average number of 800,887,500 shares in issue during that year, plus the weighted average number of 159,168 shares assumed to be issued at no consideration on the deemed exercise of all exercisable options during that year.

12. FIXED ASSETS

Group

| | Leasehold land and buildings HK\$'000 | Leasehold improvements HK\$'000 | Machinery and equipment HK\$'000 | Furniture and fixtures HK\$'000 | Motor vehicles HK\$'000 | Air- conditioning systems HK\$'000 | Total HK\$'000 |
|--------------------------------|------------------------------------------------|---------------------------------------|-------------------------------------------|------------------------------------------|-------------------------------|---------------------------------------------|-------------------|
| Cost or valuation: | | | | | | | |
| At beginning of year | 9,300 | 66,308 | 28,999 | 20,110 | 2,818 | 632 | 128,167 |
| Additions | — | 2,627 | 1,510 | 1,412 | 1,597 | — | 7,146 |
| Disposals | — | (323) | (1,563) | (266) | (1,498) | (44) | (3,694) |
| Exchange adjustments | — | 3 | 15 | 7 | 37 | — | 62 |
| At 30 June 2002 | 9,300 | 68,615 | 28,961 | 21,263 | 2,954 | 588 | 131,681 |
| Accumulated depreciation: | | | | | | | |
| At beginning of year | 2,291 | 9,839 | 8,138 | 4,398 | 1,487 | 554 | 26,707 |
| Provided during the year | 358 | 10,256 | 4,199 | 2,870 | 751 | 20 | 18,454 |
| Disposals | — | (148) | (1,027) | (119) | (1,145) | (16) | (2,455) |
| Exchange adjustments | — | 3 | 8 | 2 | 15 | — | 28 |
| At 30 June 2002 | 2,649 | 19,950 | 11,318 | 7,151 | 1,108 | 558 | 42,734 |
| Net book value: | | | | | | | |
| At 30 June 2002 | 6,651 | 48,665 | 17,643 | 14,112 | 1,846 | 30 | 88,947 |
| At 30 June 2001 | 7,009 | 56,469 | 20,861 | 15,712 | 1,331 | 78 | 101,460 |
| Analysis of cost or valuation: | | | | | | | |
| At cost | — | 68,615 | 28,961 | 21,263 | 2,954 | 588 | 122,381 |
| At valuation | 9,300 | — | — | — | — | — | 9,300 |
| | 9,300 | 68,615 | 28,961 | 21,263 | 2,954 | 588 | 131,681 |

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12. FIXED ASSETS (Continued)

The leasehold land and buildings are situated in Hong Kong and are held under long term leases.

The net book value of the Group's fixed assets held under finance leases included in the total amount of machinery and equipment and motor vehicles at 30 June 2002, amounted to HK\$93,000 (2001: Nil) and HK\$942,000 (2001: Nil), respectively.

The long term leasehold land and buildings were revalued on 30 September 1994 by an independent firm of professionally qualified valuers, C.Y. Leung & Company Limited, at HK\$9,300,000 at open market value assuming sale with vacant possession. The surplus arising from the revaluation was credited to the revaluation reserve account. The effect of this revaluation on the depreciation charge for the year was insignificant. The Group has adopted the transitional provision, as permitted under paragraph 80 of SSAP 17 issued in 1995 and revised in 2001, of not making further regular valuations on its revalued assets.

Had the Group's land and buildings been carried at cost less accumulated depreciation and any impairment losses, they would have been included in the financial statements at approximately HK\$789,000 (2001: HK\$871,000).

13. INTERESTS IN SUBSIDIARIES

| | Company | |
|--------------------------|----------------------|----------------------|
| | 2002 | 2001 |
| | HK\$'000 | HK\$'000 |
| Unlisted shares, at cost | 167,647 | 167,647 |
| Due from subsidiaries | 718,948 | 678,933 |
| Provision for impairment | 886,595 (496,720) | 846,580 (348,720) |
| | 389,875 | 497,860 |

The balances with subsidiaries are unsecured, interest-free and are not repayable within the next twelve months.

13. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows:

| Name | Place of incorporation and principal operations | Issued and fully paid share capital | Percentage of equity attributable to the Group | Principal activities |
|----------------------------------------|-------------------------------------------------|---------------------------------------------|------------------------------------------------|---------------------------------------------------------|
| Bamboo Grove Enterprises Limited | British Virgin Islands | Ordinary US\$1 | 100 | Sale of film rights and distribution of motion pictures |
| Cine Art Laboratory Limited | Hong Kong | Ordinary HK\$2,500 Deferred* HK\$997,500 | 100 | Film developing and printing |
| City Entertainment Corporation Limited | Hong Kong | Ordinary HK\$2 | 100 | Theatre operation |
| Conneaway Films Company Limited | Hong Kong | Ordinary HK\$31,610,000 | 100 | Theatre operation |
| Dootson Investment Corporation | Panama | Ordinary US\$10,000 | 100 | Sale of film rights and distribution of motion pictures |
| Dwerryhouse Properties Limited | British Virgin Islands | Ordinary US\$1 | 100 | Distribution of motion pictures |
| Exceptional Experts Limited | British Virgin Islands | Ordinary US\$1 | 100 | Provision of film producer services |
| Gala Film Distribution Limited | Hong Kong | Ordinary HK\$10,000 Deferred* HK\$10,000 | 100 | Distribution of motion pictures |

