



Notes to the Financial Statements

For the year ended 31st March, 2003

23. INVESTMENTS IN SECURITIES

	THE GROUP					
	Investment securities		Other investments		Total	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Equity securities:						
Listed – Hong Kong	28,175	–	789	4,518	28,964	4,518
Listed – Overseas	–	–	9	14	9	14
	<u>28,175</u>	<u>–</u>	<u>798</u>	<u>4,532</u>	<u>28,973</u>	<u>4,532</u>
Debt securities:						
Unlisted	–	–	1,760	25,453	1,760	25,453
	<u>–</u>	<u>–</u>	<u>1,760</u>	<u>25,453</u>	<u>1,760</u>	<u>25,453</u>
Classified under						
Current	–	–	798	4,532	798	4,532
Non-current	28,175	–	1,760	25,453	29,935	25,453
	<u>28,175</u>	<u>–</u>	<u>2,558</u>	<u>29,985</u>	<u>30,733</u>	<u>29,985</u>
Market value of listed securities	<u>28,175</u>	<u>–</u>	<u>798</u>	<u>4,532</u>	<u>28,973</u>	<u>4,532</u>

The carrying value of the unlisted debt securities at 31st March, 2003 represents investment of convertible bonds issued by G-Prop (Holdings) Limited ("G-Prop Bonds"), a company listed on the Stock Exchange. The G-Prop Bonds are non-interest bearing and redeemable in 2004. At the date of redemption, the holders are entitled to convert the G-Prop Bonds into shares in G-Prop (Holdings) Limited at a conversion price of HK\$0.249 per share, subject to adjustment.

During the year, the directors of the Company reviewed the carrying value of the G-Prop Bonds with reference to the recoverable amount of the G-Prop Bonds and according to the restructuring plan proposed by G-Prop (Holdings) Limited, an impairment loss of HK\$23,693,000 (2002: HK\$58,600,000) was identified and charged to the income statement.

During the year ended 31st March, 2002, an impairment in value of overseas listed securities of HK\$56,356,000, represented the cost of an 18.4% interest in Planet Hollywood International Inc. ("PHII"), a company listed on NASDAQ Bulletin Board, was charged to the income statement following a voluntary petition filed by PHII under Chapter 11 of the United States Bankruptcy Code in the Middle District of Florida, Orlando Division.

24. PROPERTIES HELD FOR RESALE

The Group's properties held for resale are carried at net realisable values.



Notes to the Financial Statements

For the year ended 31st March, 2003

25. INVENTORIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Goods held for resale	899	2,707
Food and beverage	568	305
Work in progress	2,815	-
	<u>4,282</u>	<u>3,012</u>

Included above are goods held for resale of HK\$118,000 (2002: HK\$1,761,000) and work in progress of HK\$1,580,000 (2002: nil) carried at net realisable values.

26. LOANS AND INTEREST RECEIVABLES

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Loans and interest receivables	463,634	456,798	10,426	-
Less: Allowances	(435,711)	(441,298)	(997)	-
	<u>27,923</u>	<u>15,500</u>	<u>9,429</u>	<u>-</u>

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Loans and interest receivables	27,923	15,500	9,429	-
Less: Amount due within one year included under current assets	(20,506)	(15,500)	(5,006)	-
Amounts due after one year	<u>7,417</u>	<u>-</u>	<u>4,423</u>	<u>-</u>

Included in the loans and interest receivables of the Group and the Company are loans due from Leadership Publishing of HK\$7,417,000 and HK\$4,423,000, respectively, which are unsecured, bear interest at prevailing market rates and will not be repayable within one year from the balance sheet date. Detail of these are set out in note 22.



Notes to the Financial Statements

For the year ended 31st March, 2003

26. LOANS AND INTEREST RECEIVABLES (continued)

The Group allows its loan 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 balance sheet date is as follows:

	2003 HK\$'000	2002 HK\$'000
Current	24,923	12,500
6 – 12 months	–	–
Over 1 year	3,000	3,000
	<u>27,923</u>	<u>15,500</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 prevailing market rates.

27. 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:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Trade debtors:		
0 – 30 days	2,439	6,190
31 – 60 days	253	460
> 60 days	3,012	5,324
	<u>5,704</u>	<u>11,974</u>
Other debtors, deposits and prepayments	16,805	18,429
	<u>22,509</u>	<u>30,403</u>

28. AMOUNT DUE FROM A SUBSIDIARY

The amount was unsecured, interest-free and was fully settled during the year.

29. AMOUNTS DUE FROM/TO ASSOCIATES/A JOINTLY CONTROLLED ENTITY

The amounts due from and to associates mainly represents trade receivables from and trade payables to subsidiaries of associates, which are unsecured, interest-free and are repayable on demand.

