

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

2 Changes in accounting policies (Continued)

(b) New accounting policies (Continued)

2.8 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3 Financial risk management

Financial risk factors

The Group's activities exposed it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollars. Foreign exchange risk arises from future commercial transactions, assets and liabilities recognition and net investments in foreign operations, are in a currency that is not the subsidiaries' functional currency.

To manage the foreign exchange risk arising from future commercial transactions, assets and liabilities recognition, subsidiaries in the Group use forward contracts transacted between the Group and a financial institution.

The Group has certain investments in foreign operations, which net assets are exposed to foreign currency risk.

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet either as available-for-sale financial assets or as financial assets at fair value through profit or loss.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales are made to customers with established credit history or upon presentation of bank guarantees.

(c) Cash flow interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

4 Critical accounting estimates and judgements

In preparing the condensed consolidated financial information, accounting estimates and judgements need to be made. The Group evaluates these based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equate the related actual results. Estimates and assumptions that may have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of goodwill

The Group performs annual tests on whether there has been impairment of goodwill in accordance with the accounting policy stated in note 2.4. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

(b) Trade debtors

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the income statement. Changes in the collectibility of trade receivables for which provisions are not made could affect our results of operations.

(c) Useful lives of fixed assets

In accordance with HKAS 16, the Group estimates the useful lives of fixed assets in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

(d) Impairment of non-current assets

If a triggering event occurs indicating that the carrying amount of an asset may not be recoverable, an assessment of the carrying amount of that asset will be performed. Triggering events include significant adverse changes in the market value of an asset, changes in the business or regulatory environment, or certain legal events. The interpretation of such events requires judgment from management with respect to whether such an event has occurred.

Upon the occurrence of triggering events, the carrying amounts of non-current assets are reviewed to assess whether their recoverable amounts have declined below their carrying amounts. The recoverable amount is the present value of estimated net future cash flows which the Group expects to generate from the future use of the asset, plus the asset's residual value on disposal. Where the recoverable amount of non-current assets is less than its carrying value, an impairment loss is recognised to write the assets down to its recoverable amount.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

5 Segment information

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 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

5 Segment information (Continued)

Primary reporting format - business segments (Continued)

An analysis of the Group's turnover and results for the period by business segments is as follows:

	Six months ended 30 June 2005					
	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	910,188	285,235	128,761	490,399	38,741	- 1,853,324
Inter-segment sales	303	48,480	-	7,115	3,797	(59,695) -
	910,491	333,715	128,761	497,514	42,538	(59,695) 1,853,324
Segment results (note)	302,528	187,517	18,672	108,198	4,308	553 621,776
Change in fair value of financial assets at fair value through profit or loss						148,778
Finance costs						(970)
Share of losses of						
Jointly controlled entities	-	-	-	(30)	(4,215)	(4,245)
Associates	-	-	-	(98,873)	-	(98,873)
Profit before income tax						666,466
Income tax expense						(115,266)
Profit for the period						551,200

Note: There are no new activities at their initial stage of operations (i.e. not more than five years since commencement of commercial operations) for the six months ended 30 June 2005.

Other segment terms included in the income statement are as follows:

Depreciation	95,628	3,471	6,450	26,973	1,226	133,748
Amortisation of leasehold land	2,284	-	-	-	-	2,284
Impairment of goodwill	-	-	-	5,894	-	5,894

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

5 Segment information (Continued)

Primary reporting format - business segments (Continued)

	Six months ended 30 June 2004						
	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	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)	-
	829,038	333,454	97,804	439,822	54,786	(59,362)	1,695,542
Segment results (note)	95,239	184,781	(6,678)	76,499	8,987	754	359,582
Finance costs							(4,003)
Share of losses of							
Jointly controlled entities	-	-	-	4	(1,915)		(1,911)
Associates	-	-	-	(76,853)	-		(76,853)
Profit before income tax							276,815
Income tax expense							(42,760)
Profit for the period							234,055

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
Segment results	-	-	21,164	-	3,166	24,330

Other segment terms included in the income statement are as follows:

Depreciation	96,088	3,304	9,824	25,896	2,302	137,414
Amortisation of leasehold land	2,284	-	-	-	-	2,284
Amortisation of goodwill	-	-	2,799	899	-	3,698

