



7. Finance costs		Six months ended	
	30th June, 2001 (Unaudited) HK\$'000	30th June, 2000 (Unaudited) HK\$'000	
Interest on bank loans and overdrafts wholly repayable within five years	1,125	13,167	
Interest on finance leases	7	—	
Bank and financing charges	1,250	1,334	
Exchange differences arising from retranslation of bank loans	—	2,101	
	<u>2,382</u>	<u>16,602</u>	

8. **Taxation**  
Hong Kong profits tax has been provided at the rate of 16% (six months ended 30th June, 2000: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of taxation prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

		Six months ended	
	30th June, 2001 (Unaudited) HK\$'000	30th June, 2000 (Unaudited) HK\$'000	
Provision for tax for the period:			
Hong Kong	172	14,000	
Overseas	104	—	
	<u>276</u>	<u>14,000</u>	
Prior year's over-provisions:			
Hong Kong	(3,000)	—	
Overseas	(535)	(66)	
	<u>(3,535)</u>	<u>(66)</u>	
Share of tax attributable to associates:			
Hong Kong	220	—	
Overseas	—	180	
	<u>220</u>	<u>180</u>	
Tax charge/(credit) for the period	<u>(3,039)</u>	<u>14,114</u>	

9. **Loss per share**  
The calculation of basic loss per share on the net loss attributable to shareholders for the period of HK\$80,485,000 (net loss attributable to shareholders for six months ended 30th June, 2000: HK\$192,425,000), and the weighted average of 551,642,093 (six months ended 30th June, 2000: 365,351,695) ordinary shares in issue during the period, adjusted to reflect the five-to-one share consolidation during December 2000 and the effect of the rights issue in January 2001. The loss per share for the period ended 30th June, 2000 was adjusted accordingly.  
No diluted loss per share is presented as there is no dilution effect arising from the share options granted on 22nd February, 1999, 12th February, 2000, 4th March, 2000 and 28th April, 2000 by the Company for both periods ended 30th June, 2000 and 2001.

10. **Debtors and deposits**  
Trading terms with customers are largely on credit. Invoices are normally payable within 30 days of issuance, except for certain well established customers, where the terms are extended to 60 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. Overdue balances are regularly reviewed by senior management. The aged analysis of the trade debtors as at 30th June, 2001 and 31st December, 2000 were as follows:

	30th June, 2001 (Unaudited) HK\$'000	31st December, 2000 (Audited) HK\$'000
Trade debtors:		
Less than 30 days	2,157	2,958
31 – 60 days	453	6,550
61 – 90 days	4,605	1,056
Over 90 days	2,598	1,592
	<u>9,813</u>	<u>12,156</u>
Other debtors and deposits	<u>31,755</u>	<u>37,384</u>
	<u>41,568</u>	<u>49,540</u>

The above aged analysis, stated net of provision for doubtful debts, was prepared based on the dates when revenue is recognised from the trade transactions.

11. **Creditors and accruals**  
The aged analysis of trade creditors as at 30th June, 2001 and 31st December, 2000 were as follows:

	30th June, 2001 (Unaudited) HK\$'000	31st December, 2000 (Audited) HK\$'000
Trade creditors:		
Less than 30 days	9,979	2,362
31 – 60 days	2,135	1,734
61 – 90 days	202	145
Over 90 days	—	6,732
	<u>12,316</u>	<u>10,973</u>
Other creditors and accruals	<u>32,579</u>	<u>27,836</u>
	<u>44,895</u>	<u>38,809</u>

The above aged analysis was prepared based on the dates of receipt of the goods and services purchased.

12. Share capital		30th June, 2001		31st December, 2000	
	Number of shares (Unaudited) '000	Nominal value (Unaudited) HK\$'000	Number of shares (Audited) '000	Nominal value (Audited) HK\$'000	
Authorised:					
Ordinary shares of HK\$0.50 (31st December, 2000: HK\$0.50) each	2,000,000	1,000,000	2,000,000	1,000,000	
Issued and fully paid:					
Ordinary shares of HK\$0.50 (31st December, 2000: HK\$0.50) each	571,185	285,592	377,057	188,528	

During the period, the following movements in share capital were recorded:

(a) On 16th November, 2000, the Company proposed to raise not less than HK\$160 million, before expenses, by issuing approximately 188,528,309 new shares of the Company of HK\$0.50 each, by way of rights issue at a price of HK\$0.85 per rights share on the basis of one rights share for every two existing shares held on 29th December, 2000. On 16th January, 2001, the Directors announced that the rights issue of 188,528,309 new shares had become unconditional and payable in full on acceptance.

