Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

1. General information

Asian Union New Media (Group) Limited (formerly known as Universal Holdings Limited) (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on 27th May 2002 under the Company Law (2002 Revision) (Cap. 22) of the Cayman Islands.

The Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is listed on The Stock Exchange of Hong Kong Limited.

2. Principal accounting policies

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

(a) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets 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 Group'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 4.

The adoption of new/revised HKFRS

The following new standards, amendments to published standards and interpretations are mandatory for the Group's accounting periods beginning on or after 1st January 2006.

— Amendment to HKAS 19, "Actuarial gains and losses, group plans and disclosures", effective for annual periods beginning on or after 1st January 2006. The amendment has no material effect on the Group's policy;

— Amendment to HKAS 39, Amendment "The fair value option", effective for annual periods beginning on or after 1st January 2006. The amendment has no material effect on the Group's policy;

— Amendment to HKAS 21, Amendment "Net investment in a foreign operation", effective for annual periods beginning on or after 1st January 2006. The amendment has no material effect on the Group's policy;

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

2. Principal accounting policies *(Continued)*

(a) Basis of preparation *(Continued)*

The adoption of new/revised HKFRS *(Continued)*

— Amendment to HKAS 39, Amendment "Cash flow hedge accounting of forecast intragroup transactions", effective for annual periods beginning on or after 1st January 2006. The amendment has no material effect on the Group's policy;

— Amendment to HKAS 39 and HKFRS 4, Amendment "Financial guarantee contracts", effective for annual periods beginning on or after 1st January 2006. The amendment has no material effect on the Group's policy;

— HKFRS 6, "Exploration for and evaluation of mineral resources" and its amendments, effective for annual periods beginning on or after 1st January 2006. This standard is not relevant for the Group;

— HK(IFRIC)-Int 4, "Determining whether an arrangement contains a lease", effective for annual periods beginning on or after 1st January 2006. The Group has reviewed its contracts. This interpretation has no material effect on the Group's policy;

— HK(IFRIC)-Int 5, "Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds", effective for annual periods beginning on or after 1st January 2006. This interpretation is not relevant for the Group; and

— HK(IFRIC)-Int 6, "Liabilities arising from participating in a specific market" waste electrical and electronic equipment", effective for annual periods beginning on or after 1st December 2005. This interpretation is not relevant for the Group.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

— HK(IFRIC)-Int 7, "Applying the Restatement Approach under HKFRS 29", effective for annual periods beginning on or after 1st March 2006. Management do not expect the interpretation to have material effect on the Group's policy;

— HK(IFRIC)-Int 8, "Scope of HKFRS 2", effective for annual periods beginning on or after 1st May 2006. Management do not expect the interpretation to have material effect on the Group's policy;

— HK(IFRIC)-Int 9, "Reassessment of Embedded Derivatives", effective for annual periods beginning on or after 1st June 2006. Management do not expect the interpretation to have material effect on the Group's policy;

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

2. Principal accounting policies *(Continued)*

(a) Basis of preparation *(Continued)*

The adoption of new/revised HKFRS *(Continued)*

— HK(IFRIC)-Int 10, "Interim Financial Reporting and Impairment", effective for annual periods beginning on or after 1st November 2006. HK(IFRIC)-Int 10 prohibits the impairment losses recognized in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply HK(IFRIC)-Int 10 from 1st January 2007, but it is not expected to have any impact on the Group's financial statements; and

— HKFRS 7, "Financial instruments: Disclosures", effective for annual periods beginning on or after 1st January 2007, and HKAS 1, "Amendments to capital disclosures", effective for annual periods beginning on or after 1st January 2007. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 from annual periods beginning 1st January 2007.

(b) Group accounting

(i) Consolidation

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

(ii) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

2. Principal accounting policies *(Continued)*

(b) Group accounting *(Continued)*

(ii) Subsidiaries (Continued)

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 interests. 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 recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments 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.

(iii) Associated companies and jointly controlled entity ("JCE")

Associated companies and JCE are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies and JCE are accounted for by the equity method of accounting and are initially recognized at cost. The Group's investments in associated companies and JCE include goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associated companies' and JCE's post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in associated companies and JCE equals or exceeds its interests in the associated companies or JCE, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associated companies or JCE.

