

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2002

### 1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2002, except as described below.

In the current period, the Group adopted, for the first time, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new and revised accounting policies. The adoption of these SSAPs has no material effect on the results for the current or prior accounting periods. Accordingly, no prior adjustment is required.

In addition, the adoption of the revisions to SSAP 1 "Presentation of financial statements" and SSAP 15 "Cash flow statements" has resulted in a change in the format of presentation of the statement of changes in equity and the cash flow statement, respectively.

#### Foreign currencies

The revisions to SSAP 11 "Foreign currency translation" have eliminated the choice of translating the income statements of overseas subsidiaries, associates and jointly controlled entities at the closing rate for the period. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Company's subsidiaries and the Group's associates and jointly controlled entities are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the subsidiary, associate or jointly controlled entity is disposed of. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

#### Discontinuing operations

SSAP 33 "Discontinuing operations" is concerned with the presentation of financial information regarding discontinuing operations and replaces the requirements previously included in SSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies". Under SSAP 33, financial statement amounts relating to the discontinuing operations are disclosed separately from the point at which either a binding sale agreement is entered into or a detailed plan for the discontinuance is announced. The adoption of SSAP 33 has resulted in the identification of the Group's geographical segment of Australia as discontinued operation in the current period, details of which are disclosed in note 4.

### 3. SEGMENTAL INFORMATION

#### Business segments

For management purposes, the Group is currently organised into seven major operating divisions. These divisions are the basis on which the Group reports its primary segment information.

An analysis of the Group's turnover and operating results by business segments is as follows:

	Movies, television dramas and documentary production, distribution and licensing income HK\$'000	Investment in marketable securities HK\$'000	Theme restaurant income HK\$'000	Interest income from provision of finance HK\$'000	Property income HK\$'000	Entertainment complexes and theme restaurant franchising income HK\$'000	Music production HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Six months ended 30th September, 2002										
<b>TURNOVER</b>										
External	4,292	8,115	32,630	226	2,257	5,973	3,875	4,152	-	61,520
Inter-segment*	-	-	-	5,312	-	583	-	-	(5,895)	-
Total revenue	<u>4,292</u>	<u>8,115</u>	<u>32,630</u>	<u>5,538</u>	<u>2,257</u>	<u>6,556</u>	<u>3,875</u>	<u>4,152</u>	<u>(5,895)</u>	<u>61,520</u>
<b>RESULT</b>										
Operating result	<u>2,401</u>	<u>15,781</u>	<u>(11,878)</u>	<u>(11,104)</u>	<u>(9,782)</u>	<u>4,384</u>	<u>(9,994)</u>	<u>(997)</u>	<u>(5,312)</u>	<u>(26,501)</u>
Interest income, other than from loans receivable										1,756
Unallocated corporate expenses										<u>(10,418)</u>
Loss from operations										(35,163)
Finance costs										(5,222)
Impairment loss recognised in respect of investments in securities										(22,000)
Gain on deconsolidation and disposal of interests in subsidiaries										12,831
Gain on dilution of interest in an associate										3,810
Recovery of amounts due from jointly controlled entities										1,386
Allowances for amounts due from associates										(8,154)
Share of results of associates										(20,439)
Share of results of jointly controlled entities										<u>(3,712)</u>
Loss before taxation										<u>(76,663)</u>

\* Inter-segment sales are charged at terms determined and agreed between group companies.

### 3. SEGMENTAL INFORMATION – Continued

	Movies, television dramas and documentary production, distribution and licensing income HK\$'000	Investment in marketable securities HK\$'000	Theme restaurant income HK\$'000	Interest income from provision of finance HK\$'000	Property income HK\$'000	Entertainment complexes and theme restaurant franchising income HK\$'000	Music production HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Six months ended 30th September, 2001										
TURNOVER										
External	15,030	-	47,728	4,970	1,898	3,617	1,209	9,625	-	84,077
Inter-segment*	-	-	-	6,652	-	2,687	-	-	(9,339)	-
Total revenue	<u>15,030</u>	<u>-</u>	<u>47,728</u>	<u>11,622</u>	<u>1,898</u>	<u>6,304</u>	<u>1,209</u>	<u>9,625</u>	<u>(9,339)</u>	<u>84,077</u>
RESULT										
Operating result	<u>(20,968)</u>	<u>614</u>	<u>(42,175)</u>	<u>16,621</u>	<u>(30,266)</u>	<u>(5,009)</u>	<u>(4,885)</u>	<u>(9,032)</u>	<u>(6,652)</u>	(101,752)
Interest income, other than from loans receivable										2,073
Unallocated corporate expenses										<u>(7,953)</u>
Loss from operations										(107,632)
Finance costs										(7,605)
Impairment loss recognised in respect of investments in securities										(52,142)
Allowances for amounts due from jointly controlled entities										(4,962)
Allowances for amounts due from associates										(25,397)
Share of results of associates										(1,183)
Share of results of jointly controlled entities										<u>(28,112)</u>
Loss before taxation										<u>(227,033)</u>