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13. INTERESTS IN SUBSIDIARIES (Continued)

| Name | Place of incorporation and principal operations | Issued and fully paid share capital | Percentage of equity attributable to the Group | Principal activities |
|-------------------------------------------------------|-------------------------------------------------|--------------------------------------------|------------------------------------------------|---------------------------------------------------------|
| Gold Wheel Limited | British Virgin Islands | Ordinary US\$1 | 100 | Sale of film rights and distribution of motion pictures |
| Golden Harvest China Cinemas Pte Limited | Singapore | Ordinary S\$2 | 100 | Investment holding |
| Golden Harvest Cinemas Holding Limited | British Virgin Islands | Ordinary US\$1 | 100 | Investment holding |
| Golden Harvest Entertainment Company Limited | Hong Kong | Ordinary HK\$100 Deferred* HK\$114,000,000 | 100 | Investment holding |
| Golden Harvest Entertainment International Limited | British Virgin Islands | Ordinary US\$1,000 | 100 | Investment holding |
| Golden Harvest Entertainment (Taiwan) Company Limited | Taiwan | Ordinary TW\$1,200,000 | 100 | Distribution of motion pictures |
| Golden Harvest Films Distribution Holding Limited | British Virgin Islands | Ordinary US\$1 | 100 | Investment holding |
| Golden Harvest Films Distribution (Pte) Limited | Singapore | Ordinary S\$2 | 100 | Investment holding |

13. INTERESTS IN SUBSIDIARIES (Continued)

| Name | Place of incorporation and principal operations | Issued and fully paid share capital | Percentage of equity attributable to the Group | Principal activities |
|-----------------------------------------------|-------------------------------------------------|-------------------------------------|------------------------------------------------|---------------------------------------------------------------|
| Golden Harvest Film Productions Limited | Hong Kong | Ordinary HK\$100,000 | 100 | Provision of production controller and film producer services |
| Golden Harvest (Marks) Limited | British Virgin Islands | Ordinary US\$1 | 100 | Holding of trademarks |
| Golden Harvest Multiplex (Pte) Limited | Singapore | Ordinary S\$2 | 100 | Investment holding |
| Golden Harvest Music Limited | Hong Kong | Ordinary HK\$2 | 100 | Music production |
| Golden Harvest Television Productions Limited | Hong Kong | Ordinary HK\$2 | 100 | Production and provision of television controller services |
| Golden Movies International Limited | British Virgin Islands | Ordinary US\$1 | 100 | Sale of film rights and distribution of motion pictures |
| Golden Screen Limited | Hong Kong | Ordinary HK\$8,750,000 | 100 | Investment holding |
| Golden Touch Licencing B.V. | Netherlands | Ordinary EURO18,151.21 | 100 | Distribution of motion pictures |

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13. INTERESTS IN SUBSIDIARIES (Continued)

| Name | Place of incorporation and principal operations | Issued and fully paid share capital | Percentage of equity attributable to the Group | Principal activities |
|------------------------------------|-------------------------------------------------|-----------------------------------------|------------------------------------------------|---------------------------------------------------------------------|
| Happy Way Limited | Hong Kong | Ordinary HK\$10,000 | 100 | Distribution of audio visual products related to films and programs |
| Image Corporation Limited | Hong Kong | Ordinary HK\$5 Deferred* HK\$5 | 100 | Provision of public relation services |
| Kotewall Limited | British Virgin Islands | Ordinary US\$1 | 100 | Sale of film rights and distribution of motion pictures |
| Linksun International Limited | Hong Kong | Ordinary HK\$100,000 | 100 | Provision of production controller and film producer services |
| Panasia Films Limited | Hong Kong | Ordinary HK\$2,600,000 | 100 | Distribution of motion pictures and acting as an advertising agent |
| Prime Prospect Enterprises Limited | Hong Kong | Ordinary HK\$2 | 100 | Distribution of motion pictures |
| Real Merry Limited | Hong Kong | Ordinary HK\$16,831,002 | 100 | Theatre operation |

13. INTERESTS IN SUBSIDIARIES (Continued)

| Name | Place of incorporation and principal operations | Issued and fully paid share capital | Percentage of equity attributable to the Group | Principal activities |
|----------------------------------------------------------|-------------------------------------------------|-------------------------------------|------------------------------------------------|-----------------------------------------|
| Right World Limited | Hong Kong | Ordinary HK\$10,000 | 60 | Film sourcing for exhibition |
| Shanghai Golden Harvest Media Management Company Limited | PRC | Ordinary US\$500,000 | 90 | Distribution of motion pictures |
| Shanghai Golden Harvest Multiplexes Company Limited | PRC | Ordinary US\$1,000,000 | 90 | Theatre operation |
| SML (Hong Kong) Limited** | Samoa | Ordinary US\$1 | 100 | Distribution of motion pictures |
| United Harvest Asia Limited | Hong Kong | Ordinary HK\$2 | 100 | Provision of finance to group companies |

Except for Golden Harvest Entertainment International Limited, all of the above subsidiaries are indirectly held by the Company.

* For Golden Harvest Entertainment Company Limited, the deferred shares carry no rights to dividends and carry the right to receive one half of the surplus on a return of capital exceeding HK\$1,000,000,000,000,000. For Image Corporation Limited, the deferred shares carry rights to dividends for any given financial year calculated at 40 per cent. of profit that would have been distributed. Apart from the above, all other deferred shares carry rights to dividends for any given financial year of the respective companies when the net profit available for distribution exceeds HK\$1,000,000,000. They also carry rights to receive one half of the surplus on a return of capital of the respective companies exceeding HK\$500,000,000,000. None of the deferred shares carry any rights to vote at general meetings.

** Incorporated during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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14. INTERESTS IN ASSOCIATES

| | Group | |
|-----------------------------------------|------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 |
| Share of net assets other than goodwill | 4,160 | 20,943 |
| Due from associates | 155,918 | 150,972 |
| Due to associates | — | (1,552) |
| | 160,078 | 170,363 |
| Provision for impairment | (569) | (569) |
| | 159,509 | 169,794 |

All balances with associates are unsecured, interest-free and are not repayable within the next twelve months.

