Television Broadcasts Limited
Annual Report 2005

2005

電 視 廣 播 有 限 公 司
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CORPORATE INFORMATION

DIRECTORS

Sir Run Run Shaw, G.B.M. (Executive Chairman)
Dr. Norman Leung Nai Pang, G.B.S., LL.D., J.P. (Executive Deputy Chairman)
Mona Fong (Deputy Chairperson)
Louis Page (Managing Director)
Dr. Chow Yei Ching, G.B.S.
Ho Ting Kwan
Chien Lee * (appointed on 17 March 2005)
Christina Lee Look Ngan Kwan
Lee Jung Sen, O.B.E. * (retired on 25 May 2005)
Dr. Li Dak Sum, DSSc. (Hon.), J.P. *
Kevin Lo Chung Ping
Robert Sze Tsai To *
Anthony Hsien Pin Lee (Alternate Director to Christina Lee Look Ngan Kwan)

EXECUTIVE COMMITTEE

Sir Run Run Shaw (Chairman)
Dr. Norman Leung Nai Pang
Mona Fong
Louis Page
Kevin Lo Chung Ping

AUDIT COMMITTEE

Robert Sze Tsai To * (Chairman)
Chien Lee * (appointed on 17 March 2005)
Lee Jung Sen * (retired on 25 May 2005)
Ho Ting Kwan (appointed on 22 February 2006)
Dr. Li Dak Sum * (resigned on 22 February 2006)

REMUNERATION COMMITTEE

Chien Lee * (Chairman)
Mona Fong
Robert Sze Tsai To *

EXECUTIVE OFFICERS

George Chan Ching Cheong (Assistant Managing Director)
Stephen Chan Chi Wan (General Manager – Broadcasting)
Cheong Shin Keong (General Manager – Broadcasting)

COMPANY SECRETARY

Adrian Mak Yau Kee

REGISTERED OFFICE

TVB City, 77 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong

AUDITORS

PricewaterhouseCoopers
33/F, Cheung Kong Center, 2 Queen's Road Central, Hong Kong

SHARE REGISTRARS

Computershare Hong Kong Investor Services Limited
Hopewell Centre 46/F, 183 Queen's Road East, Wan Chai, Hong Kong

* *Independent Non-executive Directors*

CHAIRMAN'S STATEMENT

As I mentioned last year that 2004 was a year of recovery for Hong Kong's economy and TVB, so the year of 2005 brought continued success on many fronts.

During 2005, we saw the Group's turnover increase by 9% from HK$3,817 million to HK$4,177 million. Our advertising revenue which totalled HK$2,682 million showed an increase of 3% over 2004. Our overall programme costs which totalled HK$1,148 million showed a decrease of 12%. Including the gain on the disposal of our 51% equity interest in Galaxy Satellite TV Holdings Limited ("GSTV") of HK$149 million, I am pleased to report that the Group's profit attributable to shareholders grew 64% from HK$719 million to HK$1,180 million. These numbers marked another major achievement for TVB.

At the Company's annual general meeting to be held on 24 May 2006, the Directors will recommend a final dividend of HK$1.30 per share. Together with the interim dividend of HK$0.25 per share paid on 29 September 2005, this makes a total dividend of HK$1.55 per share for the year ended 31 December 2005, and represents an increase of 55% over the total dividend of HK$1.00 per share for last year.

For terrestrial television broadcasting, we benefited from the continued strength in Hong Kong's economy and a buoyant real estate market in Hong Kong during the first half of 2005. However, our growth was dampened in the second half, against a background of rising oil prices and interest rates which adversely affected the growth in the real estate market. Nevertheless, we are encouraged by the strength of the local economy, and the role of Hong Kong as an Asia's international city should enable Hong Kong to continue to prosper. We are optimistic that cross border activities, particularly those with Mainland China, will continue to increase, and help drive the local economy to new heights.

On programming, we provided audiences worldwide with innovative programme formats and popular drama series, both from our own library and from overseas. Our production capability and talent pool have again proven to be our key strengths.

Our overseas operations made steady progress, despite worldwide piracy and illegal downloading from the Internet which continued to adversely impact our video licensing and distribution business. These problems will have to be tackled on an international scale, and TVB is actively involved in this issue. We have been successful in developing new modes of delivery for our products to make up for income lost to piracy.

The Pearl River Delta has a population in excess of 23 million, which is a huge market by any standard. Cantonese is the key dialect in this region and TVB's Jade channel attract high ratings compared to the national and provincial television channels. With the Guangdong Landing Rights Agreement in place, we have started the collection of license fees during the first half of 2005. This paves the way for further co-operation with television stations in this market.

Despite some initial setbacks in building our pay TV platform in Hong Kong, in April 2005, we entered into a transaction for the sale of our 51% interest in GSTV which valued our remaining 49% interest in GSTV at HK$336 million. We welcome our new business partners whom we are confident will make valuable contributions to the success of GSTV. Subsequent to the year end in February 2006, GSTV signed a co-operation agreement with PCCW Media Limited in securing additional distribution for its channels which would increase significantly the homespassed in Hong Kong. With wider distribution through both satellite and IPTV, we are positive that GSTV will remain a competitive force in the local pay TV market.

CHAIRMAN'S STATEMENT (Continued)

During the course of 2006, we shall be investing in our transmission network and our production facilities in order to convert to digital broadcasting and to commence our high definition television broadcasting under a plan agreed with the Government. Even though this requires substantial investment in new infrastructure and equipment, we believe that this will bring us in line with international standards and provide much improved picture quality to Hong Kong viewers.

On behalf of the Board, I wish to thank our dedicated staff for their hard work. We look forward to another exciting and challenging year ahead.

Run Run Shaw
Executive Chairman

Hong Kong, 22 March 2006

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

(a) Overview

For the year ended 31 December 2005, the Group achieved a turnover of approximately HK$4,177 million (2004: HK$3,817 million), which represented an increase of 9%. Cost of sales amounted to approximately HK$1,792 million (2004: HK$1,842 million), which represented a decrease of 3%. Gross profit for the year amounted to HK$2,385 million (2004: HK$1,975 million), which represented a gross profit percentage of 57% (2004: 52%).

Included in cost of sales was the cost of programmes, film rights, movies and stocks which amounted to approximately HK$1,148 million (2004: HK$1,311 million), representing a decrease of 12%.

Selling, distribution and transmission costs amounted to approximately HK$452 million, having been maintained at a similar level as last year (2004: HK$450 million). General and administrative expenses amounted to approximately HK$491 million (2004: HK$513 million), which represented a decrease of 4%.

Finance costs for the year amounted to HK$1 million (2004: HK$7 million), a decrease of 86%. The reduction was due to the repayment of bank loans during the year.

The Group's share of the losses of an associate, GSTV, increased from HK$166 million to HK$187 million for the year. This was attributable to the increase in advertising and promotion costs of its subsidiary, Galaxy Satellite Broadcasting Limited ("GSB"), for its pay TV channels.

The gain on disposal of financial assets at fair value through profit or loss of HK$149 million was related to disposal of the 51% equity interest in GSTV to See Corporation Limited (previously Ruili Holdings Limited) and Dr. Charles Chan Kwok Keung, as announced in April 2005.

The Group's taxation charge amounted to HK$232 million (2004: HK$152 million), which represented an increase of 53%. The increase in the taxation charge was due to the increase in the provision for Hong Kong profits tax of HK$99 million as a result of the increase in net profit generated in Hong Kong during the year, and a provision for deferred income tax of HK$29 million on the undistributed profits of Liann Yee Production Co. Ltd. ("LYP") in Taiwan.

The profit attributable to shareholders amounted to HK$1,180 million (2004: HK$719 million), which represented an increase of 64%. Earnings per share was HK$2.69 (2004: HK$1.64).

(b) Comments on Segment Information

Revenue from terrestrial television broadcasting which comprised predominantly local advertising revenue, increased from HK$2,007 million to HK$2,236 million. As further disclosed in Note 4 to the consolidated financial statements on pages 53 and 55 of the Annual Report, certain reclassification of revenues took place in 2005. The revenue for 2004, if stated on a similar basis, would have been HK$2,145 million.

The cost of programmes, which comprised cost of self-produced TV programmes and acquired film rights, were kept under tight budgetary control. Through the use of a different programme mix, primarily on Jade during prime time, which took into account audience taste and market trends, the cost of programmes was lower than last year. The absence of the coverage of special overseas events such as the 2004 Olympic Games in Athens also resulted in lower costs in 2005. As a result, this segment contributed an operating profit of HK$859 million (2004: HK$519 million), an increase of 66% over last year.

Revenue from programme licensing and distribution increased from HK$679 million to HK$693 million, which represented an increase of 2%. Our cost of distribution was kept in line with the growth of the business. As noted in the "Business Review and Prospects" section, Malaysia and Singapore remain the two most important markets for telecast licensing business. This segment contributed an operating profit of HK$391 million (2004: HK$375 million), an increase of 4% over last year.

Revenue from overseas satellite pay TV operations, which comprised TVB Satellite Platform ("TVBSP") USA, TVB Australia ("TVBA") and The Chinese Channel ("TCC") Europe, showed an increase from HK$214 million to HK$247 million, which represented an increase of 15%. This segment turned profitable in 2005 and contributed an operating profit of HK$29 million (2004: an operating loss of HK$7 million).

Revenue from channel operations, which comprised the Taiwanese channel, TVBS, operating under LYP, the two channels – TVB8 and Xing He, and the supply of six channels to GSB, the pay TV platform in Hong Kong, showed an increase of 8% from HK$922 million to HK$998 million. Improvement in revenues from LYP, TVB8 and Xing He were noted due to the increase in advertising and subscription revenue. This segment contributed an operating profit of HK$194 million (2004: HK$171 million), an increase of 13% over last year.

(c) Business Review and Prospects

Terrestrial Television Broadcasting

Our advertising income growth in 2004 continued into the first quarter of 2005. However, as expected, the cycle of double-digit growth experienced since the end of SARS came to an end, and growth was less pronounced for the remaining three quarters of the year.

In an attempt to meet advertisers' needs for value and impact, considerable effort was put into developing innovative "products". Two products which were the focus of our efforts have performed well. One of these is the short duration fixed-schedule "info-service" spot.

Info-service sales have grown by more than 10% and we are putting greater efforts in increasing the supply and effectiveness of this advertising format.

The second area of focus in product selling is product sponsorships (sometimes referred to as product placements). Revenue from product sponsorship in our weekday prime time dramas has increased by more than 40% in 2005.

Another promising area delivering value and innovation to clients is that of offering added value to our advertisers by means of extending their sponsorship activities with TVB into other media such as the Internet, mobile phones and outdoor video, or by extending their reach to the Mainland China market. We have begun our efforts in this area and so far the results are encouraging.

Four categories of advertisers were important in contributing to our growth in 2005. They were local property developers, broadband service providers, amusement parks and skin care products. The growth in these four categories exceeded 50%.

However, it is not prudent to rely on continued growth in these categories. Concerted new client/new category development, along with the above-mentioned product developments will be key areas of effort to deliver growth for 2006.

The prospects for growth in 2006 are reasonable given the overall economic confidence among both consumers and advertisers, and our advance commitments are conducive to delivering growth.

TVB Jade and Pearl remained the preferred terrestrial channels in Hong Kong. Jade achieved an average weekday prime time audience share* of 83% among terrestrial Chinese channels and Pearl, an average audience share* of 75% among terrestrial English channels during the year.

* *Prime time audience share refers to average share from 7:00 p.m. to 11:00 p.m. on Jade, and 7:00 p.m. to midnight on Pearl.*

The Jade Channel

During the year, Jade successfully developed and produced a number of new programme formats. "Justice for All", which was produced with the support of the Law Society of Hong Kong, made legal information easier to understand and relevant to the general public. It gained critical and international recognition as well as attracting an average of close to 1.6 million viewers per episode. "Minutes to Fame" which provided an opportunity for the general public to showcase their talents, was the most talked about programme in town. The two series attracted an average of close to 1.9 million viewers. Its grand finale "Minutes to Fame : World Champion" attracted over 2.2 million viewers. Jade also organised the first "Mr. Hong Kong Contest" during the year which captured 1.5 million viewers.

Other variety and infotainment programmes were also successful. "TVB 38th Anniversary Special" was watched by 2.3 million viewers; "Miss Hong Kong Pageant 2005", by over 1.9 million viewers; and "All Singers for TVB Anniversary Special 2005", by 1.8 million viewers. The year saw the conclusion of the popular entertainment series "The Super Trio Continues...", drawing an average of 2.2 million viewers.

Jade continued to excel in its drama productions. The comedies "War of In-Laws" and "Life made simple", and the drama on police cadets "The Academy" attracted around 2.2 million viewers per episode.

Among acquired programmes, "Jewel in the Palace" was the best-performed series in terms of viewership, drawing an average of 2.9 million viewers.

For news and public affairs programmes, TVB provided live and updated news coverage of protests during the World Trade Organisation conference in Hong Kong in December 2005.

The Pearl Channel

The year 2005 was one of remarkable achievement for Pearl – the top 100 most popular programmes, mostly blockbuster movies, on English terrestrial channels in Hong Kong were all programmes on Pearl. The top rating programme of the year "Harry Potter and the Sorcerer's Stone" attracted an average of 743,000 viewers. Top movies of the year included "Titanic", the "Star Wars" series, "The Lord of the Rings: the Fellowship of the Ring", "The Lord of the Rings: the Two Towers" and "The Mummy Returns".

Pearl successfully cultivated viewers' interest in quality foreign drama series. "Lost" became the top drama series of the year with an average of 254,000 viewers. Its first episode attracted 687,000 viewers. During the year, Pearl also introduced "Desperate Housewives" and "Nip/Tuck" to the local audience.

Pearl also showcased a variety of sports programmes. Selected matches of the "Real Madrid Asian Tour 2005" attracted over 200,000 viewers. The soccer event - Barcelona vs Shenzhen Jianlibao was watched by close to 210,000 viewers. Other sports events on Pearl included selective matches and coverage of the 4th East Asian Games Men's Soccer Matches; 2005 Wimbledon Championships; and the Dutch Soccer League.

Commendations and Awards

TVB's creative and production excellence in infotainment, drama, variety and public affairs programmes and on-air promotion continued to gain international recognition in 2005.

At the Asian Television Awards 2005, the finale for "Justice for All" won the Best Infotainment Programme Award and was also highly commended in the Best Game or Quiz Programme Category. Also highly commended were "Minutes to Fame" in the Best Entertainment Programme category and "War and Beauty" in the Best Drama Series category. At the Asia-Pacific Children & Youth TV Festival, "Sunshine Heartbeat" was a finalist.

"Sunday Report: Big Head Babies" produced by TVB's News and Public Affairs team gained recognition in different international awards: Certificate of Recognition at the ABU/CASBAA UNICEF Child Rights Award 2005; finalist in the New York Festivals 2005 in the Health/Medical Information category and Diplome de Nomination, 45th Festival de Television de Monte Carlo, in News Documentary.

TVB's on-air promos won the Gold Prize with "The 10th China National Games Image" promo at PROMAX Asia 2005 in the Best Sports Campaign category and PROMAX China 2005, in Best Sports Promo. "The Dragon Boat Festival Image" promo won the Gold Prize in Best Holiday/Seasonal Promo in PROMAX Asia 2005, and "War of In-Laws" promo, the Best Drama Promo, PROMAX China 2005. The "Pearl Reality Image" promo won the Silver Prize of Interstitial/ Promotainment – Block category at PROMAX World Gold Awards.

Community and Public Service

The devastating Tsunami in South Asia on 26 December 2004 took away thousands of lives and turned tens of thousands homeless. TVB lost no time in reacting positively to the disaster by taking action promptly. Within 56 hours, TVB produced and broadcasted two charity fund-raising programmes in aid of five charitable organizations: Hong Kong Red Cross, Oxfam Hong Kong, Salvation Army, UNICEF and World Vision Hong Kong. The two special programmes "Operation Relief 2005" broadcasted on 1 and 2 January 2005 raised HK$33 million and HK$85 million respectively. The latter was also telecast to overseas cities in Malaysia, Singapore, Australia, USA and Canada to appeal to overseas Chinese for support. Jade also aired a seven-hour live programme "Crossing Borders Fund Raising Show" which successfully raised HK$35 million towards Tsunami relief.

The total sum raised in 2005 by TVB in aid of diverse worthy causes amounted to HK$327 million. Other noteworthy charity appeals/shows included the "Tung Wah Charity Show 2005" which raised a record-breaking HK$82 million; "Support The China AIDS Initiative TV Gala 2005", HK$32 million towards the Hong Kong AIDS Foundation; the "Yan Chai Charity Show 2005", HK$24 million for Yan Chai Hospital.

Programme Licensing and Distribution

During the year, our video distribution business remained seriously affected by piracy and illegal Internet downloading. The launch of video-on-demand service via broadband and digital cable TV platforms in Mainland China in the last quarter of 2005 has given rise to a new revenue stream. This type of video delivery format is forecast to grow, albeit partially at the expense of traditional video rental and sell-through business. In order to capture this trend, we are exploring video-on-demand services in other international markets. New streams of revenue will also be established through delivery of content to mobile phones and portable media players.

Our telecast licensing business achieved single-digit growth in 2005. Malaysia and Singapore remain the two most important markets. The merger of the two Singapore free television stations will affect our business but the shortfall should be offset by our increased sales efforts in other markets. In Mainland China, the telecast market has become competitive especially with the increased popularity of Korean dramas. We are maintaining our market share there. The licensing revenue from Mainland China has increased with license fees from television stations in the Pearl River region carrying our channels. The recent popularity of the period drama series, "War and Beauty", broadcasted by Hunan TV which received record high ratings in Mainland China will help to enhance our licensing business and market share there.

Overseas Satellite Pay TV Operations

(a) TVB Satellite Platform ("TVBSP") USA

In the United States, the number of subscribers to our five-channel Jadeworld package, which is being carried by DirecTV, grew at a high single-digit rate.

As part of a continuous process to enhance the platforms' competitiveness, TVBSP will launch a Vietnamese language dubbed TVB content channel targeting the Vietnamese speaking Chinese and other ethnic groups at the end of the first quarter of 2006, and is developing a new Mandarin language channel to cater for the increasing immigrants from Mainland China.

(b) TVB Australia ("TVBA")

In Australia, the number of subscribers to our Jadeworld platform achieved double-digit growth.

With aggressive and innovative promotion packages, Jadeworld has established a reputation as a high quality content provider and an effective advertising medium. We saw strong growth of advertising revenue in 2005.

(c) The Chinese Channel ("TCC") Europe

Despite stagnant subscriber growth, TCC had turned around and generated profit. Its performance improved two fold when compared to 2004.

To cope with the rapidly growing Mandarin speaking Chinese population in continental Europe, TCC is planning to launch a Mandarin language general entertainment channel to strengthen the appeal of its existing Cantonese channel.