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

2. Principal accounting policies *(Continued)*

(b) Group accounting *(Continued)*

(iii) Associated companies and jointly controlled entity ("JCE") (Continued)

Unrealized gains on transactions between the Group and its associated companies or JCE are eliminated to the extent of the Group's interest in the associated companies or JCE. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies and JCE have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Property, plant and equipment

Property, plant and equipment, comprising leasehold land and buildings and plant equipment and other assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized 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.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Leasehold buildings outside Hong Kong	25 years
Plant, equipment and other assets	3 to 10 years

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.

(d) Leases

Operating lease

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the income statement on a straight-line basis over the lease periods.

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

2. Principal accounting policies *(Continued)*

(d) Leases *(Continued)*

Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized 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 recognized 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. The investment properties acquired under finance leases are carried at their fair value.

(e) Intangible assets

(i) 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/associated companies/JCE at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies/JCE is included in investments in associated companies/JCE. 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.

(ii) Exclusive advertising agency right

Exclusive advertising agency right comprises the right to sell the advertising resources of a satellite television channel in the PRC on a sole agency basis. The Group is contracted to make pre-agreed periodic payments during the sole agency period.

The cost of the exclusive advertising agency right represents net present value of those pre-agreed periodic payments to be made during the sole agency period, and those pre-agreed periodic payments constitute a contractual obligation to deliver cash or other monetary assets and hence are considered to be a financial liability. The exclusive advertising agency right is amortized on a straight-line basis when the asset is available for use and is stated at cost net of accumulated amortization and impairment losses, if any. Interest accreted on the present value of pre-agreed periodic payments is charged to the consolidated income statement within finance costs.

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

2. Principal accounting policies *(Continued)*

(e) Intangible assets *(Continued)*

(iii) Programmes and film rights

Programmes and films rights acquired from outsiders are stated at acquisition costs plus film enhancement costs less accumulated amortization and impairment losses, if any.

Self-produced programmes and films products are completed programmes and films produced and are stated at the lower of cost and net realizable value. Cost of programmes and film products, accounted for on a programme-by-programme or a film-by-film basis, includes production costs, cost of services, direct labour costs, facilities and raw materials consumed in the creation of a programme or a film.

The costs of programmes and film right are charged to the consolidated income statements proportionately to the estimated projected revenues over their expected economic beneficial period ranging from 2 years to 10 years. Additional amortization will be charged if estimated projected revenues adversely differ from the previous estimation. Estimated projected revenues will be reviewed on a programme-by-programme or film-by-film basis at a regular interval.

When programmes and film rights are sold, carrying amount of those programmes and film rights is recognized as an expense in the year in which the related revenue is recognized. The amount of any write-down of programmes and film rights to net realisable value and all losses of programmes and film rights are recognized as an expense in the year the write-down or loss occurs. The amount of any reversal of any write-down of programmes and film rights, arising from an increase in net realizable value, is recognized as a reduction in the amount of write-down of programmes and film rights recognized as an expense in the year in which the reversal occurs.

At each balance sheet date, both internal and external market information is considered to assess whether there is any indication that assets included in programmes and film rights are impaired. If any such indication exists, the carrying amount of such assets is assessed and where relevant, an impairment loss is recognized in the income statement.

(iv) Programmes and films in progress

Programmes and film production in progress are accounted for on a programme-by-programme or film-by-film basis and are stated at cost less any accumulated impairment losses, if any. Cost of programmes or films under production includes production costs, costs of services, direct labour costs, facilities and raw materials consumed in the creation of a programme or a film. Upon completion, these programmes and films under production are reclassified as programmes and film rights.

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

2. Principal accounting policies *(Continued)*

(f) Financial Assets

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 reevaluates this designation at every reporting date.

(i) 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 categorized 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 realized within 12 months of the balance sheet date.

(ii) 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 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.