The Group's share of the post-acquisition accumulated reserves of associates as at 30 June 2002 amounted to accumulated losses of HK\$80,182,000 (2001: HK\$68,114,000).

Particulars of the principal associates are as follows:

| Name | Business Structure | Place of incorporation and principal operations | Class of shares held | Percentage of issued shares held directly by the Group | Principal activities |
|--------------------------------------------------------|--------------------|-------------------------------------------------|----------------------|--------------------------------------------------------|-------------------------------------------------------|
| Dartina Development Limited | Corporate | Hong Kong | Ordinary | 50 | Investment holding |
| Global Entertainment and Management Systems Sdn. Bhd.* | Corporate | Malaysia | Ordinary | 33.33 | Investment holding |
| Golden Abacus Pte Limited | Corporate | Singapore | Ordinary | 50 | Computer programming |
| Golden Communications (Taiwan) Company Limited ** | Corporate | Taiwan | Ordinary | 47.75 | Distribution of motion pictures |
| Golden-STIC Investment Holdings Pte Limited | Corporate | Singapore | Ordinary | 50 | Investment holding |
| Golden Screen Cinemas Sdn. Bhd. | Corporate | Malaysia | Ordinary | 40.22 | Distribution of motion pictures and theatre operation |

14. INTERESTS IN ASSOCIATES (Continued)

| Name | Business Structure | Place of incorporation and principal operations | Class of shares held | Percentage of issued shares held directly by the Group | Principal activities |
|------------------------------------------------------|--------------------|-------------------------------------------------|----------------------|--------------------------------------------------------|---------------------------------|
| Golden UIP Film Distributors Limited | Corporate | Hong Kong | Ordinary | 50 | Distribution of motion pictures |
| Golden Village Entertainment (Singapore) Pte Limited | Corporate | Singapore | Ordinary | 50 | Investment holding |
| Golden Village Pictures Pte Limited | Corporate | Singapore | Ordinary | 50 | Distribution of motion pictures |
| Golden Village Holdings Pte Limited | Corporate | Singapore | Ordinary | 50 | Investment holding |
| Golden Village Multiplex Pte Limited | Corporate | Singapore | Ordinary | 50 | Theatre operation |
| Keenson Production Limited | Corporate | Hong Kong | Ordinary | 30 | Investment holding |
| Lucky Assets Holdings Limited | Corporate | Hong Kong | Ordinary | 50 | Distribution of motion pictures |
| Mongkol Golden Harvest Company Limited *** | Corporate | Thailand | Common | 50 | Theatre Operation |
| Rich Will Limited | Corporate | Hong Kong | Ordinary | 50 | Theatre operation |
| Shanghai Golden Entertainment Limited | Corporate | PRC | Registered capital | 27 | Theatre operation |
| Tanjong Golden Village Sdn. Bhd. **** | Corporate | Malaysia | Ordinary | 25 | Theatre operation |
| Top Yield Production Limited | Corporate | Hong Kong | Ordinary | 50 | Distribution of motion pictures |

* Incorporated during the year

** As at 30 June 2002, Golden Communications (Taiwan) Company Limited was under the process of liquidation.

*** Subsequent to the balance sheet date, the Group disposed of its entire interest in Mongkol Golden Harvest Company Limited (note 31).

**** Subsequent to the balance sheet date, the Group's shareholdings in Tanjong Golden Village Sdn. Bhd. increased from 25% to 33.34% (note 31).

Notes to Financial Statements

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14. INTERESTS IN ASSOCIATES *(Continued)*

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

15. LONG TERM INVESTMENT

The long term investment represented the 16% shareholding of an unlisted equity investment and is stated at cost, representing its fair value on acquisition, less any impairment losses.

| | Group | |
|-------------------------------------------|----------|----------|
| | 2002 | 2001 |
| | HK\$'000 | HK\$'000 |
| Unlisted equity investment, at fair value | 16,302 | 16,302 |
| Less: Impairment losses | (14,005) | (8,205) |
| | 2,297 | 8,097 |

16. TRADEMARKS

The trademarks represent the perpetual licence of using the brandname "Golden Harvest" which takes the form of sign, symbol, name, logo, design or any combination thereof.

The trademarks are stated at cost less any impairment losses and are not amortised. Additions during the year represent design fees and professional fees and registration fees incurred on the registration of the trademarks overseas.

In accordance with the requirements of SSAP 29, the cost of the Group's trademarks should be amortised over the best estimate of their useful lives. SSAP 29 also states that there is a rebuttable presumption that the useful life of an intangible asset will not exceed 20 years from the date when the asset is available for use. In the opinion of the directors, to follow the requirements of SSAP 29 would give a misleading view of the results of the Group and its loss per share for the following reasons:

- (i) The trademarks, which were acquired by the Group in 2000, have been in use for a long time and will continue to be used for the long term. The valuation of the Group's trademarks performed by Adonis Appraisal Limited, an independent professional appraiser, has confirmed that the market value of the trademarks exceeded the carrying value as at 30 June 2002. In the opinion of the directors, there has been no material change in the valuation since 30 June 2002; and
- (ii) The Group has incurred and intends to continue to incur significant advertising and promotion expenses, which are charged to profit and loss account when incurred, to maintain and increase the market value of its trademarks.

As a result, the Group has decided not to follow the requirements of SSAP 29 and to continue to adopt the accounting policy to state trademarks at cost less any impairment losses. The Group intends to confirm the value of its trademarks by independent professional valuation periodically.

Notes to Financial Statements

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17. INVENTORIES

| | Group | |
|--------------------|------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 |
| Raw materials | 191 | 398 |
| Chemicals | 36 | 64 |
| Machinery parts | 91 | 57 |
| Music compact disc | — | 32 |
| | 318 | 551 |

18. FILM RIGHTS AND FILMS IN PROGRESS

As at 30 June 2002, the balance of film rights and films in progress included an impairment loss of HK\$15,536,000 (2001: Nil), which was charged to the profit and loss account for the year.