\* Inter-segment sales are charged at terms determined and agreed between group companies.

#### 4. DISCONTINUED OPERATIONS

Subsequent to the deconsolidation of interests in Planet Hollywood Australia Pty Ltd and its subsidiaries in November 2001, details of which were set out in the Group's annual report for the year ended 31st March, 2002, PH (Melbourne) Pty Ltd ("PH (Melbourne)"), an indirect wholly-owned subsidiary of the Company, was also placed under administration in April 2002 and operated under severe restrictions that significantly impaired its ability to transfer funds to the Company. PH (Melbourne) was mainly engaged in the operation of theme restaurant in Australia.

Accordingly, PH (Melbourne) has been deconsolidated from the Company's financial statements from the date it was placed under administration and resulted in a gain on deconsolidation of approximately HK\$13 million. The geographical segment of Australia was regarded as discontinued operations thereafter.

The results of the geographical segment of Australia, which have been included in the condensed consolidated financial statements, were as follows:

	Six months ended 30th September,	
	2002 HK\$'000	2001 HK\$'000
Turnover	<u>          -</u>	<u>      20,833</u>
Loss from operations	<u>          -</u>	<u>      (12,930)</u>

#### 5. LOSS FROM OPERATIONS

	Six months ended 30th September,	
	2002 HK\$'000	2001 HK\$'000
Loss from operations has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	7,346	4,034
Amortisation (included in administrative expenses) of:		
– goodwill	275	-
– intangible assets	380	282
(Gain) loss on disposal of property, plant and equipment	(30)	158
Gain on disposal of listed other investments	(3,440)	-
Interest income, other than from loans receivable	<u>(1,756)</u>	<u>      (2,073)</u>

## 6. FINANCE COSTS

	Six months ended 30th September,	
	2002 HK\$'000	2001 HK\$'000
Interest on:		
Bank and other borrowings wholly repayable within five years	4,003	751
Bank and other borrowings not wholly repayable within five years	-	3,221
	<u>4,003</u>	<u>3,972</u>
Convertible notes	1,219	3,633
	<u>5,222</u>	<u>7,605</u>

## 7. GAIN ON DILUTION OF INTEREST IN AN ASSOCIATE

The amount represents the gain on the dilution of the Group's interest in Sing Pao Media Group Limited ("Sing Pao Media") during the period. Details are set out in note 12.

## 8. TAXATION

	Six months ended 30th September,	
	2002 HK\$'000	2001 HK\$'000
The charge comprises:		
Hong Kong Profits Tax of the Company and its subsidiaries:		
- Current period	-	-
- Underprovision in previous period	-	212
Overseas taxation of subsidiaries	51	34
Share of Hong Kong Profits Tax of associates	-	(13)
	<u>51</u>	<u>233</u>

No provision for Hong Kong Profits Tax has been made in the condensed financial statements as the Group had no assessable profit for the period.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

## 9. LOSS PER ORDINARY SHARE

The calculation of the basic loss per ordinary share for the period is based on the following data:

	Six months ended 30th September,	
	2002 HK\$'000	2001 HK\$'000
Loss:		
Net loss for the period	(76,680)	(227,025)
Less: Cumulative dividend for preference shares not yet declared during the period	-	(1,287)
Loss attributable to ordinary shareholders for the purposes of basic loss per ordinary share	<u>(76,680)</u>	<u>(228,312)</u>

Number of ordinary shares:

	Ordinary shares	
Weighted average number of ordinary shares in issue for the purposes of basic loss per ordinary share	<u>2,225,692,095</u>	<u>1,248,366,736</u>

No diluted loss per ordinary share is presented as the exercise price of the share options was higher than the market price of the Company's ordinary share and the conversion of the convertible notes would result in a decrease in the loss per ordinary share for both periods.