(iii) 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

2. Principal accounting policies *(Continued)*

(f) Financial Assets *(Continued)*

(iii) ***Available-for-sale financial assets*** *(Continued)*

Purchases and sales of financial assets are recognized on the trade-date — the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method. Realized and unrealized 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. Unrealized gains and losses arising from changes in the fair value of available-for-sales are recognized in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the income statement.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

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 recognized in the income statement — is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

(g) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost, calculated on the first-in, first-out basis, comprises software solutions. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

2. Principal accounting policies *(Continued)*

(h) Translation of foreign currencies

(i) 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 HK dollars, which is the Company's functional and presentation currency.

(ii) 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 recognized in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

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

(iii) 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:

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

(b) 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

(c) all resulting exchange differences are recognized as a separate component of equity.

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

2. Principal accounting policies *(Continued)*

(h) Translation of foreign currencies *(Continued)*

(iii) Group companies (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, the exchange differences that were recorded in equity are recognized 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 are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(i) Trade and other receivables

Trade and other receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when is objective evidence that the Group will not be able to collect all amount 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 recognized in the income statement.

(j) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

(k) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

(l) 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. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is detemined using tax rates that have been enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

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

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

2. Principal accounting policies *(Continued)*

(l) Deferred income tax *(Continued)*

Deferred income tax is provided on temporary differences arising on investments in subsidiaries associated companies and JCE, 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.

(m) Revenue recognition

Revenue comprises the fair value of consideration received or receivable for the sale of goods and services, net of value-added tax, rebates and discounts and after eliminating sales within the Group.

Revenue from the sale of goods is recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Securities trading income is recognized when the title has passed.

Interest income is recognized on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

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

Advertising and commission income are recognized when services are rendered and revenue can be reliably measured.

Revenue from the sale of television programs is recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the television programs are delivered to customers and the title has passed.

Income from licensing and sub-licensing of television programs and film rights is recognized upon the delivery of the pre-recorded audio visual products and the materials for video features to the customers, in accordance with the terms of the underlying contracts. In case where income from licensing and sub-licensing of film rights is contingent to the receipt of revenue from the box of offices, income is only recognized when it is probable that the licensing fee will be received, which is normally when the event has occurred.

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

2. Principal accounting policies *(Continued)*

(n) Employee benefits

(i) Employee leave entitlements

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

Employee entitlements to sick leave, maternity and other non-accumulating compensated absences are not recognized until the time of leave.

(ii) Retirement benefit costs

The Group operates a defined contribution retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all those employees who are eligible to participate in the Scheme. The Scheme became effective on 1st December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they became payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independent administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Scheme.

The Company's subsidiaries in the People's Republic of China (the "PRC") except Hong Kong are members of the state-managed retirement benefits scheme operated by the government of the PRC except Hong Kong. The retirement scheme contributions, which are based on a certain percentage of the salaries of the subsidiaries' employees, are charged to the consolidated income statement in the period to which they relate and represent the amount of contributions payable by these subsidiaries to the scheme.

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the consolidated income statement, and a corresponding adjustment to equity over the remaining vesting period.

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

2. Principal accounting policies *(Continued)*

(n) Employee benefits *(Continued)*

(iii) Share-based compensation (Continued)

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(o) Borrowings

Borrowings are recognized 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 assets or financial liability, including fees and commissions paid to agents, adviser, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognized and included in shareholders' equity.

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.

(p) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

2. Principal accounting policies *(Continued)*

(q) Impairment of assets

Assets that have an indefinite useful life are not subject to amortization, which are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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).

(r) Share capital

Ordinary shares and preference shares are classified as equity.

Preference shares are classified as equity as there is no contractual right to convert the preference shares to any outflow of liability on the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(s) Dividend distribution

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

3. Financial risk management

(i) Financial risk factors

The Group's activities expose it to a variety of financial risks: cash flow and fair value interest rate risk, credit risk, foreign exchange risk and price risk. The Group's overall risk management program focuses on the unpredictability of financial market and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets.

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

3. Financial risk management *(Continued)*

(i) Financial risk factors *(Continued)*

(b) Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted. The carrying amounts of cash and bank balances, trade receivables, and prepayments, deposits and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. The Group has policies that limit the amount of credit exposure to any financial institutions. The Group has also policies in place to ensure that the sales are made to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers.

(c) Foreign exchange risk

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from Renminbi currency exposures, primarily with respect to the HK dollars. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure but manages through constant monitoring to limit as much as possible its net exposures.