19. ACCOUNTS RECEIVABLE

The Group usually grants credit periods ranging from one to three months. The age analysis of the accounts receivable, net of provision at 30 June, is as follows:

| | Group | |
|---------------------|------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 |
| Current to 3 months | 28,035 | 16,422 |
| 4 to 6 months | 451 | 233 |
| 7 to 12 months | 10 | 218 |
| Over 1 year | 599 | 98 |
| | 29,095 | 16,971 |

The accounts receivable of the Group includes trading balances due from Golden Harvest Private Group companies totalling HK\$11,000 (2001: HK\$586,000). All of the balances with the Golden Harvest Private Group companies are unsecured, repayable in accordance with normal trading terms, and interest-free.

The Golden Harvest Private Group represents the private companies in the Golden Harvest Group, a group of companies controlled by Chow Ting Hsing, Raymond, a director of the Company, which were not included in the Group reorganisation in November 1994.

Notes to Financial Statements

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19. ACCOUNTS RECEIVABLE (Continued)

The accounts receivable of the Group also included an amount due from related companies, GH Pictures (China) Limited, GH Media Management Pte Limited and Best Creation International Limited, of approximately HK\$53,000 (2001: HK\$50,000), HK\$50,000 (2001: HK\$250,000) and HK\$599,000 (2001: HK\$891,000), respectively. The amounts are unsecured, interest-free and have no fixed repayment terms. Chow Ting Hsing, Raymond, Phoon Chiong Kit, Chu Siu Tsun, Stephen and Chan Sik Hong, David, who were directors of the Company, were also directors and/or beneficial shareholders of these related companies.

20. ACCOUNTS PAYABLE

The age analysis of trade creditors included in accounts payable at 30 June is as follows:

| | Group | |
|---------------------|----------|----------|
| | 2002 | 2001 |
| | HK\$'000 | HK\$'000 |
| Current to 3 months | 48,023 | 28,849 |
| 4 to 6 months | 718 | 845 |
| 7 to 12 months | 1,970 | 268 |
| Over 1 year | 5,032 | 7,603 |
| | 55,743 | 37,565 |

The accounts payable of the Group includes trading balances due to Golden Harvest Private Group companies totalling HK\$52,000 (2001: HK\$767,000). The amounts are unsecured, interest-free and repayable in accordance with normal trading terms.

The accounts payable of the Group also includes amounts due to GH Pictures (China) Limited and GH Media Management Pte Limited of HK\$30,237,000 (2001: HK\$6,964,000) and HK\$662,000 (2001: HK\$4,323,000), respectively. The amounts are unsecured, interest-free except for an amount of HK\$26,290,000 due to GH Pictures (China) Limited which bears interest at Hong Kong dollars short term time deposits rate plus 1% per annum and have no fixed repayment terms. Chow Ting Hsing, Raymond, Phoon Chiong Kit and Chu Siu Tsun, Stephen, who were directors of the Company, were also directors and/or beneficial shareholders of these related companies.

21. FINANCE LEASE PAYABLES

At 30 June 2002, the total future minimum lease payments under finance leases and their present values, were as follows:

| Group | Minimum lease payments | | Present value of minimum lease payments | |
|-------------------------------------------------|------------------------|------------------|-----------------------------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 | 2002 HK\$'000 | 2001 HK\$'000 |
| Amounts payable: | | | | |
| Within one year | 210 | — | 178 | — |
| In the second year | 210 | — | 180 | — |
| In the third to fifth years, inclusive | 331 | — | 293 | — |
| Total minimum finance lease payments | 751 | — | 651 | — |
| Future finance charges | (100) | — | | |
| Total net finance lease payables | 651 | — | | |
| Portion classified as current liabilities | (178) | — | | |
| Non-current portion | 473 | — | | |

22. PROVISION FOR RETIREMENT BENEFITS

Group

| | HK\$'000 |
|-------------------------------------------|--------------|
| At beginning of year | 1,274 |
| Additional provision | 1,204 |
| At 30 June 2002 | 2,478 |
| Portion classified as current liabilities | — |
| Non-current portion | 2,478 |

Under the relevant labour laws and regulations governing retirement payments, the Company's directors have estimated and provided for the amount of provisions for retirement benefits. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

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23. DEFERRED TAX

Deferred tax has been provided for, under the liability method, at the rate of 16% (2001: 16%) on the significant timing differences between the taxable profits and the profits reported in the financial statements.

The movement in the deferred tax liabilities for the year is set out below:

| | Group | |
|---------------------------------------------|----------|----------|
| | 2002 | 2001 |
| | HK\$'000 | HK\$'000 |
| Balance at beginning of year and at 30 June | 110 | 110 |

The revaluation of the Group's fixed assets does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon is not taken into consideration.

The principal components of the Group's deferred tax assets not recognised at the balance sheet date calculated at the rate of 16% (2001: 16%) are as follows:

| | 2002 | 2001 |
|--------------------------------|----------|----------|
| | HK\$'000 | HK\$'000 |
| Accelerated capital allowances | (4,108) | (5,618) |
| Tax losses | 37,943 | 34,019 |
| Others | 121 | (31) |
| | 33,956 | 28,370 |

There were no other significant potential deferred tax liabilities of the Group and the Company for which provision has not been made.

24. SHARE CAPITAL

Shares

| | Company | |
|------------------------------------------------|----------|----------|
| | 2002 | 2001 |
| | HK\$'000 | HK\$'000 |
| Authorised: | | |
| 1,300,000,000 ordinary shares of HK\$0.10 each | 130,000 | 130,000 |
| Issued and fully paid: | | |
| 800,887,500 ordinary shares of HK\$0.10 each | 80,089 | 80,089 |

24. SHARE CAPITAL (Continued)

Share options

The Company operates a share option scheme (the "Scheme"), further details of which are set out under the heading "Share option scheme" in the Report of the Directors.