Channel Operations

(a) TVBS - Taiwan

2005 was a challenging year for TVBS in Taiwan. The local economy recorded a lacklustre GDP growth of 2.8%. TVBS' turnover and operating profit were maintained at the 2004 level. Due to the payment of dividend withholding tax, net profit attributable to the Group was affected. However, TVBS channel ratings are amongst the highest in Taiwan and its self-produced programmes also achieved high ratings individually (notably "2100 Pop Blog", "News Nightclub" and "Lady First").

Shortly after granting TVBS its renewed license in August 2005, the Government Information Office ("GIO") in Taiwan (which regulates satellite and cable television operations) issued a regulatory demand alleging that TVBS' shareholding was not in compliance with the local law. It also demanded TVBS to rectify its shareholding structure and imposed a fine of NT$1,000,000. Under legal advice which opined that TVBS' shareholding structure is lawful, TVBS appealed against this administrative ruling in December 2005 and the hearing of the appeal is still pending. Operation of all TVBS channels remained normal, despite such action.

Since February 2006, a newly formed independent administrative body, the National Communications Commission has taken over the regulatory role of the telecommunication and television industries from the GIO. We look forward to working closely with the Commission.

We believe that TVBS' strong positive brand image positions us strategically and advantageously in the middle of this dynamic arena. Following the successes of 2004 and 2005, we are confident to see a continuously profitable operation in the Taiwan market in 2006.

(b) TVB8 & Xing He

The performance of both Xing He and TVB8 continued to progress well during the year. Xing He has contributed a gross profit to the operation, whereas TVB8 has substantially narrowed the losses.

Subscription income of both Xing He and TVB8 had increased moderately in Malaysia but advertising sales and commission income from ASTRO All Asia Networks plc. had recorded a double-digit growth. The growth was mainly attributed to the high rating performance of Xing He Channel in Malaysia. During 2005, Xing He Channel was launched in Vietnam and Thailand and is distributed through satellite.

(c) Supply of Channels to GSTV

The Group continued to supply TV programmes in Cantonese to GSB, the wholly-owned subsidiary of GSTV, during the year under a channels supply agreement dated 4 September 2001. The six channels comprised 24-hour news channel *TVBN*, TVB's classic drama channel *TVB Classic*, interactive consultation and health advices channel *TVB Health*, music channel *TVBM*, children's channel *TVB Kids*, and acquired Asian region and overseas soap operas channel *TVB Drama*. By way of an agreement dated 29 June 2005, an amended channels supply agreement was entered into between GSB and TVB whereby certain amendments were agreed including changing the supply of the above six channels from an exclusive basis to a non-exclusive basis.

The Group also entered into a separate channels supply agreement dated 22 June 2005 for the supply of two Taiwanese channels, TVBS-News and TVBS-Asia to GSB.

Other Businesses

(a) Internet Operations

All areas of our Internet operations showed good growth. Most noteworthy is the growth in 3G mobile content sales. TVB's reputable 24 hour news and unique entertainment content continue to be regarded as essential content for 3G mobile phone users. As such, sales of content to 3G devices has grown by 97%.

In the area of broadband content to PCs, the provision of drama series proved to be successful. This has helped grow the number of new subscribers to the service and our income from broadband content sales has increased by 15%.

Portal tvb.com tried to attract large number of visitors while providing healthy and wholesome content for all age groups. Thus, we are pleased that our website was the only commercial website among the eleven winners of the "2005 Meritorious Websites Contest" jointly organised by Young Women Christian Association and Television and Entertainment Licensing Authority. Advertising revenue on tvb.com grew by 8%.

(b) Magazine Publishing

The price of TVB Weekly magazine was increased from HK$10 to HK$12 per issue in September 2005. This was an attempt to reduce the impact of substantially increased printing cost. The move was successful as the increased revenue per copy more than offset the slight decrease in circulation experienced as a result of the price increase.

Advertising sales were back on track in the second half of the year as a result of our success in fully staffing and re-organising the sales department. Though the full year advertising revenue was down by 13%, the strong performance in the second half of the year gave us confidence to deliver growth in 2006.

Net profit recorded a 2% growth despite the drop in advertising revenue, due to savings in staff and promotional expenses.

(c) Movie Investment

The movie "Perhaps Love", in which the Group had invested, starring Takeshi Kaneshiro, Zhou Xun, Jacky Cheung and Ji Jin-hee, opened in December 2005. The movie paid off both at the box office and in critical acclaim. Hong Kong box office receipts were a respectable HK$14 million. A small profit was recorded for 2005. In addition, the movie received various nominations in the Hong Kong Film Awards and was selected as the official closing film of the 62nd Venice International Film Festival.

(d) Investment in GSTV

TVB, as a licensee of a free domestic programme service license, is not allowed to own more than 50% of any domestic pay TV operator. The Government had granted a waiver to TVB in December 2004 to take up the shares from Intelsat Hong Kong, LLC ("Intelsat") when Intelsat left the pay TV venture, so as to provide time to identify and conclude a share placement with a majority shareholder. During the year, TVB secured two investors to take up the 51% equity interest in GSTV. In April 2005, See Corporation Limited and Dr. Charles Chan Kwok Keung, acquired 520,747,500 and 21,255,000 shares respectively, representing approximately 49% and 2% equity interest in GSTV. TVB continued to retain a 49% equity interest in GSTV.

GSTV's wholly-owned subsidiary, GSB, operates a pay TV service which is distributed to homes in Hong Kong through satellite and, since July 2005, through broadband television distribution systems provided by Hutchison Global Communications Limited. It provides a basic pay TV package of over 40 channels to subscribers, which includes six channels produced by TVB. In February 2006, GSTV announced a co-operation agreement with PCCW Media Limited ("PCCW") whereby a number of its channels will also be carried by the broadband television distribution systems operated by PCCW or its affiliates, to homes in Hong Kong. This co-operation will increase the number of homespassed substantially.

During the year, the Group shared HK$187 million (2004: HK$166 million) of losses of GSTV which was due to increased advertising and promotion costs of its subsidiary, GSB, for its pay TV channels.

Digitalisation of Transmission Network

The Broadcasting Authority approved TVB's investment plans on digital terrestrial television ("DTT") programme services on 17 December 2005. TVB shall be making an additional investment totalling more than HK$400 million between 2006 and 2009 to provide a High Definition television ("HDTV") channel commencing before the end of 2007. The channel would include not fewer than 14 hours per week of "true" HDTV programmes (programmes originally produced in the HDTV format) to be carried on the Single Frequency Network multiplex assigned to TVB. Also before the end of 2007, in addition to the analogue broadcast of Jade and Pearl, TVB shall also provide a digital simulcast of Jade and Pearl programmes in Standard Definition TV format on the Multiple Frequency Network. Plans of building the DTT transmission network and upgrading field production, studio production and post-production facilities are being finalised. To ensure the smooth implementation of TVB's DTT plans, cooperation within the industry and with various Government departments have been pursued through TVB's active participation in Government-Industry working groups and discussions with the bureaux and departments concerned.

FINANCIAL REVIEW

(a) Important Events

(i) On 4 February 2005, Countless Entertainment (Taiwan) Co. Ltd., a wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement with Primasia Development Co. Ltd. for the purchase of the remaining 30% of the issued share capital in LYP not held by the Group for a cash consideration of NT$900 million (approximately HK$220.5 million). The transaction was approved by shareholders at an Extraordinary General Meeting held on 21 March 2005. As a result, the Group's interest in the shareholding in LYP increased from 70% to 100%.

(ii) On 21 April 2005, TVB Satellite TV Holdings Limited ("TVB Satellite"), a wholly-owned subsidiary of the Company, entered into a transaction with See Corporation Limited and Dr. Charles Chan Kwok Keung for the disposal of 49% and 2% equity interests in GSTV, to See Corporation Limited and Dr. Charles Chan Kwok Keung respectively for a total cash consideration of HK$350 million. Completion of the transaction was subject to, inter-alia, the settlement of unpaid capital contribution by the Group to GSTV of HK$377 million. Completion of the first closing of the transaction took place on 12 August 2005, and the second closing was completed on 28 February 2006.

Apart from those reported above, there was no other material acquisition or disposal of subsidiaries and associates during the year and up to the date of the report.

(b) Capital Assets, Investment, Liquidity and Debts

As at 31 December 2005, non-current assets of the Group stood at HK$2,522 million, a decrease from 31 December 2004 of HK$2,633 million. The net decrease was attributable to the recognition of goodwill on acquisition of the remaining 30% equity interest in LYP, offset by the decrease in the net book value of property, plant and equipment, the shared losses of associates and jointly controlled entities.

Cash and bank balances as at 31 December 2005 amounted to HK$980 million, an increase of 83% over last year end (2004: HK$536 million). About 19% of the cash balance was maintained in overseas subsidiaries for their daily operation. Cash and cash equivalents held by the Group were principally in Hong Kong Dollars, US Dollars and New Taiwan Dollars.

Trade and other receivables, prepayments and deposits increased from HK$1,007 million to HK$1,354 million which represented a 34% increase from the position at the end of last year, reflecting a higher level of billing to customers. Specific provision had been made, where appropriate, to cover any potential bad and doubtful debts.

Trade and other payables and accruals decreased from HK$728 million to HK$643 million which represented a 12% decrease from the position at the end of last year. This was attributable to the reduction in the amount payable for a financial asset (51% of GSTV) as a portion of the unpaid share capital amounting to HK$133 million together with the subscription of new shares of HK$11 million was paid up in 2005.

All the loans and borrowings were fully repaid in 2005 and there was no borrowing as at 31 December 2005. The gearing ratio as of 31 December 2004 was 2% which was measured by the ratio of total debts of HK$61 million against a shareholders' fund of HK$3,671 million.

As at 31 December 2005, capital commitments of the Group amounted to HK$183 million (2004: HK$199 million) which represented a decrease of 8%.

(c) Contingent Liabilities

There were guarantees to the extent of HK$8.7 million (2004: HK$8.8 million) provided to bankers for banking facilities granted to an investee company.

In March 2005, the Group received additional profits tax assessment notices from the Inland Revenue Department of Hong Kong ("IRD") for the year of assessment 1998/99 for profits generated by the Group's programme licensing and distribution business carried out overseas. The total amount of the additional assessments of profits tax was HK$98,277,000. The Group had been granted a holdover of these additional assessments.

Subsequently, in February 2006, the Group received additional profits tax assessment notices from IRD in respect of the year of assessment 1999/2000 for profits generated by the Group's programme licensing and distribution business carried out overseas. The total amount of the additional assessments of profits tax was HK$98,576,000.

The Group has objected to these additional assessments. The Group believes that the objection is well-founded, and is determined to defend the Group's position vigorously. On this basis, the Group is of the view that no additional tax provision is necessary.

(d) Exposure to Fluctuations in Exchange Rates and Related Hedges

As at 31 December 2005, there was no exchange contract entered into by the Group with financial institutions to sell forward foreign currencies in order to hedge against fluctuation for trade receipts from overseas customers (2004: HK$5.8 million). Consequently, there were no unrealised gains or losses arising from such forward contracts (2004: unrealised loss of HK$0.5 million).

HUMAN RESOURCES

As of 31 December 2005, the Group employed, excluding Directors and freelance workers but including contract artistes and staff in overseas subsidiary companies, a total of 4,519 (2004: 4,843) full-time employees.

About 26% of our manpower was employed in overseas subsidiaries and was paid on a scale and system relevant to their localities and local legislations. For local employment, different pay schemes are operated for contract artistes, sales and non-sales employees. Contract artistes are paid either on a per-show basis or by a package of shows. Sales personnel are remunerated based on commission schemes. Non-sales personnel are remunerated on a monthly salary. Discretionary bonuses may be awarded as an incentive for better performance. Qualified personnel received a discretionary bonus equivalent to a sixteenth of their annual basic salaries in 2005.

No employee share option scheme was adopted by the Group during the year.

From time to time, the Group organises, either in-house or with vocational institutions, seminars, courses and workshops on subjects of technical interest, such as industrial safety, management skills and other related studies, apart from sponsorship of training programmes that employees may enrol on their own initiatives.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activities of the Company are terrestrial television broadcasting, together with programme production and other broadcasting related activities. The principal activities of the subsidiaries are detailed in Note 38 to the consolidated financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 4 to the consolidated financial statements.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the year are set out in the consolidated income statement on page 35.

Movements in the reserves of the Group and the Company during the year are set out in Note 19 to the consolidated financial statements on pages 72 to 73.

Distributable reserves of the Company at 31 December 2005, calculated under Section 79B of the Hong Kong Companies Ordinance, amounted to HK$3,247,946,000 (2004: HK$2,618,142,000).

DIVIDENDS

An interim dividend of HK$0.25 per share, totalling HK$109,500,000, was paid on 29 September 2005. The Directors now recommend the payment of a final dividend of HK$1.30 per share for 438,000,000 issued shares in respect of the year ended 31 December 2005 to shareholders who are on the Register of Members on 24 May 2006.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$336,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 5 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 18 to the consolidated financial statements.

FIVE-YEAR FINANCIAL REVIEW

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 30.

DIRECTORS

The Directors during the year were:

Sir Run Run Shaw
Dr. Norman Leung Nai Pang
Ms. Mona Fong
Mr. Louis Page
Dr. Chow Yei Ching
Mr. Ho Ting Kwan

Mr. Chien Lee* } Appointed on 17 March 2005
Mrs. Christina Lee Look Ngan Kwan
Mr. Lee Jung Sen* } Retired on 25 May 2005
Dr. Li Dak Sum*
Mr. Kevin Lo Chung Ping
Mr. Robert Sze Tsai To*

* *Independent Non-executive Directors*

The Alternate Directors during the year were:
Mr. Chien Lee (alternate to Mr. Lee Jung Sen) } Resigned on 25 May 2005
Mr. Anthony Hsien Pin Lee (alternate to
Mrs. Christina Lee Look Ngan Kwan)

In accordance with Article 114(A) of the Company's Articles of Association, Ms. Mona Fong, Dr. Li Dak Sum and Mr. Kevin Lo Chung Ping retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting to be held on 24 May 2006 ("Annual General Meeting").

DIRECTORATE AND SENIOR MANAGEMENT

Brief biographical details of Directors and Senior Management as at the date of this report are set out below:

Directors

Sir Run Run Shaw, G.B.M. (Executive Chairman)
aged 98, is the President of the Shaw group of companies with substantial interests in the entertainment and movie industry. Through the Shaw group, he holds a major interest in the share capital of the Company. He is one of the founding Directors of the Company and became the Chairman in 1980. He is the husband of Ms. Mona Fong, the Deputy Chairperson of the Company.

Dr. Norman Leung Nai Pang, G.B.S., LL.D., J.P. (Executive Deputy Chairman)
aged 65, was appointed a Director of the Company in September 2003 when he also took up the position as Executive Deputy Chairman. He is the Deputy Chairman of Transport International Holdings Ltd. and a director of Wing Lung Bank Ltd. Mr. Leung has been active in public service for 30 years and he served as the Chairman of the Broadcasting Authority from 1997 to 2002. He is currently serving as Commissioner of Civil Aid Service and Pro-Chancellor of City University of Hong Kong.

Mona Fong (Deputy Chairperson)
aged 71, has been a Director of the Company since 1988 and appointed as Deputy Chairperson on 25 October 2000. Ms. Fong is the Deputy Chairperson and Managing Director of Shaw Brothers (Hong Kong) Limited, and Chairperson and Managing Director of the Shaw group of companies. She is also the Chairperson of The Shaw Foundation Hong Kong Limited, The Shaw Prize Foundation Limited and The Sir Run Run Shaw Charitable Trust and member of the Board of Trustees of the Shaw College of the Chinese University of Hong Kong. Ms. Fong is the wife of Sir Run Run Shaw, the Executive Chairman of the Company.

Louis Page (Managing Director)
aged 56, was appointed a Director of the Company in 1987 and as Managing Director in September 1995. He is an executive director of the Shaw group of companies.

Dr. Chow Yei Ching, G.B.S.
aged 70, was appointed a Director of the Company in 2000. He is the Founder and Chairman of Chevalier Group, which consists of two listed companies on the Hong Kong Stock Exchange – Chevalier International Holdings Limited and Chevalier iTech Holdings Limited. He is also a non-executive director of Shaw Brothers (Hong Kong) Limited and Van Shung Chong Holdings Limited. He was appointed The Honorary Consul of The Kingdom of Bahrain in Hong Kong and a Standing Committee Member of the Chinese People's Political Consultative Conference, Shanghai.

Ho Ting Kwan
aged 61, joined the Company in 1968 as Assistant Accountant. He was appointed General Manager – Television Broadcasting in November 1995. He was the Group General Manager of the Company from 2002 to 2005 and was appointed a Director in June 2003.

Chien Lee (Independent Non-executive Director)
aged 52, is a private investor. He is also a director of Hysan Development Company Limited and Swire Pacific Limited. He has been appointed Independent Non-executive Director of the Company since March 2005. Mr. Lee is the nephew of Mrs. Lee.

Christina Lee Look Ngan Kwan
aged 82, is the widow of the Founder of the Company, Mr. Lee Hsiao-Wo. Mrs. Lee became a Director of the Company in 1981. She is actively involved in Caritas, Hong Kong, a local charitable organization. Mrs. Lee is the aunt of Mr. Chien Lee.

Dr. Li Dak Sum, DSSc. (Hon.), J.P. (Independent Non-executive Director)
aged 85, is the Chairman of Sharp-Roxy (Hong Kong) Limited which markets "Sharp" products in Hong Kong and Mainland China. Dr. Li is also the Chairman of various hotel operations in Singapore, Australia and New Zealand. He was appointed a Director of the Company in 1995.

Kevin Lo Chung Ping
aged 69, joined the Company in 1966 as Project Engineer and as General Manager from 1978 to 1980. He was appointed a Director in 1977. He is also a director of Gold Peak Industries (Holdings) Limited.

Robert Sze Tsai To (Independent Non-executive Director)
aged 65, was appointed a Director of the Company in June 2003. He is a Fellow of the Institute of Chartered Accountants in England and Wales, and the Hong Kong Institute of Certified Public Accountants, and was a partner in an international firm of accountants with which he practised for over 20 years. He is a non-executive director of a number of Hong Kong listed companies. He is also a member of the Shanghai Committee of the Chinese People's Political Consultative Conference.

Anthony Hsien Pin Lee (Alternate Director to Mrs. Christina Lee Look Ngan Kwan)
aged 48, is a director of Hysan Development Company Limited and Lee Hysan Estate Company Limited, and also a director and substantial shareholder of Australian-listed Beyond International Limited. He was appointed as Mrs. Lee's alternate in September 2002. He is the son of Mrs. Lee.

Senior Management
George Chan Ching Cheong
aged 53, first joined TVB's Sales Department in 1975. He held the position of Controller (Marketing & Sales) from 1982 to 1989. He has had a successful career as an entrepreneur and as director of several prominent companies engaged in media, telecommunication and technology before he rejoined TVB in November 2004 as Assistant Managing Director.

