中期報告 Interim Report 2001-2002

SUNTV
陽光文化

陽光文化網絡電視控股有限公司

SUN TELEVISION CYBERNETWORKS HOLDINGS LIMITED

TO THE DIRECTORS OF
SUN TELEVISION CYBERNETWORKS HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 2 to 31 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Group as at 30th September, 2001 and of its loss and cash flows for the six months then ended.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 1st December, 2001

The board of directors (the "Board") of Sun Television Cybernetworks Holdings Limited (the "Company") is pleased to announce the audited interim reports of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2001 as below:

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2001

		Six months ended	
		30.9.2001	30.9.2000
	Notes	***HK$***	*HK$*
			(Restated)
Turnover	*5*	**146,315,934**	17,902,670
Cost of sales		**(79,435,555)**	(39,044,911)
Gross profit(loss)		**66,880,379**	(21,142,241)
Other revenue	*7*	**2,568,764**	2,759,952
Provision for bad and doubtful debts		**(40,753,120)**	–
Amortisation of goodwill		**(3,060,523)**	(848,091)
Administrative expenses		**(61,329,213)**	(44,569,218)
Loss from operations	*8*	**(35,693,713)**	(63,799,598)
Finance costs	*9*	**(1,656,273)**	(483,528)
Loss before taxation		**(37,349,986)**	(64,283,126)
Taxation	*10*	**–**	–
Loss before minority interests		**(37,349,986)**	(64,283,126)
Minority interests		**(5,181)**	437,107
Net loss for the period		**(37,355,167)**	(63,846,019)
Loss per share (basic and diluted)	*11*	**HK0.56 cents**	HK1.23 cents

CONSOLIDATED BALANCE SHEET
AT 30TH SEPTEMBER, 2001

	Notes	**30.9.2001** **HK$**	31.3.2001 *HK$*
Non-current assets			
Property, plant and equipment	*12*	**78,355,182**	82,393,449
Goodwill	*13*	**113,392,352**	54,457,901
Purchased programme rights	*14*	**27,955,355**	12,932,417
Pledged fixed deposits		**8,580,000**	31,200,000
Investments in securities	*18*	**360,000**	–
		228,642,889	180,983,767
Current assets			
Purchased programme rights	*14*	**4,888,042**	–
Self-produced programmes		**5,339,167**	3,772,540
Inventories	*15*	**1,881,270**	542,495
Amounts due from customers for contract work	*16*	**48,252**	1,093,639
Debtors, prepayments and deposits	*17*	**96,403,997**	67,317,337
Investments in securities	*18*	**893,762**	1,010,340
Pledged fixed deposits		**26,278,794**	27,391,763
Bank balances and cash		**16,937,114**	65,535,266
		152,670,398	166,663,380
Current liabilities			
Creditors, deposits received and accrued charges	*19*	**64,134,669**	48,771,333
Amounts due to customers for contract work	*16*	**758,958**	3,562,877
Obligations under hire purchase contracts – due within one year	*20*	**320,351**	278,238
Borrowings – due within one year	*21*	**32,665,472**	32,213,598
		97,879,450	84,826,046
Net current assets		**54,790,948**	81,837,334
Total assets less current liabilities		**283,433,837**	262,821,101

CONSOLIDATED BALANCE SHEET

AT 30TH SEPTEMBER, 2001

	Notes	**30.9.2001** **HK$**	31.3.2001 *HK$*
Non-current liabilities			
Obligations under hire purchase contracts – due after one year	*20*	**433,166**	–
Borrowings – due after one year	*21*	**25,235,822**	74,846,476
		25,668,988	74,846,476
Minority interests		**2,466,692**	2,461,511
		255,298,157	185,513,114
Capital and reserves			
Share capital	*22*	**148,589,586**	129,532,320
Reserves	*23*	**106,708,571**	55,980,794
		255,298,157	185,513,114

The financial statements on pages 2 to 31 were approved and authorised for issue by the Board of Directors on 1st December, 2001 and are signed on its behalf by:

Yang Lan
CHAIRPERSON

Wu Zheng, Bruno
ALTERNATE DIRECTOR TO CHEN HAN YUAN

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2001

	Six months ended	
	30.9.2001	30.9.2000
	HK$	*HK$*
		(Restated)
Net loss for the period	**(37,355,167)**	(63,846,019)
Exchange (losses) gains on translation of overseas subsidiaries not recognised in the income statement	**(32,290)**	91,593
Total recognised losses	**(37,387,457)**	(63,754,426)
Effect of change in accounting policy on goodwill arising on consolidation – release of goodwill reserve to accumulated losses at 1st April, 2000		7,363,417

CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2001

		Six months ended	
		30.9.2001	30.9.2000
	Notes	***HK$***	*HK$*
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	*25*	**(62,635,992)**	(57,954,059)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interests received		**1,699,204**	2,656,319
Interests paid		**(1,656,273)**	(244,843)
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		**42,931**	2,411,476
INVESTING ACTIVITIES			
Decrease (Increase) in pledged fixed deposits		**23,077,874**	(16,265,897)
Proceeds from disposal of property, plant and equipment		**9,500**	9,500
Purchase of property, plant and equipment		**(5,495,892)**	(54,122,806)
Acquisition of subsidiaries	*26*	**(1,939,183)**	(33,722,376)
NET CASH INFLOW (OUTFLOW) FROM INVESTING ACTIVITIES		**15,652,299**	(104,101,579)
NET CASH OUTFLOW BEFORE FINANCING		**(46,940,762)**	(159,644,162)
FINANCING	*27*		
Issue of shares, net of expenses		**1,152,500**	206,505,825
Repayment of bank loans		**(3,333,334)**	–
Repayment of obligations under hire purchase contracts		**(293,915)**	(182,809)
Repayment of mortgage loans		**(220,792)**	(255,631)
New bank loans raised		**–**	16,084,113
NET CASH (OUTFLOW) INFLOW FROM FINANCING		**(2,695,541)**	222,151,498

CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2001

	Six months ended	
	30.9.2001	30.9.2000
	HK$	*HK$*
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(49,636,303)**	62,507,336
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**66,046,308**	74,674,374
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(32,290)**	(91,593)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**16,377,715**	137,090,117
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**16,937,114**	137,351,436
Fixed deposits pledged to secure bank overdrafts	**1,778,845**	1,702,445
Bank overdrafts	**(2,338,244)**	(1,963,764)
	16,377,715	137,090,117

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2001

1. GENERAL

The Company was incorporated in Bermuda under the Companies Act 1981 of Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Group is principally engaged in the media-related and civil construction businesses.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current period, the Group has adopted, for the first time, the following new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants:

SSAP 9 (Revised)	Events after the Balance Sheet Date
SSAP 14 (Revised)	Leases
SSAP 26	Segment Reporting
SSAP 28	Provisions, Contingent Liabilities and Contingent Assets
SSAP 29	Intangible Assets
SSAP 30	Business Combinations
SSAP 31	Impairment of Assets
SSAP 32	Consolidated Financial Statements and Accounting for Investments in Subsidiaries

SSAP 14 (Revised) restricts the alternatives available for the recognition of finance lease income and specifies additional disclosures for the Group's leasing arrangements. Disclosures for all of the Group's leasing arrangements have been modified so as to meet the requirements of SSAP14 (Revised). Comparative amounts have been restated in order to achieve a consistent presentation.

SSAP 26 is concerned with the presentation and disclosure of financial information. The presentation in the current period's financial statements has been modified in order to conform with the requirements of this standard. Comparative amounts have been restated in order to achieve a consistent presentation.

The adoption of these standards outlined above has not had any effect on the results for the current or prior periods.