The movements on the options granted by the Company during the year are as follows:

| | 2002 Number | 2001 Number |
|----------------------------------|----------------|----------------|
| Outstanding at beginning of year | 4,600,000 | 2,000,000 |
| Cancelled during the year | — | (2,000,000) |
| Granted during the year | 25,500,000 | 4,600,000 |
| Outstanding at end of year | 30,100,000 | 4,600,000 |

During the year, the Company granted a total of 25,500,000 share options under the Scheme for a nominal consideration of HK\$1 per grant. The share options granted entitle the holders to subscribe for shares of the Company at any time during the period from 31 October 2001 to 30 October 2011. The subscription price per share payable upon the exercise of these options was HK\$0.62.

No share options were exercised, lapsed or cancelled during the year.

At the balance sheet date, the Company had 30,100,000 outstanding share options. They include 25,500,000 share options outstanding under the Scheme, with exercise period from 31 October 2001 to 30 October 2011 and exercise price of HK\$0.62 per share. The remaining 4,600,000 outstanding share options were granted on 25 July 2000 under a terminated share option scheme of the Company, which was adopted and approved on 2 November 1994 and was terminated on 28 November 2001. These share options are exercisable during the period from 25 July 2000 to 24 July 2010, 25 July 2001 to 24 July 2010 and 25 July 2002 to 24 July 2010 for 2,300,000, 1,150,000 and 1,150,000 share options, respectively, at an exercise price of HK\$0.78 per share.

The exercise in full of the exercisable outstanding share options at the balance sheet date would, under the present capital structure of the Company, result in the issue of 30,100,000 additional shares and cash proceeds to the Company of approximately HK\$19,398,000 before related expenses.

Subsequent to the balance sheet date, a total of 1,000,000 share options granted to an employee with an exercise price of HK\$0.62 per share lapsed.

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25. RESERVES

| Group | Share premium account HK\$'000 | Capital redemption reserve HK\$'000 | Capital reserve HK\$'000 | Retained profits/ (accumulated losses) HK\$'000 | Surplus reserve HK\$'000 | Revaluation reserve HK\$'000 | Exchange fluctuation reserve HK\$'000 | Total HK\$'000 |
|---------------------------------------------------------------|-----------------------------------|----------------------------------------|-----------------------------|-------------------------------------------------------|-----------------------------|---------------------------------|------------------------------------------|-------------------|
| At 1 July 2000: | | | | | | | | |
| As previously reported | 565,577 | 145 | (130,615) | 97,951 | 443 | 7,864 | (34,813) | 506,552 |
| Prior year adjustments | | | | | | | | |
| — note 4 | — | — | 93,224 | (93,224) | — | — | — | — |
| As restated | 565,577 | 145 | (37,391) | 4,727 | 443 | 7,864 | (34,813) | 506,552 |
| Exchange adjustments on translation of: | | | | | | | | |
| — overseas subsidiaries | — | — | — | — | — | — | 413 | 413 |
| — overseas associates | — | — | — | — | — | — | (4,203) | (4,203) |
| Goodwill on acquisition of subsidiaries | — | — | (23,698) | — | — | — | — | (23,698) |
| Goodwill transferred to profit and loss account on impairment | — | — | 11,000 | — | — | — | — | 11,000 |
| On disposal of interests in an associate | — | — | — | — | — | — | 682 | 682 |
| Net loss for the year (as restated) | — | — | — | (73,774) | — | — | — | (73,774) |
| Transfer to surplus reserve | — | — | — | (37) | 37 | — | — | — |
| At 30 June 2001 | 565,577 | 145 | (50,089) | (69,084) | 480 | 7,864 | (37,921) | 416,972 |
| At 1 July 2001: | | | | | | | | |
| As previously reported | 565,577 | 145 | (154,313) | 35,140 | 480 | 7,864 | (37,921) | 416,972 |
| Prior year adjustments | | | | | | | | |
| — note 4 | — | — | 104,224 | (104,224) | — | — | — | — |
| As restated | 565,577 | 145 | (50,089) | (69,084) | 480 | 7,864 | (37,921) | 416,972 |
| Exchange adjustments on translation of: | | | | | | | | |
| — overseas subsidiaries | — | — | — | — | — | — | (487) | (487) |
| — overseas associates | — | — | — | — | — | — | 1,432 | 1,432 |
| Net loss for the year | — | — | — | (86,398) | — | — | — | (86,398) |
| On write-off of interests in associates | — | — | — | — | — | — | 2,850 | 2,850 |
| At 30 June 2002 | 565,577 | 145 | (50,089) | (155,482) | 480 | 7,864 | (34,126) | 334,369 |

The surplus reserve represents an amount transferred from retained profits in accordance with statutory requirements and the articles of association of an associate in Taiwan. The surplus reserves may only be applied to make up any losses and for capitalisation by way of fully paid bonus issues of the shares of the associate in Taiwan.

25. RESERVES (Continued)

SSAP 30 was adopted during the year, as detailed in note 2 to the financial statements. The amounts of the goodwill remaining in consolidated reserves, arising from the acquisition of subsidiaries and associates prior to 1 July 2001, are as follows:

Group

| | Goodwill eliminated against capital reserve HK\$'000 |
|------------------------------------------|---------------------------------------------------------------|
| Cost: | |
| At beginning of year and at 30 June 2002 | 154,313 |
| Accumulated impairment: | |
| At beginning of year: | |
| As previously reported | — |
| Prior year adjustments | 104,224 |
| As restated and at 30 June 2002 | 104,224 |
| Net amount: | |
| At 30 June 2002 | 50,089 |
| At 30 June 2001 | 50,089 |

As detailed in note 2 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill in respect of acquisitions which occurred prior to 1 July 2001, to remain eliminated against consolidated reserves.

