

# **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

## **1 Basis of preparation**

This unaudited condensed consolidated financial information for the six months ended 30 June 2006 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The unaudited condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2005.

## **2 Accounting policies**

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2005, except that the Group has adopted the new standards, amendments to standards and interpretations issued by the HKICPA which are effective for accounting periods commencing on or after 1 January 2006.

### **(a) Effect of adopting new standards, amendments to standards and interpretations**

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 December 2006. The Group adopted those which are relevant to its operations.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HK(IFRIC) - Int 4	Determining whether an Arrangement contains a Lease

The new standards, amendments to standards and interpretations above do not have material impacts to the Group.

The following new standard, amendment to standard and interpretation have been issued but are not effective for 2006 and have not been early adopted:

HK(IFRIC) - Int 9	Reassessment of Embedded Derivatives <sup>1</sup>
HKAS 1 (Amendment)	Capital Disclosures <sup>2</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 June 2006

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2007

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION** (Continued)

### **2 Accounting policies** (Continued)

#### **(b) Comparatives**

Certain comparative figures have been restated to reflect the change in the classification of turnover as mentioned in 2005 annual report:

- revenue from the production of tailor-made sponsorship programmes was recorded under turnover instead of being set off against the programme costs; and
- income generated from commercial production, merchandising, talent management, facility rental and other services was reclassified from other revenues to turnover.

As a result, the Group's turnover increased by HK\$59,716,000, cost of sales increased by HK\$48,413,000 and other revenues decreased by HK\$11,303,000 for the period ended 30 June 2005, with no change to the Group's profit.

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

### **3 Segment information**

#### **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 - provision of contents to mobile devices, website portal, magazine publication, licensing and distribution of movies 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 3 Segment information (Continued)

#### Primary reporting format - business segments (Continued)

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

	Six months ended 30 June 2006						Total
	Terrestrial television broadcasting	Programme licensing and distribution	Overseas satellite pay TV operations	Channel operations	Other activities	Elimination	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover							
External sales	924,899	295,819	119,190	490,118	57,086	-	1,887,112
Inter-segment sales	4,582	49,610	209	6,614	2,614	(63,629)	-
	<b>929,481</b>	<b>345,429</b>	<b>119,399</b>	<b>496,732</b>	<b>59,700</b>	<b>(63,629)</b>	<b>1,887,112</b>
Segment results	332,795	206,103	13,525	91,733	8,290	(2)	652,444
Share of losses of Associates	-	-	-	(86,601)	-	-	(86,601)
Profit before income tax							565,843
Income tax expense							(96,365)
Profit for the period							<b>469,478</b>
Other segment terms included in the income statement are as follows:							
Depreciation	96,093	3,588	5,085	24,566	639		129,971
Amortisation of leasehold land	2,284	-	-	-	-		2,284

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 3 Segment information (Continued)

#### Primary reporting format - business segments (Continued)

	Six months ended 30 June 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							
External sales	969,904	285,235	128,761	490,399	38,741	-	1,913,040
Inter-segment sales	303	48,480	-	7,115	3,797	(59,695)	-
	<u>970,207</u>	<u>333,715</u>	<u>128,761</u>	<u>497,514</u>	<u>42,538</u>	<u>(59,695)</u>	<u>1,913,040</u>
Segment results	302,528	187,517	18,672	108,198	4,308	553	621,776
Change in fair value of financial assets at fair value through profit or loss							148,778
Finance costs							(970)
Share of losses of							
Jointly controlled entities	-	-	-	(30)	(4,215)		(4,245)
Associates	-	-	-	(98,873)	-		(98,873)
Profit before income tax							666,466
Income tax expense							(115,266)
Profit for the period							<u>551,200</u>
Other segment terms included in the income statement are as follows:							
Depreciation	95,628	3,471	6,450	26,973	1,226		133,748
Amortisation of leasehold land	2,284	-	-	-	-		2,284
Impairment of goodwill	-	-	-	5,894	-		5,894

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 3 Segment information (Continued)