The amount due to a jointly controlled entity is unsecured, interest-free and is repayable on demand.



Notes to the Financial Statements

For the year ended 31st March, 2003

30. CREDITORS, ACCRUED CHARGES AND DEPOSITS

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

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Trade creditors:		
0 – 30 days	2,249	8,356
31 – 60 days	1,516	1,373
> 60 days	22,186	14,974
	<hr/>	<hr/>
Other creditors, accrued charges and deposits	25,951	24,703
	45,432	67,993
	<hr/>	<hr/>
	71,383	92,696
	<hr/> <hr/>	<hr/> <hr/>

31. PROVISION FOR RESTRUCTURING COSTS

	THE GROUP HK\$'000
At 1st April, 2002	23,400
Utilised during the year	(15,256)
Written back during the year	(4,877)
	<hr/>
At 31st March, 2003	3,267
	<hr/> <hr/>

The provision for restructuring costs represents costs provided in respect of the closure of certain theme restaurants.

At the date of this report, the restructuring of the theme restaurant operations has not yet been completed.



Notes to the Financial Statements

For the year ended 31st March, 2003

32. AMOUNTS DUE TO RELATED COMPANIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Gold Picture Management Limited (<i>note i</i>)	2,180	1,100
Cycle Company Limited and Gunnell Properties Limited (<i>note ii</i>)	1,974	-
Paul Y. - ITC Management Limited ("Paul Y. Management") (<i>note ii</i>)	1,973	2
Konyear Limited (<i>note ii</i>)	616	-
Hanny Magnetics Limited (<i>note iv</i>)	289	-
ITC Management Limited ("ITC Management") (<i>note ii</i>)	68	1,119
Paul Y. Building Management Limited (<i>note ii</i>)	44	9
Star East Starmate Limited (<i>note iii</i>)	9	34
Jackie & Willie Productions Limited (<i>note v</i>)	-	2,509
PHII (<i>note i</i>)	-	383
Gold Miracles Limited (<i>note i</i>)	-	200
Star East Group Limited (<i>note iii</i>)	-	171
	<u>7,153</u>	<u>5,527</u>

Note:

- (i) Gold Picture Management Limited, PHII and Gold Miracles Limited are companies in which certain directors of the Company have beneficial interests.
- (ii) These companies are subsidiaries of ITC Corporation Limited ("ITC"), a substantial shareholder of the Company.
- (iii) Star East Starmate Limited is a wholly owned subsidiary of Star East Group Limited. Star East Group Limited is an associate of a substantial shareholder of the Company.
- (iv) Hanny Magnetics Limited is a wholly owned subsidiary of Hanny Holdings Limited which is an associate of ITC.
- (v) Jackie & Willie Productions Limited is a company in which a former director of the Company has beneficial interests.

All the above amounts are unsecured, interest-free and are repayable on demand, except for the amount due to Konyear Limited which bears interest at prevailing market rates.

33. LOANS FROM RELATED COMPANIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
ITC Management	53,686	45,000
Paul Y. Management	25,054	25,054
	<u>78,740</u>	<u>70,054</u>

The amounts are unsecured, bear interest at prevailing market rates and are repayable within one year.



Notes to the Financial Statements

For the year ended 31st March, 2003

34. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Bank loans	149,149	148,318	96,000	108,000
Other loans	1,499	2,738	-	-
	<u>150,648</u>	<u>151,056</u>	<u>96,000</u>	<u>108,000</u>
Analysed as				
- secured	135,012	148,318	96,000	108,000
- unsecured	15,636	2,738	-	-
	<u>150,648</u>	<u>151,056</u>	<u>96,000</u>	<u>108,000</u>
Repayable as follows:				
Within one year	32,512	25,076	12,000	12,000
Between one to two years	16,877	22,851	12,000	12,000
Between two to five years	88,255	55,129	72,000	36,000
Over five years	13,004	48,000	-	48,000
	<u>150,648</u>	<u>151,056</u>	<u>96,000</u>	<u>108,000</u>
Less: Amount due within one year included under current liabilities	<u>(32,512)</u>	<u>(25,076)</u>	<u>(12,000)</u>	<u>(12,000)</u>
Amount due after one year	<u>118,136</u>	<u>125,980</u>	<u>84,000</u>	<u>96,000</u>

35. CONVERTIBLE NOTE

The convertible note, which was held by a wholly owned-subsiidiary of Paul Y. - ITC Construction Holdings Limited ("Paul Y."), was redeemed by the Group in June 2002. The note bore interest at 5% per annum.



