

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

36 Events subsequent to balance sheet date (continued)

(d) AAAN Bermuda's business combination with Celestial (continued)

Celestial was acquired from Pacific Investments (BVI) Ltd, a company which is controlled by a principal shareholder of AAAN Bermuda Ltd and therefore this is an acquisition of a company under common control. This business combination with Celestial will be accounted for using the principles of uniting of interests. The purchase consideration of approximately RM110.6 million will be settled on 30 September 2003 or such date as the parties may agree and RM345.4 million will be paid to the existing immediate holding company of Celestial to settle outstanding advances.

(e) AAAN Bermuda's business combination with PANV

On 18 August 2003, AAAN Bermuda via its subsidiary, AOL, has entered into an agreement to acquire the entire issued and paid-up share capital of PANV. PANV was incorporated on 13 December 1996 under the laws of the Netherlands Antilles. PANV and its subsidiaries ("PANV Group") are principally involved in the development and production of animated films. PANV was acquired from WSE, a company which is also controlled by a principal shareholder of AAAN Bermuda and therefore this is a business combination under common control and will be accounted for using the principles of uniting of interests. The purchase consideration is approximately RM23,000 and will be settled on 30 September 2003 or such date as the parties may agree.

(f) Acquisition of additional 7.9% issued and paid-up ordinary share capital in TVB Publishing Holding Limited ("TVBPH")

On 20 August 2003, AAAN Bermuda via its subsidiary, MEASAT Broadcast Network Systems (BVI) Limited, acquired an additional 10.0% of the issued ordinary share capital (of which 7.9% has been fully paid) of TVBPH from Home Net N.V. ("HomeNet") for an acquisition price of approximately RM13.7 million. The remaining uncalled ordinary share capital of RM19 million will be called and fully paid by 2005. With this additional acquisition, AAAN Bermuda holds 26.3% of the issued and paid-up ordinary share capital and 3.7% unpaid ordinary share capital of TVBPH.

(g) Acquisition of Maestro Talent and Management Sdn. Bhd. ("MTM")

On 6 August 2003, MBNS acquired 2 ordinary shares of RM1.00 each representing 100% of the issued share capital of MTM for a total consideration of RM2.00.

(h) Debt funding

On 21 August 2003, AAAN Bermuda received a committed offer from DBS Bank Limited for a financing package of up to U.S.\$265 million (approximately RM1,007.0 million) in aggregate to finance the acquisition of Celestial, the repayment of Celestial's shareholder's loan, to provide inter-company advance to AAAN Bermuda, to service interest due, other fees payable under the facility and other purposes as may be approved by the lenders. The loan agreement was signed on 26 September 2003.

(i) Acquisition of ASTRO Entertainment Networks Limited ("AENL")

On 18 September 2003, AENL was incorporated as a private company in Mauritius as a wholly owned subsidiary of AOL. On 19 September 2003, AENL entered into a legally binding letter of intent for the distribution, in Indonesia, of television programming content produced or co-produced by Television Broadcasts Limited and/or its wholly owned subsidiaries, under which AENL is obliged to make minimum guarantee payments of no less than RM6.4 million in the two years from 1 January 2004 or date of first broadcast of such television programming in Indonesia.

(j) Novation of assets and liabilities to AAAN

On 26 September 2003, AAAN entered into novation agreements with AAAN Bemuda Ltd, of which certain assets and liabilities of AAAN Bermuda have been novated to AAAN.

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

37 Additional disclosures

For the purposes of the Accountants' Report, the financial statements are presented in accordance with IFRS adopted by IASB, and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. In addition to the audited consolidated financial statements prepared in accordance with IFRS and in compliance with the Companies Act, 1965, the Directors of MEASAT and AAAN Bermuda had previously authorised the issuance of consolidated financial statements for the financial years ended 31 January 1999, 2000, 2001 and 2002 prepared in accordance with MAAS.

A summary of the restatement of net loss and net assets for the years ended and as at 31 January 1999, 2000, 2001 and 2002 incorporating the changes required to restate the financial statements, previously prepared in accordance with MAAS, to be in accordance with IFRS and adjustments to the financial statements as a result of changes in accounting policies is set out below:

	Notes	MEASAT		AAAN Bermuda	
		Year ended 31 January			
		1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Consolidated net loss					
- MAAS financial statements		(238,765)	(366,123)	(488,096)	(135,640)
Impact of merger with RAPS	(a)	(12,655)	449	0	0
Write off of deferred expenditure arising from preliminary and other costs	(b)	19,391	(20,851)	(108,487)	(132,833)
Recognition of RCPS finance costs	(c)	0	0	(13,040)	(14,498)
Recognition of amortisation of goodwill on investment in associates	(d)	0	0	(3,496)	(3,814)
Others	(e)	0	3,720	(9,789)	(1,120)
IFRS consolidated net loss		(232,029)	(382,805)	(622,908)	(287,905)

	Notes	MEASAT		AAAN Bermuda	
		As at 31 January			
		1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Consolidated net assets/(liabilities)					
- MAAS financial statements		59,119	(308,143)	(597,712)	(745,683)
Impact of merger with RAPS	(a)	1,946	2,395	0	0
Write off of deferred expenditure arising from preliminary and other costs	(b)	(171,369)	(192,220)	(300,707)	(433,540)
Recognition of RCPS finance cost	(c)	0	0	(13,040)	(15,137)
Reclassification of RCPS	(c)	0	0	(178,804)	(187,770)
Recognition of amortisation of goodwill on investment in associates	(d)	0	0	(3,496)	(7,310)
Others	(e)	0	3,720	(6,069)	1,777
IFRS consolidated net liabilities		(110,304)	(494,248)	(1,099,828)	(1,387,663)

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

37 Additional disclosures (continued)

Notes:

- (a) This represents the impact of merger with RAPS in financial year ended 31 January 2001 as disclosed in Note 22(i). The business combination with RAPS had been accounted for using the principles of uniting of interests. Accordingly, the consolidated financial statements of MEASAT were prepared as if the business combination was in place for all periods presented in this Report.
- (b) The Group changed its accounting policy for deferred expenditure in 2003 from deferral and amortisation to charging as an expense to income statement when incurred. The impact of the change in accounting policy is reflected for all years/period presented.
- (c) Under IFRS, the RCPS instruments are accounted for as compound instruments, according to the economic substance of the particular instrument at the initial date of recognition. The fair value of the liability component is calculated using a market interest rate for an equivalent non-convertible instrument. This finance costs in relation to the liability component are charged to income statement. Refer to Section IV Note 26 for further details.
- (d) IAS 22 – Business Combinations stipulates that the goodwill on acquisitions should be amortised on a systematic basis over the estimated useful life. Hence, goodwill arising on acquisition, which was not amortised in the MAAS consolidated financial statements, is amortised over 3 to 5 years on the IFRS consolidated financial statements.
- (e) Others mainly represent the implementation of IAS 39 – Financial Instruments: Recognition and Measurement in respect of the fair value gains/losses on forward foreign exchange contracts and the reversal of a provision for future operating losses which did not meet the definition of provision under IAS 37 – Provisions, Contingent Liabilities and Contingent Assets or MASB 20 – Provisions, Contingent Liabilities and Contingent Assets. There is no equivalent MASB for IAS 39. Cost incurred at the time of the group restructuring in 2001 are charged to the income statement instead of equity.
- (f) No summary of restatement of net loss and net asset is presented for the year ended and as at 31 January 2003 and for the six months ended and as at 31 July 2003 as the audited financial statements were prepared in accordance with IFRS. For these periods, AAAN Bermuda has not prepared the financial statements in accordance with MAAS.

However, if an IFRS to MAAS reconciliation was presented for the year ended and as at 31 January 2003 and this six months ended and as at 31 July 2003, the IFRS amounts may not be expected to differ significantly from those amount that would be reported under MAAS. This is because the differences that arose in previous years were due to either the timing of adoption of new accounting standards or where MAAS is silent on methodologies to be applied and in effect allows some flexibility in accounting policy.

Although the accounting for recognition and measurement of derivative instruments, IAS 39 requires that all derivative instruments are recorded as either assets or liabilities on the balance sheet and measured at fair value while there is no equivalent MAAS standard on this and such instruments are not required to be recorded in the balance sheet for the year ended 31 January 2003 and the six months ended 31 July 2003, this has no financial impact to AAAN Bermuda as AAAN Bermuda has no derivative instruments as at 31 January 2003 and 31 July 2003.

22. ACCOUNTANTS' REPORT (*Cont'd*)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

38 Detailed Statements of Assets and Liabilities

The Detailed Statements of Assets and Liabilities of AAAN Bermuda as at 31 January 2003 and 31 July 2003 have been included in the Consolidated Balance Sheets

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22. ACCOUNTANTS' REPORT (*Cont'd*)



Accountants' Report

V **Celestial Pictures**

Background

Celestial is a limited liability company that was incorporated on 19 March 1996 in Hong Kong under the Companies Ordinance (Chapter 32) under the name of All Asia Television and Radio Broadcast (HK) Limited. On 11 February 1998 the company changed its name to All Asia Radio Network Systems (HK) Limited and later East Asia Filmed Entertainment Limited on 23 February 2000. On 4 August 2000, the Company assumed its current English name of Celestial Pictures Limited. The Chinese name of Celestial Pictures Limited was changed on 2 October 2002.

Principal Activities

Celestial and its wholly-owned subsidiaries, Celestial Movie Channel Limited and Celestial Filmed Entertainment Limited (collectively referred to as "Celestial Pictures") are engaged in the film production, licensing, distribution and operation of movie channels.

Financial Statements and Auditors

For statutory reporting purposes in Hong Kong, the financial statements of Celestial Pictures for the financial years ended 31 January 2001, 2002 and 2003 and six months ended 31 July 2003 were prepared in accordance with accounting principles generally accepted in Hong Kong and audited in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. These financial statements were reported on without any qualification. Since Celestial was inactive for the years ended 31 January 1999 and 2000, it was exempt from the preparation of audited financial statements in accordance with the Hong Kong Companies Ordinance.

Subsequently, the Directors of each company have also prepared and approved the financial statements of Celestial Pictures for years ended 31 January 2001, 2002 and 2003 and for the six months ended 31 July 2003 in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. These financial statements have been audited in accordance with International Standards of Auditing.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates. The financial statements are the responsibility of the Directors of Celestial Pictures.

Basis of Preparation of Financial Information

The financial information included in this Section was based on the audited consolidated financial statements of Celestial Pictures for the years ended 31 January 2001, 2002, 2003 and six months ended 31 July 2003 and the unaudited management accounts of Celestial Pictures for the years ended 31 January 1999 and 2002.

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

V **Celestial Pictures (continued)**

Basis of Preparation of Financial Information (continued)

The financial information presented are expressed in Hong Kong dollars (HK\$) which, solely for the purpose of this Report, have been translated into Ringgit Malaysia ("RM") at the rate of RM0.49 =HK\$1.00, fixed by the Hong Kong Monetary Authority, since October 1983.

Celestial Pictures incurred net losses of RM3.3 million, RM11.0 million, RM44.5 million and RM31.3 million for the years ended 31 January 2001, 2002, 2003 and for the six months ended 31 July 2003, respectively. In addition, Celestial Pictures had deficits in shareholders' equity amounting to RM3.3 million, RM14.4 million, RM46.6 million and RM77.9 million as at 31 January 2001, 2002, 2003 and 31 July 2003, respectively. The current liabilities exceeded current assets by RM250.8 million, RM258.6 million, RM293.5 million and RM338.7 million as at 31 January 2001, 2002, 2003 and 31 July 2003, respectively.

For each period presented, the continuation of Celestial Pictures as a going concern has been dependent on its ability to generate sufficient cash flow to meet its obligations on a timely basis, to comply with terms of its financing arrangements and to obtain additional financing or refinancing as may be required. An intermediate holding company gave an undertaking to provide continuing financial support to Celestial Pictures to enable it to meet its liabilities as and when they fall due and to enable it to continue operation for the foreseeable future. The financial statements of Celestial Pictures as at 31 January 2001, 2002 and 2003 and as at 31 July 2003 disclosed this commitment in a paragraph describing the basis of preparation of the financial statements on a going concern basis.