3. PRIOR PERIOD ADJUSTMENT

The Group's accounting policy for goodwill arising on consolidation, which in prior years was written off to reserves immediately on acquisition, has been changed during the period subsequent to the six months ended 30th September, 2000 and such goodwill is now capitalised and amortised on a straight line basis over its useful economic life.

This change in accounting policy has been applied retrospectively, resulting in an increase in accumulated losses at 1st April, 2000 of HK$7,363,417, and an increase in the loss for the six months ended 30th September, 2000 of HK$848,091. Comparative amount has been restated in line with the new accounting policy.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the balance sheet date.

The results of the subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary and is capitalised and amortised on a straight line basis over its useful economic life.

On the disposal of an investment in a subsidiary, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less depreciation or amortisation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

Property, plant and equipment in the course of construction are carried at cost less impairment loss. Cost includes professional fees and borrowing costs capitalised in accordance with the Group's accounting policies. The cost of completed construction work is transferred to the appropriate category of property, plant and equipment. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Advantage has been taken of the transitional relief provided by paragraph 72 of the Statement of Standard Accounting Practice 17 "Property, plant and equipment" from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to 30th September, 1995, and accordingly no further revaluation of land and buildings is carried out. In previous years, the surplus arising on the revaluation of these assets was credited to the revaluation reserve. Any further decreases in value of these assets will be charged to the income statement to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale of assets, the attributable revaluation surplus not yet transferred to retained profits in prior years is transferred to retained profits.

The valuation or cost of leasehold land held is amortised over the lease term using the straight line method.

Buildings are depreciated on a straight line basis over the shorter of the lease terms and 25 years.

Depreciation of other assets is provided to write off the cost over their estimated useful lives, using the reducing balance method, at 20% per annum.

Assets held under hire purchase contracts are depreciated over their estimated useful lives on the same basis as owned assets.

Hire purchase contracts

Assets held under hire purchase contracts are capitalised at their fair value at the dates of acquisition. The corresponding liability is included in the balance sheet as obligations under hire purchase contracts. The finance costs, which represent the difference between the total hire purchase commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant contracts so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Purchased programme rights

Cost, which comprises acquired programme costs in respect of programme licence agreements for rights of presentation, is capitalised and charged to the income statement over the shorter of the licence period or over the estimated number of future showings and the estimated useful lives. Programme rights with a licence period of twelve months or less are classified as current assets.

Self-produced programmes

Self-produced programmes are stated at cost less impairment loss, if appropriate. Cost comprises direct expenditure and an appropriate portion of production overheads. The production costs of the self-produced programmes are charged to the income statement upon the first showing of the programmes.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the value of work carried out during the period.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense immediately.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When a contract covers a number of assets, the construction of each asset is treated as a separate contract when separate proposals have been submitted for each asset, each asset has been separately negotiated and the costs and revenue of each asset can be separately identified. A group of contracts, performed concurrently or in a continuous sequence, is treated as a single construction contract when they were negotiated as a single package and are so closely inter-related that they constitute a single project with an overall profit margin.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet as a liability, as advances received. Amounts billed for work performed, but not yet paid by the customer, are included in the balance sheet within trade and other receivables.

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the period.

Convertible bonds

Convertible bonds are regarded as liabilities unless conversion actually occurs. The finance cost recognised in the income statement in respect of the convertible bonds, including the premium payable upon the final redemption of the convertible bonds, is calculated so as to produce a constant periodic rate of charge on the remaining balance of the convertible bonds for each accounting period.

The costs incurred in connection with the issue of convertible bonds are deferred and amortised on a straight line basis over the lives of the convertible bonds from the date of issue of the bonds to their final redemption date. If any of the bonds are purchased and cancelled, redeemed or converted prior to the final redemption date, an appropriate portion of any remaining unamortised costs will be charged immediately to the income statement.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of any impairment loss is recognised as income immediately, unless the relevant asset is carried at a revised amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard.

Revenue recognition

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the value of work carried out during the year. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customers.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Advertising fee income net of agency deductions is recognised when the relevant advertisements are broadcast.

Sales of goods are recognised when goods are delivered and title has passed.

Revenue from sub-licensing of programme rights is recognised upon delivery of the pre-recorded audio visual products and other materials for the programme rights to the customers.

Production fee and consultancy fee income are recognised when the services are rendered.

Rental income, including rental invoiced in advance from machinery under operating leases, is recognised on a straight line basis over the term of relevant lease.

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Operating leases

Rentals payable under operating expenses are charged to the income statement on a straight line basis over the term of the relevant lease.

Taxation

The charge for taxation is based on the results for the period as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated at the rates ruling on the dates of the transactions or at the contracted settlement rate, if applicable. Monetary assets and liabilities denominated in such currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on translation are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries which are denominated in currencies other than Hong Kong dollars are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

Cash equivalents

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are within three months of maturity when acquired; less advances from banks repayable within three months from the dates of the advances.

5. TURNOVER

	Six months ended	
	30.9.2001	30.9.2000
	HK$	*HK$*
Revenue generated from media-related business:		
– advertising fee income	**83,008,586**	586,225
– sub-licensing of programme rights	**23,400,000**	–
– sales of audio-visual products	**5,476,464**	1,242,445
– consultancy fee income	**405,000**	–
– production fee income	**–**	1,500,000
	112,290,050	3,328,670
Revenue generated from construction business:		
– civil engineering	**33,916,630**	14,574,000
– rental income from leasing machinery	**109,254**	–
	34,025,884	14,574,000
	146,315,934	17,902,670

Included in advertising fee income is HK$2,616,821 (six months ended 30.9.2000: Nil) in respect of barter transactions entered into during the period.

6. SEGMENT INFORMATION

For management purposes, the Group is organised into two main operating businesses – media-related and civil construction. These businesses are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

Business segments

Results

	Media-related business Six months ended		Construction business Six months ended		Consolidated Six months ended	
	30.9.2001	30.9.2000	**30.9.2001**	30.9.2000	**30.9.2001**	30.9.2000
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
		(Restated)		(Restated)		(Restated)
Segment Revenue	**112,290,050**	3,328,670	**34,025,884**	14,574,000	**146,315,934**	17,902,670
Segment Result	**(36,111,683)**	(58,091,432)	**417,970**	(5,708,166)	**(35,693,713)**	(63,799,598)

Other Information

	Media-related business Six months ended		Construction business Six months ended		Consolidated Six months ended	
	30.9.2001	30.9.2000	**30.9.2001**	30.9.2000	**30.9.2001**	30.9.2000
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Additions of property, plant and equipment	**5,407,499**	54,124,372	**146,393**	–	**5,553,892**	54,124,372
Depreciation and amortisation of property, plant and equipment	**9,225,904**	3,389,079	**301,802**	439,945	**9,527,706**	3,829,024
Amortisation of goodwill	**3,060,523**	848,091	**–**	–	**3,060,523**	848,091
Provision for bad and doubtful debts	**40,000,000**	–	**753,120**	–	**40,753,120**	–

Balance Sheet

	Media-related business		Construction business		Consolidated	
	30.9.2001	31.3.2001	**30.9.2001**	31.3.2001	**30.9.2001**	31.3.2001
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Segment assets	**355,500,735**	319,717,900	**25,812,552**	27,929,247	**381,313,287**	347,647,147
Segment liabilities	**97,280,192**	131,375,043	**26,268,246**	28,297,479	**123,548,438**	159,672,522

Geographical segments

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods/services:

	Revenue by geographical segment Six months ended	
	30.9.2001	30.9.2000
	HK$	*HK$*
Mainland China	**88,285,050**	1,778,670
Hong Kong	**57,625,884**	16,074,000
Taiwan	**405,000**	50,000
	146,315,934	17,902,670