(b) On 9th February, 2001, a conditional sale and purchase agreement (the "Agreement") was entered into between Autumn Gold Limited ("Autumn Gold"), a wholly-owned subsidiary of the Company, and Mr. Chan Chee Kheong ("Mr. Chan"). Pursuant to the Agreement, Autumn Gold acquired from Mr. Chan 5 existing shares of HK\$1.00 each, being 50% equity interest, of The Artiste Campus International Limited, a company incorporated in Hong Kong with limited liability, for a total consideration of HK\$7,600,005, comprising (i) HK\$2,000,005 in cash, and (ii) the balance of HK\$5,600,000 by the allotment and issue of a total of 5,600,000 new shares of HK\$0.50 each in the share capital of the Company, at an issue price of HK\$1.00 per share. The allotment of the 5,600,000 new shares to Mr. Chan was completed on 4th April, 2001.

A summary of the movements in the issued share capital of the Company during the period is as follows:

	Number of ordinary shares '000	Amount HK\$'000
At beginning of period (Audited)	377,057	188,528
Issue of rights shares (a)	188,528	94,264
Share issued as partial consideration for the acquisition of an associate (b)	5,600	2,800
	<u>571,185</u>	<u>285,592</u>

13. Reserves		Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 31st December, 2000 and 1st January, 2001 (Audited)		2,822,477	68,234	(1,168,088)	1,722,623
Issue of rights shares		65,985	—	—	65,985
Share issue expenses		(2,840)	—	—	(2,840)
Issue of shares		2,800	—	—	2,800
Exchange realignments		—	—	(302)	(302)
Transfer impairment in value of goodwill of a subsidiary to the profit and loss account		—	17,058	—	17,058
Transfer capitalised expense for acquisition of other investment to the profit and loss account		—	4,977	—	4,977
Net loss for the period		—	—	(80,485)	(80,485)
		<u>2,888,422</u>	<u>90,269</u>	<u>(1,248,875)</u>	<u>1,729,816</u>
At 30th June, 2001 (Unaudited)		2,888,422	90,269	(1,248,875)	1,729,816

14. Contingent Liabilities		30th June, 2001 (Unaudited) HK\$'000	31st December, 2000 (Audited) HK\$'000
Contingent liabilities not provided for in the financial statements at the balance sheet dates were as follows:			
Guarantees given to third parties in connection with restaurant operations		—	446
Guarantees given to LSD in connection with disposal of an associate to LSD		25,000	25,000
		<u>25,000</u>	<u>25,446</u>
15. Subsequent events			
No significant events requiring disclosure occurred.			
16. Comparative amounts			
As further explained in note 3 to the financial statements, due to the discontinuance of the Group's investment in and operation of hotels and restaurants, the prior year's balance of turnover, and loss from operating activities in respect of these discontinued operations, which had previously been classified as part of the continuing operations, have been reclassified as "discontinued operations" for comparative purposes.			

**INTERIM DIVIDEND**  
The Directors do not recommend the payment of an interim dividend for the period under review (2000: Nil).

**MANAGEMENT DISCUSSION AND ANALYSIS**  
**Business Review**

The Group recorded a turnover of HK\$21,874,000 for the six months ended 30th June, 2001, compared with the turnover of HK\$153,184,000 reported for the corresponding period last year. Net loss attributable to shareholders was HK\$80,485,000, which was an improvement on the net loss of HK\$192,425,000 recorded for the corresponding period last year.

The significant reduction in turnover was due to the discontinuance of the hotel and restaurant business, which had been disposed of after 30th June, 2000 following completion of the reorganisation agreement referred to in note 3 to the financial statements. This decrease had been slightly offset by the revenue generated by the advertising agency business acquired by the Group in the above reorganisation scheme.

The net loss attributable to shareholders mainly arose from a loss of HK\$2,416,000 on disposal of short-term investment, a provision of HK\$22,483,000 for diminution in value on the 237 million "SUNDAY Communications Limited" shares, the pre-operating loss of HK\$8,072,000 in setting up the satellite television operation, the loss on discontinuing a restaurant operation in Vancouver in May 2001 of HK\$2,787,000, a provision for impairment in value of a subsidiary of HK\$17,058,000 and other operating costs for developing media, entertainment and Internet-related businesses after setting off interest income amounting to approximately HK\$27,669,000.

