

NOTES TO CONDENSED INTERIM ACCOUNTS

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants.

These condensed interim accounts should be read in conjunction with the 2001 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31 December 2001 except that the group has changed certain of its accounting policies following its adoption of the following Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised) : Presentation of financial statements

SSAP 11 (revised): Foreign currency translation

SSAP 15 (revised): Cash flow statements

SSAP 25 (revised): Interim financial reporting

SSAP 34: “Employee benefits” issued by the Hong Kong Society of Accountants has not been adopted in this interim accounts. However, the group is prepared to adopt it in the annual accounts of the year. Arrangements are being made to ensure compliance by year end. Despite this, no material impact to the interim accounts is expected.

Certain presentational changes have been made upon the adoption of SSAP 1 (revised): “Presentation of financial statements”, SSAP 15 (revised): “Cash flow statements” and SSAP 25 (revised): “Interim financial reporting”.

The change to the group’s accounting policy and the effect of adopting SSAP 11 (revised) is set out below:

SSAP 11 (revised): Foreign currency translation

The balance sheet of subsidiaries, jointly controlled entities and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

In prior periods, the profit and loss of foreign enterprises was translated at closing rate. This is a change in accounting policy, however, the translation of the profit and loss of foreign enterprises in prior periods has not been restated as the effect of this change is not material to the current and prior periods.

NOTES TO CONDENSED INTERIM ACCOUNTS (Continued)

2 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.

Primary reporting format - business segments

An analysis of the group's turnover and results for the period by business segments is as follows:

	Six Months Ended 30 June 2002						Group total
	Terrestrial television broadcasting	Programme licensing and distribution	Overseas satellite pay TV operations	Channel operations	Other activities	Elimination	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Turnover (note)							
External sales	759,353	216,133	87,933	262,392	60,136	-	1,385,947
Inter-segment sales	-	61,457	2,637	6,466	27,406	(97,966)	-
	759,353	277,590	90,570	268,858	87,542	(97,966)	1,385,947
Segment results (note)	152,120	141,612	(33,266)	(51,908)	1,816	(951)	209,423
Finance costs							(12,024)
Share of profits less losses of							
Jointly controlled entities	-	-	-	(3,655)	(5,197)		(8,852)
Associated companies	-	-	-	1,317	-		1,317
Profit before taxation							189,864
Taxation							(29,895)
Profit after taxation							159,969
Minority interests							1,897
Profit attributable to shareholders							161,866

Note: The above segments include activities at their initial stage of operations (i.e. not more than five years since commencement of commercial operations) and an analysis of their respective turnover and results is as follows:

Turnover	-	-	53,621	20,110	11,227	84,958
Operating losses	-	-	(29,790)	(37,771)	(7,280)	(74,841)

NOTES TO CONDENSED INTERIM ACCOUNTS (Continued)

2 SEGMENT INFORMATION (Continued)

Primary reporting format - business segments (Continued)

	Six Months Ended 30 June 2001						Group total
	Terrestrial television broadcasting	Programme licensing and distribution	Overseas satellite pay TV operations	Channel operations	Other activities	Elimination	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Turnover (note)							
External sales	964,392	183,813	83,574	248,914	61,681	-	1,542,374
Inter-segment sales	1,803	56,215	2,530	5,328	23,437	(89,313)	-
	<u>966,195</u>	<u>240,028</u>	<u>86,104</u>	<u>254,242</u>	<u>85,118</u>	<u>(89,313)</u>	<u>1,542,374</u>
Segment results (note)	359,153	89,655	(56,659)	(75,029)	(15,602)	(2,114)	299,404
Finance costs							(11,516)
Share of profits less losses of							
Jointly controlled entities	-	-	-	(4,212)	(5,029)		(9,241)
Associated companies	-	(105)	-	3,144	-		3,039
Profit before taxation							281,686
Taxation							(56,828)
Profit after taxation							224,858
Minority interests							22,330
Profit attributable to shareholders							<u>247,188</u>

Note: The above segments include activities at their initial stage of operations (i.e. not more than five years since commencement of commercial operations) and an analysis of their respective turnover and results is as follows:

Turnover	-	-	47,678	12,052	33,398	93,128
Operating losses	-	-	(54,797)	(41,814)	(22,277)	(118,888)

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.