Stephen Chan Chi Wan
aged 47, joined TVB in 1994 as Controller (Programme) and took on the added responsibilities of Controller (External Affairs) in 1996. He was promoted to Assistant General Manager – Television Broadcasting in April 2002, and as General Manager – Broadcasting in April 2004.

Cheong Shin Keong
aged 49, joined TVB in 1989. He has extensive experience in the advertising/marketing industry and contributes actively to the professional development of marketing in Hong Kong through leading marketing industry bodies. He assumed the duties of General Manager – Broadcasting in April 2004. He is responsible for marketing, business development and corporate development matters.

DIRECTORS' INTERESTS

None of the Directors of the Company has a service contract with the Company which is not determinable within one year, without payment of compensation, other than statutory compensation. No share options of the Company have been granted to the Directors during the year.

The Company has entered into agreements with Shaw Brothers (Hong Kong) Limited for the lease of certain premises at Shaw House, Clear Water Bay Road, Kowloon, Hong Kong. Such agreements have expired on 30 June 2005. The Executive Chairman of the Company, Sir Run Run Shaw, is the Executive Chairman of Shaw Brothers (Hong Kong) Limited, in which he also has substantial attributed corporate interests. The Deputy Chairperson of the Company, Ms. Mona Fong, is the Deputy Chairperson and Managing Director of Shaw Brothers (Hong Kong) Limited.

Apart from the above, no contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

As at 31 December 2005, the beneficial interests of the Directors and chief executive in the shares of the Company as recorded in the register maintained under Section 352 of the Securities and Futures Ordinance were as follows:-

	No. of Ordinary Shares of HK$0.05 Each				
	Personal Interests	**Family Interests**	**Corporate Interests**	**Total**	**Percentage of Issued Capital (%)**
Sir Run Run Shaw	-	1,146,000#	141,174,828* *(a)*	142,320,828	32.49%
Christina Lee Look Ngan Kwan	602,144	-	16,701,000 *(b)*	17,303,144	3.95%
Mona Fong	1,146,000#	-	-	1,146,000	0.26%
Chien Lee	600,000	-	-	600,000	0.14%
Dr. Li Dak Sum	-	-	300,000 *(c)*	300,000	0.07%
Louis Page	160,000	-	-	160,000	0.04%
Dr. Chow Yei Ching	100,000	-	-	100,000	0.02%

Notes: Duplication of shareholdings occurred between parties# shown above and between parties shown above and below under "Substantial Shareholders".*

(a) 113,888,628 shares were held by Shaw Brothers (Hong Kong) Limited and 27,286,200 shares were held by The Shaw Foundation Hong Kong Limited, in which companies Shaw Holdings Inc. holds 74.58% and 100% equity interests respectively. Sir Run Run Shaw exerts 100% control over Shaw Holdings Inc. through The Sir Run Run Shaw Charitable Trust.

(b) 10,377,000 shares were held by Trio Investment Corporation S.A., 1,581,000 shares were held by Crystal Investments Limited, 3,162,000 shares were held by Compass Inc. and 1,581,000 shares were held by Bonus Inc. and in respect of such shares only, directors of these companies are all accustomed to act in accordance with the directions of Mrs. Christina Lee Look Ngan Kwan.

(c) The shares were held by Roxy Property Investment Co. Ltd. in which Dr. Li Dak Sum holds a 100% equity interest.

All the interests stated above represent long positions. The Company or its subsidiaries did not grant to the Directors or chief executive or their spouse or children under 18 years of age any rights to subscribe for shares or debentures of the Company or any other body corporate.

Apart from the above, no interests or short positions were held or deemed or taken (under the Securities and Futures Ordinance) to be held by any Directors or chief executive of the Company in the shares or underlying shares in, or debentures of, the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance) as at 31 December 2005.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2005, the register of substantial shareholders maintained under Section 336 of the Securities and Futures Ordinance shows that the Company had been notified of the following substantial shareholders' interests (all being beneficial interests), being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and chief executive.

	No. of Ordinary Shares of HK$0.05 Each	**Percentage of Issued Capital (%)**
Shaw Brothers (Hong Kong) Limited	113,888,628*	26.00%
OppenheimerFunds, Inc.	25,154,600 *(i)*	5.74%
Marathon Asset Management Limited	26,288,000 *(ii)*	6.02%
The Shaw Foundation Hong Kong Limited	27,286,200*	6.23%

Notes: Duplication of shareholdings occurred between parties shown here and above under "Directors' Interests".*

(i) Interests were held in the capacity as investment adviser to clients of OppenheimerFunds, Inc.

(ii) Interests were held in the capacity of investment manager.

All the interests stated above represent long positions. Save for the shares referred to above, no other person was recorded in the register kept pursuant to Section 336 of the Securities and Futures Ordinance as having an interest or short positions in the shares, underlying shares or debentures of, the Company or any associated corporations (within the meaning of the Securities and Futures Ordinance) which represented 5% or more of the issued share capital of the Company as at 31 December 2005.

CONNECTED TRANSACTIONS

1) The following transactions constitute continuing connected transactions of the Company made under the old Chapter 14 of the Listing Rules (before the amendments made on 31 March 2004) to which conditional waivers have been granted by The Stock Exchange of Hong Kong Ltd. (the "Stock Exchange"):

a) On 19 May 1997 and 15 December 1997, the Company and Shaw Brothers (Hong Kong) Limited ("Shaw"), a substantial shareholder of the Company entered into separate tenancy agreements, pursuant to which Shaw granted to the Company tenancies of certain office and car parking spaces situated at Shaw House, Lot 220 Clear Water Bay Road, Kowloon, Hong Kong. The term of the two tenancies commenced on 1 July 1997 and 1 November 1997 respectively and both expired on 30 June 2005. The amount of rental paid by the Company to Shaw during 2005 was HK$8,866,000.

b) On 19 September 2003, TVBI Company Limited ("TVBI"), a wholly-owned subsidiary of the Company and ASTRO Entertainment Networks Ltd. ("AENL"), an associate of the substantial shareholder of three of the Company's non wholly-owned subsidiaries, entered into a licensing agreement, pursuant to which TVBI would license to AENL certain programmes on an exclusive basis for broadcast on free terrestrial television in Indonesia for a period of 2 years commencing from the earlier of 1 January 2004 or when AENL was able to secure the broadcast of programmes on free terrestrial television in Indonesia prior to 1 January 2004. The income accrued by TVBI in 2005 was HK$6,843,000 (US$880,000).

2) The following transactions constitute continuing connected transactions of the Company which are subject to the requirements under the new Chapter 14A of the Listing Rules :-

a) Since 28 October 2000, LYP, now a wholly-owned subsidiary of the Company has been providing Era Communications Co. Ltd. ("Era") with satellite equipment and technical services while Era has been providing LYP with satellite relay programme services in Taiwan. On 1 March 2005, the parties entered into an agreement to renew the arrangement for one year commencing on 1 January 2005 on similar terms and conditions with the insertion of a new clause allowing either party to early terminate the agreement by giving one month notice. Under the renewal agreement, the monthly fees payable by Era to LYP was HK$750,000 (NT$3,000,000) and by LYP to Era was HK$375,000 (NT$1,500,000). All amounts payable under the renewal agreement included 5% sales tax. Upon Era disposed all its shareholdings in LYP to a third party on 4 February 2005, Era ceased to be a connected party of the Company after that date. The fees received by LYP from Era during the period from 1 January 2005 to 3 February 2005 was HK$764,000 (NT$3,163,000) and the fees paid by LYP to Era during the same period was HK$382,000 (NT$1,582,000).

b) On 16 April 1999, TVBI agreed to sub-lease part of the satellite transponder capacity to Era. The sub-lease agreement was superseded by a revised agreement dated 13 January 2000 varying the monthly fee and the contract period to commence on 1 January 2000 and expire on 31 March 2006. On 28 April 2001, TVBI and Era entered into a supplemental agreement to the revised agreement, pursuant to which the parties agreed that the transponder capacity leased from TVBI to Era would be reduced from 27 MHZ to 13.5 MHZ as from 1 March 2001. The fee received by TVBI from Era for the period from 1 January 2005 to 3 February 2005 was HK$ 475,000 (US$ 61,000).

c) On 30 September 2004, TVBI and MEASAT Broadcast Network Systems Sdn. Bhd. ("MBNS") entered into an agreement, pursuant to which TVBI would supply television programmes to MBNS for broadcast in Malaysia and Brunei on a channel owned and operated by MBNS for a period of 5 years from 1 October 2004 to 30 September 2009 on an exclusive basis. On 14 October 2004 and 14 February 2005, separate addendum to the agreement were entered into between the parties for the clarification of the base month upon which the subscribers guarantee would be calculated and for the increase of revenue sharing receivable by TVBI for revenue generated from hotel and commercial establishments respectively. The income accrued by TVBI during 2005 was HK$68,386,000 (MYR33,291,000).

d) On 30 September 2004, TVBI acting as an agent of LYP and MBNS entered into an agreement, pursuant to which TVBI would supply a Mandarin language channel to MBNS for broadcast in Malaysia and Brunei on the pay television services operated by MBNS and its affiliated company for a period of 5 years from 1 October 2004 to 30 September 2009 on an exclusive basis. On 14 October 2004 and 14 February 2005, separate addendum to the agreement were entered into between the parties for the clarification of the base month upon which the subscribers guarantee would be calculated and for the increase of revenue sharing receivable by LYP for revenue generated from hotel and commercial establishments respectively. The income accrued by LYP during 2005 was HK$25,410,000 (MYR12,370,000).

e) On 30 September 2004, TVB Satellite TV Entertainment Limited ("TVBSE"), a wholly-owned subsidiary of the Company and MBNS entered into an agreement, pursuant to which TVBSE would supply two Mandarin language channels to MBNS for broadcast in Malaysia and Brunei on the pay television services operated by MBNS and its affiliated company for a period of 5 years from 1 October 2004 to 30 September 2009 on an exclusive basis. On 14 February 2005, an addendum to the agreement were entered into between the parties for the increase of revenue sharing receivable by TVBSE for revenue generated from hotel and commercial establishments. The income accrued by TVBSE during 2005 was HK$36,625,000 (MYR17,830,000).

f) On 30 September 2004, MBNS and TVBSE entered into an agreement, pursuant to which MBNS appointed TVBSE as its advertising agent responsible for the recruitment of advertisements and sponsorship for certain channels broadcast by MBNS in Malaysia and Brunei for a period of 5 years from 1 October 2004 to 30 September 2009. The income accrued by TVBSE during 2005 was HK$33,688,000 (MYR16,400,000).

g) On 30 September 2004, TVBO Facilities Limited ("TVBOF") and TVB Satellite Broadcasting Limited ("TVBSB"), both are wholly-owned subsidiaries of the Company, entered into separate agreement with MBNS, pursuant to which MBNS appointed TVBOF and TVBSB to provide management services to MBNS for the period from 1 October 2004 to 30 September 2009 at a fixed amount for every period of 12 months. The aggregate management fee accrued by TVBOF and TVBSB during 2005 was HK$30,320,000 (MYR14,760,000).

All the Independent Non-executive Directors have reviewed the above transactions described in paragraphs 1(a) to (b) and 2(a) to (g) above and confirmed that these transactions have been entered into (i) in the ordinary and usual course of business, (ii) on normal commercial terms or on terms no less favourable than those available to or from independent third parties, (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole; and that the aggregate amount of each transaction described in paragraphs 1 (a) to (b) for 2005 has not exceeded the relevant cap amount for each transaction as set out in the conditional waivers granted by the Stock Exchange.

The Company's auditors have also reviewed the above transactions described in paragraphs 1(a) to (b) and 2(a) to (g) and confirmed in its letter to the Directors that:

(i) the transactions have been approved by the Company's Board of Directors;
(ii) the transactions are in accordance with the Company's pricing policies as laid down in the relevant agreements governing the transactions;
(iii) the transactions have been entered into in accordance with the terms of the relevant agreements governing the transactions; and
(iv) the transactions have not exceeded the cap amount for each transaction allowed by the Stock Exchange as disclosed in the previous announcements.

3) On 11 March 2004, TVB (Australia) Pty. Ltd. ("TVBA"), a wholly-owned subsidiary of the Company, and Celestial Television Networks Ltd. ("CTNL"), an associate of the substantial shareholder of three of the Company's non wholly-owned subsidiaries, entered into an agreement pursuant to which CTNL would license the Celestial Movies channel to TVBA. As a result of the subsequent addenda entered into between the parties, the term of the arrangement was for fifteen months from 15 March 2004 with an option to renew which term was extended for twelve months until 14 June 2006. Under the agreement, TVBA agrees to pay CTNL a fixed unit cost per subscriber (which includes both residential and commercial subscribers) to the Celestial Movies channel or the package of channels to which the Celestial Movies channel is included. The licence fee paid by TVBA to CTNL during 2005 was HK$3,138,000 (A$531,000).

4) On 23 December 2004, Art Limited ("Art"), a non wholly-owned subsidiary of the Company, and Celestial Productions Limited ("Celestial"), an associate of the substantial shareholder of three of the Company's non wholly-owned subsidiaries, entered into the Sales and Purchase Agreement, pursuant to which Art agrees to sell to Celestial the right to distribute a Chinese language musical picture (the "Picture") which is commissioned and financed by Art and produced by an independent third party via pay television channels transmitted by all means of technology throughout the world (except the Mainland China) in perpetuity with effect on 1 August 2005 or such other date as may be agreed by the parties provided that it is no later than the completion of the Picture. Income accrued by Art in 2005 was HK$9,000,000.

5) On 4 February 2005, Countless Entertainment (Taiwan) Co. Ltd., a wholly-owned subsidiary of the Company acquired from Primasia Development Co. Ltd., a substantial shareholder of a non wholly-owned subsidiary of the Company, 30% of the issued share capital of LYP for a cash consideration of NT$900,000,000 (approximately HK$220,500,000). Upon completion of the transaction, LYP became a wholly-owned subsidiary of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its ordinary shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's ordinary shares during the year.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors as at 22 March 2006, at least 25% of the Company's total issued share capital is held by the public at all times. As at 22 March 2006, there were 292 shareholders on the Company's register of shareholders.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the percentage of the Group's purchases and sales attributable to its five largest suppliers and five largest customers are both less than 30%.

CORPORATE GOVERNANCE

The Company's corporate governance practices during the year are set out in the Corporate Governance Report on pages 23 to 29 of this Annual Report.

AUDIT COMMITTEE

The responsibilities of the Audit Committee and the work done during the year are set out in the Corporate Governance Report on pages 27 to 28 of this Annual Report.

AUDITORS

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Run Run Shaw
Executive Chairman

Hong Kong, 22 March 2006

CORPORATE GOVERNANCE REPORT

Maintaining high standards of business ethics and corporate governance practices has always been one of the Company's core objectives. The Company believes that conducting business in an open, responsible manner serves its long-term interests and those of the shareholders.

The Board monitored the Company's progress on corporate governance practices throughout the year under review. Apart from regular meetings, circulars were issued to Directors and Senior Management to ensure awareness of the best corporate governance practices.

The Company adopted its own Code on Corporate Governance on 31 December 2005 which complied with all the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), save that the Chairman is not subject to retirement by rotation at least once every three years (code provision A.4.2). Pursuant to Article 114(D) of the Company's Articles of Association, the Chairman is exempted from retirement by rotation. The Board considers that this departure is well-founded as the Chairman is the founder of the Company, and his wealth of experience is essential to the Board and contributes to the continued stability of the Company's business.

COMPLIANCE WITH MODEL CODE

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules as the code of conduct for Directors and Senior Management in their dealings in the Company's securities.

The Company made specific enquiries of each Director and member of the Senior Management, and each confirmed that he/she had fully complied with the Model Code during the year ended 31 December 2005.

BOARD OF DIRECTORS

The Board is charged with promoting the success of the Company by directing and supervising its affairs in a responsible manner. The Board is the highest governing body of the Company.

The Board has 11 Directors and one Alternate Director. The list of Directors as at 31 December 2005 was as follows:

Sir Run Run Shaw, G.B.M.	Executive Chairman
Dr. Norman Leung Nai Pang, G.B.S., LL.D., J.P.	Executive Deputy Chairman
Mona Fong	Deputy Chairperson
Louis Page	Managing Director
Dr. Chow Yei Ching, G.B.S.	Non-executive Director
Ho Ting Kwan	Non-executive Director
Chien Lee	Independent Non-executive Director
Christina Lee Look Ngan Kwan	Non-executive Director
Dr. Li Dak Sum, DSSc. (Hon.), J.P.	Independent Non-executive Director
Kevin Lo Chung Ping	Non-executive Director
Robert Sze Tsai To	Independent Non-executive Director
Anthony Hsien Pin Lee	Alternate Director to Christina Lee Look Ngan Kwan

Each Director has a duty to act in good faith and in the best interests of the Company. The Directors are aware of their collective and individual responsibilities to all shareholders for the manner in which the affairs of the Company are managed, controlled and operated.

All Directors give sufficient time and attention to the Company's affairs. Duties of the Board include:

(a) planning the strategic direction of the Company; and
(b) monitoring the performance of Management.

The Board exercises a number of reserved powers which include:

(a) approving significant changes in accounting policies, or capital structure;
(b) approving public announcements and the financial statements;
(c) approving major acquisitions, disposals and major capital projects;
(d) approving material borrowings and any issuing, or buying back, of equity securities;
(e) setting group remuneration policy;
(f) approving the annual budget;
(g) setting the dividend policy; and
(h) approving treasury policy.

The Company has three Independent Non-executive Directors, at least one of whom has appropriate financial management expertise, which is in compliance with the Listing Rules. Each Independent Non-executive Director gives the Company an annual confirmation of his independence, and the Company considers these Directors to be independent under the guidelines set out in Rule 3.13 of the Listing Rules.

Directors have no relationship (including financial, business, family or other relationship) among themselves, save for the following:

(a) the husband-wife relationship between Sir Run Run Shaw and Ms. Mona Fong, as set out on page 15 of the Report of the Directors of this Annual Report;

(b) the directorship of Dr. Chow Yei Ching in Shaw Brothers (Hong Kong) Limited, as set out on page 16 of the Report of the Directors of this Annual Report;

(c) the father-son relationship between Mr. Lee Jung Sen (who retired as a Director on 25 May 2005) and Mr. Chien Lee (who was appointed as a Director on 17 March 2005); and

(d) Mrs. Christina Lee Look Ngan Kwan is the aunt of Mr. Chien Lee and the mother of Mr. Anthony Hsien Pin Lee.