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and goodwill, by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant, and equipment and goodwill	
	30.9.2001	31.3.2001	**30.9.2001**	31.3.2001
	HK$	*HK$*	***HK$***	*HK$*
Hong Kong	**311,678,452**	272,919,476	**62,895,060**	120,062,149
Mainland China	**59,239,328**	62,258,947	**4,632,587**	12,127,742
Macau	**8,420,292**	9,892,306	**21,219**	5,916,513
Taiwan	**1,975,215**	2,576,418	**–**	972,037
	381,313,287	347,647,147	**67,548,866**	139,078,441

7. OTHER REVENUE

	Six months ended	
	30.9.2001	30.9.2000
	HK$	*HK$*
Interests earned on bank deposits	**1,699,204**	2,656,319
Other income	**869,560**	103,633
	2,568,764	2,759,952

8. LOSS FROM OPERATIONS

	Six months ended	
	30.9.2001	30.9.2000
	HK$	*HK$*
Loss from operations has been arrived at after charging (crediting):		
Depreciation and amortisation of property, plant and equipment:		
Owned assets	**9,458,886**	3,750,249
Assets held under hire purchase contracts	**68,820**	78,775
	9,527,706	3,829,024
Staff costs	**37,848,494**	26,168,325
Operating lease rentals of		
– rented premises	**3,864,486**	3,783,443
– rented equipment	**3,040,934**	–
	6,905,420	3,783,443
Less: amount capitalised in construction contract costs	**(50,400)**	–
	6,855,020	3,783,443
Unrealised loss on investments in securities	**116,578**	1,426,689
Loss (gain) on disposal of property, plant and equipment	**54,953**	(4,220)

9. FINANCE COSTS

	Six months ended	
	30.9.2001	30.9.2000
	HK$	*HK$*
Interests on:		
Bank loans and overdrafts	**1,505,785**	441,232
Convertible bonds	**109,670**	–
Hire purchase contracts	**40,818**	42,296
	1,656,273	483,528

10. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred a tax loss for the period.

Details of unprovided deferred taxation are set out in note 24.

11. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the period of HK$37,355,167 (six months ended 30.9.2000: HK$63,846,019) and the weighted average number of 6,686,080,959 (six months ended 30.9.2000: 5,189,817,088) shares in issue during the period.

The computation of diluted loss per share does not assume the exercise of the potential ordinary shares since their exercise would result in a reduction in loss per share.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Plant and machinery	Motor vehicles	Furniture and equipment	Construction in progress	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
COST OR VALUATION							
At 1st April, 2001	10,205,938	20,832,985	55,240,083	4,626,504	15,696,969	101,637	106,704,116
Additions	–	45,259	3,460,957	822,303	1,225,373	–	5,553,892
Disposals	–	–	(22,951)	–	(58,114)	–	(81,065)
At 30th September, 2001	**10,205,938**	**20,878,244**	**58,678,089**	**5,448,807**	**16,864,228**	**101,637**	**112,176,943**
Comprising:							
At cost	5,705,938	20,878,244	58,678,089	5,448,807	16,864,228	101,637	107,676,943
At valuation 1995	4,500,000	–	–	–	–	–	4,500,000
	10,205,938	20,878,244	58,678,089	5,448,807	16,864,228	101,637	112,176,943
DEPRECIATION AND AMORTISATION							
At 1st April, 2001	1,478,608	5,491,599	9,634,828	3,270,251	4,435,381	–	24,310,667
Provided for the period	151,561	3,120,684	5,028,939	199,704	1,026,818	–	9,527,706
Eliminated on disposals	–	–	(7,838)	–	(8,774)	–	(16,612)
At 30th September, 2001	**1,630,169**	**8,612,283**	**14,655,929**	**3,469,955**	**5,453,425**	**–**	**33,821,761**
NET BOOK VALUES							
At 30th September, 2001	8,575,769	12,265,961	44,022,160	1,978,852	11,410,803	101,637	78,355,182
At 31st March, 2001	8,727,330	15,341,386	45,605,255	1,356,253	11,261,588	101,637	82,393,449

Had all the leasehold land and buildings been carried at cost less accumulated depreciation and amortisation, the carrying value of the leasehold land and buildings at 30th September, 2001 would have been stated at HK$5,391,736 (year ended 31.3.2001: HK$5,487,411).

The net book value of the Group's property, plant and equipment includes an amount of HK$619,367 (year ended 31.3.2001: HK$630,187) in respect of assets held under hire purchase contracts.

13. GOODWILL

	HK$
GROSS AMOUNT	
At 1st April, 2001	67,872,196
Arising on acquisitions of subsidiaries during the period	61,994,974
At 30th September, 2001	129,867,170
AMORTISATION	
At 1st April, 2001	13,414,295
Amortised for the period	3,060,523
At 30th September, 2001	16,474,818
NET BOOK VALUES	
At 30th September, 2001	113,392,352
At 31st March, 2001	54,457,901

Goodwill is amortised using the straight line method over its estimated useful life, which ranges from 3 to 10 years.

14. PURCHASED PROGRAMME RIGHTS

	30.9.2001	31.3.2001
	HK$	*HK$*
Balance at beginning of the period/year	**12,932,417**	–
Additions	**26,396,156**	22,010,036
Charged to the income statement	**(6,485,176)**	(9,077,619)
Balance at end of the period/year	**32,843,397**	12,932,417
Carrying amount analysed for reporting purposes as:		
Current	**4,888,042**	–
Non-current	**27,955,355**	12,932,417
	32,843,397	12,932,417

15. INVENTORIES

The inventories of the Group represent finished goods which are stated at cost at the balance sheet date.

16. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	30.9.2001	31.3.2001
	HK$	*HK$*
Contracts in progress at the balance sheet date:		
Contract costs incurred	**164,104,067**	129,890,102
Recognised profits less recognised losses	**(6,906,296)**	(8,488,338)
	157,197,771	121,401,764
Progress billings	**(157,908,477)**	(123,871,002)
	(710,706)	(2,469,238)
Represented by:		
Due from customers included in current assets	**48,252**	1,093,639
Due to customers included in current liabilities	**(758,958)**	(3,562,877)
	(710,706)	(2,469,238)

At 30th September, 2001, retention monies held by customers for contract work amounted to HK$2,686,930 (year ended 31.3.2001: HK$3,692,310) and were included in debtors, prepayments and deposits. Retention monies received from customers for contract work amounted to HK$5,494,412 (year ended 31.3.2001: HK$3,564,123) and were included in creditors, deposits received and accrued charges.

17. DEBTORS, PREPAYMENTS AND DEPOSITS

The Group allows an average credit period of 30 to 90 days to its trade customers.

The following is an aging analysis of trade debtors at the balance sheet date:

	30.9.2001	31.3.2001
	HK$	*HK$*
0 – 60 days	**68,264,654**	47,330,114
61 – 90 days	**3,152,992**	376,173
Over 90 days	**41,561,051**	1,122,032
Trade debtors	**112,978,697**	48,828,319
Provision for bad and doubtful debts	**(40,753,120)**	–
	72,225,577	48,828,319
Prepayments and deposits	**21,491,490**	14,796,708
Retention monies receivable	**2,686,930**	3,692,310
	96,403,997	67,317,337

Included in trade debtors is HK$23,400,000 in respect of licensing of programme rights to GTM Holdings, Inc. ("GTM"), which will be settled subsequent to the balance sheet date by delivery of a non-transferrable non-interest bearing convertible loan note issued by GTM in the principal amount of US$3,000,000 in accordance with an agreement entered into between the Company and GTM dated 26th September 2001.