In a letter dated 20 August 2003, AAAN Bermuda Ltd, the new intermediate holding company of Celestial, confirmed its intention to provide financial support, to Celestial Pictures to enable Celestial Pictures to meet its liabilities as and when they fall due and to carry on the business without significant curtailment of operations.

In view of the aforementioned, the Directors of Celestial Pictures have prepared the financial statements on a going concern basis.

22. ACCOUNTANTS' REPORT (*Cont'd*)



Accountants' Report

V **Celestial Pictures (continued)**

Financial risk management

Financial risk factors

Activities of Celestial Pictures expose it to a variety of financial risks, including foreign currency exchange risk, interest rate risk, credit risk, liquidity and cash flow risk. The Group's overall financial risk management objective is to minimise potential adverse effects on the financial performance of the Group.

(1) **Foreign currency exchange risk management**

The Group operates internationally and is exposed to foreign currency exchange risk as a result of the foreign currency transactions entered into by the Group in currencies other than their functional currencies.

Most of the Group's foreign currency transactions are conducted in U.S.\$s, which currently has a fixed exchange rate relative to the HK\$. Therefore, there is no exposure to foreign currency rate fluctuations denominated in U.S.\$s as long as the exchange rate remains fixed and the exposure to other foreign currency rate fluctuations is minimal.

(2) **Interest rate risk management**

The Group's interest rate exposure arises principally from the Group's borrowings. The interest rate risk is managed through the use of interest free and floating rate corporate advances.

(3) **Credit risk management**

The Group has no significant concentrations of credit risk. Customer credit risk exposure is managed with a combination of credit limits and arrears monitoring procedures. Certain customers are required to place bank guarantee or letter of credit to the Group as security for payments.

(4) **Liquidity and cash flow risk management**

Prudent liquidity risk management implies maintaining sufficient cash. Celestial has been maintaining a reasonable level of cash balance to meet operational requirements and its working capital has been funded by its immediate holding company and fellow subsidiaries.

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

V Celestial Pictures (continued)

Consolidated income statements

	Note	Year ended 31 January					Six months ended 31 July
		1999 RM'000 (unaudited)	2000 RM'000 (unaudited)	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
Revenue	2	0	0	733	3,438	8,284	14,209
Cost of sales		0	0	(696)	(4,093)	(14,558)	(17,736)
Gross profit/(loss)		0	0	37	(655)	(6,274)	(3,527)
Marketing and distribution costs		0	0	(480)	(980)	(4,863)	(7,466)
Administrative expenses		(64)	(13)	(2,008)	(8,735)	(31,330)	(18,764)
Loss from operations	3	(64)	(13)	(2,451)	(10,370)	(42,467)	(29,757)
Finance costs (net)	6	0	0	(811)	(661)	(2,012)	(1,573)
Loss from ordinary activities before taxation		(64)	(13)	(3,262)	(11,031)	(44,479)	(31,330)
Taxation	7	0	0	0	0	0	0
Net loss		(64)	(13)	(3,262)	(11,031)	(44,479)	(31,330)
Loss per share (RM)	8						
- Basic		(32,000)	(6,500)	(1,631,000)	(5,515,500)	(5)	(1)
- Diluted		(32,000)	(6,500)	(1,631,000)	(5,515,500)	(5)	(1)

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

V Celestial Pictures (continued)

Consolidated balance sheets

Note	As at 31 January					As at	
	1999 RM'000 (unaudited)	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	31 July 2003 RM'000	
ASSETS							
Non-current assets							
Property, plant and equipment	9	0	0	71	1,030	3,828	5,045
Film library and programme rights	11	0	0	247,349	243,163	242,905	255,445
Other intangible assets	12	0	0	0	22	190	326
Total non-current assets		0	0	247,420	244,215	246,923	260,816
Current assets							
Inventories	13	0	0	0	0	190	725
Receivables, prepayments and deposits	14	1	1	2,474	8,275	14,239	11,782
Cash and bank balances	15	0	0	853	3,772	11,450	10,554
Total current assets		1	1	3,327	12,047	25,879	23,061
TOTAL ASSETS		1	1	250,747	256,262	272,802	283,877
SHAREHOLDERS' EQUITY							
Ordinary shares	16	0	0	0	0	12,250	12,250
Accumulated losses		(64)	(77)	(3,339)	(14,370)	(58,849)	(90,179)
Total shareholders' equity		(64)	(77)	(3,339)	(14,370)	(46,599)	(77,929)
LIABILITIES							
Current liabilities							
Corporate advances	17	61	70	251,424	268,851	312,256	346,664
Payables	18	4	8	2,662	1,781	7,145	15,142
Total current liabilities		65	78	254,086	270,632	319,401	361,806
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1	1	250,747	256,262	272,802	283,877

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

V Celestial Pictures (continued)

Consolidated statement of changes in shareholders' equity

	Issued and fully paid ordinary shares of HK\$1 each		
	Nominal value RM'000	Accumulated losses RM'000	Total RM'000
As at 31 January 1998/1 February 1998 (unaudited)	0*	0	0
Net loss (unaudited)	0	(64)	(64)
As at 31 January 1999/ 1 February 1999 (unaudited)	0*	(64)	(64)
Net loss (unaudited)	0	(13)	(13)
As at 31 January 2000/1 February 2000 (unaudited)	0*	(77)	(77)
Net loss	0	(3,262)	(3,262)
At 31 January 2001/1 February 2001	0	(3,339)	(3,339)
Net loss	0	(11,031)	(11,031)
As at 31 January 2002/1 February 2002	0	(14,370)	(14,370)
Issue of ordinary shares	12,250	0	12,250
Net loss	0	(44,479)	(44,479)
As at 31 January 2003/1 February 2003	12,250	(58,849)	(46,599)
Net loss	0	(31,330)	(31,330)
As at 31 July 2003	12,250	(90,179)	(77,929)

* represents 2 ordinary shares of HK\$1 per share.