Notes to the Financial Statements

For the year ended 31st March, 2003

36. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Preference shares of HK\$0.10 each at 1st April, 2001 and 31st March, 2002	40,000,000	4,000
Cancellation during the year	<u>(40,000,000)</u>	<u>(4,000)</u>
At 31st March, 2003	<u>–</u>	<u>–</u>
Ordinary shares of HK\$0.10 each at 1st April, 2001 and 31st March, 2002	5,000,000,000	500,000
Reduction of share capital	–	(475,000)
Cancellation during the year	(3,248,624,845)	(16,243)
Increase during the year	<u>8,248,624,845</u>	<u>41,243</u>
Ordinary shares of HK\$0.005 each at 31st March, 2003	<u>10,000,000,000</u>	<u>50,000</u>
Total at 31st March, 2003	<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 Redeemed during the year	2,567,000 <u>(2,567,000)</u>	256 <u>(256)</u>
Preference shares of HK\$0.10 each at 31st March, 2002 and 31st March, 2003	<u>–</u>	<u>–</u>
Ordinary shares of HK\$0.10 each at 1st April, 2001	826,104,885	82,611
Issue of new shares to:		
– institutional investors	588,000,000	58,800
– ITC	67,000,000	6,700
– convertible note holders	<u>270,270,270</u>	<u>27,027</u>
Ordinary shares of HK\$0.10 each at 31st March, 2002	1,751,375,155	175,138
Reduction of share capital	–	(166,381)
Issue of new shares	<u>700,000,000</u>	<u>3,500</u>
Ordinary shares of HK\$0.005 each at 31st March, 2003	<u>2,451,375,155</u>	<u>12,257</u>
Total at 31st March, 2003		<u>12,257</u>
Total at 31st March, 2002		<u>175,138</u>



Notes to the Financial Statements

For the year ended 31st March, 2003

36. SHARE CAPITAL (continued)

During the year, the movements in ordinary share capital were as follows:

- (i) Pursuant to a resolution 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 contribution 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 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.

Share issued during the year rank *pari passu* with the then existing shares in all respects.

37. SHARE OPTION SCHEMES

The 1996 Scheme

The Company's share option scheme, adopted on 29th April, 1996 (the "1996 Scheme") and expiring on 28th April, 2006, was for the primary purpose of providing incentives to directors and eligible employees. Under the 1996 Scheme, the Board of Directors of the Company might grant options to executive directors and employees of the Company and its subsidiaries to subscribe for shares in the Company. Options granted had to be accepted within 28 days and were exercisable not earlier than half year nor later than three and a half years from the date of grant. Upon acceptance of the option, the grantee should pay HK\$1 to the Company by way of consideration of the grant.

The total number of shares in respect of which options might be granted under the 1996 Scheme was not permitted to exceed 10% of the total number of the issued shares of the Company from time to time excluding any shares issued pursuant to the 1996 Scheme. No individual shall be granted an option which, if exercised in full, would result in such individual becoming entitled to subscribe for such number of shares, as when aggregated with the total number of shares already issued or was issuable under all the options previously granted to him, exceeding 25% of the aggregate number of shares for the time being issued and issuable under the 1996 Scheme. The exercise price was determined by the board of directors of the Company, and would not be less than the higher of 80% of the average closing price of the shares for the five business days immediately preceding the date of grant and the nominal value of a share.



Notes to the Financial Statements

For the year ended 31st March, 2003

37. SHARE OPTION SCHEMES (continued)

The 1996 Scheme (continued)

Pursuant to the special resolution passed by shareholders of the Company on 28th August, 2002, the Company adopted a new share option scheme (the "2002 Scheme") and terminated the 1996 Scheme. Upon termination of the 1996 Scheme, no further options will be granted thereafter, but all outstanding options granted prior to such termination shall continue to be valid and exercisable in accordance with their terms of issue and, in all other respects, the provisions of the 1996 Scheme shall remain in force.

At 31st March, 2003, the number of shares in respect of outstanding share options which were granted under the 1996 Scheme was 74,500,000, representing approximately 3% of the shares of the Company in issue at that date.

The share options which have been granted under the 1996 Scheme to certain directors and employees of the Group to subscribe for shares in the Company are as follow:

Date of grant	Exercisable period	Exercise price HK\$	Number of share options			Outstanding at 31.3.2003
			Outstanding at 1.4.2002	Granted during the year	Lapsed during the year	
14.9.1999	14.3.2000 to 13.3.2003	1.5880	27,600,000	-	(27,600,000)	-
20.12.1999	20.6.2000 to 19.6.2003	1.7400	20,000,000	-	-	20,000,000
17.3.2000	17.9.2000 to 16.9.2003	1.1600	18,000,000	-	-	18,000,000
3.11.2000	3.5.2001 to 2.5.2004	0.2680	7,000,000	-	-	7,000,000
23.12.2000	23.6.2001 to 22.6.2004	0.2256	10,000,000	-	-	10,000,000
13.6.2001	13.12.2001 to 12.12.2004	0.1700	20,500,000	-	(1,000,000)	19,500,000
			<u>103,100,000</u>	<u>-</u>	<u>(28,600,000)</u>	<u>74,500,000</u>