During the period under review, progress in the development of Internet-related business of the Group fell short of previous expectations. Market sentiment towards this sector also turned extremely cautious. The Directors had appraised all existing operations rigorously from a pragmatic yet critical point of view. Appropriate measures had been taken to rationalise the Group's investments in this sector.

Since the last quarter of 2000, the Group has allocated additional resources to satellite television operation and film and entertainment investment. The television programme production centre of East Asia Satellite Television Limited ("EAST"), wholly-owned by the Company, at South Horizons, Aberdeen, Hong Kong commenced operation during the second quarter of 2001, and has been producing programmes in Chinese for broadcast on the "Life Channel" of EAST. The production centre has an annual production capacity of approximately 1,500 hours of programme. Daily broadcast of programmes on the EAST "Life Channel" commenced on 21st July, 2001.

Construction work of the East Asia Satellite Television City ("EAST-TV City") in COTAI City in Macau commenced during the first half of 2001, with completion of the project scheduled in 2003. The EAST-TV City is designed with a production capacity of approximately 5,000 hours of programme per annum and will also comprise a tourist theme park in addition to other ancillary facilities.

During the period under review, the Group increased its equity interest in Media Asia Holdings Ltd. ("MAH") from 26.33% to 39.55%. The core businesses of MAH are the production, provision and distribution of films, television programmes and other media-related consumer products. It is the single largest worldwide distributor of over 700 contemporary Chinese language films produced between 1971 and 2000.

**Prospects**  
With the planned increase in investment in television programme production facilities and the acquisition of an additional equity interest in MAH, the Directors anticipate that satellite television and movie and entertainment operations will assume a more prominent role in the strategic development of the Group in the foreseeable future. Competition for television viewers in the Greater China region, particularly in the Mainland of China will continue to be intense in the years to come. The substantial number of television operators outside of the Mainland which have announced their interest in competing for a limited number of licences to broadcast to viewers in the Mainland is an unmistakable signal. However, the Group is optimistic that growth in potential television advertising revenue in the Mainland should mirror the encouraging growth rate forecast for the economy of China in the near future. The Directors are confident that the Company will be able to capture and maintain a niche in the Mainland television broadcast market in the future.

Given the strengths of MAH in the Hong Kong movie and entertainment industry, and the possible policy direction of the Hong Kong SAR government in lending greater support to the local movie industry, the Directors expect MAH to have great potential for further growth. The Group's investment in MAH will also promote natural synergy with the satellite television and Internet-related operations, to the benefit of the long-term development of the Group.

The Directors believe that the Internet-related operations of the Group will complement the satellite television and movie and entertainment businesses, and should remain an important element in the development plan of the Group. The performance of the existing Internet-related businesses of the Group will be monitored closely to identify any need for further improvement. Tight but prudent control on additional investments and operating costs will continue to be enforced stringently by Management.

**Liquidity and Financial Resources**  
As at 30th June, 2001, the Group had cash and cash equivalents of HK\$141 million. The amount due to bank borrowings within one year was HK\$25 million. The Group's gearing was considered low, as the debt to equity ratio was only 1%, expressed as a percentage of total bank borrowings to total net assets.

Future capital expenditures will mainly consist of refurbishment and television equipment costs for the new office at South Horizons, Aberdeen, Hong Kong and the construction cost for the EAST-TV City in COTAI City in Macau.

The Group believes its cash holding, liquid asset value and future revenue will be sufficient to fund capital expenditure and working capital requirements.

**Contingent Liabilities**  
Details of contingent liabilities are set out in note 14 to the financial statements.

**Employees and Remuneration Policies**  
The Group employed a total of approximately 130 employees as at 30th June, 2001. Pay rates for employees are maintained at competitive levels and salary and bonuses are rewarded on a performance related basis. Other staff benefits include free hospitalization insurance plan, subsidized medical care and subsidies for external educational and training programs. The Company adopted a share option scheme for its Directors and employees on 25th November, 1996.

**PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**  
During the six months ended 30th June, 2001, there was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities.

**CODE OF BEST PRACTICE**  
None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the period for the six months ended 30th June, 2001 in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice. The audit committee comprises two independent non-executive Directors, Mr. Alfred Donald Yap and Mr. Low Chee Keong as at the report date. The Interim Report of the Company for the six months ended 30th June, 2001 has been reviewed by the audit committee.

The non-executive Directors of the Company are subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Bye-laws of the Company.

By Order of the Board  
**Lien Jown Jing, Vincent**  
Chairman