18. INVESTMENTS IN SECURITIES

	Other securities		Trading securities		Total	
	30.9.2001	31.3.2001	**30.9.2001**	31.3.2001	**30.9.2001**	31.3.2001
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Equity securities listed in Hong Kong, at fair value	**–**	–	**893,762**	1,010,340	**893,762**	1,010,340
Unlisted debt securities	**360,000**	–	**–**	–	**360,000**	–
	360,000	–	**893,762**	1,010,340	**1,253,762**	1,010,340
Market values of listed securities	**–**	–	**1,276,803**	1,443,343		
Carrying amount analysed for reporting purposes as:						
Current	**–**	–	**893,762**	1,010,340	**893,762**	1,010,340
Non-current	**360,000**	–	**–**	–	**360,000**	––
	360,000	–	**893,762**	1,010,340	**1,253,762**	1,010,340

The directors of the Group consider that if all listed equity securities were sold in the market, the consideration received by the Group would be less than the market value at the balance sheet dates due to inactive trading activity of these listed equity securities. Accordingly, certain discounts have been made to reflect the fair value of the trading securities.

19. CREDITORS, DEPOSITS RECEIVED AND ACCRUED CHARGES

The following is an aging analysis of trade creditors at the balance sheet date:

	30.9.2001	31.3.2001
	HK$	*HK$*
0 – 60 days	**29,409,785**	13,333,058
61 – 90 days	**2,962,546**	1,296,080
Over 90 days	**6,846,217**	15,940,959
Trade creditors	**39,218,548**	30,570,097
Other creditors and accrued charges	**19,421,709**	14,637,113
Retention monies payable	**5,494,412**	3,564,123
	64,134,669	48,771,333

20. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	Minimum lease payments		Present value of minimum lease payments	
	30.9.2001	31.3.2001	**30.9.2001**	31.3.2001
	HK$	*HK$*	***HK$***	*HK$*
Amounts payable under hire purchase contracts:				
Within one year	**515,644**	347,018	**95,429**	278,238
In the second to fifth years inclusive	**981,759**	–	**658,088**	–
	1,497,403	347,018	**753,517**	278,238
Less: Future finance charges	**743,886**	68,780		
Present value of lease obligations	**753,517**	278,238		
Less: Amount due for settlement within one year (shown under current liabilities)			**(320,351)**	(278,238)
Amount due for settlement after one year			**433,166**	–

21. BORROWINGS

	30.9.2001	31.3.2001
	HK$	*HK$*
Borrowings comprise the following:		
Bank borrowings:		
Bank loans	**37,622,014**	40,955,348
Overdrafts	**2,338,244**	1,922,898
Mortgage loans	**1,561,036**	1,781,828
	41,521,294	44,660,074
Convertible bonds	**16,380,000**	62,400,000
	57,901,294	107,060,074
The borrowings are repayable as follows:		
Amount due within one year	**32,665,472**	32,213,598
Amount due after one year	**25,235,822**	74,846,476
	57,901,294	107,060,074

Convertible bonds with the principal amount of US$8.0 million (equivalent to approximately HK$62.4 million) were issued by the Company on 28th February, 2001 and bear interest at 4 per cent per annum, payable semi-annually in arrears on 30th June and 30th December each year. The convertible bonds are convertible into ordinary shares of the Company at either (i) HK$0.2399 per share, representing a premium of about 6.62 per cent over the closing price of HK$0.225 per share as at 27th February, 2001, at any time on or before 21st February, 2004 or (ii) the conversion price which is set at 93 per cent of the average of any 4 consecutive closing prices per share as selected by the subscriber, Credit Suisse First Boston (Hong Kong) Limited ("CSFB"), during the 30 business days immediately prior to conversion at any time on or after 14th March, 2001 and prior to and including 21st February, 2004.

Unless previously cancelled, redeemed or converted, the convertible bonds will be redeemed at 110 per cent of the principal amount together with accrued interest on 28th February, 2004. The redemption premium is being accrued on a straight line basis from the date of issuance to the final redemption date of 28th February, 2004.

During the period, convertible bonds of US$5.9 million (equivalent to approximately HK$46.0 million) were converted into 443,163,318 ordinary shares of the Company.

Pursuant to a subscription agreement dated 28th February, 2001 (the "Subscription Agreement") entered into between the Company and CSFB, the Company has granted an option to CSFB for the subscription of up to 70,000,000 new ordinary shares of HK$0.02 each in the capital of the Company at a subscription price of HK$0.2369 per share (the "Option"), which is equal to 125 per cent of the average closing price per share during the 45 business days prior to 28th February, 2001, the date on which the convertible bonds were issued. The Option is exercisable at any time on or after 28th February, 2001 and prior to and including 28th February, 2004. Up to the balance sheet date, none of the Option had been exercised by CSFB.

CSFB also granted an option to the Company under the Subscription Agreement to issue and require CSFB to subscribe and pay for convertible bonds with an aggregate principal amount of up to US$8.0 million (equivalent to approximately HK$62.4 million) ("Tranche 2 Bonds"), such option to be exercisable within 60 calendar days following and subject to the conversion of the convertible bonds and subject to the satisfaction of certain conditions. The Tranche 2 Bonds shall be issued by the Company within 25 days after exercise by the Company of such option.

The Tranche 2 Bonds shall, if issued, be on substantially the same terms as the convertible bonds set out above save that, among other things, the fixed conversion price for the Tranche 2 Bonds shall be determined by reference to the closing prices of the shares immediately prior to the date on which the Tranche 2 Bonds are issued, at any time on or before 21st February, 2004.

22. SHARE CAPITAL

Movements during the year/period in the share capital of the Company were as follows:

	Notes	**Authorised** *HK$*	**Issued and fully paid** *HK$*
Ordinary shares of HK$0.02 each			
Balance at 1st April, 2000		660,000,000	90,420,320
Shares issued in consideration for the acquisition of the issued share capital of STR Media Limited	*(a)*	–	1,200,000
Placement of shares	*(b)*	–	14,880,000
Exercise of share options		–	32,000
Conversion of preference shares into ordinary shares		–	16,200,000
Balance at 1st April, 2001		660,000,000	122,732,320
Shares issued in consideration for the acquisition of the issued share capital of Capital Channel Limited	*(c)*	–	10,000,000
Exercise of convertible bonds		–	8,863,266
Exercise of share options		–	194,000
Conversion of preference shares into ordinary shares		–	6,800,000
Balance at 30th September, 2001		660,000,000	148,589,586
Convertible non-voting preference shares of HK$0.02 each			
Balance at 1st April, 2000		40,000,000	23,000,000
Conversion of preference shares into ordinary shares		–	(16,200,000)
Balance at 1st April, 2001		40,000,000	6,800,000
Conversion of preference shares into ordinary shares		–	(6,800,000)
Balance at 30th September, 2001		40,000,000	–
Issued and fully paid share capital: At 30th September, 2001			148,589,586
At 31st March, 2001			129,532,320

Holders of the preference shares shall be entitled to receive, in priority to the holders of any other class of shares in the capital of the Company, a fixed cumulative cash dividend in Hong Kong dollars payable at the rate of 5% per annum on the nominal value of HK$0.02 per share. The dividend shall accrue on a daily basis and shall cease to accrue on the date immediately preceding the date on which the relevant notice of conversion or redemption (as the case may be) of the preference shares is deemed served.

The ratio at which the number of shares to be issued by the Company upon conversion of the preference shares is one ordinary share for one preference share and is subject to adjustments set out in appendix I of the circular dated 23rd February, 2000.

Unless previously converted, the Company shall at any time after the fifth anniversary of the issue date be entitled to redeem all but not part of the preference shares held by any preference shareholder at the aggregate subscription prices paid or credited as paid by such preference shareholder for the preference shares being redeemed.

The preference shares shall rank in priority to the ordinary shares as to a return of capital on liquidation.

Holders of the preference shares shall have the right to receive notice of, but not the right to attend or vote at, general meetings of the Company unless a resolution is to be proposed at the general meeting for the winding-up of the Company or for varying or abrogating the rights or privileges of the preference shareholders.