Date of grant	Exercisable period	Exercise price HK\$	Number of share options			Outstanding at 31.3.2002
			Outstanding at 1.4.2001	Granted during the year	Lapsed during the year	
14.9.1999	14.3.2000 to 13.3.2003	1.5880	27,600,000	-	-	27,600,000
20.12.1999	20.6.2000 to 19.6.2003	1.7400	20,000,000	-	-	20,000,000
17.3.2000	17.9.2000 to 16.9.2003	1.1600	18,000,000	-	-	18,000,000
3.11.2000	3.5.2001 to 2.5.2004	0.2680	7,000,000	-	-	7,000,000
23.12.2000	23.6.2001 to 22.6.2004	0.2256	10,000,000	-	-	10,000,000
13.6.2001	13.12.2001 to 12.12.2004	0.1700	-	20,500,000	-	20,500,000
			<u>82,600,000</u>	<u>20,500,000</u>	<u>-</u>	<u>103,100,000</u>



Notes to the Financial Statements

For the year ended 31st March, 2003

37. SHARE OPTION SCHEMES (continued)

The 1996 Scheme (continued)

Share options granted to the directors of the Company are as follows:

Date of grant	Exercisable period	Exercise price HK\$	Number of share options			
			Outstanding at 1.4.2002	Granted during the year	Lapsed during the year	Outstanding at 31.3.2003
14.9.1999	14.3.2000 to 13.3.2003	1.5880	27,600,000	-	(27,600,000)	-
20.12.1999	20.6.2000 to 19.6.2003	1.7400	20,000,000	-	-	20,000,000
17.3.2000	17.9.2000 to 16.9.2003	1.1600	18,000,000	-	-	18,000,000
3.11.2000	3.5.2001 to 2.5.2004	0.2680	7,000,000	-	-	7,000,000
23.12.2000	23.6.2001 to 22.6.2004	0.2256	10,000,000	-	-	10,000,000
13.6.2001	13.12.2001 to 12.12.2004	0.1700	18,000,000	-	-	18,000,000
			<u>100,600,000</u>	<u>-</u>	<u>(27,600,000)</u>	<u>73,000,000</u>

Date of grant	Exercisable period	Exercise price HK\$	Number of share options			
			Outstanding at 1.4.2001	Granted during the year	Lapsed during the year	Outstanding at 31.3.2002
14.9.1999	14.3.2000 to 13.3.2003	1.5880	27,600,000	-	-	27,600,000
20.12.1999	20.6.2000 to 19.6.2003	1.7400	20,000,000	-	-	20,000,000
17.3.2000	17.9.2000 to 16.9.2003	1.1600	18,000,000	-	-	18,000,000
3.11.2000	3.5.2001 to 2.5.2004	0.2680	7,000,000	-	-	7,000,000
23.12.2000	23.6.2001 to 22.6.2004	0.2256	10,000,000	-	-	10,000,000
13.6.2001	13.12.2001 to 12.12.2004	0.1700	-	18,000,000	-	18,000,000
			<u>82,600,000</u>	<u>18,000,000</u>	<u>-</u>	<u>100,600,000</u>

No share options were exercised by any director or employee during both years.

No charge is recognised in the consolidated income statement in respect of the value of options granted for both years.



Notes to the Financial Statements

For the year ended 31st March, 2003

37. SHARE OPTION SCHEMES (continued)

The 2002 Scheme

On 28th August, 2002, the Company adopted the 2002 Scheme under which the board of directors may at its discretion offer to any director (including non-executive director), employee and contracted celebrity, consultant, adviser or agent of any member of the Group or any entity in which the Group holds an equity interests (the "Eligible Persons") of the Company and/or its subsidiaries options to subscribe for shares in the Company in accordance with the terms of the 2002 Scheme. The principal purpose of the 2002 Scheme is to recognise the significant contributions of the eligible persons to the growth of the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the 2002 Scheme and any other share option schemes of the Company shall not exceed 10% of the issued share capital as at 28th August, 2002, i.e. 245,137,515 shares unless a fresh approval from the shareholders of the Company has been obtained. However, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Scheme and any other share option schemes of the Company shall not in aggregate exceed 30% of the issued share capital of the Company from time to time.

The total number of shares issued and may be issued upon exercise of the options granted to each Eligible Person under the 2002 Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the issued share capital of the Company.

Options granted under the 2002 Scheme must be accepted within 28 days from the date of grant. Upon acceptance, the grantee shall pay HK\$1 to the Company as consideration for the grant.

