

## NOTES TO THE ACCOUNTS (Continued)

### 27 DEFERRED TAXATION

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January	52,438	(776)	59,245	7,470
Transfer from profit and loss account (note 8)	3,226	53,092	4,269	51,775
Exchange differences	(58)	122	-	-
At 31 December	<b>55,606</b>	52,438	<b>63,514</b>	59,245
Provided for in respect of :				
Accelerated depreciation allowances	59,491	49,673	62,483	54,262
Other timing differences	(3,885)	2,765	1,031	4,983
	<b>55,606</b>	52,438	<b>63,514</b>	59,245

### 28 CONTINGENT LIABILITIES

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees for banking facilities granted to				
- subsidiaries	-	-	86,825	120,096
- an investee company	1,551	5,611	-	-
Guarantee for a performance bond granted to				
a subsidiary (note a)	88,000	88,000	88,000	88,000
	<b>89,551</b>	93,611	<b>174,825</b>	208,096

#### Notes:

- (a) A wholly owned subsidiary of the company was issued the Pay TV Licence (“the Licence”) by the Government of Hong Kong Special Administrative Region (“the Government”) on 5 December 2000. Pursuant to one of the Licence conditions, the subsidiary submitted to the Broadcasting Authority a performance bond issued by a bank in the amount of HK\$88 million, in favour of the Government. The performance bond is to secure the compliance by the subsidiary of its obligations to roll-out domestic pay television service in accordance with the terms of the Licence. The company has granted a guarantee to the bank in respect of the issue of this performance bond.
- (b) On 18 July 2002, Galaxy Satellite Broadcasting Limited (“GSBL”), a former subsidiary of the company, was served a court claim filed by Americom Asia-Pacific, LLC, (“AAP”) issued in London for outstanding satellite transponder service fees in the total sum of US\$1,132,235 pursuant to the GE-1A Satellite Transponder Service Agreement made between the parties in September 2000. The claim was subsequently withdrawn by AAP and therefore it has no material financial impact on the group.

## **NOTES TO THE ACCOUNTS** (Continued)

### **28 CONTINGENT LIABILITIES** (Continued)

(c) Management anticipate that no material liabilities will arise from the above bank and other guarantees which arose in the ordinary course of business.

### **29 CAPITAL COMMITMENTS**

The amounts of commitments for fixed assets are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Authorised but not contracted for	<b>191,550</b>	651,314	<b>138,497</b>	565,773
Contracted but not provided for	<b>414,174</b>	646,946	<b>382,645</b>	631,681
	<b>605,724</b>	1,298,260	<b>521,142</b>	1,197,454

The group's share of commitments for fixed assets of the jointly controlled entities themselves not included in the above are as follows:

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Authorised but not contracted for	-	98
Contracted but not provided for	<b>2</b>	42
	<b>2</b>	140

## NOTES TO THE ACCOUNTS (Continued)

### 30 OPERATING LEASE COMMITMENTS

At 31 December 2002, the group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Land and buildings				
-not later than one year	<b>106,986</b>	110,690	<b>91,531</b>	96,879
-later than one year and not later than five years	<b>64,700</b>	159,095	<b>38,866</b>	130,752
-later than five years	<b>34</b>	-	-	-
	<b>171,720</b>	269,785	<b>130,397</b>	227,631
Equipment and transponders				
-not later than one year	<b>92,673</b>	138,945	-	-
-later than one year and not later than five years	<b>256,375</b>	401,091	-	-
-later than five years	<b>112,501</b>	142,733	-	-
	<b>461,549</b>	682,769	-	-
	<b>633,269</b>	952,554	<b>130,397</b>	227,631

### 31 TELEVISION BROADCASTING LICENCE

The company operates under the terms of a licence granted by the Government of Hong Kong Special Administrative Region ("the Government") which expired on 30 November 2000. As the licensing and regulatory policies for Digital Terrestrial Television are yet to be finalised, the Government has extended the company's licence for three years up to 30 November 2003. The Government has commenced procedures of review since October 2001 and a decision was concluded in 2002 that a renewed licence would be granted to the company. The renewed licence, granted on 12 November 2002, covers a period of twelve years commencing on 1 December 2003 and will be subject to a mid-term review in 2009.

## **NOTES TO THE ACCOUNTS** (Continued)

### **32 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**

(a) Reconciliation of operating profit to net cash inflow generated from operations

	<b>2002</b>	As restated 2001
	<b>HK\$'000</b>	HK\$'000
Operating profit	<b>735,549</b>	697,357
Depreciation charges	<b>167,111</b>	173,668
(Gains)/losses on disposal of fixed assets	<b>(148)</b>	12,342
Interest income	<b>(7,786)</b>	(49,868)
Exchange differences	<b>(10,412)</b>	3,458
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Operating profit before working capital changes	<b>884,314</b>	836,957
Increase in programmes, film rights and stocks	<b>(122,738)</b>	(43,183)
Decrease/(increase) in trade and other receivables, prepayments and deposits	<b>181,278</b>	(40,204)
Decrease in trade and other payables and accruals	<b>(160,577)</b>	(28,624)
Increase/(decrease) in pensions obligations - defined benefits plans	<b>1,418</b>	(20)
Decrease in accrual for government royalty	<b>-</b>	(14,902)
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Net cash inflow generated from operations	<b>783,695</b>	710,024

## NOTES TO THE ACCOUNTS (Continued)

### 32 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year:

	Minority interests	Share capital including premium	Long term bank loans	Other loans and notes payable	Obligations under finance leases	Short term loans
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balances at 1 January 2001, as previously reported	45,256	623,926	91,239	5,624	-	190,234
Effect of the provision for employee leave entitlements (note 1(j)(i))	(1,599)	-	-	-	-	-
Balances at 1 January 2001, as restated	43,657	623,926	91,239	5,624	-	190,234
Exchange differences	(6,075)	-	(8,680)	(57)	-	-
Repayments during the year	-	-	(16,450)	(86)	(174)	(190,234)
Additions during the year	-	-	20,972	-	765	175,947
	(6,075)	-	(4,158)	(143)	591	(14,287)
Share of losses attributable to minority interests, as restated	(37,582)	-	-	-	-	-
Balances at 31 December 2001	-	623,926	87,081	5,481	591	175,947
Balances at 1 January 2002, as previously reported	2,068	623,926	87,081	5,481	591	175,947
Effect of the provision for employee leave entitlements (note 1(j)(i))	(2,068)	-	-	-	-	-
Balances at 1 January 2002, as restated	-	623,926	87,081	5,481	591	175,947
Exchange differences	(2,689)	-	4,414	10	53	-
Repayments during the year	-	-	(21,552)	(1,013)	(182)	(175,947)
Additions during the year	-	-	2,205	-	-	232,786
Repayments of a loan due to a minority shareholder	(1,156)	-	-	-	-	-
	(3,845)	-	(14,933)	(1,003)	(129)	56,839
Share of losses attributable to minority interests	4,269	-	-	-	-	-
<b>Balances at 31 December 2002</b>	<b>424</b>	<b>623,926</b>	<b>72,148</b>	<b>4,478</b>	<b>462</b>	<b>232,786</b>