Notes:

(a) Acquisition of 80% of the issued share capital of STR Media Limited ("STR Media")

On 14th June, 2000, the Group entered into an agreement to acquire from STR International Holdings Company Limited ("STR International") 80% interests of the total issued share capital of STR Media, a company incorporated in the British Virgin Islands, and an unsecured and non interest bearing loan of RMB2,400,000 due by STR Media to STR International at a total consideration of HK$24,000,000 which was satisfied by the issue of 60,000,000 new ordinary shares of the Company at HK$0.40 each.

(b) Placement of shares

On 18th July, 2000, an arrangement was made for a placing and subscription of 300,000,000 new ordinary shares of HK$0.02 each in the Company to a number of independent investors not connected with the directors, chief executive or substantial shareholders of the Company or its subsidiaries or their respective associates at a price of HK$0.29 per share. The price of HK$0.29 per share represented a discount of approximately 15.9 per cent to the closing share price per share of HK$0.345 as quoted on the Stock Exchange on 17th July, 2000 and a premium of approximately 4.7 per cent over the average closing price of the shares for the last ten trading days of HK$0.277 per share. 70 per cent of the net proceeds of the placing was intended to be used for the acquisition and production of additional programmes and 30 per cent of the net proceeds would be used as general working capital for the Group.

On 22nd July, 2000, another arrangement was made for a placing and subscription of 444,000,000 new shares of HK$0.02 each in the Company to a number of independent investors not connected with the directors, chief executive or substantial shareholders of the Company or its subsidiaries or their respective associates at a price of HK$0.29 per share. The price of HK$0.29 per share represented a discount of approximately 6.5 per cent to the closing share price per share of HK$0.31 as quoted on the Stock Exchange on 21st July, 2000 and a premium of approximately 1.8 per cent over the average closing price of the shares for the last ten trading days of HK$0.285 per share. 70 per cent of the net proceeds of the placing was intended to be used for the acquisition and production of additional programmes and 30 per cent of the net proceeds would be used as general working capital for the Group.

(c) Acquisition of the entire issued share capital of Capital Channel Limited.

On 7th September, 2001, the Company entered into an agreement to acquire the entire issued share capital of Capital Channel Limited, a company incorporated in the British Virgin Islands with limited liability, at a consideration of HK$60.0 million which was satisfied by the issue and allotment of 500,000,000 ordinary shares of the Company at HK$0.12 per share.

At the shares issued during the year/period rank pari passu with the then existing shares in all respects.

23. RESERVES

	Share premium *HK$*	Asset revaluation reserve *HK$*	Translation reserve *HK$*	Capital reserve *HK$*	Accumulated losses *HK$*	Total *HK$*
At 1st April, 2000	12,282,098	3,245,320	–	3,490,000	(51,532,856)	(32,515,438)
New issue of shares, net of expenses	214,316,625	–	–	–	–	214,316,625
Exercise of share options	147,600	–	–	–	–	147,600
Transfer	–	(111,772)	–	–	111,772	–
Exchange losses on translation of overseas subsidiaries	–	–	(135,835)	–	–	(135,835)
Net loss for the year	–	–	–	–	(125,832,158)	(125,832,158)
At 1st April, 2001	226,746,323	3,133,548	(135,835)	3,490,000	(177,253,242)	55,980,794
New issue of shares	50,000,000	–	–	–	–	50,000,000
Exercise of share options	958,500	–	–	–	–	958,500
Conversion of convertible bonds	37,156,734	–	–	–	–	37,156,734
Transfer	–	(55,886)	–	–	55,886	–
Exchange losses on translation of overseas subsidiaries	–	–	(32,290)	–	–	(32,290)
Net loss for the period	–	–	–	–	(37,355,167)	(37,355,167)
	314,861,557	3,077,662	(168,125)	3,490,000	(214,552,523)	106,708,571

The capital reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to a group reorganisation in November 1992 and the nominal value of the Company's shares issued in exchange thereof.

The transfer of HK$55,886 for the six months ended 30th September, 2001 (year ended 31.3.2001: HK$111,772) from the asset revaluation reserve to the accumulated losses represents depreciation and amortisation on revaluation surplus attributable to the leasehold land and buildings.

In the opinion of the directors, the Company has no reserves available for distribution to its shareholders at the balance sheet date.

However, pursuant to the Companies Act 1981 of Bermuda, the Company's share premium account of HK$314,861,557 at 30th September, 2001 (year ended 31.3.2001: HK$226,746,323) can be distributed in the form of fully paid bonus shares.

24. UNPROVIDED DEFERRED TAXATION

At the balance sheet date, the major components of the unprovided deferred tax assets (liabilities) are as follows:

	30.9.2001	31.3.2001
	HK$	*HK$*
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	**(3,268,000)**	(4,494,000)
Estimated tax losses	**53,858,000**	48,587,000
	50,590,000	44,093,000

The components of the unprovided deferred tax credit for the period/year are as follows:

	30.9.2001	31.3.2001
	HK$	*HK$*
Tax effect of timing differences because of:		
Excess of depreciation over tax allowances	**1,226,000**	(4,304,000)
Tax losses arising	**5,271,000**	26,785,000
	6,497,000	22,481,000

The net deferred tax asset has not been recognised in the financial statements as it is not certain that it will be realised in the foreseeable future.

Deferred tax has not been provided on the valuation surplus arising on the valuation of leasehold land and buildings as profits arising on the disposal of these assets would not be subject to Hong Kong Profits Tax. Accordingly, the valuation does not constitute a timing difference for taxation purposes.

25. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Six months ended	
	30.9.2001	30.9.2000
	HK$	*HK$*
Loss before taxation	**(37,349,986)**	(64,283,126)
Interest income	**(1,699,204)**	(2,656,319)
Interest expenses	**1,656,273**	483,528
Unrealised loss on investment in securities	**116,578**	1,426,689
Depreciation and amortisation of property, plant and equipment	**9,527,706**	3,829,024
Amortisation of goodwill	**3,060,523**	848,091
Loss (gain) on disposal of property, plant and equipment	**54,953**	(4,220)
Provision for bad and doubtful debts	**40,753,120**	–
Increase in purchased programme rights	**(19,910,980)**	(10,775,853)
Increase in self-produced programmes	**(1,566,627)**	(3,161,340)
Increase in inventories	**(1,338,775)**	(211,050)
Decrease in amounts due from customers for contract work	**1,756,581**	2,093,248
Increase in debtors, prepayments and deposits	**(69,839,780)**	(6,453,932)
Increase in creditors, deposits received and accrued charges	**14,947,545**	20,931,925
Decrease in amounts due to customers for contract work	**(2,803,919)**	(20,724)
Net cash outflow from operating activities	**(62,635,992)**	(57,954,059)

26. ACQUISITION OF SUBSIDIARIES

	Six months ended	
	30.9.2001	30.9.2000
	HK$	*HK$*
Net liabilities acquired:		
Investments in securities	**360,000**	–
Property, plant and equipment	**–**	4,426,509
Inventories	**–**	28,838
Debtors, prepayments and deposits	**–**	2,698,197
Bank balances and cash	**–**	1,212,624
Creditors, deposits received and accrued charges	**(415,791)**	(8,103,127)
Bank overdrafts	**(1,181)**	–
Minority interests	**–**	(1,836,820)
	(56,972)	(1,573,779)
Goodwill arising on acquisition	**61,994,974**	55,708,779
	61,938,002	54,135,000
Satisfied by:		
Cash consideration	**1,938,002**	34,935,000
Issue of ordinary shares	**60,000,000**	19,200,000
	61,938,002	54,135,000

Analysis of the net outflow of cash and cash equivalents in respect of acquisition of subsidiaries was as follows:

	Six months ended	
	30.9.2001	30.9.2000
	HK$	*HK$*
Cash consideration	**1,938,002**	34,935,000
Bank balances and cash acquired	**–**	(1,212,624)
Bank overdrafts	**1,181**	–
Net outflow of cash and cash equivalents arising on acquisition	**1,939,183**	33,722,376

The subsidiaries acquired during the period did not contribute significantly to the results of the Group.