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

5 Segment information (Continued)

Primary reporting format - business segments (Continued)

The segment assets and liabilities at 30 June 2005 and capital expenditure for the six months then ended are as follows:

	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
Segment assets	3,025,786	187,886	142,510	841,460	139,734	4,337,376
Interest in jointly controlled entities	-	-	-	-	10,537	10,537
Interest in associates	138,677	-	-	47,276	-	185,953
Non-trading securities	-	3	-	203	-	206
Loans to investee companies	-	6,324	-	-	-	6,324
Financial assets at fair value through profit or loss	-	-	-	338,210	-	338,210
Unallocated assets						60,268
Total assets						<u>4,938,874</u>
Segment liabilities	217,059	111,595	61,098	143,297	15,885	548,934
Payable for financial assets at fair value through profit or loss	-	-	-	189,432	-	189,432
Unallocated liabilities						304,587
						<u>1,042,953</u>
Capital expenditure	38,818	3,567	739	13,180	286	56,590

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

5 Segment information (Continued)

Primary reporting format - business segments (Continued)

The segment assets and liabilities at 31 December 2004 and capital expenditure for the six months ended 30 June 2004 are as follows:

	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
Segment assets	3,201,734	195,608	141,685	621,002	147,191	4,307,220
Interest in jointly controlled entities	-	-	-	3,814	14,908	18,722
Interest in associates	115,564	-	-	146,149	-	261,713
Non-trading securities	-	3	-	2,164	1,538	3,705
Loans to investee companies	-	14,263	-	-	-	14,263
Financial assets at fair value through profit or loss	-	-	-	189,432	-	189,432
Unallocated assets						37,855
Total assets						<u>4,832,910</u>
Segment liabilities	258,362	88,972	60,744	141,655	20,591	570,324
Payable for financial assets at fair value through profit or loss	-	-	-	189,432	-	189,432
Unallocated liabilities						285,958
						<u>1,045,714</u>
Capital expenditure	<u>53,966</u>	<u>3,380</u>	<u>1,214</u>	<u>8,312</u>	<u>1,616</u>	<u>68,488</u>

Segment assets consist primarily of prepaid operating lease payments, property, plant and equipment, intangible assets, inventories, receivables and operating cash. They exclude deferred taxation and investments.

Segment liabilities comprise operating liabilities. They exclude items such as taxation and borrowings.

Capital expenditure comprises additions to leasehold land, property, plant and equipment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

5 Segment information (Continued)

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

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	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Geographical segments:				
Hong Kong	1,054,239	948,741	357,210	111,704
Taiwan	371,271	345,870	69,672	87,153
USA and Canada	108,560	104,255	56,935	63,467
Australia	34,080	29,563	(2,831)	(7,302)
Europe	49,077	28,938	8,661	(21,666)
Mainland China	58,176	44,021	35,444	20,016
Malaysia and Singapore	153,702	174,755	84,500	94,982
Other countries	24,219	19,399	12,185	11,228
	1,853,324	1,695,542	621,776	359,582

Change in fair value of financial assets at fair value through profit or loss

148,778

770,554

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

5 Segment information (Continued)

Secondary reporting format - geographical segments (Continued)

	Total assets		Capital expenditure	
	30 June	31 December	Six months ended 30 June	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	3,335,215	3,406,310	41,836	55,530
Taiwan	644,967	540,143	13,113	8,265
USA and Canada	116,813	123,375	950	2,600
Australia	19,137	16,113	159	601
Europe	81,168	88,195	522	558
Mainland China	26,368	21,806	-	908
Malaysia and Singapore	77,796	78,750	-	-
Other countries	35,912	32,528	10	26
	4,337,376	4,307,220	56,590	68,488
Interest in jointly controlled entities	10,537	18,722		
Interest in associates	185,953	261,713		
Non-trading securities	206	3,705		
Loans to investee companies	6,324	14,263		
Financial assets at fair value through profit or loss	338,210	189,432		
Unallocated assets	60,268	37,855		
	4,938,874	4,832,910		

Total assets and capital expenditure are allocated based on where the assets are located.