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

V Celestial Pictures (continued)

Consolidated cash flow statements

	Note	Year ended 31 January 2003 RM'000	Six months ended 31 July 2003 RM'000
Cash flows from operating activities			
Net loss		(44,479)	(31,330)
Adjustments for:			
Amortisation of film library and programme rights	3,11	13,075	15,531
Amortisation of other intangible assets	3,12	48	52
Depreciation of property, plant and equipment	3,9	1,033	943
Interest income	6	(33)	(9)
Finance costs	6	2,045	1,582
Impairment of goodwill	3,12	130	0
		(28,181)	(13,231)
Changes in working capital:			
Inventories		(190)	(536)
Receivables, prepayments and deposits		(5,965)	2,458
Payables		5,348	7,997
Cash used in operations		(28,988)	(3,312)
Interest received		33	9
Net cash used in operating activities		(28,955)	(3,303)
Cash flows from investing activities			
Purchase of film library and programme rights	11	(12,817)	(28,071)
Purchase of property, plant and equipment	9	(3,831)	(2,160)
Purchase of software	12	(216)	(188)
Net cash used in investing activities		(16,864)	(30,419)
Cash flows from financing activities			
Advances from corporate companies		53,497	32,826
Net cash from financing activities		53,497	32,826
Net increase / (decrease) in cash and cash equivalents		7,678	(896)
Cash and cash equivalents at beginning of the year/period		3,772	11,450
Cash and cash equivalents at end of the year/period	15	11,450	10,554

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

V Celestial Pictures (continued)

Notes to the consolidated financial statements (continued)

1 Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that there is only one major business segment which is "Film production and content" and that most of its operations are carried out in Hong Kong. Hence, no separate disclosure on segmental reporting is presented in this Report.

2 Revenue

Revenue comprises the following:

	Year ended 31 January					Six months ended
	1999	2000	2001	2002	2003	31 July
	RM'000	RM'000	RM'000	RM'000	RM'000	2003
	(unaudited)					
Licensing income	0	0	0	3,330	2,554	3,825
Sales of video products	0	0	0	0	5,781	7,367
Theatrical income	0	0	733	108	94	64
Subscription fees	0	0	0	0	0	3,218
Less: withholding tax	0	0	0	0	(145)	(265)
Total revenue	0	0	733	3,438	8,284	14,209

3 Loss from operations

The following items have been charged in arriving at the loss from operations:

	Note	Year ended 31 January					Six months ended
		1999	2000	2001	2002	2003	31 July
		RM'000	RM'000	RM'000	RM'000	RM'000	2003
	(unaudited)						
Amortisation of film library and programme rights	11	0	0	222	4,093	13,075	15,531
Amortisation of intangible assets	12	0	0	0	7	48	52
Depreciation of property, plant and equipment	9	0	0	17	460	1,033	943
Directors' emoluments	4						
- Emoluments		0	0	0	1,786	3,137	1,605
- Contribution to pension schemes		0	0	0	3	6	3
Rental of buildings		0	0	63	132	558	384
Staff costs	5	0	0	1,456	3,898	13,619	10,687
Impairment of goodwill	12	0	0	0	0	130	0
Loss on disposal of property, plant and equipment		0	0	0	1	0	0

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

V Celestial Pictures (continued)

Notes to the consolidated financial statements (continued)

4 Directors' emoluments

	Year ended 31 January					Six months ended 31 July
	1999	2000	2001	2002	2003	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	(unaudited)					
Aggregate emoluments	0	0	0	1,789	3,143	1,608

Directors' detailed emoluments:

	Emoluments RM'000	Contribution to pension schemes RM'000	Total RM'000
For the year ended 31 January 2002			
Executive William Theodore Pfeiffer	1,786	3	1,789
For the year ended 31 January 2003			
Executive William Theodore Pfeiffer	3,137	6	3,143
For the six months ended 31 July 2003			
Executive William Theodore Pfeiffer	1,605	3	1,608

Under a share option agreement between Celestial and one of its directors, Mr. William Theodore Pfeiffer ("the director"), the company agreed to grant to the director share options to subscribe for shares of the company up to a maximum of 7.0% of the voting capital of the company. On 10 July 2001, share options granted to the director amounted to 1.0% of the deemed fully diluted voting capital of the company. At the end of each month from 10 July 2001, share options, representing 0.1% of the deemed fully diluted voting capital of the company are granted to the director up to 9 July 2006 as part of the employee compensation benefit. As at 31 July 2003, the aggregate percentage of the company's voting capital vested amounted to 3.5%.

These options are exercisable only when the company has successfully completed an initial public offering and upon compliance with each of the conditions stated in Section 4 of the share option agreement.

When ownership of Celestial is transferred, directly or indirectly, to any person (the "New Owner") specified in Section 7 of the share option agreement, the director shall be entitled to elect in his sole discretion to exchange all (and not a part only) of the unexercised share options over shares in the New Owner.

Subsequent to 31 July 2003, this share option agreement has been terminated.

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

V Celestial Pictures (continued)

Notes to the consolidated financial statements (continued)

5 Staff Costs

Staff costs	Year ended 31 January					Six months ended
	1999	2000	2001	2002	2003	31 July
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	(unaudited)					
Wages and salaries	0	0	1,418	3,562	12,450	9,543
Staff medical insurance	0	0	2	18	74	118
Pension cost - defined contribution plans	0	0	36	318	779	634
Unutilised annual leave	0	0	0	0	316	392
Total staff costs	0	0	1,456	3,898	13,619	10,687

*The above staff costs exclude the amount paid to Directors as disclosed in Note 4.

Number of employees	As at 31 January					As at
	1999	2000	2001	2002	2003	31 July
	(unaudited)					
Total employees	0	0	8	20	76	78

6 Finance costs (net)

Finance costs:	Year ended 31 January					Six months ended
	1999	2000	2001	2002	2003	31 July
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	(unaudited)					
- immediate holding company	0	0	142	669	1,841	1,535
- ultimate holding company	0	0	4,993	0	0	0
- fellow subsidiaries	0	0	0	0	204	47
Other borrowing cost	0	0	368	0	0	0
Amount capitalised in film rights	0	0	(4,681)	0	0	0
Interest income	0	0	822	669	2,045	1,582
	0	0	(11)	(8)	(33)	(9)
	0	0	811	661	2,012	1,573

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

V Celestial Pictures (continued)

Notes to the consolidated financial statements (continued)

7 Taxation

No Hong Kong profits tax has been provided as the Company and its subsidiary have no estimated assessable profit for the three years ended 31 January 2003 and the six months ended 31 July 2003.