The cashflow contributed or utilised by the subsidiaries acquired during the period was not significant.

27. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR/PERIOD

	Share capital and share premium HK$	Convertible bonds HK$	Obligations under hire purchase contracts HK$	Mortgage loans HK$	Bank loans HK$	Minority interests HK$
Balance at 1st April, 2000	125,702,418	–	638,190	2,240,374	–	69,680
Issue of shares, net of expenses	206,505,825	–	–	–	–	–
New borrowings	–	–	–	–	16,084,113	–
Repayment of borrowings	–	–	(182,809)	(255,631)	–	–
Loss attributable to minority shareholders for the period	–	–	–	–	–	(437,107)
Other movements not involving cash flows:						
Increase in minority interests upon acquisition of subsidiaries	–	–	–	–	–	1,836,820
Issue of shares for acquisition of interest in a subsidiary	19,200,000	–	–	–	–	–
Balance at 30th September, 2000	351,408,243	–	455,381	1,984,743	16,084,113	1,469,393
Issue of shares, net of expenses	70,400	–	–	–	–	–
Issue of convertible notes	–	62,400,000	–	–	–	–
New borrowings	–	–	–	–	43,177,569	–
Repayment of borrowings	–	–	(177,143)	(202,915)	(18,306,334)	–
Loss attributable to minority shareholders for the period	–	–	–	–	–	(1,538,891)
Contribution from minority shareholders of a subsidiary	–	–	–	–	–	2,531,009
Other movement not involving cash flows:						
Issue of shares for acquisition of interest in a subsidiary	4,800,000	–	–	–	–	–
Balance at 1st April, 2001	356,278,643	62,400,000	278,238	1,781,828	40,955,348	2,461,511
Issue of shares	1,152,500	–	–	–	–	–
Inception of hire purchase contracts	–	–	769,194	–	–	–
Repayment of borrowings	–	–	(293,915)	(220,792)	(3,333,334)	–
Profit attributable to minority shareholders for the period	–	–	–	–	–	5,181
Other movements not involving cash flows:						
Issue of shares for acquisition of interest in a subsidiary	60,000,000	–	–	–	–	–
Conversion of convertible bonds	46,020,000	(46,020,000)	–	–	–	–
Balance at 30th September, 2001	463,451,143	16,380,000	753,517	1,561,036	37,622,014	2,466,692

28. MAJOR NON-CASH TRANSACTIONS

(a) During the period, the Company acquired the entire issued share capital of Capital Channel at a consideration of HK$60.0 million which was satisfied by the issue and allotment of 500,000,000 ordinary shares of the Company at HK$0.12 per share.

(b) During the period, Convertible Bonds of US$5.9 million (equivalent to approximately HK$46.0 million) were converted into 443,163,318 ordinary shares of the Company.

(c) During the period, the Group entered into barter transactions of HK$2.6 million in respect of advertising fee income as set out in note 5.

(d) During the six months ended 30th September, 2000, the Company acquired a 80% interest in STR Media and an unsecured and non-interest bearing loan of RMB2.4 million, due by STR Media to STR International at a total consideration of HK$24.0 million. The consideration was satisfied by the issue and allotment of 60,000,000 ordinary shares of the Company at HK$0.40 per share. Up to 30th September, 2000, the Company had issued 48,000,000 ordinary shares at a total consideration of HK$19.2 million for the acquisition of the said loan and 80% of the said interests of the total issued share capital of STR Media. The remaining consideration of HK$4.8 million was satisfied by the issuance of 12,000,000 ordinary shares upon satisfaction of certain condition by STR International in accordance with the agreement.

29. CAPITAL COMMITMENTS

At the balance sheet date, the Group had capital commitments in respect of property, plant and equipment as follows:

	30.9.2001	31.3.2001
	HK$	*HK$*
Contracted for but not provided in the financial statements	–	1,489,489
Authorised but not contracted for	–	117,037

30. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had commitments payable under non-cancellable operating leases as follows:

	30.9.2001	31.3.2001
	HK$	*HK$*
		(Restated)
In respect of rented premises which are payable:		
Within one year	**9,249,524**	10,515,475
In the second to fifth year inclusive	**3,834,600**	8,909,330
	13,084,124	19,424,805
In respect of rented equipment which are payable:		
Within one year	**4,796,822**	5,497,757
In the second to fifth year inclusive	**18,720,000**	18,720,000
Over five years	**21,840,000**	23,400,000
	45,356,822	47,617,757

31. PLEDGE OF ASSETS

At 30th September, 2001, leasehold land and buildings with an aggregate net book value of approximately HK$8.6 million (year ended 31.3.2001: HK$8.7 million), plant and machinery, and furniture and equipment with an aggregate net book value of approximately HK$24.4 million (year ended 31.3.2001: HK$27.1 million) and bank deposits of HK$25.0 million (year ended 31.3.2001: HK$24.9 million) were pledged to banks to secure general banking facilities granted to the Group.

The convertible bonds as disclosed in note 21 were secured by a bank deposit of approximately HK$8.6 million (year ended 31.3.2001: HK$31.2 million).

In addition, the Group has also pledged its bank deposits of approximately HK$1.3 million (year ended 31.3.2001: HK$2.5 million) to secure performance bonds in respect of construction contracts.

32. POST BALANCE SHEET EVENTS

Pursuant to an agreement dated 12th October, 2001 entered into between the Company and GTM, the Company shall provide to GTM non-exclusive use of the production facilities and production equipment of the Group located at the Group's premises in Hong Kong and Macau for a period of 3 years, for a minimum consideration of US$1.0 million (equivalent to approximately HK$7.8 million).

In addition, the Company shall provide to GTM broadcast airtime on the satellite television channel owned and operated by the Company at times to be decided in consultation with GTM at the discretion of the Company and procure TV Viagens (Macau), S.A.R.L. ("TV Macau"), a 51% indirect subsidiary of the Company, to grant GTM broadcast airtime on the satellite television channel managed by TV Macau at times to be determined at the discretion of the Company, respectively, for a period of 3 years from the date of commencement of broadcasting which begin no later than 30th November, 2001. In respect of all broadcast airtime utilised by GTM, GTM will pay to the Company a royalty of 10% of the volume of home shopping sales relating to such broadcast less returns and postage.

Subsequent to the balance sheet date, all of the convertible bonds of approximately HK$16.4 million had been converted into ordinary shares of the Company.

BUSINESS REVIEW AND PROSPECTS

Performance Comparison

Despite the global economic downturn and regulation constraints in the first year operations of the satellite television company, the Group has been successful in overcoming many business challenges experienced during these times of recession. With proactive business strategies and stringent cost control measures, the Group has been able to report revenue growth and achieved satisfactory results for the six-month period ended 30th September, 2001.

The Group recorded total turnover of approximately HK$146.3 million, representing an increase of 7.2 times (30.9.2000: HK$17.9 million). Turnover from the media-related business grew 33 times to approximately HK$112.3 million as compared with HK$3.3 million for the same period last year, accounting for 76.8% of total turnover. Turnover from the construction business was HK$34.0 million (30.9.2000: HK$14.6 million).

After the launch on 8th August, 2000, the Group began its operation for only 13 months and achieved a breakthrough recording its first operating profit before provision of approximately HK$5.1 million during the period, validating our effort and demonstrating our success in the shift of our core business focus from construction to the media-related industry. During the period, the Group took a prudence approach to make a provision for trade receivables of HK$40.8 million, leading to the inevitable record of a loss attributable to shareholders of approximately HK$37.4 million, which narrowed down by 42% as compared with HK$63.8 million for the same period last year. Loss per ordinary share was 0.56 HK cents (30.9.2000:1.23 HK cents).

