Notes To The Accounts

1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The accounts are prepared under the historical cost convention.

(b) Consolidation

The consolidated accounts include the accounts of the company and its subsidiaries made up to 31 December. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account 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 are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the company's balance sheet the investments in subsidiaries are stated at cost less provision, if necessary, for any permanent diminution in value. The results of subsidiaries are accounted for by the company on the basis of dividends received and receivable.

(c) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long term and significant influence is exercised in its management.

The consolidated profit and loss account includes the group's share of the results of associated companies for the year, and the consolidated balance sheet includes the group's share of the net assets of the associated companies.

(d) Jointly controlled entities

A jointly controlled entity is under a contractual arrangement whereby the group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the group's share of the net assets of the jointly controlled entities.

(e) Goodwill

Goodwill represents the excess of purchase consideration over the fair values ascribed to the net assets of subsidiaries, associated companies and jointly controlled entities acquired and is taken to reserves in the year of acquisition.

(f) Fixed assets

Fixed assets are stated at cost less accumulated depreciation.

Freehold land is not amortised. Other fixed assets are depreciated on a straight line basis at rates calculated to write off their costs over their estimated useful lives at the following annual rates:

Buildings	2.5% - 5%
Leasehold improvements	Over the unexpired term of the lease
Studio, broadcasting and transmitting equipment	7% - 20%
Furniture, fixtures and equipment	10% - 33.3%
Motor vehicles	10% - 25%

Construction in progress is carried at cost including direct expenses capitalised less provision as considered necessary by the directors. No depreciation is provided on construction in progress.

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the group.

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

The gain or loss on disposal of fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant assets, and is recognised in the profit and loss account.

(g) Programmes and film rights

Programmes are stated at cost less provision where considered necessary by the directors. Cost comprises direct expenditure and an appropriate proportion of production overheads. Cost of programmes is expensed in accordance with a formula computed to write off cost over a maximum of three transmissions. Film rights are stated at cost less amounts expensed and any provision where considered necessary by the directors. Film rights are expensed in accordance with a formula computed to write off cost over the contracted number of runs.

(h) Stocks

Stocks comprising decoders, tapes, video compact discs and consumable supplies are stated at the lower of cost and net realisable value. Cost is calculated on a first in first out basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(i) Investments in securities

(i) Held-to-maturity securities

Held-to-maturity securities are stated in the balance sheet at cost plus/less any discount/premium amortised to date. The discount or premium is amortised over the period to maturity and included as interest income/expense in the profit and loss account. Provision is made when there is a diminution in value other than temporary.

The carrying amounts of individual held-to-maturity securities are reviewed at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognised in the profit and loss account.

(ii) Investment securities

Investment securities are stated at cost less provision for diminution in value.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The amount of the reduction is recognised as an expense in the profit and loss account.

(j) Trade receivables

Provision is made against trade receivables to the extent they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

(k) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(l) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of subsidiaries, associated companies and jointly controlled entities expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising from the translation of the net investment in subsidiaries, associated companies and jointly controlled entities and of intra-group balances of equity nature are dealt with as a movement in reserves.

(m) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight line basis over the lease period.

(n) Retirement benefit costs

The group's contribution to the defined contribution retirement scheme and the Mandatory Provident Fund Scheme available to eligible employees/members located in Hong Kong are expensed as incurred.

The retirement schemes which cover employees located in some overseas locations, except for Taiwan, are defined contribution schemes at various funding rates that are in accordance with the local practice and regulations. The employees located in Taiwan are members of a defined benefit retirement scheme. The group's annual contribution to the defined benefit scheme is designed to fund the scheme as advised by an independent actuary whilst the employees are not required to contribute. The cost of all these schemes are charged to the profit and loss account for the period concerned.

(o) Revenue recognition

Advertising income net of agency deductions are recognised when the advertisements are telecasted. Income from licensing of programme rights are recognised evenly over the contract period or upon delivery of the programmes concerned in accordance with the terms of the contracts. Subscription fees from operation of satellite and subscription television networks are recognised in the period when receivable. Income from video tape renting and sale of magazines are recognised on delivery of products. Income from sale of animation productions is recognised progressively in accordance with the stage of completion of animation programmes.

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(p) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

2 REVENUE AND TURNOVER

The group is principally engaged in television broadcasting with programme production, programme licensing and distribution, cable channel operation and other related activities.

Turnover comprises advertising income net of agency deductions, licensing income, subscription income, as well as income from transponder rentals, video tape rentals, sale of animation productions and sale of magazines.

Other revenues comprise interest income, commercial production income, merchandising income, management fee income, service fee income and facility rental income.

The amount of each significant category of revenue recognised during the year is as follows:

	2000	1999
	HK$'000	HK$'000
Turnover		
Advertising income net of agency deductions	**2,811,543**	2,645,139
Licensing income	**334,006**	354,890
Subscription income	**186,385**	164,788
Others	**167,820**	99,797
	3,499,754	3,264,614
Less: Withholding tax	**(9,813)**	(12,230)
	3,489,941	3,252,384
Others revenues		
Interest income	**82,030**	49,949
Others	**26,649**	26,454
	108,679	76,403
Total revenues	**3,598,620**	3,328,787