Reconciliation between tax on loss before tax and the amount of tax that would arise using the statutory tax rate is as follows:

	Year ended 31 January					Six months ended 31 July
	1999 RM'000 (unaudited)	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
Loss before taxation	(64)	(13)	(3,262)	(11,031)	(44,479)	(31,330)
Tax at the Hong Kong Corporate tax rate	10	2	522	1,765	7,117	5,483
Tax benefits not recognised	(10)	(2)	(522)	(1,765)	(7,117)	(5,483)
Taxation charge	0	0	0	0	0	0

Subject to the agreement by the tax authorities, the Group has unabsorbed tax losses carried forward for which the related tax effects have not been included in the financial statements, amounted to approximately:

	As at 31 January					As at 31 July
	1999 RM'000 (unaudited)	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
Tax losses (cumulative)	(64)	(77)	(3,192)	(13,656)	(50,916)	(83,032)

The benefits of these tax losses carried forward will only be obtained if and when the Company and the respective subsidiary which have such tax losses derive future assessable income of a nature and of an amount sufficient for these losses to be utilised.

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

V Celestial Pictures (continued)

Notes to the consolidated financial statements (continued)

8 Loss per share

The basic loss per share of the Group is calculated by dividing the net loss by the weighted average number of the ordinary shares in issue during the year/period.

	Year ended 31 January				Six months ended 31 July	
	1999 (unaudited)	2000	2001	2002	2003	2003
Net loss (RM'000)	(64)	(13)	(3,262)	(11,031)	(44,479)	(31,330)
Weighted average number of ordinary shares	2	2	2	2	9,452,056	25,000,000
Basic loss per share (RM)	(32,000)	(6,500)	(1,631,000)	(5,515,500)	(5)	(1)
Diluted loss per share (RM)	(32,000)	(6,500)	(1,631,000)	(5,515,500)	(5)	(1)

The diluted loss per share for the three years ended 31 January 2003 and six months ended 31 July 2003 are the same as basic loss per share as there were no potential dilutive ordinary shares.

Conversion of the option granted to William Theodore Pfeiffer is contingent upon the occurrence of Initial Public Offering as disclosed in Note 4.

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

V Celestial Pictures (continued)

Notes to the consolidated financial statements (continued)

9 Property, plant and equipment

Net book amount	Leasehold improvements RM'000	Motor vehicle RM'000	Furniture and fixtures RM'000	Computer equipment RM'000	Office equipment RM'000	Total RM'000
As at 31 January 2000/ 1 February 2000	0	0	0	0	0	0
Additions	0	0	16	61	11	88
Depreciation charge	0	0	(3)	(12)	(2)	(17)
As at 31 January 2001/ 1 February 2001	0	0	13	49	9	71
Additions	762	230	96	201	133	1,422
Disposals	0	0	(3)	0	0	(3)
Depreciation charge	(254)	(57)	(22)	(98)	(29)	(460)
As at 31 January 2002/ 1 February 2002	508	173	84	152	113	1,030
Additions	2,203	86	300	450	792	3,831
Depreciation charge	(593)	(69)	(83)	(134)	(154)	(1,033)
As at 31 January 2003/ 1 February 2003	2,118	190	301	468	751	3,828
Additions	380	0	33	203	1,544	2,160
Depreciation charge	(538)	(39)	(43)	(151)	(172)	(943)
As at 31 July 2003	1,960	151	291	520	2,123	5,045

There was no property, plant and equipment as at and for the years ended 31 January 1999 and 2000.

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

V Celestial Pictures (continued)

Notes to the consolidated financial statements (continued)

9 Property, plant and equipment (continued)

	Leasehold improvements RM'000	Motor vehicle RM'000	Furniture and fixtures RM'000	Computer equipment RM'000	Office equipment RM'000	Total RM'000
<u>As at 31 January 2001</u>						
Cost	0	0	16	61	11	88
Accumulated depreciation	0	0	(3)	(12)	(2)	(17)
Net book amount	0	0	13	49	9	71
<u>As at 31 January 2002</u>						
Cost	762	230	107	263	144	1,506
Accumulated depreciation	(254)	(57)	(23)	(111)	(31)	(476)
Net book amount	508	173	84	152	113	1,030
<u>As at 31 January 2003</u>						
Cost	2,965	316	408	713	936	5,338
Accumulated depreciation	(847)	(126)	(107)	(245)	(185)	(1,510)
Net book amount	2,118	190	301	468	751	3,828
<u>As at 31 July 2003</u>						
Cost	3,344	316	441	916	2,481	7,498
Accumulated depreciation	(1,384)	(165)	(150)	(396)	(358)	(2,453)
Net book amount	1,960	151	291	520	2,123	5,045

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

V Celestial Pictures (continued)

Notes to the consolidated financial statements (continued)

10 Deferred tax assets

Deferred tax is calculated in full on temporary differences under the liability method using principal tax rate as follows:

	Year ended 31 January					Six months ended 31 July
	1999	2000	2001	2002	2003	2003
	%	%	%	%	%	%
	(unaudited)					
Hong Kong tax rate	16	16	16	16	16	17.5

Deferred tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefits through the future taxable profits is probable. The unrecognised tax losses to carry forward against future taxable income amounted to:

	As at 31 January					As at 31 July
	1999	2000	2001	2002	2003	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	(unaudited)					
Tax losses (cumulative)	(64)	(77)	(3,192)	(13,656)	(50,916)	(83,032)

The benefits of these tax losses carried forward will only be obtained if and when the company and the respective subsidiary which have such tax losses derive future assessable income of a nature and of an amount sufficient for these losses to be utilised.

Deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction and same company) during the year/period are as follows:

Year ended 31 January 2001

Deferred tax liabilities	Accelerated tax depreciation RM'000	Total RM'000
At beginning of year	0	0
Charged/(credited) to income statement	10	10
At end of year	10	10

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

V Celestial Pictures (continued)

Notes to the consolidated financial statements (continued)

10 Deferred tax assets (continued)

Year ended 31 January 2001 (continued)

Deferred tax assets	Tax losses RM'000	Total RM'000
At beginning of year	0	0
Charged/(credited) to income statement	(10)	(10)
At end of year	(10)	(10)

Year ended 31 January 2002

Deferred tax liabilities	Accelerated tax depreciation RM'000	Total RM'000
At beginning of year	10	10
Charged/(credited) to income statement	15	15
At end of year	25	25

Deferred tax assets	Tax losses RM'000	Tax Total RM'000
At beginning of year	(10)	(10)
Charged/(credited) to income statement	(15)	(15)
At end of year	(25)	(25)

Year ended 31 January 2003

Deferred tax liabilities	Accelerated tax depreciation RM'000	Total RM'000
At beginning of year	25	25
Charged/(credited) to income statement	285	285
At end of year	310	310

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

V Celestial Pictures (continued)

Notes to the consolidated financial statements (continued)

10 Deferred tax assets (continued)

Year ended 31 January 2003 (continued)

Deferred tax assets	Tax losses RM'000	Tax Total RM'000
At beginning of year	(25)	(25)
Charged/(credited) to income statement	(285)	(285)
At end of year	(310)	(310)

Period ended 31 July 2003

Deferred tax liabilities	Accelerated tax depreciation RM'000	Total RM'000
At beginning of period	310	310
Charged/(credited) to income statement	(92)	(92)
At end of period	218	218

Deferred tax assets	Tax losses RM'000	Total RM'000
At beginning of period	(310)	(310)
Charged/(credited) to income statement	92	92
At end of period	(218)	(218)

There were no deferred tax assets and deferred tax liabilities for the years end 31 January 1999 and 2000.

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

V Celestial Pictures (continued)

Notes to the consolidated financial statements (continued)

11 Film library and programme rights

At amortised cost	As at 31 January					As at 31 July
	1999 RM'000 (unaudited)	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
Film library and programme rights	0	0	247,571	247,478	260,295	288,366
Accumulated amortisation	0	0	(222)	(4,315)	(17,390)	(32,921)
Net book amount	0	0	247,349	243,163	242,905	255,445

Net book amount	Year ended 31 January					Six months ended 31 July
	1999 RM'000 (unaudited)	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
At beginning of year/period	0	0	0	247,349	243,163	242,905
Additions	0	0	247,571	1,985	12,817	28,071
Amortisation charge	0	0	(222)	(4,093)	(13,075)	(15,531)
Disposals	0	0	0	(2,078)	0	0
At end of year/period	0	0	247,349	243,163	242,905	255,445

The amounts of film rights which are pledged as security for the borrowings of the immediate holding company are as follows:

At amortised cost	As at 31 January					As at 31 July
	1999 RM'000 (unaudited)	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
Film rights pledged as securities	0	0	240,955	240,955	0	0

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

V **Celestial Pictures** (continued)

Notes to the consolidated financial statements (continued)

12 **Other intangible assets**

(a) Computer software

At amortised cost	As at 31 January					As at 31 July
	1999	2000	2001	2002	2003	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	(unaudited)					
Computer software, at cost	0	0	0	29	245	433
Accumulated amortisation	0	0	0	(7)	(55)	(107)
Net book amount	0	0	0	22	190	326

Net book amount	Year ended 31 January					Six months ended 31 July
	1999	2000	2001	2002	2003	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	(unaudited)					
At beginning of year/period	0	0	0	0	22	190
Additions	0	0	0	29	216	188
Amortisation charge	0	0	0	(7)	(48)	(52)
Disposals	0	0	0	0	0	0
At the end of year/period	0	0	0	22	190	326

(b) Goodwill

At amortised cost	As at 31 January					As at 31 July
	1999	2000	2001	2002	2003	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	(unaudited)					
Goodwill	0	0	0	0	130	0
Provision for impairment	0	0	0	0	(130)	0
Net book amount	0	0	0	0	0	0

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

V Celestial Pictures (continued)

Notes to the consolidated financial statements (continued)

12 Other intangible assets (continued)

(b) Goodwill (continued)

Net book amount	Year ended 31 January					Six months ended 31 July
	1999 RM'000 (unaudited)	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
At beginning of year/period	0	0	0	0	0	0
Acquisition of a subsidiary	0	0	0	0	130	0
Impairment charge	0	0	0	0	(130)	0
At end of year/period	0	0	0	0	0	0

Goodwill of approximately RM0.1 million arising from the acquisition of a subsidiary, Celestial Movie Channel Limited, was written off to consolidated income statement in the year ended 31 January 2003. Celestial Movie Channel Limited was inactive before acquisition and the Directors of the Group consider it appropriate to write off the goodwill immediately after acquisition.

13 Inventories

At cost	As at 31 January					As at 31 July
	1999 RM'000 (unaudited)	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
Video compact discs	0	0	0	0	190	725

14 Receivables, prepayments and deposits

	As at 31 January					As at 31 July
	1999 RM'000 (unaudited)	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
Trade receivables	0	0	176	123	3,416	2,487
Impairment of trade receivables	0	0	0	(123)	(123)	0
Trade receivables - net	0	0	176	0	3,293	2,487
Amount due from a related company	0	0	0	0	0	1,396
Prepayments and deposits	1	1	2,298	8,275	10,946	7,899
Receivables, prepayments and deposits	1	1	2,474	8,275	14,239	11,782

In general, credit terms granted to debtors range from 20 days to 30 days from the date of invoice.

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

V Celestial Pictures (continued)

Notes to the consolidated financial statements (continued)

14 Receivables, prepayments and deposits (continued)

The Group has no significant concentration of credit risk. Customer credit risk exposure is managed with a combination of credit limits and arrears monitoring procedures.