(d) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet either as available-for-sale financial assets or as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk.

(ii) Fair value estimation

In addition to fair value estimation of investments which is detailed in note 2(f), the carrying amounts of the Group's other financial assets which mainly include bank and cash balances, trade receivables, other receivables; and financial liabilities, which mainly include trade payables, short-term bank loans, approximate their fair values due to their short maturities.

The fair value of non-current financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experiences 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 and judgments will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(e)(i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. Had the pre-tax discount rate applied to the discounted cash flow been different from the management's estimate, the goodwill might result in impairment (note 14).

(ii) Amortization and impairment of programmes and film rights

In accordance with the accounting policy stated in note 2(e) (ii), programmes and film rights are amortized based on estimated projected revenues over their expected economic beneficial periods, and additional amortization will be charged if estimated projected revenues adversely differ from the previous estimation. Programmes and film rights are impaired to its net realizable value which is estimated based on projected revenues. Actual revenues might differ from such future revenue projections. Had there been change to the revenue projection, the programmes and film rights might result in impairment.

(iii) Income taxes

The Group is subject to income taxes in two jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes taxation liabilities based on estimates of anticipated amounts of taxes that will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

5. Sales and other revenues

The Group is principally engaged in television advertising business and films and TV drama business. Revenues recognized during the year are as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Sales:		
Television advertising	**217,725**	—
Licensing and sub-licensing of film and TV programs	**62,594**	10,359
Sales of goods	**—**	19,384
Securities trading	**21,954**	1,387
Provision of computer telephony integration engineering and IP related services	**2,629**	2,942
	304,902	34,072
Other revenues:		
Preference dividend income	**6,589**	5,036
Unrealized gain on securities	**330**	2,000
Interest income	**9,047**	3,098
Miscellaneous	**496**	16
	16,462	10,150
Total revenues	**321,364**	44,222

The non-cash revenue arising from exchange of goods or services during the year included in sales from television advertising amounted to HK$2,264,000 (2005: nil).

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

6. Segment information

At 31st December 2006, the Group is organized into two main business segments: (i) television advertising business; and (ii) film and TV dramas business. Other Group operations mainly comprise the provision of IP Telephony and related services; and trading of investment securities. Neither of these constitutes a separately reportable segment for the year.

There are no sales between the business segments.

The Group's two business segments both operate in the PRC. No geographical segment information is presented.

	2006			
	Television advertising	Film and TV drama	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Sales	217,725	62,594	24,583	304,902
Segment results	44,623	32,121	6,877	83,621
Interest income on loan from a JCE				8,798
Exchange gain				9,446
Unallocated costs, net				(10,915)
Operating profit				90,950
Finance costs				(51,232)
Fair value gain on financial assets at fair value through profit or loss				185,553
Fair value gain on investment in preference shares				34,317
Share of profit of a jointly controlled entity	9,720	1,224	—	10,944
Share of profit of a former associated company	—	—	5,990	5,990
Profit before taxation				276,522
Taxation				(12,065)
Profit for the year				264,457
Minority interests				147
Profit attributable to equity holders of the Company				264,604
Segment assets	919,129	129,918	15,748	1,064,795
Goodwill	378,988	117,096	—	496,084
Interests in jointly controlled entities				
— current				84,384
— non-current				70,259
Unallocated assets				128,027
Total assets				1,843,549
Segment liabilities	929,652	48,949	649	979,250
Unallocated liabilities				124,354
				1,103,604
Capital expenditure				
Allocated	979,322	40,038	42	1,019,402
Unallocated				1,608
Depreciation				
Allocated	520	399	68	987
Unallocated				319
Amortization	164,176	17,584	—	181,760