The subscription price for the shares under the 2002 Scheme shall be a price determined by the board of directors of the Company at its absolute discretion but shall be not be less than the highest of: (i) the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of the shares of the company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share of the Company.

The 2002 Scheme will remain in force for a period of 10 years commencing on 28th August, 2002, after which no further options shall be granted but the options which are granted during the life of 2002 Scheme may continue to be exercisable in accordance with their terms of issue and, in all other respects, the provisions of the 2002 Scheme shall remain in full force and effect.

No options were granted under the 2002 Scheme since its adoption.



Notes to the Financial Statements

For the year ended 31st March, 2003

38. RESERVES

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Deficit <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
At 1st April, 2001	1,866,920	561,538	(2,139,884)	288,574
Issue of shares	69,423	-	-	69,423
Redemption of preference shares	(25,414)	-	-	(25,414)
Shares issue and redemption expenses	(2,869)	-	-	(2,869)
Net loss for the year	-	-	(370,111)	(370,111)
	<u>1,908,060</u>	<u>561,538</u>	<u>(2,509,995)</u>	<u>(40,397)</u>
At 31st March, 2002	1,908,060	561,538	(2,509,995)	(40,397)
Arising from capital reorganisation	(1,850,000)	(409,785)	2,426,166	166,381
Issue of shares	52,500	-	-	52,500
Shares issue expenses	(1,529)	-	-	(1,529)
Net loss for the year	-	-	(136,714)	(136,714)
	<u>109,031</u>	<u>151,753</u>	<u>(220,543)</u>	<u>40,241</u>
At 31st March, 2003	<u>109,031</u>	<u>151,753</u>	<u>(220,543)</u>	<u>40,241</u>

In addition to retained profits, under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

- (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

At 31st March, 2003 and 2002, the Company had no reserves available for distribution to shareholders.

39. OTHER LONG-TERM PAYABLE

The other long-term payable of the Group represents advance from minority shareholders of subsidiaries. The amount is unsecured, interest-free and has no fixed repayment term. The minority shareholders agreed not to demand repayment within one year from the balance sheet date, therefore the amount is shown in the balance sheet as non-current.



Notes to the Financial Statements

For the year ended 31st March, 2003

40. PURCHASE OF SUBSIDIARIES

During the year, the Group acquired the entire issued share capital of Star East On-Line Limited and Star East IT Management Limited at an aggregate consideration of HK\$4.

	2003 HK\$'000	2002 HK\$'000
Net assets acquired:		
Property, plant and equipment	703	264
Deposit paid for acquisition of interest in an associate	-	39,000
Other investments	2,147	-
Debtors, deposits and prepayments	774	1,373
Bank balances and cash	59	1,024
Creditors, accrued charges and deposits	(3,683)	(967)
Minority interests	-	(170)
	<hr/>	<hr/>
Net assets	-	40,524
Goodwill arising on acquisition	-	280
	<hr/>	<hr/>
	<hr/>	<hr/>
	<hr/>	<hr/>
Satisfied by:		
Cash consideration paid	-	40,804
	<hr/>	<hr/>
Analysis of net inflow (outflow) of cash and cash equivalents in connection with the purchase of subsidiaries:		
Cash consideration paid	-	(40,804)
Bank balances and cash acquired	59	1,024
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The subsidiaries acquired during the year have no turnover (2002: contributed HK\$21,853,000 of turnover) and have loss from operations of approximately HK\$15,768,000 (2002: HK\$14,964,000) for the period between the date of acquisition and the balance sheet.



Notes to the Financial Statements

For the year ended 31st March, 2003

41. DECONSOLIDATION AND DISPOSAL OF INTEREST IN SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
Net assets (liabilities) deconsolidated and disposed of:		
Property, plant and equipment	103,165	82
Amount due from a jointly controlled entity	–	2,453
Properties held for resale	5,500	–
Inventories	–	816
Debtors, deposits and prepayments	384	3,500
Bank balances and cash	272	5
Creditors, accrued charges and deposits	(8,136)	(17,241)
Taxation	(3,961)	(943)
	<u>97,224</u>	<u>(11,328)</u>
Net assets (liabilities)	97,224	(11,328)
Exchange reserve	(5,831)	6,032
	<u>91,393</u>	<u>(5,296)</u>
Gain on deconsolidation and disposal of interest in subsidiaries	17,107	5,296
	<u>108,500</u>	<u>–</u>
Satisfied by:		
Loans receivable	5,500	–
Cash consideration received	103,000	–
	<u>108,500</u>	<u>–</u>
Analysis of net inflow (outflow) of cash and cash equivalents in connection with the deconsolidation and disposal of interest in subsidiaries:		
Cash consideration received	103,000	–
Bank balances and cash disposed of	(272)	(5)
	<u>102,728</u>	<u>(5)</u>

The subsidiaries deconsolidated and disposed of during the year contributed turnover of approximately HK\$70,000 (2002: HK\$13,791,000) and loss from operations of approximately HK\$186,000 (2002: HK\$6,951,000).



