

**(h) 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.

**(i) Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from the date of investment and bank overdrafts.

**(j) Contingent liabilities**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a 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) Revenue recognition**

Advertising income net of agency deductions are recognised when the advertisements are telecast.

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 income 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 the production. Income from provision of uplink and playback services and other services is recognised when the services are rendered.

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.

**(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 periods.

**(n) Retirement benefit costs**

The group's contribution to 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) 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.

**(p) Segment reporting**

In accordance with the group's internal financial reporting the group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment assets consist primarily of fixed assets, stocks, receivables and operating cash, and mainly exclude investments in securities. Segment liabilities comprise operating liabilities and exclude items such as taxation and borrowings. Capital expenditure comprises additions to fixed assets (note 12).

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

**(q) Dividends**

In accordance with the revised SSAP 9, the group and the company no longer recognise dividends receivable or dividends proposed or declared after the balance

sheet date as an asset or a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in note 24, this change has resulted in an increase in the group's opening retained earnings at 1 January 2001 by HK\$328,500,000 (1 January 2000: HK\$262,800,000) which is the reversal of the provision for 2000 (1999) proposed final dividend previously recorded as a liability as at 31 December 2000 (31 December 1999) although not declared until after the balance sheet date.

As detailed in note 24, this change has resulted in a net increase in the company's opening retained earnings at 1 January 2001 by HK\$289,504,000 (1 January 2000: HK\$182,596,000) which is (i) the reversal of dividend receivable from a subsidiary amounting to HK\$38,996,000 for 2000 (HK\$80,204,000 for 1999) previously recorded as an asset as at 31 December 2000 (31 December 1999) and (ii) the reversal of the provision for proposed final dividend amounting to HK\$328,500,000 for 2000 (HK\$262,800,000 for 1999) previously recorded as a liability as at 31 December 2000 (31 December 1999) although not declared until after the balance sheet date.

## **2 TURNOVER, REVENUE AND SEGMENT INFORMATION**

The group is principally engaged in terrestrial television broadcasting with programme production, programme licensing and distribution, overseas satellite pay TV operations, channel operations and other related activities.

Turnover comprises advertising income net of agency deductions, licensing income, subscription income, as well as income from uplink and playback services, 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:

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Turnover		
Advertising income net of agency deductions	<b>2,460,850</b>	2,811,543
Licensing income	<b>471,194</b>	334,006
Subscription income	<b>240,087</b>	186,385
Others	<b>109,186</b>	167,820
	<b>3,281,317</b>	3,499,754
Less: Withholding tax	<b>(16,687)</b>	(9,813)
	<b>3,264,630</b>	3,489,941
Others revenues		
Interest income	<b>49,868</b>	82,030
Others	<b>33,305</b>	26,649
	<b>83,173</b>	108,679
Total revenues	<b>3,347,803</b>	3,598,620

#### **Primary reporting format - business segments**

The group is organised on a worldwide basis into five main business segments:

Terrestrial television broadcasting - free to air broadcasting of television programmes and commercials and production of programmes

Programme licensing and distribution - provision of television programmes to homevideo markets and overseas broadcasters

Overseas satellite pay TV operations - provision of satellite pay television services to subscribers in USA, Europe and Australia

Channel operations - compilation and distribution of television channels in China, Taiwan and other countries

Other activities - animation production, merchandising services, website portal, magazine publication, uplinking and playback services and other related services.

The group's inter-segment transactions mainly consist of licensing of programmes and film rights and provision of services. Licensing of programmes and film rights were entered into at similar terms as that contracted with third parties. The services provided were charged on a cost plus basis or at similar terms as that contracted with third parties.

**Secondary reporting format - geographical segments**

Although the group's five business segments are managed on a worldwide basis, the sales are generated in seven main geographical areas:

Hong Kong - terrestrial television broadcasting with programme production, website portal and magazine publication

Taiwan - cable television channel services

USA and Canada - licensing and distribution of television programmes and satellite pay TV operations

Australia - licensing and distribution of television programmes and satellite pay TV operations

Europe - licensing and distribution of television programmes and satellite pay TV operations

China - licensing and distribution of television programmes and satellite TV channel services

Other countries (principally Malaysia and Singapore) - principally licensing and distribution of television programmes

There are no sales between the geographical segments.