Business Review

The Media-related Business

As our noble mission is "to educate through entertainment, and to illuminate through information", Sun Satellite Television, with only a year's history since operations began in August 2000, has become a prominent brand in the PRC. During the period, the Group achieved several unprecedented developments, further strengthening its position as the leading programme content owner and provider in the television industry in the Greater China region.

Channel Distribution

Having launched a satellite channel and landed two cable channels in the Greater China region, we will soon launch our second thematic channel. Sun TV is evolving into a comprehensive media services conglomerate and quality programming leader in the industry, with high visibility in China, Hong Kong and Taiwan.

With the broadcasting of our thematic programmes in culture, history and biography through a variety of distribution channels, the Group has achieved an extensive coverage of over 35 million TV households in the region.

Programme Distribution

With our commitment to and persistence in producing thematic content of the highest quality, the Group has successfully won entry into various cable TV service providers in both the PRC and Taiwan, extending the reach of our programmes. At the moment, the Group has broadcasted a range of thematic programmes on over 70 TV channels in the PRC, Hong Kong's Cable TV Channel 21 and the Taiwan Sun-Knowledge Channel, strengthening our market penetration in the Greater China region and creating additional income streams for the Group.

In addition, the income from non-exclusive licensing of film rights contributed HK$23.4 million to the Group in the period under review.

Television Programme Production

In line with our stringent cost controls, we have shifted most of our production work to Shanghai and Beijing, maximizing the dynamic use of production facilities there since April 2001, and complementing the excellent packaging capacities in the Hong Kong office. This strategic move marked a significant step in enhancing overall cost effectiveness and facilitating higher responsiveness to viewers' tastes.

Through our self-production facilities in the PRC, the out-sourcing of programmes and the programme distribution contracts (including those programmes managed by Capital Channel), the Group has built a 50,000-hour program library, with a target of 60,000 hours by 2003.

Multi-media Content Production and Distribution

Wholesale and Retail Sales of Audio and Video Products - With the support of Shanghai New Culture Television and Radio Making Company Limited ("SNC"), the Group enjoys an extensive distribution network for the delivery of Sun TV audio-visual products in Shanghai. This area of operations contributed HK$5.5 million to turnover, and serves as an alternative channel to reach even wider audiences.

Web and Broadband Content Operation - Backed by our talented IT team, we digitized over 1,000 content titles in the region.

Advertising Revenue

During the financial period under review, we saw some miraculous new services. The Group launched a number of new programmes which received over-whelming responses from audience and advertisers, bringing us significant advertising revenues.

The advertising sector continues to show the most outstanding growth, accounting for 73.9% of the Group's turnover in the media related business amounting to approximately HK$83.0 million, and contributing largely to the Group's overall business growth.

Based on the impressive list of our advertising sponsors, coupled with our comprehensive "one-stop shopping" advertising packages, the management have every confidence in realizing its goal to achieve its first profit for the financial year 2001/02.

Construction Business

Despite the fierce competition in the market, we secured a number of contracts from the Government of Hong Kong SAR and KCRC, leading to an increase of 133.5% to turnover of approximately HK$34.0 million. With our success in obtaining new contracts and our effort in cost saving, we recorded a segment result turnaround from a loss of HK$5.8 million to a profit of HK$0.4 million for the same period in 2000.

Latest contracts in hand include:

Contract Description	**Contract Sum** *HK$ (million)*
Kowloon-Canton Railway Corporation	
KCRC Noise Mitigation Measures at Fo Tan Station	39.38
Water Service Department	
Reservoir Extension & Associated Mainlaying Works at Tuen Mun East and Siu Lam	48.20
Replacement of Water Mains in Fo Tan, Shatin and Shek Wu Hui, Sheung Shui	39.28
Territory Development Department	
Peng Chau Development Package 3	23.80

Acquisition / Partnership

Capital Channel Limited

To further enhance our leading position in the content supply business and explore higher business growth, Sun TV acquired the entire interests of Capital Channel Limited at a consideration of HK$60.0 million to gain the rights and access to over 45,000 hours of programmes (including those programmes from Discovery Asia, MTV Asia, Fashion TV etc) and to broaden our partnership basis. This successful move will ensure Sun TV's leadership in the rapid development of the Chinese Pay-TV industry and is crucial to our future with additional revenue sources from content sales and fee-based subscriptions.

SINA.com

The next cornerstone was laid in September 2001 when NASDAQ-listed SINA.com, the largest Chinese media website in the world, became the largest shareholder of Sun TV by acquiring a 27.3% stake of Sun TV from the Chairperson of the Group, Ms. Yang Lan. Then Ms. Yang Lan is one of the major shareholders of SINA.com and her husband, Dr. Bruno Wu is appointed as Co-Chairman of SINA.com.

This strategic alliance between SINA.com, an online multi-media content provider, and Sun TV, a traditional media platform, demonstrates the perfect combination of satellite and networks, content and platforms, media of on-line and below-the-line to create a stronger brandname and bring ample sales opportunities for Sun TV's programme library. Our co-operation with SINA.com will commit to focus on increasing sales channels, enlarging brand reach and enhancing overall cost effectiveness through cross-sales management and content sharing.

Holding an enviable reputation of top 10 IT brand in the PRC with 120 million page view per day, SINA.com is able to create synergies with Sun TV's business, sharing clients as well as experience, expertise and resources. Additionally, as an investment in itself, the combined entity of SINA.com and Sun TV is expected to create higher value for investors, to provide a more promising future.

Ministry of Culture of the PRC

As we place every priority on producing high quality programmes which provide the "source of energy to illuminate" our audience, we are honored to form an alliance with the Bureau for External Cultural Relations of the Ministry of Culture of the PRC for the supply of high quality TV programmes overseas, allowing overseas Chinese and foreign audiences to have a deeper understanding of the Chinese culture and experience the living of the modern Chinese society.

GTM Holdings Inc.

To maximize the use of our production facilities, the Group reached a deal of minimum HK$7.8 million with GTM Holdings Inc. (*"GTM")*, a US based company, to use excess production studio time and grant broadcast airtime on a revenue-sharing basis on TV home shopping for a period of 3 years. Coupled with the earlier agreement of HK$23.4 million for the sale of non-exclusive usage of 1,000 titles from Sun TV's content library to GTM, these arrangements with GTM represent major sales of Sun TV's content usage to an overseas media player and to provide the Group with a continuous inflow of revenue.

Earnings before interest, taxes, depreciation and Amortisation ("EBITDA")

EBITDA amounted to a loss of approximately HK$23.1 million for the six months ended 30th September, 2001 (30.9.2000: loss of HK$59.1 million). Amortisation of goodwill arising from acquisition of subsidiaries and depreciation charge for the period was approximately HK$3.1 million (30.9.2000: HK$0.8 million). and approximately HK$9.5 million (30.9.2000: HK$3.8 million) respectively.

Employees and Remuneration policies

At 30th September, 2001, the Group employed a workforce of 294. Total staff costs including contributions to a defined contribution retirement benefits scheme incurred during the period amounted to approximately HK$37.8 million (30.9.2000 : HK$26.2 million). The Group offers a comprehensive remuneration and benefit package to its employees and remuneration policies are reviewed by the management regularly. The Group also adopts a share option scheme to motivate and retain a team of competent employees.

