

Notes to the Accounts

1. BASIS OF PREPARATION

The unaudited interim accounts have been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants, except that comparative figures for the cash flow statement have not been included, as the Group has taken advantage of the transitional provisions set out in the Main Board Listing Rules.

The same accounting policies as adopted in the annual accounts for the year ended December 31, 2000 have been applied to the interim accounts, except as described below.

In order to comply with SSAP 30 “Business combinations”, the Group has adopted for the first time in this interim reporting period an accounting policy of amortising positive goodwill arising on the acquisition of subsidiaries on a straight-line basis to the profit and loss account over its estimated useful economic life. In prior years, positive goodwill arising on the acquisition of subsidiaries was taken to reserves in the year in which it arose. As the Group has taken advantage of the transitional provisions in SSAP 30 which do not require restatement of goodwill written off against reserves prior to January 1, 2001 (the effective date of SSAP 30), such change in accounting policy has no financial effect on the Group for the current and prior periods.

In order to comply with the new SSAP 26 “Segment reporting”, the Group has adopted for the first time in this interim reporting period an accounting policy of including as segment revenue, expenses and results those items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Corporate and financing expenses are reported as unallocated items. In prior years, all revenue and expenses, except those directly earned or incurred by the Internet and multimedia segment, were reported under the pay television segment. As a result, there has been a reclassification of items included under each reportable segment in this interim reporting period as compared to that in the annual accounts for the year ended December 31, 2000. Comparatives for segment disclosures have been prepared in a basis consistent with that for the six months ended June 30, 2001.

2. SEGMENT INFORMATION

(a) Business segments

Six months ended June 30	Segment revenue		Segment result	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Pay television	802,131	743,651	184,651	60,870
Internet and multimedia	132,306	30,946	(50,747)	(60,077)
	<u>934,437</u>	<u>774,597</u>	<u>133,904</u>	<u>793</u>
Unallocated corporate expenses			<u>(58,487)</u>	<u>(52,510)</u>
Operating profit/(loss)			<u>75,417</u>	<u>(51,717)</u>

(b) Geographical segments

No geographical segment information is shown as during the six months ended June 30, 2001 and 2000, less than 10% of the Group's segment revenue and segment results are derived from activities conducted outside Hong Kong.

3. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is stated after charging/(crediting):

Six months ended June 30	2001 HK\$'000	2000 HK\$'000
Interest income		
Interest income from listed investments	(8,691)	(13,223)
Interest income from bank deposits	<u>(28,794)</u>	<u>(35,424)</u>
	<u>(37,485)</u>	<u>(48,647)</u>
Finance expense		
Interest expenses on bank overdrafts repayable within five years	7	4
Interest expenses on convertible bonds, repayable within five years	<u>36,000</u>	<u>36,000</u>
	<u>36,007</u>	<u>36,004</u>
Other items		
Depreciation	208,537	227,528
Amortisation of programming library*	<u>57,073</u>	<u>54,542</u>

* Amortisation of programming library is included within programming costs in the consolidated results of the Group.

4. TAXATION

Taxation in the consolidated profit and loss account represents:

Six months ended June 30	2001 HK\$'000	2000 HK\$'000
Provision for Hong Kong Profits Tax for the period	4,448	3,413
Deferred tax credit	<u>(4,448)</u>	<u>(3,413)</u>
	<u>-</u>	<u>-</u>

The provision for Hong Kong Profits Tax is calculated separately on the taxable profit of each entity within the Group at the rate of 16% (2000: 16%).

5. BASIC AND DILUTED EARNINGS/LOSS PER SHARE

The calculation of basic earnings/loss per share is based on the net profit of HK\$76,539,939 (2000: net loss of HK\$40,001,409) and the weighted average number of ordinary shares in issue during the period of 2,014,000,000 (2000: 2,014,000,000).

The calculation of diluted earnings/loss per share is based on the net profit of HK\$76,539,939 (2000: net loss of HK\$40,001,409) and the weighted average number of ordinary shares of 2,021,739,900 (2000: 2,014,000,000) after adjusting for the effects of all dilutive potential ordinary shares.

The potential issue of ordinary shares in connection with the Company's convertible bonds would not give rise to a decrease in earnings per share (2000: an increase in loss per share) and therefore had no dilutive effect on the calculation of diluted earnings/loss per share.

6. INTERIM DIVIDEND

The Board of Directors has resolved not to pay any interim dividend to shareholders (2000: Nil).

