

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38 Subsidiaries

Name	Place of incorporation and kind of legal entity	Issued and fully paid		Percentage of equity capital held by the		Principal activities
		ordinary share capital	preference share capital	Group	Company	
# 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38 Subsidiaries (Continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid		Percentage of equity capital held by the		Principal activities
		ordinary share capital	preference share capital	Group	Company	
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38 Subsidiaries (Continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid		Percentage of equity capital held by		Principal activities
		ordinary share capital	preference share capital	the Group	the Company	
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38 Subsidiaries (Continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid		Percentage of equity capital held by the Group Company		Principal activities
		ordinary share capital	preference share capital	the	the	
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38 Subsidiaries (Continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid		Percentage of equity capital held by the		Principal activities
		ordinary share capital	preference share capital	Group	Company	
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.