A summary of the outstanding share options at 30th September, 2001 is as follows :

Date of share options granted	Exercise price	No. of outstanding
20th April, 1995	$0.2200	4,500,000
13th October, 1997	$0.5460	200,000
27th April, 2000	$0.1760	145,980,000
13th June, 2000	$0.2310	3,000,000
17th July, 2000	$0.2200	20,100,000
21st July, 2000	$0.2410	23,200,000
25th August, 2000	$0.2240	3,000,000
5th September, 2000	$0.2410	34,800,000
14th November, 2000	$0.1860	7,500,000
8th December, 2000	$0.1830	6,600,000
27th December, 2000	$0.1510	3,000,000
31st January, 2001	$0.1520	251,370,000
2nd February, 2001	$0.1510	1,500,000
6th March, 2001	$0.1760	2,720,000
23rd April, 2001	$0.0968	17,000,000
14th June, 2001	$0.1290	2,000,000
Total		**526,470,000**

Liquidity and financial resources

At 30th September, 2001, the Group's current ratio was 1.6, with current assets of approximately HK$152.7 million against current liabilities of approximately HK$97.9 million. Cash and cash equivalents was approximately HK$16.4 million. The Group's gearing ratio was 0.1. The gearing ratio is calculated based on the Group's total non-current liabilities and shareholders' fund of approximately HK$25.7 million and HK$255.3 million respectively.

Outstanding convertible bonds at 30th September, 2001 amounted to approximately HK$16.4 million, all of which have been converted into ordinary shares in the Company subsequent to the interim balance sheet date. At 30th September, 2001, the bank borrowings were approximately HK$41.5 million, of which, HK$23.2 million is subject to a fixed interest rate of 0.4416% per month. Such bank facilities were secured by bank deposits of approximately HK$25.0 million and fixed assets of net carrying value of approximately HK$33.0 million.

There has been no material changes in contingent liabilities of the Group and in risk of fluctuation in exchange rates since the Annual Report 2001.

Prospects

Sun TV is a solid multi-channel media group, while has achieved miraculous results in the media industry. The Group's growth and development in the past six months has been remarkable. With the committed efforts of management and significant contribution from staff, we have realized our vision to "educate" and "illuminate" audiences with quality entertainment and in-depth information to achieve our goal as the premier content provider in the Asian media industry. Looking to the future, we will continue our commitment to transform knowledge into valuable content for the enjoyment of society.

We believe that quality programmes provide the success behind our brandname. Launching new programmes therefore remains our primary strategy to fuel growth in the future. More appealing programmes with unique themes such as "真實的故事" and "飄" will be launched next year. We are confident that these programmes will stimulate great interest from advertisers and sponsors.

Capitalizing on the huge potential for thematic channels in this highly lucrative market, we aim to launch a technology and travel channel as our second thematic channel next year, providing a wider variety of programmes to cater for different viewers' needs.

Having developed a brandname in the PRC with a top reputation and sizeable coverage, Sun TV is determined to extend our market share and strengthen our leading position through the formation of strategic partnerships. Based on the success of our expanded partnerships with prestigious media corporations, such as SINA.com and GTM, we are benefiting from additional revenue streams and lower operation costs, in turn improving our financial position, and strongly reinforcing our "SUN" brand.

To capture huge demand for quality biography programmes in the PRC, Sun TV set up a cooperative joint venture ("JV") with Jingwen Records Company Limited, one of the largest record companies in the PRC, for the production and distribution of our packaged programmes and audio-visual products under the "Sun" brand in the PRC, to further reach wider audience and become the dominant player in the media industry. In future, we will continue to explore new potential partners to extend our presence and audience coverage not only in Asia, but also to other parts in the world.

To realize our ultimate goal to become a pioneer in "culture industrialization", we have invited a number of experts with extensive experience and vision in the media industry, such as Mr. Duan Yongji, Mr. Chen Han Yuan and Mr. Mao Daolin etc., to join the Group. With the introduction of the new management team, we have every confidence in their valuable insights across the media spectrum, to further enhance our programme quality, operational efficiencies and Sun TV's professional image in the industry.

Building on our strong foundations laid during the period, we are proud to receive one of the "Best 200 Small Companies" awards presented by "Forbes Global" once again in October this year and also one of the '2001 Chinese Business 500' awarded by 'Yazhou Zhoukan'. These awards highlight our outstanding performance and spur us in our march forward towards the building of a brighter future.

Looking ahead, with our top quality programmes, extensive coverage, experienced management team and the many exciting developments and innovations in the pipeline, we are highly optimistic of our future prospects and determined to bring Sun's energy to every corner of the world.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Pursuant to the Company's share option scheme, details of options granted to the directors are as follows:

Directors	Granted during the year and number of option outstanding at 30th September, 2001	Exercisable Price *(HK$)*	Exercise period of share options
Yang Lan	37,000,000	0.176	27.4.2000–26.4.2010
	80,000,000	0.152	31.1.2001–30.1.2011
Chen Han Yuan	1,000,000	0.176	27.4.2000–26.4.2010
	1,000,000	0.152	31.1.2001–30.1.2011
	1,000,000	0.129	14.6.2001–13.6.2011
Wu Zheng, Bruno	30,000,000	0.241	5.9.2000–4.9.2010
(Note 1)	80,000,000	0.152	31.1.2001–30.1.2011
Tsui Yiu Ming	30,000,000	0.176	27.4.2000–26.4.2010
(Note 2)	4,000,000	0.152	31.1.2001–30.1.2011
Michael Francis Spiessbach	3,000,000	0.231	13.6.2000–12.6.2010
(Note 3)	12,000,000	0.152	31.1.2001–30.1.2011

Notes:

(1) Dr. Wu Zheng, Bruno resigned as executive chairman, executive director and chief executive officer of the Company on 28th September, 2001, but he remains the position of alternate director to Mr. Chen Han Yuan.

(2) Mr. Tsui Yiu Ming resigned as executive director of the Company on 17th May, 2001, his right of share option has been retained by the approval of the Board.

(3) Mr. Michael Francis Spiessbach resigned as executive director of the Company on 21st August, 2001, his right of share option has been retained by the approval of the Board.

The exercise price is adjustable in accordance with the provisions of the share option scheme.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARE CAPITAL

Details of the interests of the directors and chief executive in the ordinary shares in the Company for the six months ended 30th September, 2001 as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

The Company

Ordinary shares

		No. of shares				
Directors	**Notes**	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total interests**
Yang Lan	1	–	–	2,328,122,572	–	2,328,122,572
Wu Zheng, Bruno	2	–	2,328,122,572	–	–	2,328,122,572

Notes :

1. These corporate interests were held by Ms. Yang Lan through her direct ownership of 87.11% of the issued share capital of Global Frequent Limited. On 12th September, 2001, Ms Yang Lan entered into a conditional share sale agreement with SINA.com to sell all her interests in the Company to SINA.com. The interests disclosed for Ms Yang Lan above represented her interests immediately prior to 28th September, 2001, date of completion of the aforesaid agreement.

2. Dr Wu Zheng, Bruno is Ms Yang Lan's spouse and he resigned as executive chairman, executive director and chief executive officer of the Company with effect from 28th September, 2001. But he remains the position as alternate director to Mr Chen Han Yuan.

Save as disclosed above and in the section "Directors' Rights to Acquire Shares", as at 30th September, 2001, none of the directors or the chief executive, or any of their associates, had any interests in any securities of the Company or any of its associated corporations as defined by the SDI Ordinance. None of the directors of their spouses or children under the age of 18 had any right to subscribe shares in the Company, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

At 30th September, 2001, SINA.com held 2,028,122,000 shares in the Company representing 27.30% of the issued share capital of the Company, which were recorded in the register of interests as required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

Save as disclosed herein, the directors of the Company are not aware of any shareholders who had interests of 10% or more of the issued share capital of the Company as at 30th September, 2001.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited consolidated financial statements.

CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the period ended 30th September, 2001, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange.

By Order of the Board
Yang Lan
Chairperson

Hong Kong, 1st December, 2001

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