7. PROPERTY, PLANT AND EQUIPMENT

	2001
	HK\$'000
Net book value at January 1, 2001	2,072,463
Additions - Network, decoders, cable modems and television production systems	238,459
- Others	9,833
Disposals	(618)
Depreciation	(208,537)
Reclassification	(744)
Net book value at June 30, 2001	<u>2,110,856</u>

8. PROGRAMMING LIBRARY

	2001
	HK\$'000
Net book value at January 1, 2001	232,524
Programming licences and rights acquired	58,646
Amortisation	(57,073)
Net book value at June 30, 2001	<u>234,097</u>

9. INVENTORIES

Included in inventories are spare parts and consumables of HK\$33,556,562 (at December 31, 2000: HK\$29,520,327) stated net of provision made in order to state these inventories at the lower of their cost and estimated net realisable value.

10. ACCOUNTS RECEIVABLE FROM TRADE DEBTORS

An ageing analysis of accounts receivable from trade debtors (net of allowance for doubtful accounts) is set out as follows:

	At June 30,	At December 31,
	2001	2000
	HK\$'000	HK\$'000
0 to 30 days	71,404	67,469
31 to 60 days	7,132	14,465
61 to 90 days	9,331	7,116
Over 90 days	4,390	4,236
	<u>92,257</u>	<u>93,286</u>

The Group has a defined credit policy. The general credit terms allowed range from 0 to 30 days.

11. BANK DEPOSITS AND CASH

	At June 30, 2001 HK\$'000	At December 31, 2000 HK\$'000
Bank deposits	1,462,481	1,531,105
Cash at bank and in hand	6,834	9,835
	<u>1,469,315</u>	<u>1,540,940</u>

12. AMOUNTS DUE TO TRADE CREDITORS

An ageing analysis of amounts due to trade creditors is set out as follows:

	At June 30, 2001 HK\$'000	At December 31, 2000 HK\$'000
0 to 30 days	10,481	12,797
31 to 60 days	11,195	19,468
61 to 90 days	3,156	5,589
Over 90 days	4,844	4,262
	<u>29,676</u>	<u>42,116</u>

13. SHARE CAPITAL

There was no movement in the share capital of the Company during the six months ended June 30, 2001.

Pursuant to the Company's share option scheme, the Board of Directors is authorised to grant options to eligible employees to subscribe for ordinary shares of the Company at prices as determined by the Board of Directors in accordance with the terms of the scheme.

13. SHARE CAPITAL (CONTINUED)

At June 30, 2001, the outstanding options were:

Date options granted	Period during which options exercisable	Exercise price per share	Number of options			At June 30, 2001
			At January 1, 2001	Granted during the period	Lapsed during the period	
February 8, 2000	April 1, 2001 to December 31, 2009	HK\$10.49	19,520,000	-	(560,000)	18,960,000
February 19, 2001	July 1, 2002 to December 31, 2003	HK\$3.30	-	34,813,000	(1,147,000)	33,666,000
February 19, 2001	July 1, 2002 to December 31, 2005	HK\$3.30	-	15,221,000	(209,000)	15,012,000

14. RESERVES

The only movement in reserves during the six months ended June 30, 2001 was the transfer from consolidated profit and loss account to revenue reserve the profit attributable to shareholders of HK\$76,539,939 (six months ended June 30, 2000: loss attributable to shareholders of HK\$40,001,409).

15. CAPITAL COMMITMENTS

Capital commitments outstanding in respect of plant, equipment and programming rights not provided for in the accounts were as follows:

	At June 30, 2001 HK\$'000	At December 31, 2000 HK\$'000
Authorised and contracted for	<u>164,187</u>	<u>61,982</u>
Authorised but not contracted for	<u>296,574</u>	<u>27,870</u>

16. CONTINGENT LIABILITIES

Except update as disclosed below, there were no material changes to the Group's contingent liabilities at June 30, 2001 as compared to that at December 31, 2000 as set out in the annual accounts for the year ended December 31, 2000.

In respect of the claims brought by UnitedGlobalCom Inc. against The Wharf (Holdings) Limited ("Wharf"), Wharf Communications Investments Limited, and Stephen Ng, a Director of Wharf and the Company's Chief Executive Officer, the United States Supreme Court heard argument on March 21, 2001 and affirmed the judgement entered by the District Court of Denver and affirmed by the Court of Appeal in Denver on May 21, 2001. Subsequent thereto, Wharf has settled in full the judgement sum and interest thereon. Wharf will settle the legal costs of UnitedGlobalCom Inc. as soon as the total amount is agreed upon by the parties.

17. RELATED PARTY TRANSACTIONS

The significant and material related party transactions between the Group and related parties as set out in the annual accounts for the year ended December 31, 2000 continue to take place during the interim reporting period. Except increasing trend in the amounts of these transactions pursuant to the growth of business operations of the Group, there is no new significant and material related party transactions entered into by the Group with related parties during the six months ended June 30, 2001.

18. The unaudited interim accounts for the six months ended June 30, 2001 have been reviewed by the Audit Committee of the Company.