BOARD MEETINGS

The full Board met six times during the year under review. The attendance of Directors at the Board Meetings and the Board Committees (Executive Committee, Audit Committee and Remuneration Committee) Meetings is set out in the table below:

	Meetings Attended/Held			
Directors	Board	Executive Committee	Audit Committee	Remuneration Committee
Executive Directors				
Sir Run Run Shaw	6/6	7/7		
Dr. Norman Leung Nai Pang	6/6	7/7		
Louis Page	6/6	7/7		
Non-executive Directors				
Mona Fong	6/6	7/7		1/1
Dr. Chow Yei Ching	4/6			
Ho Ting Kwan	6/6			
Chien Lee	5/5		1/1	1/1
Christina Lee Look Ngan Kwan *2 meetings were attended by Alternate Director	6/6*			
Lee Jung Sen (retired on 25 May 2005) **3 meetings were attended by Alternate Director	3/3**	0/3	0/1	
Dr. Li Dak Sum	6/6		2/2	
Kevin Lo Chung Ping	6/6	7/7		
Robert Sze Tsai To	5/6		2/2	1/1

At the Board Meetings the Directors discussed and formulated overall strategies for the Company, monitored financial performance and discussed the annual and interim results, as well as other significant matters.

CHAIRMAN AND MANAGING DIRECTOR

Sir Run Run Shaw, the Chairman since 1980, and Mr. Louis Page, Managing Director since 1995, have segregated and clearly defined roles set out in the Company's Code on Corporate Governance.

The Board has formalised the functions delegated by the Board to the Management and reviews such arrangements on a periodic basis. The Management is charged with the following responsibilities:

(a) implementing and reporting to the Board on the Company's strategies;
(b) overseeing the realisation by the Company of the objectives set by the Board;
(c) providing all such information to the Board as is necessary to enable the Board to monitor the performance of the Management; and
(d) discharging duties and authority as may be delegated by the Board.

REMUNERATION OF DIRECTORS

The Remuneration Committee was established on 16 August 2005. All members are Non-executive Directors and the majority are independent. The Committee is chaired by Independent Non-executive Director Mr. Chien Lee and the other members are Ms. Mona Fong and Mr. Robert Sze Tsai To.

The Remuneration Committee is responsible for making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and Senior Management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Remuneration Committee's specific terms of reference are posted on the Company's website.

The Remuneration Committee had its first meeting in December 2005 to review the discretionary bonuses paid to the Executive Directors and the Senior Management for the year ended 31 December 2005.

Details of the Directors' and Senior Management's emoluments are set out on pages 82 to 83 of the Notes to the consolidated financial statements.

The main elements of the Company's remuneration policies are:

- no individual should determine his or her own remuneration;
- remuneration should be set which is commensurate with the pay levels in the market;
- remuneration should be able to attract and retain individuals with appropriate background, skills, knowledge and experience, relevant to the business and industry that the Group operates in.

In line with our policy that no individual should determine his or her own remuneration, the proposed fees for Directors were recommended by the Board and approved by our shareholders at the annual general meetings.

In determining the remuneration of Executive Directors and Senior Management, the remuneration of comparable positions in the market, including local and regional companies of comparable size, complexity and business scope, are referenced. This is consistent with our policy to pay remuneration which is commensurate with the pay levels in the market.

No share options of the Company have been granted to Directors during the year.

None of the Directors of the Company has a service contract with the Company which is not determinable within one year, without payment of compensation, other than statutory compensation.

NOMINATION OF DIRECTORS

The appointment of a new Director is a matter for consideration and decision by the full Board. As delegated by the Board, the Executive Committee is responsible for nominating suitably qualified candidates to be Directors.

Sir Run Run Shaw is the Chairman, Dr. Norman Leung Nai Pang, Ms. Mona Fong, Mr. Louis Page and Mr. Kevin Lo Chung Ping are members of the Executive Committee. The Executive Committee's specific terms of reference are posted on the Company's website.

The Board appointed Mr. Chien Lee, the Alternate Director to Mr. Lee Jung Sen since 1995, to be an Independent Non-executive Director of the Company on 17 March 2005, in consideration of Mr. Chien Lee's experience in the Company's affairs and his valuable contributions to the Board during the term of his alternate directorship.

DIRECTORS' TERM OF APPOINTMENT AND RE-ELECTION

Non-executive Directors are appointed for a specific term for around three years. All Directors retire from office by rotation and are subject to re-election at an annual general meeting at least once every three years. Pursuant to Article 114(D) of the Company's Articles of Association, the Chairman is exempted from retirement by rotation.

The Company's Articles of Association provide that Directors appointed to fill a casual vacancy shall hold office only until the first annual general meeting after their appointment, and shall be subject to re-election by the shareholders.

AUDITORS' REMUNERATION

Management performs a review of the remuneration to the Group's auditors on an annual basis. The fees for audit services have been approved by the Audit Committee, whilst the fees for non-audit services are estimates made by Management. A summary of fees for audit and non-audit services is as follows:

	Fees for audit services		Fees for non-audit services	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Company	**880**	750	**353**	285
Subsidiaries	**2,603**	2,346	**2,051**	560
Total	**3,483**	3,096	**2,404**	845
Fees payable to PricewaterhouseCoopers, the principal auditors	**3,062**	2,689	**2,404**	845

Non-audit services rendered to the Group included principally professional fee in relation to the tax challenge from the IRD in respect of preceding years' tax assessments.

FINANCIAL REPORTING AND AUDIT COMMITTEE

The Board is responsible for presenting financial information of the Group in a clear, balanced and timely manner in the form of financial statements that give a true and fair view of the Group's state of affairs. The Board also carries the responsibility to select the most appropriate accounting policies for the Group. In this regard, the Board has adopted the Hong Kong Financial Reporting Standards as promulgated by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements of the Group have been prepared on a going concern basis, assuming the continued operation of the business.

The Board is also vested with the responsibility to disseminate to shareholders and the public any price-sensitive information in a form of announcements and circulars, in accordance with the Listing Rules.

The Audit Committee reviews the financial statements prepared by Management before formal approval by the Board and oversees the financial reporting system of the Company.

The Audit Committee was established in 1999. As of 31 December 2005, all members of the Committee were Independent Non-executive Directors, with Mr. Robert Sze Tsai To as the chairman, Dr. Li Dak Sum and Mr. Chien Lee as members of the Audit Committee. On 22 February 2006, Dr. Li Dak Sum tendered his resignation as a member of the Audit Committee and Mr. Ho Ting Kwan, a Non-executive Director, was appointed as a member of the Audit Committee on the same date.

The Audit Committee has the following key responsibilities:

- making recommendations on the appointment, reappointment and removal of external auditors and considering the terms of such appointments
- developing and implementing policies on the engagement of external auditors for non-audit services
- monitoring the integrity of the financial statements, annual and interim reports and the auditors' report to ensure that the information presents a true and balanced assessment of the Company's financial position
- ensuring that the Management has fulfilled its duty to maintain an effective internal control system
- reviewing the external auditors' management letter and any questions raised by the auditors to Management, and Management's response

The Audit Committee's specific terms of reference are posted on the Company's website.

The Audit Committee held two meetings during the year ended 31 December 2005. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors.

The Audit Committee has reviewed with Management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the interim financial statements and the annual consolidated financial statements for the year ended 31 December 2005 before such statements were presented to the Board of Directors for approval.

The reporting responsibilities of PricewaterhouseCoopers, the Company's auditors, are set out in the Auditors' Report on page 31 of this Annual Report.

INTERNAL CONTROLS

The system of internal controls has been designed to safeguard assets from inappropriate use, maintain proper accounts and ensure effective operation of the Company's business and compliance with regulations. Management is directly responsible for implementing the strategies and policies adopted by the Board, and for managing all of the Company's activities including the operation of the internal control system.

The heads of the Finance team and the operating units perform regular financial and operational reviews of the Company, its subsidiaries and associates, as well as other reviews as required. Summaries of major audit findings and control weaknesses, if any, are reviewed by the Audit Committee. The heads of the Finance team and the operating units monitor the follow-up actions agreed upon in response to its recommendations.

SHAREHOLDER RELATIONS

The Company adopts a policy of disclosing relevant information to shareholders in a timely manner. The Company discloses information in the form of paid announcements in an English and a Chinese newspaper and makes available the information on its corporate website. Printed copies of the Annual and Interim Reports and Circulars are sent to all shareholders. The Company's annual general meeting allows Directors to meet and communicate with shareholders. Separate resolutions were proposed for each issue by the Chairman and were voted on by poll at the annual general meeting.

Annual general meeting proceedings are reviewed periodically to ensure that the Company follows best corporate governance practices. A notice of annual general meeting is sent to all shareholders at least 21 days prior to the annual general meeting, setting out details of each proposed resolution, voting procedures and other relevant information. The procedures for demanding and conducting a poll are explained during the meeting. Voting or poll results are published in the newspapers and posted on the Company's website on the business day following the annual general meeting.

The Company provides corporate information, including published announcements, circulars, annual reports, to shareholders and the public via the Company's website at www.tvb.com.

On behalf of the Board

Run Run Shaw
Executive Chairman

Hong Kong, 22 March 2006

FIVE-YEAR FINANCIAL REVIEW

	2001	2002	2003	2004	2005
Turnover (HK$'m)	3,265	3,162	3,311	3,817	4,177
Profit before income tax (HK$'m)	663	684	485	902	1,420
Income tax expense (HK$'m)	111	90	25	152	232
Profit attributable to equity holders of the Company (HK$'m)	589	590	441	719	1,180
Earnings per share (HK$)	1.35	1.35	1.01	1.64	2.69
Property, plant and equipment (HK$'m)	1,521	1,998	2,167	2,050	1,896
Leasehold land (HK$'m)	133	168	198	193	188
Intangible assets (HK$'m)	-	-	63	55	161
Interest in associates (HK$'m)	19	26	238	280	246
Interest in jointly controlled entities (HK$'m)	105	81	23	19	-
Investment securities (HK$'m)	5	5	4	4	-
Loans to investee companies (HK$'m)	11	11	13	14	7
Deferred income tax assets (HK$'m)	-	-	24	19	24
Current assets (HK$'m)	2,434	2,009	1,988	2,200	2,800
Current liabilities (HK$'m)	(1,002)	(905)	(1,112)	(855)	(749)
	3,226	3,393	3,606	3,979	4,573
Share capital (HK$'m)	22	22	22	22	22
Reserves (HK$'m)	3,073	3,252	3,274	3,649	4,360
Shareholders' funds (HK$'m)	3,095	3,274	3,296	3,671	4,382
Minority interest (HK$'m)	-	-	84	117	23
Long-term provisions (HK$'m)	-	-	62	1	-
Long-term borrowings and retirement benefit obligations (HK$'m)	78	63	68	65	18
Deferred income tax liabilities (HK$'m)	53	56	96	125	150
	3,226	3,393	3,606	3,979	4,573

The figures in this table have been restated to reflect the adoption of new / revised Hong Kong Financial Reporting Standards.

AUDITORS' REPORT TO THE SHAREHOLDERS OF TELEVISION BROADCASTS LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements on pages 32 to 97 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of Directors and auditors

The Hong Kong Companies Ordinance requires the Directors to prepare consolidated financial statements which give a true and fair view. In preparing consolidated financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those consolidated financial statements and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the consolidated financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2005 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2006

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2005

	Note	**2005**	2004
		HK$'000	HK$'000
			(Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	5	**1,896,100**	2,049,844
Leasehold land	6	**188,416**	192,984
Intangible assets	7	**161,003**	55,342
Interest in associates	9	**245,516**	279,546
Interest in jointly controlled entities	10	**-**	18,722
Available-for-sale financial assets	11	**3**	-
Investment securities	12	**-**	3,705
Loans to investee companies	13	**6,676**	14,263
Deferred income tax assets	22	**24,358**	18,592
		2,522,072	2,632,998
Current assets			
Programmes, film rights and movies		**452,586**	452,652
Stocks	14	**11,430**	11,588
Trade and other receivables, prepayments and deposits	15	**1,353,966**	1,007,123
Other investments	16	**-**	189,432
Tax recoverable		**2,015**	3,034
Pledged bank deposits	17	**236**	234
Bank deposits maturing after three months		**35,289**	9,550
Cash and cash equivalents		**944,670**	526,299
		2,800,192	2,199,912
Total assets		**5,322,264**	4,832,910
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	18	**21,900**	21,900
Other reserves	19	**700,132**	698,989
Retained earnings			
- Proposed final dividend	31	**569,400**	350,400
- Others		**3,090,315**	2,599,357
		4,381,747	3,670,646
Minority interest		**23,320**	116,550
Total equity		**4,405,067**	3,787,196
LIABILITIES			
Non-current liabilities			
Long-term borrowings	21	**-**	48,683
Deferred income tax liabilities	22	**149,740**	125,370
Retirement benefit obligations	23	**18,503**	16,215
Long-term provisions	24	**-**	1,045
		168,243	191,313

CONSOLIDATED BALANCE SHEET (Continued)

AS AT 31 DECEMBER 2005

	Note	2005	2004
		HK$'000	HK$'000
			(Restated)
Current liabilities			
Trade and other payables and accruals	20	**643,232**	727,635
Current income tax liabilities		**104,680**	99,865
Borrowings	21	**-**	12,040
Short-term provisions	24	**1,042**	14,861
		748,954	854,401
Total liabilities		**917,197**	1,045,714
Total equity and liabilities		**5,322,264**	4,832,910
Net current assets		**2,051,238**	1,345,511
Total assets less current liabilities		**4,573,310**	3,978,509

Louis Page
Director

Run Run Shaw
Director

BALANCE SHEET

AS AT 31 DECEMBER 2005

	Note	**2005**	2004
		HK$'000	HK$'000
ASSETS			(Restated)
Non-current assets			
Property, plant and equipment	5	**1,633,100**	1,758,379
Leasehold land	6	**188,416**	192,984
Investment in subsidiaries	8	**510,460**	376,040
Interest in associates	9	**144,069**	133,397
		2,476,045	2,460,800
Current assets			
Programmes and film rights		**324,354**	372,008
Stocks	14	**1,702**	1,694
Trade and other receivables, prepayments and deposits	15	**903,442**	642,718
Cash and cash equivalents		**676,705**	252,869
		1,906,203	1,269,289
Total assets		**4,382,248**	3,730,089
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	18	**21,900**	21,900
Other reserves	19	**712,144**	712,144
Retained earnings			
- Proposed final dividend	31	**569,400**	350,400
- Others		**2,608,546**	2,197,742
Total equity		**3,911,990**	3,282,186
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	22	**118,562**	123,530
		118,562	123,530
Current liabilities			
Trade and other payables and accruals	20	**258,514**	247,680
Current income tax liabilities		**93,182**	66,011
Short-term provisions	24	**-**	10,682
		351,696	324,373
Total liabilities		**470,258**	447,903
Total equity and liabilities		**4,382,248**	3,730,089
Net current assets		**1,554,507**	944,916
Total assets less current liabilities		**4,030,552**	3,405,716

Louis Page
Director

Run Run Shaw
Director

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005	2004
		HK$'000	HK$'000
Turnover	4	**4,176,590**	3,816,936
Cost of sales	25	**(1,791,612)**	(1,841,449)
Gross profit		**2,384,978**	1,975,487
Other revenues	4	**38,962**	58,220
Selling, distribution and transmission costs	25	**(451,923)**	(450,258)
General and administrative expenses	25	**(490,969)**	(512,948)
Other operating (expenses)/income	25	**(22,042)**	10,890
Gain on disposal of financial assets at fair value through profit or loss	16	**148,778**	-
Operating profit		**1,607,784**	1,081,391
Finance costs	27	**(956)**	(7,006)
Share of losses of			
Jointly controlled entities		**(30)**	(6,099)
Associates		**(187,197)**	(166,402)
Profit before income tax		**1,419,601**	901,884
Income tax expense	28	**(232,354)**	(152,312)
Profit for the year		**1,187,247**	749,572
Attributable to:			
Equity holders of the Company	29	**1,180,019**	719,415
Minority interest		**7,228**	30,157
		1,187,247	749,572
Earnings per share for profit attributable to the equity holders of the Company during the year	30	**HK$2.69**	HK$1.64
Dividends	31	**678,900**	438,000

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2005

	Attributable to equity holders of the Company				
	Share capital	**Other reserves**	**Retained earnings**	**Minority interest**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2004, as previously reported as equity	21,900	694,371	2,579,276	-	3,295,547
Balance at 1 January 2004, as previously separately reported as minority interest	-	-	-	83,785	83,785
Balance at 1 January 2004, as restated	21,900	694,371	2,579,276	83,785	3,379,332
Currency translation differences	-	6,084	-	2,608	8,692
Exchange recognised directly in equity	-	(2,881)	2,881	-	-
Net income recognised directly in equity	-	3,203	2,881	2,608	8,692
Profit for the year	-	-	719,415	30,157	749,572
Total recognised income for 2004	-	3,203	722,296	32,765	758,264
Transfer	-	1,415	(1,415)	-	-
2003 final dividend paid	-	-	(262,800)	-	(262,800)
2004 interim dividend paid	-	-	(87,600)	-	(87,600)
	-	1,415	(351,815)	-	(350,400)
Balance at 31 December 2004	21,900	698,989	2,949,757	116,550	3,787,196
Balance at 1 January 2005, as restated	21,900	698,989	2,949,757	116,550	3,787,196
Currency translation differences	-	(9,018)	-	5,207	(3,811)
Net (expense)/ income recognised directly in equity	-	(9,018)	-	5,207	(3,811)
Profit for the year	-	-	1,180,019	7,228	1,187,247
Total recognised (expense)/ income for 2005	-	(9,018)	1,180,019	12,435	1,183,436
Transfer	-	10,161	(10,161)	-	-
2004 final dividend paid	-	-	(350,400)	-	(350,400)
2005 interim dividend paid	-	-	(109,500)	-	(109,500)
Acquisition of minority interest in a subsidiary (Note 7)	-	-	-	(105,665)	(105,665)
	-	10,161	(470,061)	(105,665)	(565,565)
Balance at 31 December 2005	**21,900**	**700,132**	**3,659,715**	**23,320**	**4,405,067**

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005	2004
		HK$'000	HK$'000
Cash flows from operating activities			
Cash generated from operations	32(a)	**1,501,951**	1,285,497
Interest paid		**(1,115)**	(10,423)
Hong Kong profits tax paid		**(144,572)**	(3,266)
Overseas taxation paid		**(63,426)**	(9,848)
Net cash generated from operating activities		**1,292,838**	1,261,960
Cash flows from investing activities			
Purchase of property, plant and equipment		**(113,092)**	(143,147)
Increase in bank deposits maturing after three months		**(25,739)**	(4,776)
Increase in loans to a jointly controlled entity		**-**	(2,016)
Loan repayments received from an investee company		**7,393**	-
Decrease in amount due from an associate		**-**	5,319
Acquisition of minority interest in a subsidiary		**(221,613)**	-
Proceeds from sale of a jointly controlled entity		**4,541**	-
Proceeds from sale of an available-for-sale financial asset		**2,771**	-
Proceeds from sale of a financial asset at fair value through profit or loss		**263,726**	-
Investment in an associate	9(a)	**(142,495)**	(45,200)
Investment in a financial asset at fair value through profit or loss		**(144,347)**	-
Proceeds from sale of property, plant and equipment		**813**	2,469
Interest received		**13,500**	2,386
Net cash used in investing activities		**(354,542)**	(184,965)
Net cash inflow before financing activities		**938,296**	1,076,995
Cash flows from financing activities			
Proceeds from short-term bank loans		**-**	2,338
Repayments of long-term bank loans, other loans and obligations under finance leases		**(58,385)**	(5,268)
Repayments of short-term bank loans		**(2,338)**	(499,115)
Increase in pledged bank deposits		**(2)**	(6)
Dividends paid		**(459,900)**	(350,400)
Net cash used in financing activities		**(520,625)**	(852,451)
Net increase in cash and cash equivalents		**417,671**	224,544
Cash and cash equivalents at 1 January		**526,299**	300,224
Effect of foreign exchange rate changes		**700**	1,531
Cash and cash equivalents at 31 December		**944,670**	526,299

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

The adoption of new/revised HKFRS
In 2005, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 3	Business Combinations

1 Summary of significant accounting policies (Continued)

1.1 Basis of preparation (Continued)

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 31 and 33 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures.
- HKASs 2, 7, 8, 10, 16, 23, 27, 28, 31 and 33 had no material effect on the Group's policies.
- HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.
- HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and accumulated impairment.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets.