#### Primary reporting format - business segments (Continued)

The segment assets and liabilities at 30 June 2006 and capital expenditure for the six months then ended 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	3,232,042	401,492	126,221	985,859	111,546	4,857,160
Interest in associates	149,771	-	-	71,126	-	220,897
Available-for-sale financial assets	-	3	-	-	-	3
Loan to investee company	-	6,991	-	-	-	6,991
Unallocated assets						70,849
Total assets						<u>5,155,900</u>
Segment liabilities	232,750	104,440	63,800	134,561	23,196	558,747
Unallocated liabilities						306,584
Total liabilities						<u>865,331</u>
Capital expenditure	22,419	1,621	1,978	30,789	428	57,235

The segment assets and liabilities at 31 December 2005 and capital expenditure for the six months ended 30 June 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
Loan to investee company	-	6,676	-	-	-	6,676
Unallocated assets						63,049
Total assets						<u>5,322,264</u>
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						<u>917,197</u>
Capital expenditure	38,818	3,567	739	128,465	286	171,875

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION** (Continued)

### **3 Segment information** (Continued)

#### **Primary reporting format - business segments** (Continued)

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 taxation.

Capital expenditure comprises additions to property, plant and equipment (Note 4) and intangible assets (Note 4).

#### **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, provision of contents to mobile devices, website portal, magazine publication and licensing and distribution of movies

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 3 Segment information (Continued)

#### Secondary reporting format - geographical segments (Continued)

An analysis of the Group's turnover and segment results for the period by geographical segments is as follows:

	Turnover		Segment results	
	Six months ended 30 June		Six months ended 30 June	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	<b>1,088,656</b>	1,113,955	<b>367,324</b>	357,210
Taiwan	<b>363,736</b>	371,271	<b>74,708</b>	69,672
USA and Canada	<b>103,983</b>	108,560	<b>55,485</b>	56,935
Australia	<b>34,010</b>	34,080	<b>(3,044)</b>	(2,831)
Europe	<b>46,480</b>	49,077	<b>10,225</b>	8,661
Mainland China	<b>68,917</b>	58,176	<b>44,167</b>	35,444
Malaysia and Singapore	<b>165,973</b>	153,702	<b>94,526</b>	84,500
Other countries	<b>15,357</b>	24,219	<b>9,053</b>	12,185
	<b>1,887,112</b>	1,913,040	<b>652,444</b>	621,776
Change in fair value of financial assets at fair value through profit or loss			-	148,778
			<b>652,444</b>	<b>770,554</b>

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 3 Segment information (Continued)

#### Secondary reporting format - geographical segments (Continued)

	Total assets		Capital expenditure	
	30 June	31 December	Six months ended 30 June	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	3,727,918	3,994,853	24,230	41,836
Taiwan	703,451	680,433	30,681	128,398
USA and Canada	119,581	101,990	662	950
Australia	16,732	11,614	324	159
Europe	86,287	72,966	1,110	522
Mainland China	49,489	26,836	30	-
Malaysia and Singapore	125,883	93,321	-	-
Other countries	27,819	25,007	198	10
	<b>4,857,160</b>	5,007,020	<b>57,235</b>	171,875
Interest in associates	220,897	245,516		
Available-for-sale financial assets	3	3		
Loan to investee company	6,991	6,676		
Unallocated assets	70,849	63,049		
	<b>5,155,900</b>	5,322,264		

