

NOTES TO THE ACCOUNTS (Continued)

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 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:

	2004	2003
	HK\$'000	HK\$'000
Turnover		
Advertising income, net of agency deductions	2,597,471	2,268,055
Licensing income	767,060	550,582
Subscription income	370,940	353,629
Others	116,096	152,624
	3,851,567	3,324,890
Less: Withholding tax	(34,631)	(13,728)
	3,816,936	3,311,162
Others revenues		
Interest income	20,294	3,491
Others	37,926	34,431
	58,220	37,922
Total revenues	3,875,156	3,349,084

NOTES TO THE ACCOUNTS (Continued)

2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

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 home video markets and overseas broadcasters

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

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

Other activities - animation production, merchandising services, website portal, magazine publication 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 eight main geographical areas:

Hong Kong - terrestrial television broadcasting with programme production, distribution of television channels, 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

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

Malaysia and Singapore - licensing and distribution of television programmes

Other countries - principally licensing and distribution of television programmes

There are no sales between the geographical segments.

NOTES TO THE ACCOUNTS (Continued)

2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Primary reporting format - business segments

	Terrestrial television broadcasting	Programme licensing and distribution	Overseas satellite pay TV operations	Channel operations	Other activities	Elimination	Group total
	2004	2004	2004	2004	2004	2004	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover (note)							
External sales	2,005,790	581,817	213,834	907,560	107,935		3,816,936
Inter-segment sales	1,142	97,426	183	14,912	8,295	(121,958)	-
	2,006,932	679,243	214,017	922,472	116,230	(121,958)	3,816,936
Segment results (note)	519,227	375,081	(7,010)	171,403	21,015	1,675	1,081,391
Finance costs							(7,006)
Share of losses of							
Jointly controlled entities	-	-	-	(6)	(6,093)		(6,099)
Associated companies	-	-	-	(166,402)	-		(166,402)
Profit before taxation							901,884
Taxation							(152,312)
Profit after taxation							749,572
Minority interests							(30,157)
Profit attributable to shareholders							719,415
Segment assets	3,201,734	195,608	141,685	621,002	147,191		4,307,220
Jointly controlled entities	-	-	-	3,814	14,908		18,722
Associated companies	115,564	-	-	146,149	-		261,713
Investment securities	-	3	-	2,164	1,538		3,705
Loans to investee companies	-	14,263	-	-	-		14,263
Other investments (note 21)	-	-	-	189,432	-		189,432
Unallocated assets							37,855
Total assets							4,832,910
Segment liabilities	258,362	88,972	60,744	141,655	20,591		570,324
Payable for other investments (note 22)	-	-	-	189,432	-		189,432
Unallocated liabilities							285,958
Total liabilities							1,045,714
Capital expenditure	111,512	5,953	1,445	20,164	4,073		143,147
Depreciation and amortisation	196,353	6,712	15,245	54,932	3,930		277,172

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	-	-	142,350	-	26,142		168,492
Segment results	-	-	24,547	-	10,132		34,679

NOTES TO THE ACCOUNTS (Continued)

2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Primary reporting format - business segments (Continued)

	Terrestrial television broadcasting	Programme licensing and distribution	Overseas satellite pay TV operations	Channel operations	Other activities	Elimination	Group total
	2003	2003	2003	2003	2003	2003	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover (note)							
External sales	1,723,846	554,554	231,177	694,282	107,303	-	3,311,162
Inter-segment sales	1,461	98,643	71	15,489	10,405	(126,069)	-
	1,725,307	653,197	231,248	709,771	117,708	(126,069)	3,311,162
Segment results (note)	175,069	362,544	(97,163)	83,258	6,278	3,178	533,164
Gain on deemed disposal of subsidiaries							27,726
Gain on disposal of a subsidiary							5,213
Finance costs							(17,202)
Share of losses of							
Jointly controlled entities	-	-	-	(47,080)	-		(47,080)
Associated companies	-	-	-	(16,734)	-		(16,734)
Profit before taxation							485,087
Taxation							(25,378)
Profit after taxation							459,709
Minority interests							(18,711)
Profit attributable to shareholders							440,998
Segment assets	3,343,659	215,535	162,231	537,168	122,439		4,381,032
Jointly controlled entities	-	-	-	3,737	18,977		22,714
Associated companies	120,883	-	-	117,351	-		238,234
Investment securities	-	3	-	2,117	1,538		3,658
Loans to investee companies	-	13,200	-	-	-		13,200
Unallocated assets							58,522
Total assets							4,717,360
Segment liabilities	285,635	86,473	111,406	123,171	17,871		624,556
Unallocated liabilities							713,472
Total liabilities							1,338,028
Capital expenditure	509,634	13,983	11,022	14,545	2,151		551,335
Depreciation and amortisation	149,440	5,718	16,386	57,065	8,837		237,446
Impairment of fixed assets	-	-	15,978	-	-		15,978
Other non-cash expenses	31,857	9,405	54,015	-	-		95,277