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

6. Segment information *(Continued)*

Primary reporting format — business segments *(Continued)*

	2005		
	Media-related business	Other	Total
	HK$'000	*HK$'000*	*HK$'000*
Sales	10,359	23,713	34,072
Segment results	4,747	(3,688)	1,059
Net gain on dilution of interests in a former associated company			10,637
Exchange gain			2,205
Unallocated costs, net			(12,640)
			1,261
Finance costs			(3,634)
Fair value gain on investment in preference share			2,439
Share of loss of a jointly controlled entity			(13,700)
Share of losses of a former associated company			(8,223)
Loss before taxation			(21,857)
Taxation			(330)
Loss for the year			(22,187)
Minority interests			—
Loss attributable to equity holders of the Company			(22,187)
Segment assets	277,852	21,098	298,950
Interests in a former associated company			19,663
Interests in a jointly controlled entity			
— current			67,691
— non-current			56,130
Unallocated assets			90,584
Total assets			533,018
Segment liabilities	23,440	727	24,167
Unallocated liabilities			82,003
			106,170
Capital expenditure			
Allocated	63,453	—	63,453
Unallocated			245
Depreciation			
Allocated	—	253	253
Unallocated			23
Amortization	5,265	—	5,265

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

6. Segment information *(Continued)*

Primary reporting format — business segments *(Continued)*

Segment assets consist primarily of tangible and intangible assets, other non-current assets, inventories, receivables and operating cash. They exclude financial assets available for sale, investment in preference shares and preference dividend receivable, financial assets at fair value through profit and loss, and cash and cash equivalents for the corporate use.

Segment liabilities comprise operating liabilities including payable and accrued liabilities. They exclude items such as convertible note.

Capital expenditure comprises additions to property plant and equipment and intangible assets, including additions resulting from acquisitions through business combination.

The Group's two business segments both operate in the PRC. No geographical segmental information is presented.

7. Finance costs

	Group	
	2006	2005
	HK$'000	*HK$'000*
Interest expenses on:		
Bank loan	**3**	48
Other loans	**556**	—
Amount due to a fellow subsidiary		
— repayable within one year	**—**	517
	559	565
Notional non-cash interest accretion on:		
— Convertible notes	**4,380**	3,069
— Pre-agreed periodic payments on exclusive advertising agency right *(note 14)*	**46,293**	—
	50,673	3,069
	51,232	3,634

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

8. Profit/(loss) before taxation

Profit/(loss) before taxation is stated after crediting and charging the following:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Other gains		
Exchange gain	**9,446**	2,205
Expenses by nature		
Depreciation of property, plant and equipment	**1,306**	295
Amortization of intangible assets	**181,760**	5,265
Auditors' remuneration	**1,622**	2,316
Operating lease rentals — land and buildings	**4,538**	1,518
Loss on sale of subsidiaries	**—**	115
Staff costs (excluding directors' remuneration, *note 12(a)*):		
Wages and salaries	**16,101**	3,293
Long service payment provision	**—**	344
Contributions to defined contribution pension schemes	**457**	102
Provision for bad and doubtful debts	**—**	626
Write-off of bad and doubtful debts	**—**	30

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

9. Taxation

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

	2006	2005
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	**—**	—
— Overseas taxation	**24,003**	330
Deferred income tax	**(11,938)**	—
	12,065	330

The taxation on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	2006	2005
	HK$'000	*HK$'000*
Profit/(loss) before taxation	**276,522**	(21,857)
Calculated at a tax rate of 17.5% (2005: 17.5%)	**48,391**	(3,825)
Effect of different rates in other countries	**942**	(1,544)
Income not subject to taxation	**(44,584)**	(4,607)
Expenses not deductible for taxation purposes	**2,951**	5,833
Unrecognized tax losses	**4,365**	4,473
Taxation charge	**12,065**	330

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

9. Taxation *(Continued)*

The movement of the Group's deferred tax assets account is as follows:

	Decelerated tax amortization in the PRC
	HK$'000
At 1st January 2005 and 31st December 2005	—
Credited to income statement	11,938
Exchange differences	233
At 31 December 2006	**12,171**

Deferred tax assets are not recognized for tax losses carry forward to the extent that the realization of the related tax benefit through the future taxable profits is not probable. As at 31st December 2006, the Group had unrecognized tax losses of approximately HK$250,586,000 (2005: HK$236,439,000) to carry forward against future taxable income indefinitely, subject to Inland Revenue Department's approval.

10. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2006	2005
	HK$'000	*HK$'000*
Profit/(loss) attributable to equity holders of the Company	**264,604**	(22,187)
Weighted average number of ordinary shares in issue *(thousands)*	**11,236,269**	7,355,352
Basic earnings per share *(HK cents per share)*	**2.36**	(0.30)

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

10. Earnings per share *(Continued)*

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of potential ordinary shares: share options and convertible notes. For the share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share option. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. On the other hand, the conversion of all potential ordinary shares arising from convertible notes would have an anti-dilutive effect on the earnings per share for the year ended 31st December 2006.

The diluted earnings per share for the year ended 31st December 2006 is calculated as below:

	2006
	HK'000
Profit attributable to equity holders of the Company	264,604
Weighted average number of ordinary shares in issue *(thousands)*	11,236,269
Adjustments for assumed conversion of share options *(thousands)*	93,909
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	11,330,178
Diluted earnings per share *(HK cents per share)*	2.34

There were no potential ordinary shares from share options granted and from the convertible notes at 31st December 2005. The conversion of all potential ordinary shares arising from share options granted by the Company and convertible notes would have an anti-dilutive effect on the loss per share for the year ended 31st December 2005.

11. Dividends

The Company has paid interim dividend in specie of HK$211,206,000 (HK$0.022 per share) in May 2006 by distributing 113,318,812 ordinary shares of DVN (Holdings) Limited to its then shareholders. The distribution was made out of share premium account of the Company. The directors do not recommend the payment of a final dividend in respect of the year ended 31st December 2006 (2005: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

12. Directors' and senior management's emoluments

(a) Directors' emoluments

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2006	2005
	HK$'000	*HK$'000*
Fees:		
Non-executive directors	600	696
Other emoluments:		
Basic salaries, bonuses, housing benefits, other allowances and benefits in kind	4,994	4,347
Contributions to defined contribution Mandatory Provident Fund	30	35
	5,624	5,078

The remuneration of each Director for the year ended 31st December 2006 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Others benefits	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Dong Ping	—	1,200	—	—	—	1,200
Mr. Ko Chun Shun, Johnson	—	1,896	158	—	12	2,066
Mr. Shen Ka Yip, Timothy*	—	720	1,000	—	8	1,728
Mr. Tsoi Tong Hoo, Tony	240	—	20	—	10	270
Mr. Cheong Chow Yin*	72	—	—	—	—	72
Mr. Wilton Timothy Carr Ingram	—	—	—	—	—	—
Dr. Wong Yau Kar, David	144	—	—	—	—	144
Mr. Yuen Kin	144	—	—	—	—	144

* *Resigned in 2006*

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

12. Directors' and senior management's emoluments *(Continued)*

(a) Directors' emoluments *(Continued)*

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

Name of Director	Fees	Salary	Discretionary bonuses	Others benefits	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Ko Chun Shun, Johnson	—	2,053	79	—	12	2,144
Mr. Dong Ping	—	660	—	—	—	660
Mr. Shen Ka Yip, Timothy*	—	880	—	—	11	891
Mr. Tsoi Tong Hoo, Tony	120	600	75	—	12	807
Mr. Cheong Chow Yin*	144	—	—	—	—	144
Mr. Wilton Timothy Carr Ingram	144	—	—	—	—	144
Dr. Wong Yau Kar, David	144	—	—	—	—	144
Mr. Yuen Kin	144	—	—	—	—	144

* *Resigned in 2006*

(a) Other than as presented above, for 2005 and 2006 there were:

(i) no arrangement under which a director waived or agreed to waive any remuneration;

(ii) no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office; and

(iii) no share options of the Company have been granted to directors.

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

12. Directors' and senior management's emoluments *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2005: three) directors and ex-director whose emoluments are reflected in the analysis presented above. The emoluments payable to the two (2005: two) individuals during the year are as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Basic salaries, housing benefits, bonuses, other allowances and benefits in kind	**800**	615
Contributions to defined contribution Mandatory Provident Fund	**18**	24
	818	639

The emoluments fell within the following bands:

	Number of individuals	
	2006	2005
Emolument bands		
HK$NIL — HK$1,500,000	**2**	2
HK$1,500,001 — HK$2,000,000	**—**	—
	2	2