Notes to the Financial Statements

For the year ended 31st March, 2003

42. MAJOR NON-CASH TRANSACTIONS

During the year ended 31st March, 2003, the major non-cash transactions are as follows:

- (a) During the year, the Group's interest in Leadership Publishing was diluted following the rights issue carried out by Leadership Publishing and subsequent disposal of the Group's interest to Sun Media. Details of these are explained in notes 12 and 22.
- (b) Deposit for acquisition of interest in an associate of HK\$4,750,000 was utilised as a part of the consideration for the acquisition of additional interest in the associate, Applause.
- (c) Increase in loans and interest receivables of approximately HK\$17,200,000 was arisen as a result of the disposal of properties held for resale.
- (d) Repayment of loans and interest receivable of approximately HK\$12,961,000 was satisfied by the acquisition of properties held for resale.
- (e) As explained in note 36, the Company had carried out the capital reorganisation during the year.

During the year ended 31st March, 2002, the major non-cash transactions are as follows:

- (a) The Company issued and allotted 270,270,270 ordinary shares of HK\$0.10 each at the adjusted conversion price of HK\$0.185 per share upon the exercise of the conversion rights attached to the holder of the HK\$50,000,000 convertible note.
- (b) Other investments amounting to HK\$37,863,000 was assigned to the Group to settle the amounts due from associates.
- (c) The issue of approximately 560,000,000 new shares in Sing Pao Media was assigned to the Group to settle the amounts due from associates of HK\$31,039,000.
- (d) Deposit paid on acquisition of franchise of HK\$15,606,000 was transferred to intangible assets.

43. UNRECOGNISED DEFERRED TAXATION

At 31st March, 2003, the Group and the Company had an unrecognised deferred tax asset of approximately HK\$178 million (2002: HK\$174 million) and HK\$8.3 million (2002: HK\$7.8 million), respectively, mainly representing the tax effect of timing differences arising on tax losses available to set off against future assessable profits. These deferred tax assets have not been recognised in the financial statements as it is not certain that the benefit will be realised in the foreseeable future.



Notes to the Financial Statements

For the year ended 31st March, 2003

44. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Minimum lease payments paid under operating leases in respect of rented premises during the year	<u>18,208</u>	<u>34,115</u>

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Within one year	12,429	21,343
In the second to fifth year inclusive	33,565	32,946
Over five years	<u>29,233</u>	<u>35,159</u>
	<u>75,227</u>	<u>89,448</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties and restaurants. Leases are negotiated for an average term of three years with fixed rentals.

At 31st March, 2003 and 2002, the Company had no commitments under non-cancellable operating leases.

The Group as lessor

Property rental income earned during the year was HK\$3,757,000 (2002: HK\$4,612,000). The properties are expected to generate marketable rental yields on an ongoing basis. Certain properties of the Group held have committed tenants for the next one to two years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Within one year	1,858	3,555
In the second to fifth year inclusive	<u>507</u>	<u>634</u>
	<u>2,365</u>	<u>4,189</u>



Notes to the Financial Statements

For the year ended 31st March, 2003

45. COMMITMENTS

At 31st March, 2002, the Group had entered into an agreement to contribute HK\$1,885,000 to acquire a 33.3% interest in a Sino-foreign equity joint venture company in the PRC.

In addition to the above, the Group's share of capital commitments of its jointly controlled entities are as follows:

	2003 HK\$'000	2002 HK\$'000
Contracted but not provided for in respect of acquisition of investments in securities	-	914

At 31st March, 2003, the Group and the Company had no significant capital and other commitments.

46. CONTINGENT LIABILITIES

At 31st March, 2002, the Company had given guarantees to a bank in respect of credit facilities utilised by a non wholly-owned subsidiary of HK\$8,400,000. This guarantee was released by the bank during the year.

47. PLEDGE OF ASSETS

At 31st March, 2003, certain of the Group's property interests with an aggregate carrying value of HK\$30,500,000 (2002: HK\$135,600,000) and bank deposits of the Group and the Company of HK\$39,611,000 (2002: HK\$33,433,000) were pledged to banks to secure credit facilities for the Company and certain of its subsidiaries.

48. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

The amount of contribution payable to pension scheme required by respective jurisdictions other than Hong Kong is also charged to the income statement.

