

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22 Deferred income tax

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

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 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 HK\$'000	2004 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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
<u>Executive Directors</u>					
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
<u>Non-executive Directors</u>					
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
<u>Executive Directors</u>					
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
<u>Non-executive Directors</u>					
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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
	<hr/>	<hr/>
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
	<hr/>	<hr/>
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.