The adoption of HKFRS 3, HKASs 36 and 38 has resulted in a change in the accounting policy for goodwill. Until 31 December 2004, goodwill was:

- amortised on a straight-line basis over a period ranging from 5 to 10 years; and
- assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3 (Note 1.6):

- the Group ceased amortisation of goodwill from 1 January 2005;
- accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill; and
- from the year ended 31 December 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

- HKAS 21 - prospective accounting for goodwill and fair value adjustments as part of foreign operations;
- HKAS 39 - does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for investments in securities" issued by the Hong Kong Institute of Certified Public Accountants to investments in securities for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 January 2005; and

1 Summary of significant accounting policies (Continued)

1.1 Basis of preparation (Continued)

- HKFRS 3 - prospectively on or after 1 January 2005.

(a) The effects of the adoption of revised HKAS 17 are as follows:

	2005	2004
	HK$'000	HK$'000
Decrease in property, plant and equipment	**(188,416)**	(192,984)
Increase in leasehold land	**188,416**	192,984

There was no impact on basic earnings per share from the adoption of revised HKAS 17.

(b) The effects of the adoption of HKFRS 3 and HKAS 38 are as follows:

	2005
	HK$'000
Decrease in other operating expenses arising from the cessation of amortisation of goodwill	**5,598**
	HK$
Increase in basic earnings per share	**0.01**

(c) The effects of the adoption of HKASs 32 and 39 are as follows:

	2005
	HK$'000
Decrease in investment securities, at cost	**(21,478)**
Increase in available-for-sale financial assets, at cost	**21,478**

There was no impact on basic earnings per share from the adoption of HKASs 32 and 39.

The Group has not early adopted the following new HKASs and HKFRSs that have been issued but are not yet effective. The adoption of such HKASs and HKFRSs will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Capital disclosure [1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plan and disclosures [2]
HKAS 21 (Amendment)	Net investment in a foreign operation [2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions [2]
HKAS 39 (Amendment)	The fair value option [2]
HKAS 39 and HKFRS 4 (Amendment)	Financial guarantee contracts [2]
HKFRS 7	Financial instruments: disclosures [1]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2006.

1 Summary of significant accounting policies (Continued)

1.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are those entities in which the Company, directly or indirectly, controls the composition of the Board of Directors, controls more than half the voting power or holds more than half of the issued share capital.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

In the Company's balance sheet the investment in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Associates and jointly controlled entities

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

A jointly controlled entity is under a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over its economic activity.

Interests in associates and jointly controlled entities are accounted for by the equity method of accounting and is initially recognised at cost.

The Group's share of its associates' and jointly controlled entities' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate and jointly controlled entity equals or exceeds its interest in the associate and jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate and jointly controlled entity.

Unrealised gains on transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's investments in the associates and jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates and jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

1 Summary of significant accounting policies (Continued)

1.2 Consolidation (Continued)

(b) Associates and jointly controlled entities (Continued)

In the Company's balance sheet the interest in associates and jointly controlled entities is stated at cost less provision for impairment losses. The results of the associates and jointly controlled entities are accounted for by the Company on the basis of dividend received and receivables.

1.3 Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are based on where the assets are located.

1.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

1 Summary of significant accounting policies (Continued)

1.4 Foreign currency translation (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholder's equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity on or after 1 January 2005 are treated as assets and liabilities of the foreign entity and translated at the closing rate. Goodwill and fair value adjustments arising on acquisitions prior to 1 January 2005 are expressed in the acquiring company's functional currency and reported using the exchange rate at the date of these acquisitions.

1.5 Property, plant and equipment

Property, plant and equipment, comprising buildings, leasehold improvements, studio, broadcasting and transmitting equipment, furniture and fixtures and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Freehold land is not depreciated. Other property, plant and equipment are depreciated at rates sufficient to write off their costs less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	2.5% - 5%
Leasehold improvements	Over the unexpired term of the lease
Studio, broadcasting and transmitting equipment	7% - 20%
Furniture, fixtures and equipment	5% - 33.3%
Motor vehicles	10% - 25%

Improvements are capitalised and depreciated over their expected useful lives to the Group.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1.7).

1.6 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate/jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and jointly controlled entities is included in investments in associates and jointly controlled entities. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

1 Summary of significant accounting policies (Continued)

1.7 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicated that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

1.8 Investments

From 1 January 2004 to 31 December 2004:
The Group classified its investments in securities, other than subsidiaries, associates and jointly controlled entities, as investment securities and other investments.

(a) Investment securities

Investment securities were stated at cost less any provision for impairment losses. The carrying amounts of individual investments were reviewed at each balance sheet date to assess whether the fair values had declined below the carrying amounts. When a decline other than temporary had occurred, the carrying amount of such securities would be reduced to its fair value. The impairment loss was recognised as an expense in the income statement. This impairment loss was written back to the income statement when the circumstances and events that led to the write-downs or write-offs ceased to exist and there was persuasive evidence that the new circumstances and events would persist for the foreseeable future.

(b) Other investments

Other investments were carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments were recognised in the income statement. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, were recognised in the income statement as they arose.

From 1 January 2005 onwards:
The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no

1 Summary of significant accounting policies (Continued)

1.8 Investments (Continued)

(b) Loans and receivables (Continued)

intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (Note 1.11).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value whereas available-for-sale financial assets are carried at cost less accumulated impairment. Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are carried at cost less accumulated impairment.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

1.9 Programmes, film rights and movies

Programmes are stated at cost less amounts expensed and any provision considered necessary by management. Cost comprises direct expenditure and an appropriate proportion of production overheads. The cost of programmes is apportioned between domestic terrestrial market and overseas licensing and distribution market. In the case of the former, the cost is expensed on first transmission, and in the latter, the cost is expensed on first distribution to licensees. The cost of programmes for satellite channels is expensed in accordance with a formula computed to write off the cost over a maximum of three transmissions.

Film rights are stated at cost less amounts expensed and any provision considered necessary by management. Film rights are expensed in accordance with a formula computed to write off the cost over the contracted number of transmissions.

1 Summary of significant accounting policies (Continued)

1.9 Programmes, film rights and movies (Continued)

Movies invested by the Group are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation of released movies is calculated at rates sufficient to write off the total cost of production in relation to expected revenues over a maximum period of three years. Unreleased movies are valued at cost less provision for impairment losses.

1.10 Stocks

Stocks, comprising decoders, tapes, video compact discs, digital video discs and consumable supplies, are stated at the lower of cost and net realisable value. The cost of video compact discs and digital video discs is calculated on a weighted average basis whereas the cost of other stocks is calculated on a first in first out basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

1.11 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

1.12 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, cash investments with a maturity of three months or less from the date of investment, and bank overdrafts and short-term loans repayable within three months.

1.13 Share capital

Ordinary shares are classified as equity.

1.14 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.

1 Summary of significant accounting policies (Continued)

1.15 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on interest in subsidiaries, associates and jointly controlled entities except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

1.16 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group operates a number of defined benefit and defined contribution plans throughout the world, the assets of which are generally held in separate trustee - administered funds.

All permanent staff, temporary staff and full time artistes signed in individual names (excluding singers and serial artistes), whose employment period reaches 60 days or more (collectively referred to as “eligible members”) and located in Hong Kong are entitled to participate in the Mandatory Provident Fund Scheme (“MPF Scheme”). The contributions to the MPF Scheme made by the Group for permanent staff joined prior to 1 June 2003 comprise mandatory contributions and voluntary contributions. The mandatory contribution is calculated at 5% of individual’s “relevant income” with a maximum amount of HK$1,000 per month and the voluntary contribution is calculated at 10% of individual’s basic salary less the mandatory contribution. The Group’s contribution for permanent staff joined after 1 June 2003, full time artistes and temporary staff is 5% of individual’s “relevant income” with a maximum amount of HK$1,000 per month. “Relevant income” includes salaries, wages, paid leave, fees, commissions, bonuses, gratuities, and allowances (excluding housing allowance/benefits, any redeemed payment and long service payment). Employer’s voluntary contributions shall be refunded to the Group according to the vesting scale when the eligible members leave employment prior to vesting fully in the MPF Scheme.

The retirement schemes which cover employees located in overseas locations, except for Taiwan, are defined contribution schemes at various funding rates that are in accordance with the local practice and regulations. The employees located in Taiwan are members of a defined benefit retirement scheme prior to 1 July 2005. Following the promulgation of a new pension ordinance on 1 July 2005, the employees located in Taiwan are entitled to elect to remain as the sole members of the defined benefit retirement scheme or to become members of both the defined benefit retirement scheme and a defined contribution retirement scheme. By electing for the latter, the service lives of employees under the defined benefit retirement scheme are being frozen at 30 June 2005. All employees joining on or after 1 July 2005 have to join as members of the defined contribution retirement scheme.

1 Summary of significant accounting policies (Continued)

1.16 Employee benefits (Continued)

(b) Pension obligations (Continued)

The liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plans assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the present value of the defined benefit obligation are recognised in the income statement over the employees' expected average remaining working lives.

Past-service costs are recognised immediately as income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

1.17 Provisions for onerous contracts

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

1.18 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

1.19 Revenue recognition

Advertising income net of agency deductions is recognised when the advertisements are telecast.

Income from licensing of programme rights is recognised evenly over the contract period or upon delivery of the programmes concerned in accordance with the terms of the contracts. Income from box office receipts are recognised when movies are exhibited and the right to receive payment is established. Distribution income from movies are recognised upon delivery of the movies.

Subscription income from operation of satellite and subscription television networks is recognised on a straight-line basis over the contract period which generally coincides with the timing when the services are rendered. Unearned subscription fees received from subscribers are recorded as subscriptions received in advance under trade and other payables and accruals in the balance sheet.

1 Summary of significant accounting policies (Continued)

1.19 Revenue recognition (Continued)

Income from video tape and disc renting and sale of magazines are recognised on delivery of products. Income from sale of animation productions is recognised progressively in accordance with the stage of completion of the production. Income from other services, which includes programme/commercial production income, merchandising income, management fee income, facility rental income and other miscellaneous income, is recognised when the services are rendered.

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on a time proportion basis using the effective interest method.

1.20 Leases (as the lessee)

(a) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

(b) Finance leases

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

1.21 Related parties

A party is considered to be related to the Group if

(a) directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control with the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly controlled entity;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) to (d) above;

(f) the party is an entity that is controlled, jointly controlled or significant influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) and (e) above.

1 Summary of significant accounting policies (Continued)

1.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

1.23 Comparatives

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

2 Financial risk management

Financial risk factors

The Group's activities expose 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 effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the 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.

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

The Group manages this risk by initially seeking contracts effectively denominated in Hong Kong dollars where possible and economically favorable to do so. The Group will continue to monitor its foreign currency risk exposure and market conditions to determine if any hedging is required. The Group does not conduct any foreign currency speculative activities.

(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 as available-for-sale financial assets. The Group is not exposed to commodity price risk.

(b) Credit risk

The Group has no significant concentrations of credit risk. It's credit risk is mitigated by its combination of cash and credit sales. For credit sales, the Group has no significant concentration of credit risk due to its diverse customer base. Credit risk is managed by formulating a credit policy for credit checks, credit reviews and monitoring procedures that include a formal collection process.

(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.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are 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 equal 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 1.6. 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 receivables

The aged debt profile of trade receivables is reviewed on a regular basis to ensure that the trade receivables 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 receivables 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 receivables 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 the results of operations.

(c) Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment 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. Such reviews take into account the technological changes, prospective economic utilisation and physical condition of the assets concerned.

(d) Impairment of non-current asset

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.

3 Critical accounting estimates and judgements (Continued)

(d) Impairment of non-current asset (Continued)

The impairment assessment is performed based on the discounted cash flow analysis. This analysis relies on factors such as forecasts of future performance and long-term growth rates and the selection of discount rates. If these forecasts and assumptions prove to be incorrect or circumstances change, write down of the carrying value of the non-current assets may be required.

Based on the most recent assessments of recoverable amount, management is of the opinion that as at 31 December 2005, the non-current assets are recoverable at the amounts at which they are stated in the financial statements.

(e) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded or anticipated, such differences will impact the current income tax and deferred income tax provisions in the period in which such determination is made.

4 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 and disc rentals, sale of animation productions, sale of magazines, programmes/commercial production income, merchandising income, management fee income, facility rental income and other service fee income.

Other revenues comprise mainly interest income and other rental income.

The amount of each significant category of revenue recognised during the year is as follows:

	2005	2004
	HK$'000	HK$'000
Turnover		
Advertising income, net of agency deductions	**2,681,524**	2,597,471
Licensing income	**790,725**	767,060
Subscription income	**413,947**	370,940
Others (note)	**336,990**	116,096
	4,223,186	3,851,567
Less: Withholding tax	**(46,596)**	(34,631)
	4,176,590	3,816,936
Other revenues (note)		
Interest income	**25,151**	20,294
Others	**13,811**	37,926
	38,962	58,220
	4,215,552	3,875,156

4 Turnover, revenue and segment information (Continued)

Note:

In prior years, the Group reported the revenues generated from the production of tailor-made sponsorship programmes on a net basis, and such net revenue was set off against the cost of production for these programmes. In prior years, income generated from commercial production, merchandising, talent management, facility rental and other services ("Miscellaneous Income") were included as other revenues.

In 2005, the Group is of the opinion that it is more appropriate to reclassify the above revenues and income. As a result, revenues from production of tailor-made sponsorship programmes and the Miscellaneous Income are now classified under Turnover. These classification changes were made from 1 January 2005 and have no effect on the Group's profit.

If the revenues for the year ended 31 December 2004 were reclassified on the same basis as above, the Group's turnover would increase by HK$137,884,000, cost of sales would increase by HK$115,652,000 and other revenue would decrease by HK$22,232,000, with no change to the Group's profit. Therefore, the Group's turnover, cost of sales and other revenues for the year ended 31 December 2004 would have been HK$3,954,820,000, HK$1,957,101,000 and HK$35,988,000 respectively.

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, movie investment 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.

4 Turnover, revenue and segment information (Continued)

Primary reporting format - business segments (Continued)

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

	2005						
	Terrestrial television broadcasting	Programme licensing and distribution	Overseas satellite pay TV operations	Channel operations	Other activities	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover (note)							
External sales	**2,230,312**	**594,065**	**247,177**	**984,023**	**121,013**	**-**	**4,176,590**
Inter-segment sales	**5,877**	**99,056**	**-**	**14,291**	**6,712**	**(125,936)**	**-**
	2,236,189	**693,121**	**247,177**	**998,314**	**127,725**	**(125,936)**	**4,176,590**
Segment results (note)	**859,160**	**391,028**	**28,789**	**194,429**	**(15,501)**	**1,101**	**1,459,006**
Gain on disposal of financial assets at fair value through profit or loss							**148,778**
Finance costs							**(956)**
Share of losses of							
Jointly controlled entities	**-**	**-**	**-**	**(30)**	**-**		**(30)**
Associates	**-**	**-**	**-**	**(187,197)**	**-**		**(187,197)**
Profit before income tax							**1,419,601**
Income tax expense							**(232,354)**
Profit for the year							**1,187,247**

Note: There were no new activities at their initial stage of operations (i.e. not more than five years since commencement of commercial operations) for the year ended 31 December 2005.

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

	Terrestrial television broadcasting	Programme licensing and distribution	Overseas satellite pay TV operations	Channel operations	Other activities	Elimination	Total
Depreciation	**186,203**	**6,994**	**12,318**	**52,950**	**1,911**		**260,376**
Amortisation of leasehold land	**4,568**	**-**	**-**	**-**	**-**		**4,568**
Impairment of goodwill	**-**	**-**	**-**	**5,894**	**-**		**5,894**

4 Turnover, revenue and segment information (Continued)

Primary reporting format - business segments (Continued)

	2004						
	Terrestrial television broadcasting	**Programme licensing and distribution**	**Overseas satellite pay TV operations**	**Channel operations**	**Other activities**	**Elimination**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover (note (a))							
External sales (note (b))	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 (a))	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)
Associates	-	-	-	(166,402)	-		(166,402)
Profit before income tax							901,884
Income tax expense							(152,312)
Profit for the year							749,572

Notes:

(a) The above segments included 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

(b) In respect of the terrestrial television broadcasting segment, revenues generated from the production of tailor-made sponsorship programmes were reported on a net basis, and such net revenue was set off against the cost of production for these programmes in prior years. If these revenues were reclassified to turnover, the turnover for external sales under this segment would increase by HK$137,884,000, with no overall effect on the segment results. On this basis, the turnover for external sales for 2004 would have been HK$2,143,674,000.