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 4 Capital expenditure

	<b>Goodwill</b>	<b>Property, plant and equipment</b>	<b>Leasehold land</b>
	HK\$'000	HK\$'000	HK\$'000
Opening net book amount as at 1 January 2006	161,003	1,896,100	188,416
Additions	-	57,235	-
Disposals	-	(443)	-
Depreciation/amortisation charge (Note 11)	-	(129,971)	(2,284)
Exchange differences	933	1,869	-
<b>Closing net book amount as at 30 June 2006</b>	<b>161,936</b>	<b>1,824,790</b>	<b>186,132</b>
Opening net book amount as at 1 January 2005	55,342	2,049,844	192,984
Acquisition of minority interest in a subsidiary (note (a))	115,285	-	-
Additions	-	56,590	-
Disposals	-	(3,815)	-
Depreciation/amortisation charge (Note 11)	-	(133,748)	(2,284)
Impairment charge (note (b) and Note 11)	(5,894)	-	-
Exchange differences	-	10,332	-
Closing net book amount as at 30 June 2005	164,733	1,979,203	190,700
Acquisition of minority interest in a subsidiary (note (a))	663	-	-
Additions	-	56,502	-
Cost adjustment	-	(3,500)	-
Disposals	-	(925)	-
Depreciation/amortisation charge	-	(126,628)	(2,284)
Exchange differences	(4,393)	(8,552)	-
Closing net book amount as at 31 December 2005	161,003	1,896,100	188,416

#### 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 (HK\$220,950,000). The excess of the cost over the fair value of the 30% of the net identifiable assets of LYP, amounting to NT\$470 million (HK\$115,285,000), was recognised as goodwill for the period ended 30 June 2005.

Additionally, the direct cost relating to the acquisition of NT\$2.7 million (HK\$663,000) was also 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 CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 5 Trade and other receivables, prepayments and deposits

	<b>30 June 2006</b>	31 December 2005
	<b>HK\$'000</b>	HK\$'000
Receivables from:		
Associates	<b>197,152</b>	202,748
Related parties	<b>59,499</b>	39,949
Trade receivables (note)	<b>765,602</b>	892,172
	<b>1,022,253</b>	1,134,869
Less: provision for impairment of receivables	<b>(69,652)</b>	(68,031)
Other receivables, prepayments and deposits	<b>175,516</b>	263,139
Tax reserve certificates	<b>47,551</b>	23,989
	<b>1,175,668</b>	1,353,966

Note:

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.

At 30 June 2006 and 31 December 2005, the aging analysis of the trade receivables including trading balances due from associates and related parties are as follows:

	<b>30 June 2006</b>	31 December 2005
	<b>HK\$'000</b>	HK\$'000
Current	<b>411,359</b>	405,941
1 - 2 months	<b>213,588</b>	241,864
2 - 3 months	<b>108,785</b>	142,271
3 - 4 months	<b>72,674</b>	107,689
4 - 5 months	<b>46,706</b>	49,499
Over 5 months	<b>166,857</b>	185,343
	<b>1,019,969</b>	1,132,607
Trade receivables due from:		
Third parties	<b>765,602</b>	892,172
Associates and related parties	<b>254,367</b>	240,435
	<b>1,019,969</b>	1,132,607
Non-trading amounts due from associates and related parties	<b>2,284</b>	2,262
	<b>1,022,253</b>	1,134,869

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 6 Share capital

	Number of ordinary shares of HK\$0.05 each	Nominal value HK\$'000
Authorised:		
At 1 January 2005 and 2006 and 30 June 2006	<b>1,300,000,000</b>	<b>65,000</b>
Issued and fully paid:		
At 1 January 2005 and 2006 and 30 June 2006	<b>438,000,000</b>	<b>21,900</b>

### 7 Other reserves

	Share premium HK\$'000	General reserve HK\$'000	Capital reserve HK\$'000	Legal reserve HK\$'000	Capital redemption reserve HK\$'000	Translation HK\$'000	Total HK\$'000
Balance at 1 January 2005	602,026	70,000	864	9,246	40,118	(23,265)	698,989
Currency translation differences:							
- Group	-	-	-	-	-	909	909
- Jointly controlled entities	-	-	-	-	-	7,474	7,474
Balance at 30 June 2005	602,026	70,000	864	9,246	40,118	(14,882)	707,372
Currency translation differences:							
- Group	-	-	-	-	-	(18,001)	(18,001)
- Associates	-	-	-	-	-	545	545
- Jointly controlled entities	-	-	-	-	-	55	55
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
Balance at 1 January 2006	602,026	70,000	864	19,407	40,118	(32,283)	700,132
Currency translation differences:							
- Group	-	-	-	-	-	(14,603)	(14,603)
Transfer from retained earnings	-	-	-	10,063	-	-	10,063
Balance at 30 June 2006	<b>602,026</b>	<b>70,000</b>	<b>864</b>	<b>29,470</b>	<b>40,118</b>	<b>(46,886)</b>	<b>695,592</b>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 10 Other revenues