## 10. MOVEMENTS IN INVESTMENT PROPERTIES

The Group's investment properties were revalued by the directors of the Company at 30th September, 2002. The deficit arising on revaluation of HK\$2,100,000 has been charged to the condensed consolidated income statement.

## 11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th September, 2002, the Group disposed of certain land and buildings with a net book value of HK\$103 million through the disposal of its entire interests in Unicon Industrial Group Limited and its subsidiary to Paul Y. - ITC Construction Holdings Limited ("Paul Y."). This disposal constituted a discloseable and connected transaction for the Company under the Listing Rules as Paul Y. is an associate of a substantial shareholder of the Company.

## 12. INTERESTS IN ASSOCIATES

In September 2002, following the rights issue arrangement underwent by Sing Pao Media, the shareholding held by the Group therein was diluted from 25.56% to 18.56%. In the opinion of the directors of the Company, the Group is no longer in a position to exercise significant influence over Sing Pao Media's management and accordingly, the investment in Sing Pao Media was reclassified as investments in securities. The loan to Sing Pao Media and interest receivable amounting to a total of approximately HK\$38 million were reclassified as loans and interest receivables thereafter.

### 13. LOANS AND INTEREST RECEIVABLES

	30th September, 2002 HK\$'000	31st March, 2002 HK\$'000
Loans and interest receivables	516,718	456,798
Less: Allowances	<u>(457,762)</u>	<u>(441,298)</u>
	<u><u>58,956</u></u>	<u><u>15,500</u></u>

The Group allows its borrowers a repayment period normally ranging from 3 months to 1 year, the aged analysis of loans and interest receivables (net of allowances) at the reporting date is as follows:

	30th September, 2002 HK\$'000	31st March, 2002 HK\$'000
Current	55,956	12,500
Over 1 year	<u>3,000</u>	<u>3,000</u>
	<u><u>58,956</u></u>	<u><u>15,500</u></u>

Certain receivables were secured by property interests, shares of companies which are under common control of the borrowers and personal guarantees from independent third parties. These receivables carry interest at the prevailing market rates.

#### 14. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows its trade customers a credit period normally ranging from 30 days to 60 days. Included in debtors, deposits and prepayments are trade debtors (net of allowances for bad and doubtful debts) with the following aged analysis:

	30th September, 2002 HK\$'000	31st March, 2002 HK\$'000
Trade debtors:		
0 – 30 days	2,713	6,190
31 – 60 days	864	460
> 60 days	<u>8,137</u>	<u>5,324</u>
	11,714	11,974
Other debtors, deposits and prepayments	<u>22,352</u>	<u>18,429</u>
	<u>34,066</u>	<u>30,403</u>

#### 15. CREDITORS, ACCRUED CHARGES AND DEPOSITS

The following is an aged analysis of trade creditors at the reporting date:

	30th September, 2002 HK\$'000	31st March, 2002 HK\$'000
Trade creditors:		
0 – 30 days	7,749	8,356
31 – 60 days	5,173	1,373
> 60 days	<u>26,472</u>	<u>14,974</u>
	39,394	24,703
Other creditors, accrued charges and deposits	<u>46,428</u>	<u>67,993</u>
	<u>85,822</u>	<u>92,696</u>

#### 16. CONVERTIBLE NOTE

The convertible note, which was held by a wholly-owned subsidiary of Paul Y., was redeemed by the Group in June 2002. The note bore interest at 5% per annum.