The total cost charged to income statement of approximately HK\$502,000 (2002: HK\$2,568,000) represents contribution payable to these schemes by the Group in respect of the current year.



Notes to the Financial Statements

For the year ended 31st March, 2003

49. RELATED PARTY TRANSACTIONS AND BALANCES

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

	2003 HK\$'000	2002 HK\$'000
Substantial shareholder and its subsidiaries/its associates (<i>note i</i>):		
Interest on convertible notes paid (<i>note ii</i>)	1,219	6,126
Rental and building management expenses paid (<i>note iii</i>)	3,012	2,862
Management service fee paid (<i>note iii</i>)	-	975
Interest expenses paid (<i>note iv</i>)	5,335	847
Purchase of properties, plant and equipment (<i>note iii</i>)	581	-
Disposal of a subsidiary (<i>note iii</i>)	103,000	-
Associates:		
Advertising and promotion expenses paid (<i>note iii</i>)	1,359	2,059
Licence fee income received (<i>note iii</i>)	-	1,800
Interest income received (<i>note iv</i>)	977	1,592
Music production costs paid (<i>note iii</i>)	-	991
Purchase of property, plant and equipment (<i>note iii</i>)	-	925
Sponsorship income received (<i>note iii</i>)	-	170
Distribution income received (<i>note iii</i>)	237	-
Artistes performance fee received (<i>note iii</i>)	182	-
Jointly controlled entities:		
Rental and building management fee paid (<i>note iii</i>)	241	-
Acquisition of a subsidiary (<i>note iii</i>)	-	842
Interest income received (<i>note iv</i>)	641	641
Franchise fee and royalty income received (<i>note iii</i>)	3,589	-
Companies in which certain directors have beneficial interests:		
Management service fee paid (<i>note iii</i>)	1,080	1,220
Artiste royalty fee paid (<i>note iii</i>)	-	2,509
Rental of memorabilia paid (<i>note iii</i>)	-	1,120
	<u> </u>	<u> </u>

Notes:

- (i) In December 2002, Paul Y. became a subsidiary of ITC upon the acquisition of approximately 22% of the issued share capital of Paul Y. by ITC. For the year ended 31st March, 2002, Paul Y. was an associate of ITC.
- (ii) Interest was charged at the interest rate stipulated in the respective convertible notes.
- (iii) The transactions were entered into on terms determined and agreed by the Group and the relevant parties.
- (iv) Interest was charged at prevailing market rates in accordance with the respective loan agreements.

Details of balances with related parties as at the balance sheet date are set out in the consolidated balance sheet and in notes 21, 22, 29, 32, 33 and 35.



Notes to the Financial Statements

For the year ended 31st March, 2003

50. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st March, 2003 are as follows:

Name of subsidiary	Place of incorporation and/or registration/operation	Nominal value of issued and fully paid share capital or registered capital	Attributable proportion of nominal value of issued capital held by the Company		Principal activity
			Directly	Indirectly	
Asiacreation Management Limited	Hong Kong	HK\$2	-	100%	Investment holding
Best Thought Entertainment Limited	Hong Kong	HK\$100	-	70%	Provision of artistes agency and talent management services
Bob & Partners Co., Limited	Hong Kong	HK\$334	-	100%	Movie and television drama production and distribution
Cornhill Development Limited	Hong Kong	HK\$2	-	100%	Provision of finance
Cyber Hero Limited	Hong Kong	HK\$2	-	100%	Securities investment
Extra Wealth Investment Ltd.	British Virgin Islands/ Hong Kong	US\$1	-	100%	Property investment
Global Step Limited	Hong Kong	HK\$2	-	100%	Property investment
Jumbo Field Limited	Hong Kong	HK\$2	-	100%	Property investment
Lane Smart Holdings Limited	British Virgin Islands	US\$100	-	100%	Investment holding
Magnetic Light Profits Limited	British Virgin Islands	US\$1	-	100%	Investment holding
Planet Hollywood (Japan) K. K.	Japan	JPY25,000,000	-	80%	Operation of theme restaurant
Planet Hollywood Entertainment & Advertising Limited	Hong Kong	HK\$2	-	100%	Event marketing and show performance
Planet Hollywood Asia Pte Ltd	Singapore	S\$30,320,001	-	100%	Investment holding
Real Park Limited	Hong Kong/PRC	HK\$2	-	100%	Property investment
Sea Ruby Limited	Hong Kong/PRC	HK\$20	-	100%	Property holding
Sino Forum Limited	Hong Kong	HK\$2	-	100%	Securities investment
Sino Logic Limited	Hong Kong	HK\$2	-	100%	Securities investment
Star East Archive Limited	Hong Kong	HK\$2	-	100%	Movie production and distribution