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

Depreciation	191,786	6,712	9,647	53,133	3,930		265,208
Amortisation of leasehold land	4,567	-	-	-	-		4,567
Amortisation of goodwill	-	-	5,598	1,799	-		7,397

4 Turnover, revenue and segment information (Continued)

Primary reporting format - business segments (Continued)

The segment assets and liabilities at 31 December 2005 and capital expenditure for the year ended 31 December 2005 are as follows:

	Terrestrial television broadcasting	Programme licensing and distribution	Overseas satellite pay TV operations	Channel operations	Other activities	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	3,502,242	221,896	117,145	1,040,418	125,319	5,007,020
Interest in associates	144,069	-	-	101,447	-	245,516
Available-for-sale financial assets	-	3	-	-	-	3
Loans to investee companies	-	6,676	-	-	-	6,676
Unallocated assets						63,049
Total assets						5,322,264
Segment liabilities	258,514	94,996	58,259	174,948	19,184	605,901
Payable for financial assets at fair value through profit or loss	-	-	-	56,876	-	56,876
Unallocated liabilities						254,420
Total liabilities						917,197
Capital expenditure	65,734	4,123	2,520	155,976	687	229,040

4 Turnover, revenue and segment information (Continued)

Primary reporting format - business segments (Continued)

The segment assets and liabilities at 31 December 2004 and capital expenditure for the year ended 31 December 2004 are as follows:

	Terrestrial television broadcasting	Programme licensing and distribution	Overseas satellite pay TV operations	Channel operations	Other activities	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	3,183,901	195,608	141,685	621,002	147,191	4,289,387
Interest in associates	133,397	-	-	146,149	-	279,546
Interest in jointly controlled entities	-	-	-	3,814	14,908	18,722
Investment securities	-	3	-	2,164	1,538	3,705
Loans to investee companies	-	14,263	-	-	-	14,263
Other investments	-	-	-	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	-	-	-	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

Segment assets consist primarily of property, plant and equipment, leasehold land, intangible assets, stocks, receivables and operating cash, and mainly exclude tax recoverable, deferred income tax and investments.

Segment liabilities comprise operating liabilities and exclude items such as income tax and borrowings.

Capital expenditure comprises additions to property, plant and equipment (Note 5) and intangible assets (Note 7).

4 Turnover, revenue and segment information (Continued)

Secondary reporting format - geographical segments

Although the Group's five business segments are managed on a worldwide basis, sales are generated in eight main geographical areas:

Hong Kong - terrestrial television broadcasting with programme production, distribution of television channels, website portal, magazine publication and movie investment.

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 channels 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 segment results for the year by geographical segments is as follows:

	Turnover		Segment results	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Geographical segments:				
Hong Kong	**2,560,672**	2,281,105	**940,891**	587,331
Taiwan	**743,834**	703,831	**133,586**	155,050
USA and Canada	**209,149**	208,667	**106,197**	106,873
Australia	**67,784**	60,510	**(6,023)**	(11,933)
Europe	**97,080**	78,953	**17,275**	(19,119)
Mainland China	**117,225**	104,922	**65,311**	56,571
Malaysia and Singapore	**337,726**	337,056	**182,978**	184,095
Other countries	**43,120**	41,892	**18,791**	22,523
	4,176,590	3,816,936	**1,459,006**	1,081,391
Gain on disposal of financial assets at fair value through profit or loss			**148,778**	
			1,607,784	

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

4 Turnover, revenue and segment information (Continued)

Secondary reporting format - geographical segments (Continued)

	Total assets		Capital expenditure	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**3,994,853**	3,388,477	**69,453**	115,523
Taiwan	**680,433**	540,143	**155,901**	20,006
USA and Canada	**101,990**	123,375	**2,610**	4,975
Australia	**11,614**	16,113	**325**	473
Europe	**72,966**	88,195	**735**	913
Mainland China	**26,836**	21,806	**-**	1,229
Malaysia and Singapore	**93,321**	78,750	**-**	-
Other countries	**25,007**	32,528	**16**	28
	5,007,020	4,289,387	**229,040**	143,147
Interest in associates	**245,516**	279,546		
Interest in jointly controlled entities	**-**	18,722		
Available-for-sale financial assets	**3**	-		
Investment securities	**-**	3,705		
Loans to investee companies	**6,676**	14,263		
Other investments	**-**	189,432		
Unallocated assets	**63,049**	37,855		
	5,322,264	4,832,910		

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

5 Property, plant and equipment

(a) Group

	Freehold land and buildings	Leasehold improvements	Studio, broadcasting and transmitting equipment	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost						
At 1 January 2004	1,044,682	96,697	1,475,698	603,340	37,773	3,258,190
Exchange differences	2,377	1,591	9,420	2,135	310	15,833
Additions	1,706	1,998	109,251	25,632	4,560	143,147
Transfers	-	-	4,072	(4,072)	-	-
Disposals	-	(5,154)	(16,601)	(9,925)	(2,319)	(33,999)
At 31 December 2004	1,048,765	95,132	1,581,840	617,110	40,324	3,383,171
At 1 January 2005	1,048,765	95,132	1,581,840	617,110	40,324	3,383,171
Exchange differences	823	1,004	(562)	(1,104)	79	240
Additions	1,046	1,660	77,503	25,741	7,142	113,092
Cost adjustment (note (i))	(3,500)	-	-	-	-	(3,500)
Transfers	16,629	(16,629)	631	(631)	-	-
Disposals	-	(10,196)	(54,742)	(14,289)	(2,720)	(81,947)
At 31 December 2005	**1,063,763**	**70,971**	**1,604,670**	**626,827**	**44,825**	**3,411,056**
Accumulated depreciation and impairment						
At 1 January 2004	36,394	67,644	807,005	149,491	29,976	1,090,510
Exchange differences	173	1,406	7,465	1,410	271	10,725
Charge for the year	38,169	11,669	157,000	54,190	4,180	265,208
Transfers	-	-	1,596	(1,596)	-	-
Written back on disposals	-	(5,121)	(15,943)	(9,733)	(2,319)	(33,116)
At 31 December 2004	74,736	75,598	957,123	193,762	32,108	1,333,327
At 1 January 2005	74,736	75,598	957,123	193,762	32,108	1,333,327
Exchange differences	(289)	608	(1,180)	(775)	96	(1,540)
Charge for the year	37,896	12,509	153,317	52,023	4,631	260,376
Transfers	15,211	(15,211)	202	(202)	-	-
Written back on disposals	-	(10,196)	(52,285)	(12,018)	(2,708)	(77,207)
At 31 December 2005	**127,554**	**63,308**	**1,057,177**	**232,790**	**34,127**	**1,514,956**
Net book value						
At 31 December 2005	**936,209**	**7,663**	**547,493**	**394,037**	**10,698**	**1,896,100**
At 31 December 2004	974,029	19,534	624,717	423,348	8,216	2,049,844

5 Property, plant and equipment (Continued)

(a) Group (Continued)

Notes:

(i) During the year, a settlement agreement was entered into between the Company and the contractor under which it was agreed that a sum of HK$3,500,000 be deducted from the total contract sum to release the contractor from the obligation to rectify the outstanding defects in respect of the construction of buildings located in TVB City.

(ii) The net book value of leased assets at 31 December 2005 comprised furniture, fixtures and equipment of HK$nil (2004: HK$1,000).

(iii) At 31 December 2005, no items under property, plant and equipment were pledged for any borrowings. At 31 December 2004, property, plant and equipment with net book value amounting to HK$109,894,000 were pledged as security for the Group's short-term loans and long-term borrowings.

(iv) Property, plant and equipment comprise freehold land outside Hong Kong at cost of HK$74,992,000 (2004: HK$ 74,195,000).

5 Property, plant and equipment (Continued)

(b) Company

	Buildings	Leasehold improvements	Studio, broadcasting and transmitting equipment	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost						
At 1 January 2004	921,192	14,186	1,042,755	494,796	26,765	2,499,694
Additions	1,652	-	91,979	14,257	3,623	111,511
Transferred from subsidiaries	-	-	-	5	-	5
Disposals	-	-	(7,459)	(5,175)	(2,319)	(14,953)
At 31 December 2004	922,844	14,186	1,127,275	503,883	28,069	2,596,257
At 1 January 2005	922,844	14,186	1,127,275	503,883	28,069	2,596,257
Additions	888	-	45,538	13,766	5,542	65,734
Cost adjustment (note)	(3,500)	-	-	-	-	(3,500)
Transferred from/(to) subsidiaries	-	-	(210)	630	-	420
Disposals	-	(10,196)	(38,490)	(6,262)	(50)	(54,998)
At 31 December 2005	**920,232**	**3,990**	**1,134,113**	**512,017**	**33,561**	**2,603,913**
Accumulated depreciation						
At 1 January 2004	27,636	14,186	518,682	79,604	20,414	660,522
Charge for the year	36,964	-	111,930	39,586	3,306	191,786
Transferred from subsidiaries	-	-	-	3	-	3
Written back on disposals	-	-	(7,008)	(5,106)	(2,319)	(14,433)
At 31 December 2004	64,600	14,186	623,604	114,087	21,401	837,878
At 1 January 2005	64,600	14,186	623,604	114,087	21,401	837,878
Charge for the year	36,626	-	107,794	38,009	3,774	186,203
Transferred from/(to) subsidiaries	-	-	(210)	430	-	220
Written back on disposals	-	(10,196)	(37,062)	(6,180)	(50)	(53,488)
At 31 December 2005	**101,226**	**3,990**	**694,126**	**146,346**	**25,125**	**970,813**
Net book value						
At 31 December 2005	**819,006**	**-**	**439,987**	**365,671**	**8,436**	**1,633,100**
At 31 December 2004	858,244	-	503,671	389,796	6,668	1,758,379

5 Property, plant and equipment (Continued)

(b) Company (Continued)

Note:

During the year, a settlement agreement was entered into between the Company and the contractor under which it was agreed that a sum of HK$3,500,000 be deducted from the total contract sum to release the contractor from the obligation to rectify the outstanding defects in respect of the construction of buildings located in TVB City.

6 Leasehold land

The Group's interests in leasehold land represent prepaid operating lease payments and their net book value are analysed as follows:

	Group and Company	
	2005	2004
	HK$'000	HK$'000
In Hong Kong held on:		
Leases of between 10 to 50 years	**188,416**	192,984
Opening net book value		
- as previously reported	**-**	-
- reclassification of leasehold land	**-**	197,551
- as currently reported	**192,984**	-
	192,984	197,551
Amortisation (Note 25)	**(4,568)**	(4,567)
Closing net book value	**188,416**	192,984
Cost	**200,977**	200,977
Accumulated amortisation	**(12,561)**	(7,993)
Closing net book value	**188,416**	192,984

7 Intangible assets

	Group
	Goodwill
	HK$'000
At 1 January 2004	
Cost	64,866
Accumulated amortisation	(2,127)
Net book amount	62,739
Year ended 31 December 2004	
Opening net book amount	62,739
Amortisation expense (Note 25)	(7,397)
Closing net book amount	55,342
At 31 December 2004	
Cost	64,866
Accumulated amortisation	(9,524)
Net book amount	55,342
Year ended 31 December 2005	
Opening net book amount	55,342
Acquisition of minority interest in a subsidiary (note (a))	115,948
Impairment expense (note (b) and Note 25)	(5,894)
Exchange differences	(4,393)
Closing net book amount	**161,003**
At 31 December 2005	
Cost	166,897
Accumulated impairment	(5,894)
Net book amount	**161,003**

Notes:

(a) On 21 March 2005, the Group acquired the remaining 30% interest in Liann Yee Production Co. Ltd. ("LYP") from the minority shareholder at a cash consideration of NT$900 million, plus direct cost relating to the acquisition of NT$2.7 million (totalling NT$902.7 million or HK$221,613,000). The excess of the cost over the fair value of the 30% of the net identifiable assets of LYP, amounting to NT$472 million (HK$115,948,000), has been recognised as goodwill.

(b) The impairment expense arose in respect of the Group's publishing business in Taiwan as it continues to be in a loss making position.

7 Intangible assets (Continued)

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to country of operation and business segment.

A segment-level summary of the goodwill allocation is presented below:

	2005		
	Overseas satellite pay TV operations	**Channel operations**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Europe	**49,448**	**-**	**49,448**
Taiwan	**-**	**111,555**	**111,555**
	49,448	**111,555**	**161,003**

	2004		
	Overseas satellite pay TV operations	**Channel operations**	**Total**
	HK$'000	HK$'000	HK$'000
Europe	49,448	-	49,448
Taiwan	-	5,894	5,894
	49,448	5,894	55,342

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The growth rate does not exceed the long-term average growth rate in which the CGU operates.

Key assumptions used for value-in-use calculations

	Overseas satellite pay TV operations	**Channel operations**
	Europe	**Taiwan**
Gross margin	42%	35%
Growth rate	-6%	2%
Discount rate	11%	11%

These assumptions have been used for the analysis of each CGU within the business segment.

Management determined budgeted gross margin based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

8 Investment in subsidiaries

	Company	
	2005	2004
	HK$'000	HK$'000
Unlisted shares, at cost	**600**	600
Amounts due from subsidiaries (note (a))	**509,860**	389,360
Amounts due to subsidiaries (note (b))	**-**	(13,920)
	510,460	376,040

Notes:

(a) The amounts due from subsidiaries are unsecured and interest free, and have no fixed terms of repayment.

(b) The amounts due to subsidiaries were unsecured, interest free and not repayable within twelve months from the balance sheet date.

Details of the subsidiaries are listed in Note 38.

9 Interest in associates

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Share of net assets	**157,727**	333,599	**-**	-
Unpaid capital contributions (note (a))	**(56,280)**	(187,450)	**-**	-
	101,447	146,149	**-**	-
Loan to an associate (note (b))	**115,564**	115,564	**115,564**	115,564
Interest receivables from an associate (note (b))	**28,505**	17,833	**28,505**	17,833
	245,516	279,546	**144,069**	133,397
Unlisted shares, at cost	**533,300**	521,975	**-**	-

Notes:

(a) The amount represents the unpaid capital contributions to an associate, Galaxy Satellite TV Holdings Limited ("GSTV") which is unsecured and interest free. Capital contributions of HK$131,170,000 together with the subscription of new shares of HK$11,325,000 (totalling HK$142,495,000) were paid during the year. The remaining portion of the unpaid capital contributions would be paid in March 2006 in accordance with the time schedule stipulated under sale and purchase agreement of shares of GSTV dated 21 April 2005.

(b) The loan to an associate is unsecured and carries interest at 8% per annum compounded annually. Details of the terms of repayment are disclosed in Note 36(e).

The carrying amount of the loan to an associate approximates its fair value.

9 Interest in associates (Continued)

Details of the associates are listed below:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued shares held	Percentage of interest in ownership
TVB3 Network Company Limited	Thailand	Television production and programming service in Thailand	Ordinary shares of Baht10 each	40%
Galaxy Satellite TV Holdings Limited	Hong Kong	Investment holding in Hong Kong	Ordinary shares of HK$1 each	49%
Galaxy Satellite Broadcasting Limited	Hong Kong	Domestic pay television programme service in Hong Kong	Ordinary shares of HK$1 each	# 49%

an associate held indirectly by the Group

Summary of the Group's share of financial information on associates is as follows:

	Assets	Liabilities	Equity	Revenues	Loss for the year
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2005	**361,022**	**203,295**	**157,727**	**71,007**	**(187,197)**
2004	437,238	103,639	333,599	39,259	(166,402)

10 Interest in jointly controlled entities

	Group	
	2005	2004
	HK$'000	HK$'000
Share of net assets	**-**	3,814
Loan to a jointly controlled entity (note (a))	**20,653**	20,993
Provision for impairment (note (b))	**(20,653)**	(6,085)
	-	18,722
Unlisted shares, at cost	**14,165**	74,007

10 Interest in jointly controlled entities (Continued)

Notes:

(a) The loan to a jointly controlled entity is unsecured and interest free, and has no fixed terms of repayment.

(b) Investment cost and loan to a jointly controlled entity were fully provided as at 31 December 2005.

Details of the jointly controlled entities are listed below:

Name	Place of incorporation	Principal activities and place of operation	Percentage of interest in ownership
Hsin Chi Broadcast Co. Ltd.*	Taiwan	Satellite digital television broadcasting services in Taiwan	40%
上海新视线互动多媒体有限公司	The People's Republic of China	Internet web portal in Mainland China	50%

* The jointly controlled entity was sold at a gain of HK$623,000 during the year.

Summary of the Group's share of financial information on jointly controlled entities is as follows:

	Assets	Liabilities	Equity	Revenues	Loss for the year
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2005					
Hsin Chi Broadcast Co. Ltd.	-	-	-	-	**(30)**
上海新视线互动多媒体有限公司 (note (b) above)	-	-	-	-	-
	-	-	-	-	**(30)**
2004					
Hsin Chi Broadcast Co. Ltd.	3,823	9	3,814	67	(6)
上海新视线互动多媒体有限公司	12,587	12,587	-	2,979	(6,093)
	16,410	12,596	3,814	3,046	(6,099)

11 Available-for-sale financial assets

	Group
	2005
	HK$'000
Beginning of the year (Note1(c) and Note 12)	21,478
Exchange differences	75
Write off of investments (Note 12)	(17,773)
Disposals	(1,538)
Provision for impairment (note)	(2,239)
End of the year	**3**

Available-for-sale financial assets include the following:

Unlisted equity securities - Canada	**3**

Note: The impairment expense arose in respect of the Group's investment in companies which have been in a continued loss making position or in the process of liquidation.

12 Investment securities

	Group
	2004
	HK$'000
Unlisted equity securities, at cost (Note 1(c))	21,478
Provision for impairment	(17,773)
	3,705

The carrying amounts of investment securities approximate their fair values.

13 Loans to investee companies

	Group	
	2005	2004
	HK$'000	HK$'000
Loans to investee companies	**6,676**	52,210
Provision for impairment	**-**	(37,947)
	6,676	14,263

The loans to the investee companies are unsecured and interest free, and have no fixed terms of repayment, except for an amount of HK$6,676,000 (2004: HK$8,271,000) which carries interest at 2% per annum above the Canadian Prime Rate. The provision was made by the Group for the amounts considered irrecoverable.

The carrying amounts of loans to investee companies approximate their fair values.

14 Stocks

At 31 December 2005 and 2004, all stocks are stated at costs, which approximate their fair values.

15 Trade and other receivables, prepayments and deposits

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Receivables from:				
Associates	**202,748**	25,902	**200,480**	24,009
An investee company	**-**	2,167	**-**	-
Related parties	**39,949**	48,349	**-**	-
Trade receivables (note (a))	**892,172**	841,758	**615,642**	578,267
Less: Provision for impairment of receivables	**(68,031)**	(66,885)	**(41,531)**	(39,694)
Other receivables, prepayments and deposits (note (b))	**263,139**	155,832	**128,851**	80,136
Tax reserve certificates	**23,989**	-	**-**	-
	1,353,966	1,007,123	**903,442**	642,718

Notes:

(a) 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 of the Group. Cash on delivery, advance payments or bank guarantees are required from other customers of the Group.

(b) Other receivables include an amount of HK$86,275,000 receivable from See Corporation Limited being the balance of the proceeds from the sale of the 51% interest in GSTV. The amount was subsequently received in full on 28 February 2006.

