

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5 Property, plant and equipment

#### (a) Group

	Freehold land and buildings	Leasehold improvements	Studio, broadcasting and transmitting equipment	Furniture, and fixtures equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost</b>						
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)
<b>At 31 December 2004</b>	<b>1,048,765</b>	<b>95,132</b>	<b>1,581,840</b>	<b>617,110</b>	<b>40,324</b>	<b>3,383,171</b>
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)
<b>At 31 December 2005</b>	<b>1,063,763</b>	<b>70,971</b>	<b>1,604,670</b>	<b>626,827</b>	<b>44,825</b>	<b>3,411,056</b>
<b>Accumulated depreciation and impairment</b>						
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)
<b>At 31 December 2004</b>	<b>74,736</b>	<b>75,598</b>	<b>957,123</b>	<b>193,762</b>	<b>32,108</b>	<b>1,333,327</b>
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)
<b>At 31 December 2005</b>	<b>127,554</b>	<b>63,308</b>	<b>1,057,177</b>	<b>232,790</b>	<b>34,127</b>	<b>1,514,956</b>
<b>Net book value</b>						
<b>At 31 December 2005</b>	<b>936,209</b>	<b>7,663</b>	<b>547,493</b>	<b>394,037</b>	<b>10,698</b>	<b>1,896,100</b>
At 31 December 2004	974,029	19,534	624,717	423,348	8,216	2,049,844

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)

### **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).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 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
<b>Cost</b>						
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)
<b>At 31 December 2005</b>	<b>920,232</b>	<b>3,990</b>	<b>1,134,113</b>	<b>512,017</b>	<b>33,561</b>	<b>2,603,913</b>
<b>Accumulated depreciation</b>						
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)
<b>At 31 December 2005</b>	<b>101,226</b>	<b>3,990</b>	<b>694,126</b>	<b>146,346</b>	<b>25,125</b>	<b>970,813</b>
<b>Net book value</b>						
<b>At 31 December 2005</b>	<b>819,006</b>	<b>-</b>	<b>439,987</b>	<b>365,671</b>	<b>8,436</b>	<b>1,633,100</b>
At 31 December 2004	858,244	-	503,671	389,796	6,668	1,758,379

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)

### **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:

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 7 Intangible assets

	<b>Group</b>
	<b>Goodwill</b>
	HK\$'000
At 1 January 2004	
Cost	64,866
Accumulated amortisation	(2,127)
Net book amount	<u>62,739</u>
Year ended 31 December 2004	
Opening net book amount	62,739
Amortisation expense (Note 25)	(7,397)
Closing net book amount	<u>55,342</u>
At 31 December 2004	
Cost	64,866
Accumulated amortisation	(9,524)
Net book amount	<u>55,342</u>
<b>Year ended 31 December 2005</b>	
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)
<b>Closing net book amount</b>	<u><b>161,003</b></u>
<b>At 31 December 2005</b>	
Cost	166,897
Accumulated impairment	(5,894)
<b>Net book amount</b>	<u><b>161,003</b></u>

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 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
	<b>49,448</b>	<b>111,555</b>	<b>161,003</b>
	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
	<b>49,448</b>	<b>5,894</b>	<b>55,342</b>

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 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)
	<b>510,460</b>	<b>376,040</b>

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)	-	-
	<b>101,447</b>	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
	<b>245,516</b>	279,546	<b>144,069</b>	133,397
Unlisted shares, at cost	<b>533,300</b>	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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 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 HK\$'000	Liabilities HK\$'000	Equity HK\$'000	Revenues HK\$'000	Loss for the year HK\$'000
<b>2005</b>	<b>361,022</b>	<b>203,295</b>	<b>157,727</b>	<b>71,007</b>	<b>(187,197)</b>
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	<b>14,165</b>	74,007



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 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
<b>2005</b>					
Hsin Chi Broadcast Co. Ltd.	-	-	-	-	(30)
上海新视线互动多媒体有限公司 (note (b) above)	-	-	-	-	-
	-	-	-	-	(30)
<b>2004</b>					
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)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 11 Available-for-sale financial assets

	<b>Group</b>
	<b>2005</b>
	<b>HK\$'000</b>
Beginning of the year (Note 1(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)
<b>End of the year</b>	<b>3</b>

Available-for-sale financial assets include the following:

Unlisted equity securities - Canada	<b>3</b>
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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

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

The carrying amounts of investment securities approximate their fair values.

### 13 Loans to investee companies

	<b>Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Loans to investee companies	<b>6,676</b>	52,210
Provision for impairment	-	(37,947)
	<b>6,676</b>	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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 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	-	-	-
	<b>1,353,966</b>	1,007,123	<b>903,442</b>	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
	<b>1,132,607</b>	906,952	<b>816,122</b>	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
	<b>1,134,869</b>	918,176	<b>816,122</b>	602,276

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)

### **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**

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