## 17. SHARE CAPITAL

	Number of shares	Value HK\$'000
Authorised:		
Preference shares of HK\$0.10 each at 1st April, 2001, 30th September, 2001 and 31st March, 2002	40,000,000	4,000
Cancellation during the period	<u>(40,000,000)</u>	<u>(4,000)</u>
	<u>–</u>	<u>–</u>
Ordinary shares of HK\$0.10 each at 1st April, 2001, 30th September, 2001 and 31st March, 2002	5,000,000,000	500,000
Reduction of share capital	–	(475,000)
Cancellation during the period	<u>(3,248,624,845)</u>	<u>(16,243)</u>
Increase during the period	<u>8,248,624,845</u>	<u>41,243</u>
Ordinary shares of HK\$0.005 each at 30th September, 2002	<u>10,000,000,000</u>	<u>50,000</u>
Total at 30th September, 2002	<u>10,000,000,000</u>	<u>50,000</u>
Total at 31st March, 2002	<u>5,040,000,000</u>	<u>504,000</u>
Issued and fully paid:		
Preference shares of HK\$0.10 each at 1st April, 2001 and 30th September, 2001	2,567,000	256
Redeemed during the period	<u>(2,567,000)</u>	<u>(256)</u>
Preference shares of HK\$0.10 each at 31st March, 2002 and 30th September, 2002	<u>–</u>	<u>–</u>
Ordinary shares of HK\$0.10 each at 1st April, 2001	826,104,885	82,611
Issue of new shares during the period	<u>925,270,270</u>	<u>92,527</u>
Ordinary shares of HK\$0.10 each at 30th September, 2001 and 31st March, 2002	1,751,375,155	175,138
Reduction of share capital	–	(166,381)
Issue of new shares during the period	<u>700,000,000</u>	<u>3,500</u>
Ordinary shares of HK\$0.005 each at 30th September, 2002	<u>2,451,375,155</u>	<u>12,257</u>
Total at 30th September, 2002		<u>12,257</u>
Total at 31st March, 2002		<u>175,138</u>

## 17. SHARE CAPITAL – Continued

During the six months ended 30th September, 2002, the movements in share capital are as follows:

- (i) Pursuant to resolutions passed at a special general meeting held on 9th April, 2002, a capital reorganisation of the Company was approved and was summarised as follows:
  - the paid up capital and par value of each issued ordinary share of the Company was reduced from HK\$0.10 per share to HK\$0.005 per share by the cancellation of HK\$0.095 paid up thereon;
  - all of the authorised but unissued share capital of the Company was cancelled;
  - thereafter the authorised share capital of the Company was increased to HK\$50,000,000 by the creation of 8,248,624,845 new shares of HK\$0.005 each;
  - an amount of HK\$1,850,000,000 standing to the credit of the share premium account of the Company was cancelled; and
  - the amount of the paid up capital of issued shares and share premium so cancelled was credited to the contributed surplus account of the Company. Following the capital reorganisation, the deficit of the Company as at 30th September, 2001 was written off against the contributed surplus account.
- (ii) Pursuant to a resolution passed at a special general meeting held on 29th May, 2002, 350,000,000 ordinary shares of HK\$0.005 each were issued and allotted to ITC Corporation Limited at HK\$0.08 per share and the net proceeds thereof were used to repay borrowings of the Group and provide additional general working capital.
- (iii) Pursuant to a resolution passed at a special general meeting held on 12th June, 2002, the Company placed another 350,000,000 ordinary shares of HK\$0.005 each, through a placing agent, to independent investors at a price of HK\$0.08 per new share and the net proceeds thereof were used to provide additional general working capital for the Group.

Shares issued during the period rank pari passu with the then existing shares in all respects.

## 18. PLEDGE OF ASSETS

At 30th September, 2002, certain of the Group's property interests with an aggregate net book value of approximately HK\$31 million (31.3.2002: HK\$136 million) and bank deposits of approximately HK\$42 million (31.3.2002: HK\$33 million) were pledged to banks to secure credit facilities for the Group.

## 19. RELATED PARTY TRANSACTIONS

During the period, the Group had the following significant transactions with related parties:

	Six months ended 30th September,	
	2002 HK\$'000	2001 HK\$'000
Substantial shareholder and its associates:		
Interest expenses paid ( <i>note i</i> )	2,383	-
Disposal of a subsidiary ( <i>note ii</i> )	103,000	-
Rental and building management expenses paid ( <i>note ii</i> )	1,521	1,787
Interest on convertible notes paid ( <i>note iii</i> )	1,219	3,633
Associates:		
Interest income received ( <i>note i</i> )	977	821
Licence fee income received ( <i>note ii</i> )	-	4,400
Jointly controlled entities:		
Franchise and royalty income received ( <i>note ii</i> )	2,072	-
Interest income received ( <i>note i</i> )	322	-
Companies in which certain directors have beneficial interests:		
Management service fee paid ( <i>note ii</i> )	540	620

### Notes:

- (i) Interest is charged at prevailing market rate in accordance with the respective loan agreements.
- (ii) The transactions are entered into on terms determined and agreed by the Group and the relevant party.
- (iii) Interest is charged at the interest rate stipulated in the respective convertible notes.