At 31 December 2005 and 2004, the aging analysis of the trade receivables including trading balances due from associates, an investee company and related parties is as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current	**405,941**	403,890	**221,636**	235,670
1-2 months	**241,864**	209,821	**195,282**	162,361
2-3 months	**142,271**	131,528	**116,742**	105,021
3-4 months	**107,689**	65,386	**86,728**	43,756
4-5 months	**49,499**	29,430	**41,613**	23,830
Over 5 months	**185,343**	66,897	**154,121**	31,128
	1,132,607	906,952	**816,122**	601,766
Trade receivables due from:				
Third parties	**892,172**	841,758	**615,642**	578,267
Associates, an investee company and related parties	**240,435**	65,194	**200,480**	23,499
Non-trading amounts due from associates and related parties	**2,262**	11,224	**-**	510
	1,134,869	918,176	**816,122**	602,276

15 Trade and other receivables, prepayments and deposits (Continued)

Except for the amounts due from associates, there is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

The carrying amounts of trade and other receivables, prepayments and deposits approximate their fair values.

The Group has recognised a loss of HK$6,720,000 (2004: HK$421,000) for the impairment of its trade receivables during the year ended 31 December 2005.

16 Other investments

On 16 September 2004, the Group entered into a deed of agreement with Intelsat Hong Kong LLC ("Intelsat"), the then 51% shareholder of GSTV under which Intelsat agreed to transfer its 51% interest in GSTV to the Group free of any payment.

As the Group is restricted from holding 50% or more of the voting interest in GSTV, a waiver was granted by the Government of the Hong Kong Special Administrative Region ("HKSAR") to the Company for a period of twelve months from 28 December 2004 to secure an independent party to acquire the 51% interest transferred from Intelsat. As such, the Group had accounted for the unpaid capital contributions in relation to Intelsat's investment in GSTV, which at 31 December 2004 amounted to HK$189,432,000, as other investments. An equivalent amount was recognised as an other payable in respect of the unpaid capital contributions (Note 20).

On 21 April 2005, 49% and 2% interests in GSTV were sold to See Corporation Limited and Dr. Charles Chan Kwok Keung respectively for a total cash consideration of HK$350 million (the "Disposal"). The transaction was completed on 12 August 2005 subject to the settlement of unpaid capital contributions by the Group to GSTV of HK$376,882,000, of which HK$263,726,000 was settled in September 2005. The remaining balance of HK$113,156,000, which includes unpaid capital contributions under interest in associates of HK$56,280,000 (Note 9) and payable for financial assets at fair value through profit or loss of HK$56,876,000 (Note 20), would be settled in March 2006. The Disposal resulted in a gain of HK$148,778,000.

17 Bank deposits

At 31 December 2005, the Group had pledged bank deposits of HK$236,000 (2004: HK$234,000) to secure certain credit facilities granted to a subsidiary of the Group. The carrying amounts of bank deposits approximate their fair values.

18 Share capital

	Number of ordinary shares of HK$0.05 each	Nominal value
		HK$'000
Authorised:		
At 1 January 2004 and 2005 and 31 December 2005	**1,300,000,000**	**65,000**
Issued and fully paid:		
At 1 January 2004 and 2005 and 31 December 2005	**438,000,000**	**21,900**

19 Other reserves

(a) Group

	Share premium	General reserve	Capital reserve	Legal reserve	Capital redemption reserve	Translation	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2004	602,026	70,000	864	7,831	40,118	(26,468)	694,371
Currency translation differences:							
- Group	-	-	-	-	-	5,993	5,993
- Jointly controlled entities	-	-	-	-	-	91	91
Transfer from retained earnings	-	-	-	1,415	-	-	1,415
Exchange recognised directly in equity	-	-	-	-	-	(2,881)	(2,881)
Balance at 31 December 2004	602,026	70,000	864	9,246	40,118	(23,265)	698,989
Balance at 1 January 2005	602,026	70,000	864	9,246	40,118	(23,265)	698,989
Currency translation differences:							
- Group	-	-	-	-	-	(17,092)	(17,092)
- Associates	-	-	-	-	-	545	545
- Jointly controlled entities	-	-	-	-	-	7,529	7,529
Transfer from retained earnings	-	-	-	10,161	-	-	10,161
Balance at 31 December 2005	**602,026**	**70,000**	**864**	**19,407**	**40,118**	**(32,283)**	**700,132**

19 Other reserves (Continued)

(b) Company

	Share premium	General reserve	Capital redemption reserve	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2004 and 2005 and 31 December 2005	**602,026**	**70,000**	**40,118**	**712,144**

In accordance with the local laws and regulations of a subsidiary, the subsidiary is required to transfer the gain on deemed disposal of its associate to the capital reserve. The capital reserve in connection with the gain on deemed disposal of its associate can only be used to cover operating losses.

In accordance with the local laws of subsidiaries in Taiwan, these subsidiaries are required to set aside 10% of annual net income less any accumulated deficit as legal reserve to the extent that the legal reserve amounts to total contributed share capital. The application of the legal reserve is restricted to covering operating losses and conversion into share capital.

The capital redemption reserve and share premium account of the Group were set up in accordance with the requirements of the Hong Kong Companies Ordinance.

Distributable reserves, include retained earnings and general reserve, of the Company at 31 December 2005, calculated under Section 79B of the Hong Kong Companies Ordinance, amounted to HK$3,247,946,000 (2004: HK$2,618,142,000).

20 Trade and other payables and accruals

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables to :				
Associates	**7,692**	1,551	**-**	-
Related parties	**237**	1,037	**-**	-
Third parties	**91,188**	85,232	**44,663**	42,461
Other payables and accruals	**487,239**	450,383	**213,851**	205,219
Payable for financial assets at fair value through profit or loss (Note 16)	**56,876**	-	**-**	-
Payable for other investments (Note 16)	**-**	189,432	**-**	-
	643,232	727,635	**258,514**	247,680

20 Trade and other payables and accruals (Continued)

At 31 December 2005 and 2004, the aging analysis of the trade payables including trading balances due to associates and related parties is as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current	**61,487**	59,805	**35,057**	33,034
1-2 months	**22,211**	21,877	**7,539**	8,030
2-3 months	**8,391**	1,662	**1,649**	1,026
3-4 months	**1,884**	1,108	**40**	221
4-5 months	**229**	1,095	**16**	143
Over 5 months	**4,915**	2,273	**362**	7
	99,117	87,820	**44,663**	42,461
Trade payables due to:				
Third parties	**91,188**	85,232	**44,663**	42,461
Associates and related parties	**7,929**	2,588	**-**	-
	99,117	87,820	**44,663**	42,461

The carrying amounts of trade and other payables and accruals approximate their fair values.

21 Borrowings

	Group	
	2005	2004
	HK$'000	HK$'000
Non-current		
Long-term bank loans	**-**	48,683
Current		
Current portion of long-term bank loans	**-**	5,366
Current portion of long-term other loans	**-**	4,253
Obligations under finance leases	**-**	83
Short-term bank loans	**-**	2,338
	-	12,040
Total borrowings	**-**	60,723

21 Borrowings (Continued)

All bank loans and other loans were fully repaid during 2005. At 31 December 2004, bank loans and other loans of HK$58,302,000 were secured by land and buildings with net book value of HK$109,894,000.

The maturity of borrowings is as follows:

	2004		
	Bank loans	**Others loans**	**Total**
	HK$'000	HK$'000	HK$'000
In the first year	7,704	4,253	11,957
In the second year	5,623	-	5,623
In the third to fifth year	18,534	-	18,534
After the fifth year	24,526	-	24,526
	56,387	4,253	60,640

At 31 December 2005 and 2004, the Group's finance lease liabilities were repayable as follows:

	2005	2004
	HK$'000	HK$'000
In the first year - present value	**-**	83

The effective interest rates at balance sheet date were as follows:

	2004		
	GBP	NT$	US$
Bank borrowings	5.75%	4.68%	-
Other loans	-	-	8.50%

The carrying amounts of the borrowings are denominated in the following currencies:

	2005	2004
	HK$'000	HK$'000
New Taiwan dollars	**-**	54,049
Sterling	**-**	2,338
US dollars	**-**	4,253
Australian dollars	**-**	83
	-	60,723

The carrying amounts of borrowings approximate their fair values.

22 Deferred income tax

The movement in the deferred income tax liabilities/(assets) account is as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 January	**106,778**	72,207	**123,530**	94,365
Exchange differences	**82**	(89)	**-**	-
Recognised in the income statement (Note 28)	**18,522**	34,660	**(4,968)**	29,165
At 31 December	**125,382**	106,778	**118,562**	123,530

Deferred income tax liabilities of HK$329,000 (2004: HK$317,000) have not been established for the withholding and other taxation that would be payable on the unremitted earnings of an investee company.

Deferred income tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. At 31 December 2005, the Group has unrecognised tax losses of HK$478,107,000 (2004: HK$465,557,000) to carry forward against future taxable income. These tax losses will expire as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
In the first year	**-**	-
In the second to fifth year	**920**	1,018
After the fifth year	**68,173**	67,343
No expiry date	**409,014**	397,196
	478,107	465,557

22 Deferred income tax (Continued)

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

(a) Group

Deferred income tax liabilities

	Accelerated tax depreciation		Others		Total	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**135,885**	136,041	**2,931**	4,617	**138,816**	140,658
Recognised in the income statement	**(6,971)**	(148)	**28,664**	(1,691)	**21,693**	(1,839)
Exchange differences	**(12)**	(8)	**(5)**	5	**(17)**	(3)
At 31 December	**128,902**	135,885	**31,590**	2,931	**160,492**	138,816

Deferred income tax assets

	Provisions		Tax losses		Others		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**2,783**	18,138	**12,665**	29,467	**16,590**	20,846	**32,038**	68,451
Recognised in the income statement	**(2,601)**	(15,391)	**7,227**	(16,780)	**(1,455)**	(4,328)	**3,171**	(36,499)
Exchange differences	**-**	36	**(60)**	(22)	**(39)**	72	**(99)**	86
At 31 December	**182**	2,783	**19,832**	12,665	**15,096**	16,590	**35,110**	32,038

22 Deferred income tax (Continued)

(b) Company

Deferred income tax liabilities

	Accelerated tax depreciation		Others		Total	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**129,794**	131,633	**1,380**	2,747	**131,174**	134,380
Recognised in the income statement	**(6,487)**	(1,839)	**(350)**	(1,367)	**(6,837)**	(3,206)
At 31 December	**123,307**	129,794	**1,030**	1,380	**124,337**	131,174

Deferred income tax assets

	Provisions		Tax losses		Others		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**1,869**	5,575	**-**	29,015	**5,775**	5,425	**7,644**	40,015
Recognised in the income statement	**(1,869)**	(3,706)	**-**	(29,015)	**-**	350	**(1,869)**	(32,371)
At 31 December	**-**	1,869	**-**	-	**5,775**	5,775	**5,775**	7,644

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Net deferred income tax assets recognised on the balance sheet	**(24,358)**	(18,592)	**-**	-
Net deferred income tax liabilities recognised on the balance sheet	**149,740**	125,370	**118,562**	123,530
	125,382	106,778	**118,562**	123,530

23 Retirement benefit obligations

	Group	
	2005	2004
	HK$'000	HK$'000
Obligations on:		
- pensions - defined contribution plans (note (a))	**7,151**	5,584
- pensions - defined benefits plans (note (b))	**18,503**	16,215
	25,654	21,799

Notes:

(a) Pensions - defined contribution plans

Forfeited contributions totalling HK$7,668,000 (2004: HK$7,479,000) were utilised during the year.

Contributions totalling HK$7,151,000 (2004: HK$5,584,000) were payable to the fund at the year end and are included in other payables and accruals.

(b) Pensions - defined benefits plans

The Group operates a defined benefit retirement scheme providing benefits to eligible employees located in Taiwan under the local regulations.

The pension plan is a final salary defined benefit plan. The assets of the funded plan are held independently of those of the Group, being invested through a central trust fund. The plan is valued by a qualified actuary annually using the projected unit credit method. The latest valuation was carried out as of 31 December 2005 by Client View Management Consulting Co., Ltd..

The amounts recognised in the consolidated balance sheet are determined as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Present value of funded obligations	**47,120**	44,903
Fair value of plan assets	**(21,428)**	(17,231)
	25,692	27,672
Unrecognised actuarial losses	**(7,189)**	(11,457)
Liability in the balance sheet	**18,503**	16,215

23 Retirement benefit obligations (Continued)

(b) Pensions - defined benefits plans (Continued)

The amounts recognised in the consolidated income statement are as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Current service cost	**4,434**	5,600
Interest cost	**1,610**	1,058
Expected return on plan assets	**(85)**	252
Total, included in employee benefit expense (Note 26(b))	**5,959**	6,910

The actual return on plan assets was HK$280,000 (2004: HK$370,000).

The movement in the liability recognised in the consolidated balance sheet is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
At 1 January	**16,215**	11,372
Exchange differences	**139**	417
Total expense - as shown above	**5,959**	6,910
Contributions paid	**(3,810)**	(2,484)
At 31 December	**18,503**	16,215

The principal actuarial assumptions used were as follows:

	Group	
	2005	2004
	%	%
Discount rate	**3.50**	3.50
Expected rate of return on plan assets	**2.50**	2.50
Expected rate of future salary increases	**3.00**	3.00

24 Provisions

	Group		Company	
	Onerous Contracts		Onerous Contracts	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 January	**15,906**	95,125	**10,682**	31,857
Less: utilised during the year	**(14,864)**	(30,173)	**(10,682)**	(21,175)
Less: settlement of onerous contracts	**-**	(37,395)	**-**	-
Less: write back of surplus upon settlement	**-**	(11,832)	**-**	-
Exchange differences	**-**	181	**-**	-
At 31 December	**1,042**	15,906	**-**	10,682
Analysis of total provisions				
Non-current	**-**	1,045	**-**	-
Current	**1,042**	14,861	**-**	10,682
	1,042	15,906	**-**	10,682

The carrying amounts of provisions approximate their fair values.

25 Expenses by nature

Expenses included in cost of sales, selling, distribution and transmission costs, general and administrative expenses and other operating expenses/(income) are:

	2005	2004
	HK$'000	HK$'000
Loss/(gain) on disposal of property, plant and equipment	**3,927**	(1,586)
Net exchange loss/(gain)	**1,127**	(2,558)
Auditors' remuneration	**3,660**	3,185
Non-audit service fees paid to principal auditors (mainly tax services)	**2,741**	631
Cost of programmes, film rights, movies and stocks	**1,148,348**	1,311,297
Depreciation - owned property, plant and equipment	**260,375**	265,181
Depreciation - leased property, plant and equipment	**1**	27
Amortisation of leasehold land (Note 6)	**4,568**	4,567
Amortisation of goodwill (Note 7)	**-**	7,397
Impairment of goodwill (Note 7)	**5,894**	-
Impairment on loan to a jointly controlled entity	**14,638**	-
Operating leases		
- equipment and transponders	**66,281**	64,137
- land and buildings	**35,465**	24,654
Employee benefit expense (excluding directors' emoluments) (Note 26(b))	**1,124,284**	1,160,175

26 Directors' emoluments and employee benefit expense

(a) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2005 is set out below:

Name of Director	Fees	Salary and allowance	Discretionary bonuses	Pension contributions	Total
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Executive Directors					
Sir Run Run Shaw, G.B.M.	**900**	**-**	**-**	**-**	**900**
Dr. Norman Leung Nai Pang, G.B.S., LL.D., J.P.	**30**	**4,180**	**-**	**12**	**4,222**
Louis Page	**105**	**2,400**	**1,700**	**240**	**4,445**
Non-executive Directors					
Mona Fong	**259**	**-**	**-**	**-**	**259**
Dr. Chow Yei Ching, G.B.S.	**30**	**-**	**-**	**-**	**30**
Ho Ting Kwan	**30**	**1,580**	**-**	**145**	**1,755**
Chien Lee (note (i))	**45**	**-**	**-**	**-**	**45**
Christina Lee Look Ngan Kwan	**30**	**-**	**-**	**-**	**30**
Lee Jung Sen, O.B.E. (note (ii))	**50**	**-**	**-**	**-**	**50**
Dr. Li Dak Sum, DSSc. (Hon.), J.P.	**50**	**-**	**-**	**-**	**50**
Kevin Lo Chung Ping	**105**	**-**	**-**	**-**	**105**
Robert Sze Tsai To	**174**	**-**	**-**	**-**	**174**
	1,808	**8,160**	**1,700**	**397**	**12,065**

The remuneration of every Director for the year ended 31 December 2004 was set out below:

Name of Director	Fees	Salary and allowance	Discretionary bonuses	Pension contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors					
Sir Run Run Shaw, G.B.M.	900	-	-	-	900
Dr. Norman Leung Nai Pang, G.B.S., LL.D., J.P.	-	4,180	-	12	4,192
Louis Page	105	2,400	1,400	240	4,145
Non-executive Directors					
Mona Fong (note (iii))	733	-	-	-	733
Dr. Chow Yei Ching, G.B.S.	30	-	-	-	30
Ho Ting Kwan	30	4,350	900	435	5,715
Christina Lee Look Ngan Kwan	30	-	-	-	30
Lee Jung Sen, O.B.E.	125	-	-	-	125
Dr. Li Dak Sum, DSSc. (Hon.), J.P.	50	-	-	-	50
Kevin Lo Chung Ping (note (iv))	-	-	-	-	-
Robert Sze Tsai To	170	-	-	-	170
	2,173	10,930	2,300	687	16,090

26 Directors' emoluments and employee benefit expense (Continued)

(a) Directors' emoluments (Continued)

Notes:

(i) The Director was appointed on 17 March 2005.

(ii) The Director retired on 25 May 2005.

(iii) The amount stated above included Director's fee of HK$478,000 in respect of the period from 25 October 2000 to 31 December 2003.

(iv) In 2004, a Director, Kevin Lo Chung Ping, waived fees payable to him as Director and Executive Committee member of the Company totalling HK$105,000.

