

NOTES TO CONDENSED ACCOUNTS

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited consolidated condensed 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 accounts should be read in conjunction with the 2002 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31 December 2002 except that the group has changed certain of its accounting policies following its adoption of SSAP 12: “Income Taxes” which is effective for accounting periods commencing on or after 1 January 2003.

The change to the group’s accounting policy and the effect of the adoption is set out below:

SSAP 12: Income Taxes

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior years, deferred taxation was 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 was expected to be payable or recoverable in the foreseeable future. The adoption of the new SSAP 12 represents a change in accounting policy, however, the income taxes in prior years has not been restated as the effect of this change is not material to the current and prior years’ results.

NOTES TO CONDENSED 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 2003						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	672,254	256,449	125,706	329,092	50,334	-	1,433,835
Inter-segment sales	120	47,981	88	7,609	8,718	(64,516)	-
	672,374	304,430	125,794	336,701	59,052	(64,516)	1,433,835
Segment results (note)	(13,448)	169,748	(21,202)	31,330	1,383	1,741	169,552
Gain on deemed disposal of a subsidiary							27,726
Gain on disposal of a subsidiary							5,213
Finance costs							(8,676)
Share of profits less losses of							
Jointly controlled entities	-	-	-	(3,472)	(4,141)		(7,613)
Associated companies	-	-	-	(3,954)	-		(3,954)
Profit before taxation							182,248
Taxation							(15,872)
Profit after taxation							166,376
Minority interests							(11,310)
Profit attributable to shareholders							155,066

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	-	-	85,370	-	9,389	94,759
Operating profits/(losses)	-	-	(15,724)	-	1,212	(14,512)

NOTES TO CONDENSED ACCOUNTS (Continued)

2 SEGMENT INFORMATION (Continued)

Primary reporting format - business segments (Continued)

	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)	-
	<u>759,353</u>	<u>277,590</u>	<u>90,570</u>	<u>268,858</u>	<u>87,542</u>	<u>(97,966)</u>	<u>1,385,947</u>
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							<u>161,866</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	-	-	53,621	20,110	11,227	84,958
Operating losses	-	-	(29,790)	(37,771)	(7,280)	(74,841)

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 mainland 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.