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Interest income	24,834	9,155
Others	6,222	6,148
	<b>31,056</b>	<b>15,303</b>

### 11 Operating profit

The following items have been charged/(credited) to the operating profit during the period:

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Depreciation - owned property, plant and equipment	129,971	133,747
Depreciation - leased property, plant and equipment	-	1
Amortisation of leasehold land	2,284	2,284
Cost of programmes, film rights, movies and stocks	527,126	519,201
Impairment of goodwill	-	5,894
Net exchange (gain)/loss	(21,092)	2,457

### 12 Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Current income tax:		
- Hong Kong profits tax	73,892	70,795
- Overseas taxation	19,084	15,847
- Under/(over) provisions in prior periods	333	(222)
Deferred income tax relating to the origination and reversal of temporary differences	3,056	28,846
	<b>96,365</b>	<b>115,266</b>

Please refer to Note 15(b) on contingent liabilities regarding the additional profits tax assessments raised by the Inland Revenue Department of Hong Kong ("IRD") in respect of the years of assessment 1998/99 and 1999/2000.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 13 Earnings per share

The earnings per share is calculated based on the Group's profit attributable to equity holders of HK\$469,964,000 (2005: HK\$545,357,000) and 438,000,000 shares in issue throughout the six months ended 30 June 2006 and 2005. No fully diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

### 14 Dividends

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Interim dividend, proposed, of HK\$0.25 (2005: HK\$0.25) per ordinary share	<b>109,500</b>	109,500

At a meeting held on 22 March 2006, the Directors proposed a final dividend of HK\$1.30 per ordinary share for the year ended 31 December 2005 amounting to HK\$569,400,000, which was paid on 1 June 2006 and was reflected as an appropriation of retained earnings in these condensed consolidated financial information for the six months ended 30 June 2006.

### 15 Contingent liabilities

	30 June 2006	31 December 2005
	HK\$'000	HK\$'000
(a) Guarantees for banking facilities granted to an investee company	<b>9,098</b>	8,688

(b) In March 2005 and February 2006, the Group received additional profits tax assessment notices from the IRD for the years of assessment 1998/99 and 1999/2000 on the profits generated by the Group's programme licensing and distribution business carried out overseas. The total amounts of the additional assessments of profits tax for 1998/99 and 1999/2000 were HK\$98,277,000 and HK\$98,576,000 respectively. The Group has been granted a holdover of these additional assessments by the IRD.

The Group has filed objection 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.

### 16 Capital Commitments

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

	30 June 2006	31 December 2005
	HK\$'000	HK\$'000
Authorised but not contracted for	<b>602,362</b>	170,941
Contracted but not provided for	<b>18,929</b>	12,513
	<b>621,291</b>	183,454

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 17 Significant related party transactions

The following transactions were carried out with related parties:

	Note	Six months ended 30 June	
		2006	2005
		HK\$'000	HK\$'000
<b>(a) Sales of services</b>			
Sales of services to other related parties			
Programmes/channel licensing fee	(i)	<b>70,033</b>	63,516
Advertising agency fee	(i)	<b>18,822</b>	15,662
Management fee	(i)	<b>15,560</b>	15,130
Rental of satellite equipment and technical service fee	(ii)	-	783
Transponder leasing fee	(ii)	-	476
Programmes licensing fee	(iii)	-	3,428
Advertising income	(iv)	<b>2,591</b>	-
Sales of services to an associate			
Programmes/channel licensing fee	(v)	<b>96,644</b>	100,000
Channel package service fee	(v)	<b>1,298</b>	1,096
Downlink service fee	(v)	<b>96</b>	948
Advertising income	(v)	<b>3,245</b>	14,247
Rental income and related charges	(v)	<b>3,181</b>	3,738
Others	(v)	<b>1,391</b>	-
		<b>212,861</b>	219,024
<b>(b) Purchases of services</b>			
Purchases of services from other related parties			
Rental fee	(vi)	-	(8,866)
Optical fibre rental fee	(ii)	-	(200)
Satellite relay service fee	(ii)	-	(392)
Programmes/channel licensing fee	(vii)	<b>(1,661)</b>	(2,431)
Supply network and telephone system and maintenance service fee	(viii)	<b>(185)</b>	(935)
Agency fee	(ix)	<b>(1,713)</b>	-
Purchases of services from an associate			
Playback and uplink service fee	(v)	<b>(18,043)</b>	(18,477)
Others	(v)	<b>(650)</b>	-
		<b>(22,252)</b>	(31,301)