(b) Employee benefit expense

	2005	2004
	HK$'000	HK$'000
Wages and salaries	**1,054,296**	1,085,380
Pension costs - defined contribution plans	**64,029**	67,885
Pension costs - defined benefits plans	**5,959**	6,910
	1,124,284	1,160,175

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2004: three) Directors whose emoluments are reflected in the analysis presented in note (a) above. The emoluments payable to the remaining three (2004: two) individuals during the year are as follows:

	2005	2004
	HK$'000	HK$'000
Salaries and allowances	**8,940**	5,666
Bonuses	**10,938**	1,083
Pension contributions	**594**	555
	20,472	7,304

The aggregate emoluments paid to the individuals are further analysed into the following bands:

Emolument bands	**Number of individuals in each band**	
	2005	2004
HK$3,000,001 - HK$3,500,000	**1**	1
HK$4,000,001 - HK$4,500,000	**1**	1
HK$13,000,001 - HK$13,500,000	**1**	-
	3	2

27 Finance costs

	2005	2004
	HK$'000	HK$'000
Interest on overdrafts, bank loans and other loans		
- wholly repayable within five years	**618**	4,286
- not wholly repayable within five years	**338**	2,682
Interest element of finance leases	**-**	38
Total finance costs incurred	**956**	7,006

28 Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of income tax charged to the consolidated income statement represents:

	2005	2004
	HK$'000	HK$'000
Current income tax:		
- Hong Kong profits tax	**179,907**	80,863
- Overseas taxation	**34,629**	34,209
- (Over)/under provisions in prior years	**(704)**	2,580
Deferred income tax relating to the origination and reversal of temporary differences (Note 22)	**18,522**	34,660
	232,354	152,312

28 Income tax expense (Continued)

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

	2005	2004
	HK$'000	HK$'000
Profit before income tax	**1,419,601**	901,884
Calculated at a taxation rate of 17.5% (2004: 17.5%)	**248,430**	157,830
Effect of different taxation rates in other countries	**(30,082)**	(37,070)
Tax effect of share of results of associates and jointly controlled entities	**32,760**	30,187
Income not subject to taxation	**(28,386)**	(13,799)
Expenses not deductible for taxation purposes	**8,151**	5,956
Tax losses not recognised	**3,929**	16,140
Utilisation of previously unrecognised tax losses	**(20,848)**	(4,690)
Tax credit allowance	**(4,198)**	(2,599)
Tax on undistributed profits	**28,728**	-
Allowance for previous non-deductible expenses	**(12,580)**	-
Withholding tax	**9,243**	-
Others	**(2,089)**	(2,223)
(Over)/under provisions in prior years	**(704)**	2,580
	232,354	152,312

29 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$1,089,704,000 (2004: HK$648,509,000).

30 Earnings per share

The earnings per share is calculated based on the Group's profit attributable to equity holders of HK$1,180,019,000 (2004: HK$719,415,000) and 438,000,000 shares in issue throughout the years ended 31 December 2005 and 2004. No fully diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

31 Dividends

	2005	2004
	HK$'000	HK$'000
Interim dividend paid of HK$0.25 (2004: HK$0.20) per ordinary share	**109,500**	87,600
Proposed final dividend of HK$1.30 (2004: HK$0.80) per ordinary share	**569,400**	350,400
	678,900	438,000

31 Dividends (Continued)

At a meeting held on 22 March 2006, the Directors declared a final dividend of HK$1.30 per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2006.

32 Notes to the consolidated cash flow statement

(a) Reconciliation of operating profit to cash generated from operations

	2005	2004
	HK$'000	HK$'000
Operating profit	**1,607,784**	1,081,391
Gain on disposal of a jointly controlled entity	**(623)**	-
Gain on disposal of financial assets at fair value through profit or loss	**(148,778)**	-
Gain on disposal of available-for-sale financial assets	**(1,233)**	-
Depreciation and amortisation of leasehold land	**264,944**	269,775
Impairment of goodwill	**5,894**	-
Amortisation of goodwill	**-**	7,397
Loss/(gain) on disposal of property, plant and equipment	**3,927**	(1,586)
Write back of surplus upon settlement of onerous contracts	**-**	(11,832)
Utilisation/settlement of onerous contracts	**(14,864)**	(67,568)
In-kind contribution to an associate (note (b))	**-**	(150,000)
Impairment on available-for-sale financial assets	**2,239**	-
Impairment on loan to a jointly controlled entity	**14,638**	-
Interest income	**(25,151)**	(20,294)
Exchange differences	**(1,561)**	2,056
Operating profit before working capital changes	**1,707,216**	1,109,339
Decrease in programmes, film rights, movies and stocks	**224**	156,461
Increase in trade and other receivables, prepayments and deposits	**(259,589)**	(15,239)
Increase in trade and other payables and accruals	**51,812**	30,093
Increase in retirement benefit obligations - defined benefits plans	**2,288**	4,843
Cash generated from operations	**1,501,951**	1,285,497

(b) Significant non-cash transaction

In 2004, investment in an associate of HK$150,000,000 was made by way of the provision of programme content to the associate.

33 Contingent liabilities

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
(a) Guarantees for banking facilities granted to				
- subsidiaries	**-**	-	**-**	128,308
- an investee company	**8,688**	8,756	**-**	-
	8,688	8,756	**-**	128,308

It is anticipated that no material liabilities will arise from the above bank and other guarantees which arose in the ordinary course of business.

(b) In March 2005, the Group received additional profits tax assessment notices from the Inland Revenue Department of Hong Kong ("IRD") for the year of assessment 1998/99 for profits generated by the Group's programme licensing and distribution business carried out overseas. The total amount of the additional assessments of profits tax was HK$98,277,000. The Group had been granted a holdover of these additional assessments.

Subsequently, in February 2006, the Group received additional profits tax assessment notices from IRD in respect of the year of assessment 1999/2000 for profits generated by the Group's programme licensing and distribution business carried out overseas. The total amount of the additional assessments of profits tax was HK$98,576,000.

The Group has objected to these additional assessments. The Group believes that the objection is well-founded, and is determined to defend the Group's position vigorously. On this basis, the Group is of the view that no additional tax provision is necessary.

34 Commitments

(a) Capital commitments

The amounts of commitments for property, plant and equipment are as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Authorised but not contracted for	**170,941**	184,390	**112,373**	101,645
Contracted but not provided for	**12,513**	14,845	**10,456**	9,728
	183,454	199,235	**122,829**	111,373

The Group did not share any capital commitments of the jointly controlled entities for the years ended 31 December 2005 and 2004.

34 Commitments (Continued)

(b) Operating lease commitments

At 31 December 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Land and buildings				
- not later than one year	**25,369**	37,077	**3,959**	15,613
- later than one year and not later than five years	**43,737**	51,892	**2,046**	4,266
- later than five years	**1,620**	11,769	**-**	-
	70,726	100,738	**6,005**	19,879
Equipment and transponders				
- not later than one year	**30,819**	62,427	**1,032**	922
- later than one year and not later than five years	**39,360**	60,557	**471**	1,175
- later than five years	**-**	5,537	**-**	-
	70,179	128,521	**1,503**	2,097
	140,905	229,259	**7,508**	21,976

35 Television broadcasting licence

The Company operates under the terms of a licence granted by the Government of the HKSAR which runs for a period of twelve years to 30 November 2015. The licence will be subject to a mid-term review in 2009.

36 Significant related party transactions

The following transactions were carried out with related parties:

	Note	2005 HK$'000	2004 HK$'000
(a) Sales of goods and services			
Sales of services to other related parties			
Programmes/channel licensing fee	(i)	**131,030**	136,193
Advertising agency fee	(i)	**33,688**	30,315
Management fee	(i)	**30,320**	7,595
Advertising income	(ii)	**-**	9,548
Rental of satellite equipment and technical service fee	(ii)	**764**	7,719
Transponder leasing fee	(ii)	**475**	5,161
Programmes licensing fee	(iii)	**6,843**	6,232
Movie licensing fee	(viii)	**9,000**	-
Sales of services to an associate			
Programmes/channel licensing fee	(iv)	**194,623**	173,563
Channel package service fee	(iv)	**3,691**	-
Downlink service fee	(iv)	**1,110**	-
Advertising income	(iv)	**20,715**	-
Rental income and related charges	(iv)	**6,812**	7,153
Others	(iv)	**3,431**	343
		442,502	383,822
(b) Purchases of goods and services			
Purchases of services from other related parties			
Rental fee	(v)	**(8,866)**	(17,732)
Optical fibre rental fee	(ii)	**(195)**	(1,968)
Satellite relay service fee	(ii)	**(382)**	(3,859)
Programmes/channel licensing fee	(vi)	**(4,011)**	(2,379)
Supply network and telephone system	(vii)	**(1,350)**	(2,648)
Others	(viii)	**(506)**	-
Purchases of services from an associate			
Playback and uplink service fee	(iv)	**(37,541)**	(40,849)
Others	(iv)	**(1,045)**	-
		(53,896)	(69,435)

36 Significant related party transactions (Continued)

Notes:

(i) The fees were received from MEASAT Broadcast Network Systems Sdn. Bhd., an associate of the minority shareholder of non wholly-owned subsidiaries of the Company.

(ii) The fees were received from/(paid to) Era Communications Co. Ltd. ("Era"), a minority shareholder of a non wholly-owned subsidiary of the Company, LYP. Upon Era disposed all its shareholdings in LYP to a third party on 4 February 2005, Era ceased to be a related party of the Company after that date.

(iii) The fees were received from ASTRO Entertainment Networks Ltd., an associate of the minority shareholder of non wholly-owned subsidiaries of the Company.

(iv) The fees were received from/(paid to) GSB, an associate of the Company.

(v) The rental fees were paid to Shaw Brothers (Hong Kong) Limited, a substantial shareholder of the Company in respect of the lease of certain office and car parking spaces.

(vi) The fees were paid to Celestial Television Networks Ltd., an associate of the minority shareholder of non wholly-owned subsidiaries of the Company.

(vii) The fees were paid to Chevalier (Network Solutions) Limited ("CNSL") in relation to the supply, installation and maintenance of the private automatic branch exchange system and structured cabling network. The total sum was settled by way of installments. The controlling shareholder of the holding company of CNSL, is also a Director of the Company.

(viii) The fees were received from/(paid to) Celestial Productions Limited, an associate of the minority shareholder of non wholly-owned subsidiaries of the Company.

(c) Key management compensation

	2005	2004
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**30,730**	21,430

36 Significant related party transactions (Continued)

(d) Year-end balances

	2005	2004
	HK$'000	HK$'000
Receivables from other related parties (note (i))	39,949	48,349
Receivables from an investee company	-	2,167
Receivables from associates (note (ii))	202,748	25,902
	242,697	76,418
Payables to other related parties	237	1,037
Payables to associates	7,692	1,551
	7,929	2,588

Notes:

(i) At 31 December 2005, a provision for impairment of receivable from other related parties of HK$2,262,000 (2004: HK$7,880,000) had been provided.

(ii) At 31 December 2005, a provision for impairment of receivable from associates of HK$1,887,000 (2004: HK$1,892,000) had been provided.

(e) Loans to related parties

	2005	2004
	HK$'000	HK$'000
Loans to investee companies		
Beginning of the year	52,210	51,085
Write off of loan	(37,947)	-
Loan repayments received	(7,393)	-
Interest expensed	402	417
Interest received	(366)	(417)
Exchange differences	(194)	1,125
End of the year	6,712	52,210
Provision for impairment	-	(37,947)
	6,712	14,263
Loan to an associate		
Beginning of the year	133,397	115,564
Interest expensed	10,672	17,833
End of the year	144,069	133,397

36 Significant related party transactions (Continued)

(e) Loans to related parties (Continued)

The loans to the investee companies are unsecured and interest free, and have no fixed terms of repayment, except for an amount of HK$6,676,000 (2004: HK$8,271,000) which carries interest at 2% per annum above the Canadian Prime Rate.

The loan to an associate is unsecured and carries interest at 8% per annum compounded annually. The principal amount and the accrued interest shall be payable to the Company in two annual installments on 20 February 2007 and 20 February 2008 respectively, unless the associate is publicly floated before either date, whereupon the outstanding principal amount and accrued interest shall be prepaid.

37 Approval of consolidated financial statements

The consolidated financial statements were approved by the Board of Directors on 22 March 2006.

38 Subsidiaries

Name	Place of incorporation and kind of legal entity	Issued and fully paid ordinary share capital	Issued and fully paid preference share capital	Percentage of equity capital held by the Group	Percentage of equity capital held by the Company	Principal activities
# iTVB Holdings Limited	British Virgin Islands, limited liability company	HK$10,000	-	100	100	Investment holding
# Jade Animation International Limited	Bermuda, limited liability company	US$12,000	-	100	100	Inactive
Long Wisdom Limited	Hong Kong, limited liability company	HK$2	-	100	100	Dormant
# OHE Facilities Limited	Bermuda, limited liability company	US$20,000	-	100	100	Inactive
TVB Investment Limited	Bermuda, limited liability company	US$20,000	-	100	100	Investment holding
TVB Music Limited	Hong Kong, limited liability company	HK$1	-	100	100	Production, publishing and licensing of musical works
# TVB Club Limited	Hong Kong, limited liability company	HK$1	-	100	100	Dormant
# TVB Satellite TV Holdings Limited	Bermuda, limited liability company	US$12,000	-	100	100	Investment holding
TVBI Company Limited	Hong Kong, limited liability company	HK$2,000,000	-	100	100	Investment holding and programme licensing
TVBO Production Limited	Bermuda, limited liability company	US$12,000	-	100	100	Owner of film rights and programme licensing
Art Limited	Hong Kong, limited liability company	HK$10,000	-	73.68	-	Investment in entertainment and media business
Capital Empire Limited	British Virgin Islands, limited liability company	US$1,000	-	100	-	Owner of film rights and programme licensing

38 Subsidiaries (Continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid ordinary share capital	Issued and fully paid preference share capital	Percentage of equity capital held by the Group	Percentage of equity capital held by the Company	Principal activities
CC Decoders Ltd.	United Kingdom, limited liability company	GBP2	-	100	-	Provider of decoder units
Condor Entertainment B.V.	The Netherlands, limited liability company	EUR18,400	-	100	-	Programme licensing and distribution
Countless Entertainment (Taiwan) Co. Ltd.	Taiwan, limited liability company	NT$1,000,000	-	100	-	Investment holding
# Extra Profit Holdings Limited	British Virgin Islands, limited liability company	HK$1	-	100	-	Investment holding
# Fairwork Group Limited	British Virgin Islands, limited liability company	US$1,000	-	100	-	Investment holding
# Golden Star Video Library Sdn. Bhd.	Malaysia, limited liability company	MYR10,000	-	51	-	Inactive
Interface Co. Ltd.	Taiwan, limited liability company	NT$199,800,000	-	92.51	-	Magazine publication
# iTVB Limited	British Virgin Islands, limited liability company	HK$10,000	-	100	-	Investment holding
Jade Animation Company Limited	Hong Kong, limited liability company	HK$2	-	100	-	Provision of animation services
Jade Animation Productions Limited	Hong Kong, limited liability company	HK$500,000	-	100	-	Investment holding
Jade Multimedia International Limited	Bermuda, limited liability company	US$12,000	-	100	-	Animation investment, licensing and distribution

38 Subsidiaries (Continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid ordinary share capital	Issued and fully paid preference share capital	Percentage of equity capital held by the Group	Percentage of equity capital held by the Company	Principal activities
Liann Yee Production Co. Ltd.	Taiwan, limited liability company	NT$880,000,000	-	100	-	Production of television programmes, leasing of film studios and advertising
* Oriental Home Entertainment Inc.	Canada, limited liability company	CAD100	-	100	-	Programme licensing and distribution
Peony Holding N.V.	Netherlands Antilles, limited liability company	US$100	US$6,000	100	-	Investment holding and provision of services for programme productions
# Request Investments Limited	British Virgin Islands, limited liability company	HK$1	-	100	-	Inactive
# The Chinese Channel Limited	Hong Kong, limited liability company	HK$4	-	100	-	Inactive
The Chinese Channel Limited	United Kingdom, limited liability company	GBP1,111	-	100	-	Provision of services for programme productions
The Chinese Channel (France) SAS	France, limited liability company	EUR37,000	-	100	-	Provision of satellite and subscription television programmes
# The Chinese Channel (Holdings) Limited	Cayman Islands, limited liability company	GBP89,640	-	100	-	Investment holding
# Toysters Animation International Ltd.	British Virgin Islands, limited liability company	US$1,000	-	55	-	Dormant
TVB (Australia) Pty. Ltd.	Australia, limited liability company	A$5,500,000	-	100	-	Provision of satellite and subscription television programmes

38 Subsidiaries (Continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid ordinary share capital	Issued and fully paid preference share capital	Percentage of equity capital held by the Group	Percentage of equity capital held by the Company	Principal activities
TVB Facilities Limited	Hong Kong, limited liability company	HK$10,000	-	100	-	Provision of services for programme productions
* TVB Holdings (USA) Inc.	USA, limited liability company	US$6,010,000	-	100	-	Investment holding and programme licensing and distribution
# TVB International Limited	Hong Kong, limited liability company	HK$10,000	-	100	-	Inactive
TVB Macau Company Limited	Macau, limited liability company	MOP25,000	-	100	-	Provision of services for programmes productions
# TVB (Overseas) Limited	Bermuda, limited liability company	US$12,000	-	100	-	Inactive
§ TVB Publishing Holding Limited	Hong Kong, limited liability company	HK$8,550,000	-	73.68	-	Investment holding
TVB Publications Limited	Hong Kong, limited liability company	HK$20,000,000	-	73.68	-	Magazine publications
TVB Satellite Broadcasting Limited	Hong Kong, limited liability company	HK$2	-	100	-	Provision of programming and channel services
* TVB Satellite Platform, Inc.	USA, limited liability company	US$3,000,000	-	100	-	Provision of satellite and subscription television programmes
TVB Satellite TV Entertainment Limited	Bermuda, limited liability company	US$12,000	-	100	-	Provision of satellite and subscription television programmes
TVB Satellite TV (HK) Limited	Hong Kong, limited liability company	HK$2	-	100	-	Provision of subscription television programmes
# TVB (Shanghai Holdings) Limited	British Virgin Islands, limited liability company	US$1	-	100	-	Dormant

38 Subsidiaries (Continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid ordinary share capital	Issued and fully paid preference share capital	Percentage of equity capital held by the Group	Percentage of equity capital held by the Company	Principal activities
TVB (UK) Limited	United Kingdom, limited liability company	GBP2	-	100	-	Investment holding
* TVB (USA) Inc.	USA, limited liability company	US$10,000	-	100	-	Provision of satellite and subscription television programmes
TVB Video (UK) Limited	United Kingdom, limited liability company	GBP1,000	-	100	-	Inactive
TVB.COM Limited	Hong Kong, limited liability company	HK$2	-	100	-	Internet web portal
TVBO Facilities Limited	Bermuda, limited liability company	US$12,000	-	100	-	Provision of services for programme productions
# Zennora Group Limited	British Virgin Islands, limited liability company	US$1,000	-	100	-	Investment holding
* 翡翠多媒体设计(上海)有限公司	The People's Republic of China, limited liability company	US$350,000	-	100	-	Inactive

None of the subsidiaries have issued any loan capital. Except for TVBO Facilities Limited and TVBO Production Limited which operate worldwide, all subsidiaries operate principally in their place of incorporation.

* The accounts of these subsidiaries have been audited by firms other than PricewaterhouseCoopers, which do not materially affect the results of the Group.

\# The accounts of these subsidiaries are not audited.

§ On 30 November 2001, TVB Publishing Holding Limited issued a total of 9,000,000 ordinary shares (with a par value of HK$0.10 per share) at HK$8.60 per share to its minority shareholders as unpaid shares. These shares will not be entitled to voting and dividends rights until they are fully paid. In 2003, 4,500,000 ordinary shares were fully paid up and the balance in respect of 4,500,000 ordinary shares were outstanding.

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