

NOTES TO CONDENSED ACCOUNTS (Continued)

4 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Six Months Ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
<u>Crediting</u>		
Gain on disposal of fixed assets	870	-
Reversal of impairment of fixed assets	7,210	-
Reversal of over provision for onerous contracts (note 12)	11,014	-
<u>Charging</u>		
Depreciation - owned fixed assets	139,672	99,308
Depreciation - leased fixed assets	26	152
Impairment of fixed assets	-	16,056
Loss on disposal of fixed assets	-	191
Cost of programmes, film rights and stocks	627,032	502,593
Amortisation of goodwill	3,698	480

5 FINANCE COSTS

	Six Months Ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Interest on overdrafts, bank loans and other loans	3,975	8,645
Interest element of finance leases	28	31
Interest element of land premium paid	-	2,071
Total borrowing costs incurred	4,003	10,747
Less: Interest amount capitalised in land	-	(2,071)
	4,003	8,676

6 TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the group operates.

The amount of taxation charged to the condensed consolidated profit and loss account represents:

	Six Months Ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Current taxation:		
- Hong Kong profits tax	3,764	6,096
- Overseas taxation	20,331	4,052
- Under provisions in prior periods	110	256
Deferred taxation relating to the origination and reversal of temporary differences	18,555	134
Deferred taxation resulting from an increase in tax rate	-	5,334
	42,760	15,872

NOTES TO CONDENSED ACCOUNTS (Continued)

6 TAXATION (Continued)

The taxation on the group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the place where the company operates as follows:

	Six Months Ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Profit before taxation	276,815	182,248
Calculated at a taxation rate of 17.5% (2003: 17.5%)	48,443	31,893
Effect of different taxation rates in other countries	(16,809)	(21,027)
Income not subject to taxation	(13,152)	(6,088)
Expenses not deductible for taxation purposes	2,356	6,274
Tax losses not recognised	25,293	9,233
Utilisation of previously unrecognised tax losses	(3,338)	(9,791)
Tax credit allowance	-	(212)
Others	(143)	-
Under provisions in prior periods	110	256
Increase in opening net deferred tax liabilities resulting from an increase in tax rate	-	5,334
	42,760	15,872

7 DIVIDENDS

	Six Months Ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Interim dividend, proposed, of HK\$0.20 (2003: HK\$0.20) per ordinary share (note (a) and (c))	87,600	87,600

Notes: (a) At a meeting held on 3 September 2003 the directors declared an interim dividend of HK\$0.20 per ordinary share for the year ended 31 December 2003, which was paid on 3 October 2003 (note 14).

(b) At a meeting held on 17 March 2004 the directors proposed a final dividend of HK\$0.60 per ordinary share for the year ended 31 December 2003, which was paid on 28 May 2004 and has been reflected as an appropriation of retained earnings in these condensed accounts for the six months ended 30 June 2004 (note 14).

(c) At a meeting held on 1 September 2004 the directors declared an interim dividend of HK\$0.20 per ordinary share for the year ending 31 December 2004. This proposed dividend is not reflected as a dividend payable in these condensed accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2004 (note 14).

8 EARNINGS PER SHARE

The earnings per share is calculated based on the group's profit attributable to shareholders of HK\$217,465,000 (2003: HK\$155,066,000) and 438,000,000 shares in issue throughout the six months ended 30 June 2004 and 2003.

NOTES TO CONDENSED ACCOUNTS (Continued)

9 CAPITAL EXPENDITURE

	Goodwill	Fixed assets
	HK\$'000	HK\$'000
Six months ended 30 June 2004		
Opening net book amount	62,739	2,365,231
Additions	-	68,488
Disposals	-	(670)
Depreciation (note 4)	-	(139,698)
Amortisation charge (note 4)	(3,698)	-
Reversal of impairment charge (note 4)	-	7,210
Exchange differences	-	(5,514)
Closing net book amount	59,041	2,295,047

10 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

Trade and other receivables, prepayments and deposits of HK\$956,122,000 include trade receivables of HK\$751,843,000. The aging analysis of trade receivables is as follows:

	30 June 2004	31 December 2003
	HK\$'000	HK\$'000
Current	373,352	400,378
1-2 months	212,956	202,228
2-3 months	106,836	124,803
3-4 months	38,251	59,698
4-5 months	17,829	16,829
Over 5 months	65,874	43,896
	815,098	847,832
Trade receivables due from:		
Third parties	795,387	833,954
Jointly controlled entities, associated companies, an investee company and related parties	19,711	13,878
	815,098	847,832
Less: Provision for doubtful debts	(63,255)	(63,579)
	751,843	784,253

Note: The group operates a controlled credit policy and allows an average credit period of forty to sixty days to the majority of the group's customers who satisfy the credit evaluation. Cash on delivery, advance payments or bank guarantees are required from other customers of the group.