The currency exposure profile of trade receivables is as follows:

	As at 31 January					As at
	1999	2000	2001	2002	2003	31 July
	RM'000	RM'000	RM'000	RM'000	RM'000	2003
	(unaudited)					RM'000
- U.S.\$	0	0	0	0	1,567	1,573
- HK\$	0	0	176	0	1,726	643
- Renminbi	0	0	0	0	0	57
- Singapore \$	0	0	0	0	0	214
Trade net receivables	0	0	176	0	3,293	2,487

15 Cash and bank balances

For the purposes of the cash flow statement, the cash and cash equivalents comprise the following:

	As at 31 January					As at
	1999	2000	2001	2002	2003	31 July
	RM'000	RM'000	RM'000	RM'000	RM'000	2003
	(unaudited)					RM'000
Cash and bank balances	0	0	853	3,772	11,450	10,554

Included in the cash and cash equivalents are restricted deposits representing amounts withheld by the bank in respect of a guarantee for applying tax free permit, which as at each balance sheet date:

	As at 31 January					As at
	1999	2000	2001	2002	2003	31 July
	RM'000	RM'000	RM'000	RM'000	RM'000	2003
	(unaudited)					RM'000
Restricted cash and bank balances	0	0	0	0	365	0

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

V Celestial Pictures (continued)

Notes to the consolidated financial statements (continued)

15 Cash and bank balances (continued)

The effective interest rate on deposits and bank balances at year/period end was as follows:

	As at 31 January					As at 31 July
	1999 %	2000 %	2001 %	2002 %	2003 %	2003 %
Effective interest rate	n/a	n/a	1.3	0.2	0.3	0.08

Deposits of the Group have an average maturity of 30 days. Bank balances are deposits held at call with banks in current accounts and are non-interest bearing.

The currency exposure profile of deposits, cash and bank balances is as follows:

	As at 31 January					As at 31 July
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
HK\$	0	0	853	3,772	11,450	10,554

16 Ordinary shares

	Year ended 31 January					Six months ended 31 July
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
Authorised:						
Ordinary shares of HK\$1 each						
At beginning of year/period	1	1	1	1	1	49,000
Increase in authorised ordinary share capital	0	0	0	0	48,999	0
At end of year/period	1	1	1	1	49,000	49,000

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

V Celestial Pictures (continued)

Notes to the consolidated financial statements (continued)

16 Ordinary shares (continued)

Issued and fully paid	Number of shares	Nominal value RM'000
<u>Ordinary share of HK\$1 each</u>		
As at 31 January 1999 (unaudited), 31 January 2000 (unaudited), 31 January 2001 and 31 January 2002	2	*
Issue of ordinary shares	24,999,998	12,250
As at 31 January 2003 and 31 July 2003	25,000,000	12,250

All the shares of the Company has been assigned to secure the bank loan facilities of US\$42.7 million (approximately RM163.1 million) granted to the immediate holding company.

* Represents HK\$2 comprising 2 units of ordinary shares of HK\$1 each.

17 Corporate advances

	As at 31 January					As at 31 July
	1999 RM'000 (unaudited)	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
<u>Interest bearing</u>						
Amount due to immediate holding company	0	0	9,555	24,174	73,615	104,976
Amount due to ultimate holding company	0	0	91,429	0	0	0
Amounts due to fellow subsidiaries	0	0	0	0	6,085	7,397
	0	0	100,984	24,174	79,700	112,373
<u>Non-interest bearing</u>						
Amount due to immediate holding company	0	0	150,305	150,874	140,810	142,345
Amounts due to fellow subsidiaries	0	0	0	93,803	91,746	91,946
Amount due to intermediate holding company	61	70	135	0	0	0
	61	70	150,440	244,677	232,556	234,291
Total corporate advances	61	70	251,424	268,851	312,256	346,664

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

V Celestial Pictures (continued)

Notes to the consolidated financial statements (continued)

17 Corporate advances (continued)

The amounts due to immediate holding company and fellow subsidiaries which are interest-bearing are charged at LIBOR of U.S.\$ plus 2% per annum, unsecured and have no fixed terms of repayment. The amount due to ultimate holding company is charged at LIBOR of U.S.\$ plus 1% per annum, unsecured and has no fixed terms of repayment. The remaining amounts are interest-free, unsecured and have no fixed terms of repayment.

18 Payables

	As at 31 January					As at
	1999	2000	2001	2002	2003	31 July
	RM'000	RM'000	RM'000	RM'000	RM'000	2003
	(unaudited)					
Trade payables	0	0	0	0	3,773	10,418
Other payables and accrued expenses	4	8	1,168	782	2,547	3,355
Amounts due to a related company	0	0	445	586	825	6
Deposit received	0	0	1,049	413	0	1,363
	4	8	2,662	1,781	7,145	15,142

The currency exposure profile of trade payables is as follows:

	As at 31 January					As at
	1999	2000	2001	2002	2003	31 July
	RM'000	RM'000	RM'000	RM'000	RM'000	2003
	(unaudited)					
- U.S.\$	0	0	0	0	400	6,457
- Singapore \$	0	0	0	0	0	172
- NT \$	0	0	0	0	0	5
- HK\$	0	0	0	0	3,373	3,784
	0	0	0	0	3,773	10,418

19 Non-cash transactions

For the purpose of cash flow statement, the principal non-cash transaction is the capitalisation of intercompany borrowings of RM12.3 million as share capital of Celestial (Note 16).

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

V Celestial Pictures (continued)

Notes to the consolidated financial statements (continued)

20 Acquisition of subsidiary

Year ended 31 January 2003

Acquisition of Celestial Movie Channel Limited.

On 27 September 2002, Celestial Pictures Limited acquired beneficial interest of 2 shares, representing 100% of equity interest, of Celestial Movie Channel Limited at a consideration of approximately RM1. Celestial Movie Channel Limited has net liabilities of approximately RM130 thousand at the date of acquisition by Celestial Pictures Limited.

The principal activity of Celestial Movie Channel Limited is the operation of television networks. Celestial Movie Channel Limited contributed net loss of approximately RM7 million to the Group for the year ended 31 January 2003, and its assets and liabilities at 31 January 2003 were approximately RM20 million and approximately RM27 million, respectively.