Due to the adoption of SSAP 31, the Group has adopted a policy to assess goodwill eliminated against consolidated reserves for impairment. As a result, the Group has recognised an impairment loss in respect of goodwill previously eliminated against consolidated reserves of HK\$104,224,000. This change of accounting policy has been accounted for retrospectively as prior year adjustments in accordance with the transitional provisions of SSAP 30, further details of which are included in note 4 to the financial statements. These prior year adjustments have had no effect on the current year.

Notes to Financial Statements

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25. RESERVES (Continued)

| Company | Share premium account HK\$'000 | Capital redemption reserve HK\$'000 | Contributed surplus HK\$'000 | Accumulated losses HK\$'000 | Total HK\$'000 |
|------------------------------------|-----------------------------------|----------------------------------------|---------------------------------|--------------------------------|-------------------|
| At 1 July 2000 | 565,577 | 145 | 191,644 | (213,875) | 543,491 |
| Net loss for the year | — | — | — | (126,519) | (126,519) |
| At 30 June 2001 and 1 July 2001 | 565,577 | 145 | 191,644 | (340,394) | 416,972 |
| Net loss for the year | — | — | — | (107,989) | (107,989) |
| At 30 June 2002 | 565,577 | 145 | 191,644 | (448,383) | 308,983 |

| | Group | |
|--------------------------|------------------|--------------------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 (Restated) |
| Losses accumulated by: | | |
| Company and subsidiaries | (75,300) | (970) |
| Associates | (80,182) | (68,114) |
| | (155,482) | (69,084) |

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the issued share capital of the subsidiaries and the aggregate net asset value of the subsidiaries acquired at the date of acquisition. Under the Companies Act of Bermuda 1981 (as amended), the contributed surplus of the Company is distributable to shareholders under certain conditions.

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss from operating activities to net cash inflow/(outflow) from operating activities

| | 2002 HK\$'000 | 2001 HK\$'000 (Restated) |
|----------------------------------------------------------------------------------------|------------------|--------------------------------|
| Loss from operating activities | (52,151) | (32,939) |
| Interest income | (969) | (9,073) |
| Depreciation | 18,454 | 17,140 |
| Loss on disposal of fixed assets | 544 | 986 |
| Exchange losses/(gains) arising from translation of advances to overseas associates | (2,747) | 4,561 |
| Provision for/(write-back of) doubtful debts | (435) | 918 |
| Impairment of film rights | 15,536 | — |
| Increase in prepayments, deposits and other receivables | (8,077) | (3,805) |
| Decrease in inventories | 233 | 193 |
| Increase in film rights and films in progress | (18,974) | (5,867) |
| Decrease/(increase) in accounts receivable | (11,689) | 106,956 |
| Decrease in an amount due to a director | — | (205) |
| Increase/(decrease) in accounts payable | 18,178 | (48,480) |
| Increase/(decrease) in accrued liabilities and other payables | (6,161) | 302 |
| Increase in customer deposits | 2,530 | 322 |
| Increase in provision for retirement benefits | 1,204 | 160 |
| Exchange adjustments | (549) | 429 |
| Net cash inflow/(outflow) from operating activities | (45,073) | 31,598 |

(b) Analysis of changes in financing during the years

| | Finance lease obligations HK\$'000 | Minority interests HK\$'000 |
|-----------------------------------------|------------------------------------------|-----------------------------------|
| Balance at 1 July 2000 | — | 38 |
| Share of loss after tax of a subsidiary | — | (5) |
| Balance at 30 June 2001 and 1 July 2001 | — | 33 |
| Inception of finance lease contracts | 906 | — |
| Net cash outflows from financing | (255) | (5) |
| Balance at 30 June 2002 | 651 | 28 |

(c) Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of fixed assets acquired at a total consideration of HK\$1,458,000. Certain fixed assets were disposed of and valued at HK\$552,000 in part exchange for the acquired assets. As a result, the total capital value of the leases at their inception amounted to HK\$906,000.

Notes to Financial Statements

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27. RELATED PARTY TRANSACTIONS

In addition to the balances detailed in notes 14, 19 and 20, the Group had the following transactions with related parties. The directors confirm that all of these transactions were carried out in the ordinary and usual course of business of the Group.

(a) Transactions with the Golden Harvest Private Group

During the year, the Group had material transactions to which members of the Golden Harvest Private Group were parties. The significant transactions are summarised below:

| | Group | |
|-------------------------------------|------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 |
| Film distribution commission income | 139 | 54 |

The Group acted as the distributor of the films produced by companies within the Golden Harvest Private Group and commission income was charged according to prices and conditions similar to those offered to other customers of the Group.

Chow Ting Hsing, Raymond ("Mr. Chow"), Phoon Chiong Kit ("Mr. Phoon"), Chu Siu Tsun, Stephen ("Mr. Chu") and Chan Sik Hong, David ("Mr. Chan"), who were directors of the Company during the year, were interested, directly or indirectly, in certain of the above transactions as directors and/or beneficial shareholders of the members of the Golden Harvest Private Group.

All of the above related party transactions with the members of the Golden Harvest Private Group also constituted connected transactions, as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

In respect of transactions set out above, a conditional waiver from strict compliance with the connected transaction requirements as set out in Chapter 14 of the Listing Rules has been obtained. The directors have reviewed and confirmed that these connected transactions were conducted in the ordinary course of the business of the Group and on terms no less favourable than those offered by unrelated third parties.

27. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with other related parties

Apart from the above, during the year, the Group also had the following material transactions with other related parties:

| | Notes | Group | |
|-----------------------------------------------------------------------------------|--------------|------------------|------------------|
| | | 2002 HK\$'000 | 2001 HK\$'000 |
| Advertising agency fee income from related companies | (i), (ii) | 1,456 | 4,270 |
| Film developing and printing services income from related companies | (i), (iii) | 2,610 | 10,443 |
| Film distribution commission income from related companies | (i), (iv) | 11,329 | 43,715 |
| Consultancy fee income from related companies | (i), (v) | 600 | 3,700 |
| Film production control fee income from a related company | (i), (vi) | 714 | 9,305 |
| Services fees income from a related company | (i), (vii) | 195 | 1,593 |
| Accounting services income from a related company | (i), (viii) | 38 | 442 |
| Distribution administrative service income from a related company | (i), (ix) | 132 | 401 |
| Rental income from a related company | (i), (x) | 365 | 365 |
| Talent management fee income from a related company | (i), (xi) | 150 | 1,000 |
| Interest expense to a related company | (i), (xii) | 201 | — |
| Consultancy fee paid to a related company | (i), (xiii) | 796 | — |
| Film royalty income from associates | (i), (xiv) | 3,452 | 257 |
| Management fee income from associates | (i), (xv) | 2,549 | 2,504 |
| Film sourcing service fee paid to an associate | (i), (xvi) | 126 | 50 |
| Accounting service fee paid to an associate | (i), (xvii) | 81 | 81 |
| Film promotion fee paid to an associate | (i), (xviii) | 55 | — |
| Corporate guarantees given in respect of banking facilities granted to associates | (i), (xix) | 48,493 | 47,056 |

Notes:

- (i) Mr. Chow, Mr. Phoon, Mr. Chu and Mr. Chan, who were directors of the Company during the year, were interested, directly or indirectly, in the above transactions as directors and/or beneficial shareholders of certain of these companies.
- (ii) The agency fee income related to the provision of advertising services which was charged according to prices and conditions similar to those offered to other customers of the Group.
- (iii) The income related to the provision of film developing and printing services which was charged according to prices and conditions similar to those offered to other customers of the Group.
- (iv) The Group acted as the distributor of the films produced by the related companies and the film distribution commission income was charged according to the terms of the distribution agreement dated 21 April 1997 and 2 August 1999 or charged according to prices and conditions similar to those offered to other customers of the Group.

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27. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with other related parties (Continued)

Notes: (Continued)

- (v) The consultancy fee income related to the promotional and advertising services rendered to an associate of the Golden Harvest Private Group and was charged at a rate of HK\$50,000 (2001: HK\$50,000) per month.

Included in the total consultancy fee income received in last year, there was an amount of HK\$3,100,000 related to film exhibition advisory services rendered to a substantial shareholder of an associate of the Group and was charged according to the terms of the agreement dated 1 August 2000.

- (vi) The film production control fee income was charged according to the terms of the service agreement dated 8 February 2000.

- (vii) The services fees income related to the film production service provided to a related company and was charged at a rate of 1.3% (2001: 0.5% to 1.3%) of the total budgeted film production cost.

Included in the total services fees income received in last year, there was an amount of HK\$296,000 related to the handling service provided to a related company on the factoring agreement dated 4 December 2000 entered into between GH Pictures (China) Limited and Bamboo Grove Enterprises Limited, a wholly-owned subsidiary of the Group, and was charged at 1% of the total amount of debt to be purchased.

- (viii) The accounting services income was charged at 0.25% (2001: 0.25%) of the total budgeted film production cost.

- (ix) The distribution administrative service income was charged at 5% (2001: 5%) of the actual payment of distribution expense.

- (x) The rental income was charged at a rate of approximately HK\$30,000 (2001: HK\$30,000) per month for sub-letting the office to an associate of the Golden Harvest Private Group.

- (xi) The talent management service income was charged according to the terms in respective service contracts.

- (xii) The interest expense to an associate of Golden Harvest Private Group was charged at Hong Kong dollars short-term time deposits rate plus 1% per annum.

- (xiii) The consultancy fee paid represented the film production and distribution consulting services provided by a related company to the Group and was charged according to the terms of the agreement dated 1 October 2001.

- (xiv) The royalty income was charged according to the terms of respective distribution agreements.

- (xv) The management fee income representing the following:

- an amount of HK\$240,000 related to consultancy services provided to an associate of the Group and was charged at a rate of HK\$60,000 per month for the period from 1 July 2001 to 31 October 2001 (2001: HK\$60,000 per month);
- an amount of HK\$312,000 related to accounting services provided to three associates of the Group and were charged at rates of HK\$10,000 (2001: HK\$10,000), HK\$14,000 (2001: HK\$14,000) and HK\$2,000 (2001: HK\$5,000) per month, respectively; and
- an amount of HK\$1,997,000 related to consultancy services provided to three associates of the Group and were charged at rates of HK\$120,000 (2001: HK\$120,000) per month and RMB5,000 (2001: Nil) per month, and HK\$500,000 (2001: Nil) per annum, respectively.

27. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with other related parties *(Continued)*

Notes: (Continued)

- (xvi) The film sourcing service fee was charged at a rate of HK\$10,000 per month for the period from 1 July 2001 to 31 December 2001 and HK\$11,000 per month from 1 January 2002 onwards (2001: HK\$10,000 per month from February to June 2001).
- (xvii) The accounting service fee was charged at a rate of S\$1,500 (2001: S\$1,500) per month.
- (xviii) The film promotion fee was charged according to prices and conditions similar to those offered to other customers of the associate.
- (xix) The corporate guarantees were given by the Group in respect of banking facilities granted to certain associates at nil consideration.

Certain transactions amounted to HK\$889,000 (2001: HK\$138,000) included in notes (iv) and (xiii) above with two related companies (2001: one related company) constituted connected transactions as defined in the Listing Rules.

None of the other related party transactions set out above constituted connected transactions as defined in the Listing Rules.