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION** (Continued)

### **17 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 Sharp-Roxy (Hong Kong) Limited (“Sharp Roxy”), an associate of a Director of the Company. Sharp Roxy has placed advertising airtime booking with the Company on the Company’s channels in Hong Kong for the period from 20 June 2006 to end tentatively on 30 September 2006 at a total value of approximately HK\$5,600,000 net after deduction of agency commission, volume rebate and discount. The advertising income accrued during the six months ended 30 June 2006 was HK\$2,591,000.
- (v) The fees were received from/(paid to) TVB Pay Vision Limited (formerly known as Galaxy Satellite Broadcasting Limited), an associate of the Company.
- (vi) 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. The tenancies were expired on 30 June 2005.
- (vii) The fees were paid to Celestial Television Networks Ltd., an associate of the minority shareholder of non wholly-owned subsidiaries of the Company.
- (viii) The Company entered a Letter of Intent with Chevalier (Network Solutions) Limited (“CNSL”) on 30 March 2001 in relation to the supply, installation and maintenance of the private automatic branch exchange system (“PABX”) and structured cabling network. The total sum was settled by way of installments. The final installment was fully paid in 2005. A contract of 2 years maintenance services of PABX and peripheral products commencing from 1 January 2005 was concluded in 2005. The controlling shareholder of the holding company of CNSL, is also a Director of the Company.
- (ix) The fees were paid to Celestial Productions Limited, an associate of the minority shareholder of non wholly-owned subsidiaries of the Company.

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION** (Continued)

### **17 Significant related party transactions** (Continued)

(c) Key management compensation

	<b>Six months ended 30 June</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Salaries and other short-term employee benefits	<b>11,146</b>	9,908

(d) Period/year-end balances

	<b>30 June</b>	31 December
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Receivables from other related parties (note (i))	<b>59,499</b>	39,949
Receivables from associates (note (ii))	<b>197,152</b>	202,748
	<b>256,651</b>	242,697
Payables to other related parties	<b>649</b>	237
Payables to associates	<b>8,502</b>	7,692
	<b>9,151</b>	7,929

Notes:

- (i) At 30 June 2006, a provision for impairment of receivable from other related parties of HK\$2,262,000 (31 December 2005: HK\$2,262,000) had been provided.
- (ii) At 30 June 2006, a provision for impairment of receivable from associates of HK\$1,800,000 (31 December 2005: HK\$1,887,000) had been provided.

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION** (Continued)

### **17 Significant related party transactions** (Continued)

(e) Loans to related parties

	<b>30 June</b>	31 December
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Loan to investee company		
Beginning of the period/year	<b>6,712</b>	52,210
Write off of loan	-	(37,947)
Loan repayments received	-	(7,393)
Interest charged	<b>229</b>	402
Interest received	<b>(223)</b>	(366)
Exchange differences	<b>315</b>	(194)
End of the period/year	<b>7,033</b>	6,712
Loan to an associate		
Beginning of the period/year	<b>144,069</b>	133,397
Interest charged	<b>5,702</b>	10,672
End of the period/year	<b>149,771</b>	144,069

The loan to investee company is unsecured, carries interest at 2% per annum above the Canadian Prime Rate and has no fixed terms of repayment.

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.