The assets and liabilities arising from the acquisition are as follows:

	2003 RM'000
Payables	(17)
Corporate advances	(113)
Carrying value of net liabilities acquired	(130)
Goodwill	130
Cost of acquisition	0*
Discharged by cash	0*

* The cost of acquisition was approximately RM1.

Period ended 31 July 2003

On 3 July 2003, Celestial Pictures Limited acquired beneficial interest of 2 shares, representing 100% of equity interest, of Celestial Filmed Entertainment Limited and Celestial Productions Limited at a consideration of HK\$2, and indirectly acquired its wholly owned subsidiaries, Celestial Productions Limited and Celestial Filmed Entertainment Inc., accordingly. Celestial Productions Limited and Celestial Filmed Entertainment Inc are inactive since acquisition. Celestial Filmed Entertainment Inc was wholly owned by Celestial Filmed Entertainment Limited since its incorporation on 11 March 2003.

On 7 April 2003, Celestial Movie Channel Limited directly acquired the beneficial interest of 2 shares each, representing 100% of equity interest, of Tian Ying Pin Dao Limited, Tian Ying Movie Channel Limited and Tian Ying Filmed Entertainment Limited at a consideration of HK\$2 each respectively. Tian Ying Pin Dao Limited, Tian Ying Movie Channel Limited and Tian Ying Filmed Entertainment Limited are inactive since acquisition.

There were no acquisitions in the years ended 31 January 2001 and 2002.

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

V **Celestial Pictures (continued)**

Notes to the consolidated financial statements (continued)

21 **Subsidiary**

Details of the subsidiaries at end of the year/period are as follows:

Name of subsidiary	Country of incorporation	Note	Effective date of acquisition	Effective interest %	Principal activities
Directly held by Celestial					
Celestial Movie Channel Limited	Hong Kong		27 September 2002	100	Operations of television networks
Celestial Filmed Entertainment Limited	Hong Kong		3 July 2003	100	Licensing and distribution business
Directly held by Celestial Movie Channel Limited					
Tian Ying Pin Dao Limited	Hong Kong		7 April 2003	100	Inactive
Tian Ying Movie Channel Limited	Hong Kong		7 April 2003	100	Inactive
Tian Ying Filmed Entertainment Limited	Hong Kong		7 April 2003	100	Inactive
Directly held by Celestial Filmed Entertainment Limited					
Celestial Filmed Entertainment Inc	USA	(i)	11 March 2003	100	Inactive
Celestial Productions Limited	Hong Kong		3 July 2003	100	Inactive

(i) 11 March 2003 is the date of incorporation

22 **Related party disclosures**

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant transactions and balances. The related party transactions described below were carried out on terms and conditions obtainable in transactions with unrelated parties.

Related parties	Relationship
PanOcean Management Limited	Ultimate holding company
Pacific Investments (BVI) Limited	Immediate holding company
UTSB Management Sdn Bhd	Fellow subsidiary
Pacific Management Services (HK) Limited	Fellow subsidiary
Excorp Holdings Limited	Fellow subsidiary

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

V Celestial Pictures (continued)

Notes to the consolidated financial statements (continued)

22 Related party disclosures (continued)

The following transactions were carried out with related parties:

(a) Sales of goods and services

	Year ended 31 January					Six months ended 31 July
	1999	2000	2001	2002	2003	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Licensing income	0	0	0	0	0	2,781

This represents licensing income from a related company. The transaction was conducted on normal commercial terms and in the ordinary course of business.

(b) Amount due to a related company

	Year ended 31 January					Six months ended 31 July
	1999	2000	2001	2002	2003	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At beginning of year/period	0	0	0	445	586	825
Amount advanced	0	0	445	141	239	0
Repayment	0	0	0	0	0	(819)
At end of year/period	0	0	445	586	825	6

The amount due to a related company is unsecured, interest-free and has no fixed term of repayment.

(c) Amount due from a related company

	Year ended 31 January					Six months ended 31 July
	1999	2000	2001	2002	2003	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At beginning of year/period	0	0	0	0	0	0
Licensing income earned	0	0	0	0	0	2,781
Repayment	0	0	0	0	0	(1,385)
At end of year/period	0	0	0	0	0	1,396

The amount due from a related company is unsecured, interest-free and repayable within 45 days from the date of invoice.

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

V Celestial Pictures (continued)

Notes to the consolidated financial statements (continued)

23 Commitments

(a) Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

	As at 31 January					As at 31 July
	1999 RM'000 (unaudited)	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
Office equipment	0	0	0	29	157	0
Film production equipment	0	0	0	0	359	0
Film library and programme rights						
- Remastering costs	0	0	58,800	58,800	52,765	48,123
- Other film and programme rights	0	0	26,392	21,675	31,403	18,331
	0	0	85,192	80,504	84,684	66,454

(b) Operating lease commitments – where a group company is the lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 January					As at 31 July
	1999 RM'000 (unaudited)	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
Payable within 1 year	0	0	0	115	472	68
Payable between 1 and 5 years	0	0	0	0	0	0
	0	0	0	115	472	68

24 Contingencies

The Group did not have material contingencies as at 31 July 2003.

25 Detailed statements of assets and liabilities

The Detailed Statements of Assets and Liabilities of Celestial Pictures as at 31 January 2003 and 31 July 2003 have been included in the consolidated balance sheets of these financial statements.

22. ACCOUNTANTS' REPORT (*Cont'd*)

PRICEWATERHOUSECOOPERS 

Accountants' Report

VI Others

Financial Statements

No audited financial statements have been prepared in respect of AAAN, AAAN Bermuda and Celestial Pictures for any period subsequent to 31 July 2003.

No financial information for the PANV Group has been prepared for inclusion in this Report because the Directors are of the opinion that the business combination of PANV with AAAN Bermuda Ltd has no material impact on the financials statements of AAAN Bermuda or AAAN.



PRICEWATERHOUSECOOPERS
(No AF: 1146)
Chartered Accountants



UTHAYA KUMAR S/O K. VIVEKANANDA
(No. 1455/06/04 (J))
Partner of the firm