28. REMUNERATION OF DIRECTORS AND OF FIVE HIGHEST PAID INDIVIDUALS

Directors' remuneration

The remuneration of the directors of the Company disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is analysed as follows:

| | 2002 HK\$'000 | 2001 HK\$'000 |
|---------------------------------------------------------|------------------|------------------|
| Fees: | | |
| Executive directors | — | — |
| Non-executive directors | — | 120 |
| Independent non-executive directors | — | 120 |
| | — | 240 |
| Basic salaries, allowances and benefits in kind: | | |
| Executive directors | 11,752 | 10,175 |
| Non-executive directors | — | — |
| Independent non-executive directors | — | — |
| | 11,752 | 10,175 |
| Pension contributions: | | |
| Executive directors | 36 | 21 |
| Non-executive directors | — | — |
| Independent non-executive directors | — | — |
| | 36 | 21 |
| | 11,788 | 10,436 |

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28. REMUNERATION OF DIRECTORS AND OF FIVE HIGHEST PAID INDIVIDUALS (continued)

Directors' remuneration (Continued)

The above remuneration of directors fell within the following bands:

| | 2002 Number | 2001 Number |
|-------------------------------|----------------|----------------|
| Nil – HK\$1,000,000 | 7 | 8 |
| HK\$1,000,001 – HK\$1,500,000 | — | 1 |
| HK\$1,500,001 – HK\$2,000,000 | 1 | — |
| HK\$2,000,001 – HK\$2,500,000 | 1 | — |
| HK\$3,000,001 – HK\$3,500,000 | 1 | 1 |
| HK\$4,500,001 – HK\$5,000,000 | 1 | 1 |
| | 11 | 11 |

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

During the year, 23,000,000 share options were granted to certain directors of the Company in respect of their services to the Group, further details of which are set out under the heading "Share option scheme" in the Report of the Directors.

No value is included in the directors' remuneration in respect of the share options granted during the year because, in the absence of a readily available market value for the options on the Company's shares, the directors were unable to arrive at an accurate assessment of the value of the options granted.

Five highest paid individuals

Of the five highest paid individuals, four (2001: three) were directors of the Company and their remuneration has been included in the directors' remuneration above. The remuneration of the remaining one (2001: two) highest paid individuals for the year is as follows:

| | 2002 HK\$'000 | 2001 HK\$'000 |
|-------------------------------------------------|------------------|------------------|
| Basic salaries, allowances and benefits in kind | 1,279 | 2,290 |
| Pension contributions | 11 | 7 |
| | 1,290 | 2,297 |

The above remuneration of employees fell within the following band:

| | 2002 HK\$'000 | 2001 HK\$'000 |
|-------------------------------|------------------|------------------|
| HK\$1,000,001 – HK\$1,500,000 | 1 | 2 |

29. CONTINGENT LIABILITIES

Contingent liabilities at the balance sheet date were as follows:

| | Group | | Company | |
|---------------------------------------------------------|------------------|------------------|------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 | 2002 HK\$'000 | 2001 HK\$'000 |
| Guarantee of banking facilities granted to subsidiaries | — | — | 5,000 | 113,000 |
| Guarantee of banking facilities granted to associates | 48,493 | 47,056 | 47,320 | 45,883 |
| | 48,493 | 47,056 | 52,320 | 158,883 |

30. COMMITMENTS

| | Group | |
|------------------------------------|------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 |
| (a) Capital commitments: | | |
| Contracted for | 4,623 | 5,469 |
| Authorised, but not contracted for | 562 | 485 |
| | 5,185 | 5,954 |

(b) Operating lease commitments

The Group leases certain of its office premises and cinemas under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 10 years.

| | Group | |
|----------------------------------------------------------------------------------------------------|------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 |
| Total future minimum lease payments under non-cancellable operating leases for land and buildings: | | |
| Within one year | 39,618 | 39,700 |
| In the second to fifth years, inclusive | 161,920 | 163,061 |
| After five years | 13,696 | 49,228 |
| | 215,234 | 251,989 |

Certain non-cancellable operating leases included in above were subject to contingent rent payments, which were charged for the amount of 17% to 29% (2001: 17% to 29%) of their monthly or annual gross box office takings in excess of the base rents as determined in respective lease agreements. In additions, 10% of theatre confectionery sales and advertising income were also charged for certain leases.

Notes to Financial Statements

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30. COMMITMENTS (Continued)

| | Group | |
|------------------------------------------------------------------------------------|----------|----------|
| | 2002 | 2001 |
| | HK\$'000 | HK\$'000 |
| (c) Commitment for capital contribution to a proposed subsidiary registered in PRC | 9,360 | 9,360 |

| | Group | |
|-------------------------------------------------------------------------|----------|----------|
| | 2002 | 2001 |
| | HK\$'000 | HK\$'000 |
| (d) Commitment in respect of the acquisition of interests in associates | 8,160 | 963 |

The Company had no significant commitments at the balance sheet date (2001: Nil).

31. SUBSEQUENT EVENTS

- (a) On 26 July 2002, the Group disposed of its entire 50% equity interest in Mongkol Golden Harvest Company Limited, an associate of the Group as at 30 June 2002. There is no material gain or loss resulted from this transaction.
- (b) On 25 September 2002, the Group acquired 8.34% equity interest in Tanjong Golden Village Sdn. Bhd. ("Tanjong Golden Village"), a 25% owned associate of the Group as at 30 June 2002. Tanjong Golden Village is engaged in theatre operation in Malaysia. The cash consideration for the acquisition of HK\$8,839,000 was fully paid on the acquisition date. Based on the preliminary financial information, the directors consider that the goodwill arising from the acquisition is not material.

32. COMPARATIVE AMOUNTS

As further explained in notes 2 and 4 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified to conform with the current year's presentation.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 October 2002.