Notes to the Financial Statements

For the year ended 31st March, 2003

50. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation and/or registration/operation	Nominal value of issued and fully paid share capital or registered capital	Attributable proportion of nominal value of issued capital held by the Company		Principal activity
			Directly	Indirectly	
Star East (B.V.I.) Limited	British Virgin Islands	US\$2	100%	-	Investment holding
Star East Management Limited	Hong Kong	HK\$100	-	100%	Provision of corporate management services
Star East Music Limited	Hong Kong	HK\$2	-	100%	Music production
Star East Talent Management Limited	Hong Kong	HK\$10,000	-	100%	Provisions of artistes agency and talent management service
Well Bright (Asia) Limited	Hong Kong	HK\$2	-	100%	Property investment
上海東魅餐飲娛樂有限公司 (note a) (「上海東魅」)	PRC	US\$2,100,000	-	99.7%	Operation of theme restaurant and entertainment complex
台山市德祥房地產有限公司 (note b) (「台山德祥」)	PRC	US\$5,000,000	-	100%	Property investment
東方魅力娛樂事業股份有限公司	Taiwan	NTD1,200,000	-	100%	Music production

Notes:

- (a) This subsidiary is a Sino-foreign cooperative joint venture.
- (b) This subsidiary is a Sino-foreign equity joint venture. Pursuant to agreements entered with the joint venture partner, the Group is entitled to the entire results of the joint venture.

Except for 上海東魅 and 台山德祥, the above subsidiaries are limited companies incorporated in their respective jurisdiction.

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

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.



Notes to the Financial Statements

For the year ended 31st March, 2003

51. EXTRACTS FROM THE FINANCIAL STATEMENTS OF THE GROUP'S MAJOR JOINTLY CONTROLLED ENTITY

Extracts from the most recent audited financial statements of StarEastWorks for the year ended 31st March, 2003 which are material in the context of the Group's financial statements, are as follows:

Income statement

For the year ended 31st March, 2003

	Year ended 31st March, 2003 HK\$'000 (Note)	Year ended 31st March, 2002 HK\$'000
Turnover	<u>14,406</u>	<u>25,400</u>
Loss before taxation	(34,562)	(25,123)
Taxation	<u>-</u>	<u>-</u>
Loss for the year	<u>(34,562)</u>	<u>(25,123)</u>
Group's share of loss for the year	<u>(17,380)</u>	<u>(12,562)</u>

Net assets

At 31st March, 2003

	2003 HK\$'000	2002 HK\$'000
Non-current assets	17,094	31,035
Current assets	46,805	73,180
Current liabilities	<u>(673)</u>	<u>(6,427)</u>
Net assets	<u>63,226</u>	<u>97,788</u>
Group's share of net assets	<u>31,514</u>	<u>48,894</u>

Note: According to the audited financial statements of StarEastWorks, StarEastWorks has not equity accounted for its share of results of its jointly controlled entity using equity method in accordance with the requirements of SSAP No. 21 "Accounting for interests in Joint Ventures" issued by the Hong Kong Society of Accountants.



Notes to the Financial Statements

For the year ended 31st March, 2003

52. EXTRACTS FROM THE FINANCIAL STATEMENTS OF THE GROUP'S MAJOR ASSOCIATE

Extracts from the most recent audited financial statements of M Channel for the year ended 31st March, 2003 which are material in the context of the Group's financial statements, are as follows:

Income statement

For the year ended 31st March, 2003

	HK\$'000 (Note)
Turnover	35,485
Loss before taxation	(253,247)
Taxation	-
Loss before minority interests	(253,247)
Minority interests	178
Loss for the year	(253,069)
Group's share of loss since acquisition	(19,562)

Net assets

At 31st March, 2003

	HK\$'000
Non-current assets	88,285
Current assets	28,716
Current liabilities	(33,071)
Non-current liabilities	(49,558)
Net assets	34,372
Group's share of net assets	-

Note: According to the audited financial statements of M Channel, the consolidated financial statements of M Channel had not been prepared in accordance with reverse acquisition accounting treatment required by SSAP No. 30 "Business Combination" issued by the Hong Kong Society of Accountants.

53. POST BALANCE SHEET EVENT

On 28th March, 2003, the Company entered into a placing agreement with a placing agent and two subscription agreements with ITC and Strategic Media International Limited ("Strategic Media") whereby the placing agent has conditionally agreed, on a best effort basis, to place up to a maximum of 300,000,000 new shares at a price of HK\$0.04 per new share and ITC and Strategic Media has agreed to subscribe 500,000,000 and 1,100,000,000 new shares, respectively, at a price of HK\$0.04 per new share. The net proceeds from the issue of shares were approximately HK\$74,500,000.

The placing and subscriptions were completed on 12th June, 2003 and 9th July, 2003 respectively.