

# 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 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

These condensed accounts should be read in conjunction with the 2003 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 2003.

## 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 2004						
	Terrestrial television broadcasting	Programme licensing and distribution	Overseas satellite pay TV operations	Channel operations	Other activities	Group total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover (note)						
External sales	828,497	285,721	97,698	432,719	50,907	- 1,695,542
Inter-segment sales	541	47,733	106	7,103	3,879	(59,362) -
	<b>829,038</b>	<b>333,454</b>	<b>97,804</b>	<b>439,822</b>	<b>54,786</b>	<b>(59,362) 1,695,542</b>
Segment results (note)	<b>95,239</b>	<b>184,781</b>	<b>(6,678)</b>	<b>76,499</b>	<b>8,987</b>	<b>754 359,582</b>
Finance costs						<b>(4,003)</b>
Share of profits less losses of						
Jointly controlled entities	-	-	-	4	(1,915)	<b>(1,911)</b>
Associated companies	-	-	-	(76,853)	-	<b>(76,853)</b>
Profit before taxation						<b>276,815</b>
Taxation						<b>(42,760)</b>
Profit after taxation						<b>234,055</b>
Minority interests						<b>(16,590)</b>
Profit attributable to shareholders						<b>217,465</b>

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	-	-	72,368	-	11,848	84,216
Operating profits	-	-	21,164	-	3,166	24,330

## NOTES TO CONDENSED ACCOUNTS (Continued)

### 2 SEGMENT INFORMATION (Continued)

#### Primary reporting format - business segments (Continued)

Six Months Ended 30 June 2003							
	Terrestrial television broadcasting	Programme licensing and distribution	Overseas satellite pay TV operations	Channel operations	Other activities	Elimination	Group total
	HK\$'000	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 subsidiaries							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)

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, 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, channel supply, 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

## NOTES TO CONDENSED ACCOUNTS (Continued)

### 2 SEGMENT INFORMATION (Continued)

#### Secondary reporting format - geographical segments (Continued)

An analysis of the group's turnover and contribution to operating profit/(loss) for the period by geographical segments is as follows:

	Turnover		Operating Profit/(Loss)	
	Six Months Ended 30 June		Six Months Ended 30 June	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Geographical segments:				
Hong Kong	948,741	712,138	111,704	(10,731)
Taiwan	345,870	319,984	87,153	65,448
USA and Canada	104,255	110,983	63,467	22,204
Australia	29,563	25,496	(7,302)	(14,928)
Europe	28,938	43,899	(21,666)	1,578
Mainland China	44,021	43,517	20,016	20,099
Malaysia and Singapore	174,755	160,721	94,982	75,391
Other countries	19,399	17,097	11,228	10,491
	<b>1,695,542</b>	1,433,835	<b>359,582</b>	169,552
Gain on deemed disposal of subsidiaries				27,726
Gain on disposal of a subsidiary				5,213
				<b>202,491</b>

Sales are based on the location in which the customers are located. There are no sales between the geographical segments.

### 3 OTHER REVENUES

	Six Months Ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Interest income	753	1,615
Others	17,780	15,574
	<b>18,533</b>	17,189