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	-	-	148,527	-	24,528		173,055
Segment results	-	-	(87,673)	-	9,232		(78,441)

NOTES TO THE ACCOUNTS (Continued)

2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Secondary reporting format - geographical segments

	Turnover	Segment results	Total assets	Capital expenditure
	2004	2004	2004	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	2,281,105	587,331	3,406,310	115,523
Taiwan	703,831	155,050	540,143	20,006
USA and Canada	208,667	106,873	123,375	4,975
Australia	60,510	(11,933)	16,113	473
Europe	78,953	(19,119)	88,195	913
Mainland China	104,922	56,571	21,806	1,229
Malaysia and Singapore	337,056	184,095	78,750	-
Other countries	41,892	22,523	32,528	28
	3,816,936	1,081,391	4,307,220	143,147
Jointly controlled entities			18,722	
Associated companies			261,713	
Investment securities			3,705	
Loans to investee companies			14,263	
Other investments			189,432	
Unallocated assets			37,855	
Total assets			4,832,910	
	Turnover	Segment results	Total assets	Capital expenditure
	2003	2003	2003	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	1,819,702	184,045	3,489,441	523,471
Taiwan	671,171	145,446	495,230	14,413
USA and Canada	217,557	9,703	130,682	7,043
Australia	53,318	(32,410)	17,206	1,670
Europe	90,149	6,305	104,989	4,295
Mainland China	104,237	50,841	28,530	124
Malaysia and Singapore	326,310	161,275	87,172	-
Other countries	28,718	7,959	27,782	319
	3,311,162	533,164	4,381,032	551,335
Gain on deemed disposal of subsidiaries		27,726		
Gain on disposal of a subsidiary		5,213		
Operating profit		566,103		
Jointly controlled entities			22,714	
Associated companies			238,234	
Investment securities			3,658	
Loans to investee companies			13,200	
Unallocated assets			58,522	
Total assets			4,717,360	

NOTES TO THE ACCOUNTS (Continued)

3 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2004	2003
	HK\$'000	HK\$'000
<u>Crediting</u>		
Gain on disposal of fixed assets	1,586	1,613
Net exchange gain	2,558	8,467
<u>Charging</u>		
Auditors' remuneration	3,185	3,309
Non-audit service fees paid to principal auditors (mainly tax services)	631	907
Cost of programmes, film rights and stocks	1,311,297	1,151,008
Depreciation - owned fixed assets	269,748	235,107
Depreciation - leased fixed assets	27	212
Impairment of fixed assets	-	15,978
Provisions for onerous contracts (note 24)	-	95,277
Amortisation of goodwill (note 12)	7,397	2,127
Operating leases		
- Equipment and transponders	64,137	92,884
- Land and buildings	24,654	108,337
Staff costs, excluding directors' emoluments (note 4)	1,160,175	1,156,371

4 STAFF COSTS

	2004	2003
	HK\$'000	HK\$'000
Wages and salaries	1,085,380	1,074,010
Pension costs - defined contribution plans	67,885	76,479
Pension costs - defined benefits plans	6,910	5,882
	1,160,175	1,156,371

5 DIRECTORS' EMOLUMENTS

The aggregate amounts of emoluments payable to directors of the company during the year are as follows:

	2004	2003
	HK\$'000	HK\$'000
Fees	2,173	1,298
Salaries and allowances	10,988	6,338
Discretionary bonuses	2,300	2,050
Pension contributions	687	498
	16,148	10,184

The emoluments disclosed above include HK\$345,000 (2003: HK\$203,000) paid to independent non-executive directors.