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

13. Property, plant and equipment

	Leashold buildings outside HK	Plant, equipment and other assets	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost			
At 1st January 2005	2,907	8,318	11,225
Additions	—	245	245
Write-offs	—	(76)	(76)
Disposal of subsidiaries	(2,907)	—	(2,907)
At 31st December 2005	—	8,487	8,487
Accumulated depreciation			
At 1st January 2005	810	7,895	8,705
Charge for the year	19	276	295
Write-offs	—	(306)	(306)
Disposal of subsidiaries	(829)	—	(829)
At 31st December 2005	—	7,865	7,865
Net book value:			
At 31st December 2005	—	622	622
Cost			
At 1st January 2006	**—**	**8,487**	**8,487**
Additions	**—**	**6,913**	**6,913**
Acquisition of a subsidiary *(note 28(b))*	**—**	**758**	**758**
Write-offs	**—**	**(227)**	**(227)**
Adjustment to translation reserve	**—**	**126**	**126**
At 31st December 2006	**—**	**16,057**	**16,057**
Accumulated depreciation			
At 1st January 2006	**—**	**7,865**	**7,865**
Acquisition of a subsidiary *(note 28(b))*	**—**	**35**	**35**
Charge for the year	**—**	**1,306**	**1,306**
Write-offs	**—**	**(227)**	**(227)**
Adjustment to translation reserve	**—**	**21**	**21**
At 31st December 2006	**—**	**9,000**	**9,000**
Net book value:			
At 31st December 2006	**—**	**7,057**	**7,057**

Depreciation expense of HK$1,306,000 (2005: HK$295,000) has been included in administrative expenses.

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

14. Intangible assets

	Goodwill	Exclusive advertising agency right	Program and film rights	Program and film production in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January 2005					
Cost	—	—	—	—	—
Accumulated amortization	—	—	—	—	—
Net book amount	—	—	—	—	—
Year ended 31st December 2005					
Opening net book amount	—	—	—	—	—
Acquisition of a subsidiary	189,798	—	—	—	189,798
Additions	—	—	50,591	12,862	63,453
Exchange difference	—	—	(29)	—	(29)
Amortization expense	—	—	(5,265)	—	(5,265)
Closing net book amount	189,798	—	45,297	12,862	247,957
At 31st December 2005					
Cost	189,798	—	50,562	12,862	253,222
Accumulated amortization	—	—	(5,265)	—	(5,265)
Net book amount	189,798	—	45,297	12,862	247,957
Year ended 31st December 2006					
Opening net book amount	**189,798**	**—**	**45,297**	**12,862**	**247,957**
Acquisition of a subsidiary *(note 30)*	**3,846**	**—**	**—**	**—**	**3,846**
Additional purchase consideration and transaction costs	**302,329**	**—**	**—**	**—**	**302,329**
Additions	**—**	**976,180**	**8,857**	**29,060**	**1,014,097**
Amortization expense *(note 8)*	**—**	**(164,176)**	**(17,584)**	**—**	**(181,760)**
Exchange difference	**111**	**24,948**	**1,406**	**1,135**	**27,600**
Closing net book amount	**496,084**	**836,952**	**37,976**	**43,057**	**1,414,069**
At 31st December 2006					
Cost	**496,084**	**1,004,342**	**58,503**	**43,057**	**1,601,986**
Accumulated amortization	**—**	**(167,390)**	**(20,527)**	**—**	**(187,917)**
Net book amount	**496,084**	**836,952**	**37,976**	**43,057**	**1,414,069**

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

14. Intangible assets *(Continued)*

During the year, Beijing Hua Yi Qian Si Advertising Company Limited* ("Qiansi"), a wholly-owned subsidiary of the Group, has entered into an exclusive advertising agency agreement ("Agreement") with Hai Nan Haishi Tourist Satellite TV Media Co., Ltd.* ("Travel TV"), an associated company of a jointly controlled entity of the Group. Under the Agreement, Qiansi has been granted an exclusive right to sell all of the advertising resources of Travel TV in the period of up to six years since 1st January 2006. In return Qiansi has agreed to make pre-agreed monthly payments to Travel TV during the same period. Pre-agreed annual payments under the Agreement range from RMB180 million to RMB207 million.

The Group considers the exclusive advertising agency right to be an intangible asset representing the right to sell Travel TV's advertising resources. The present value of the pre-agreed periodic payments to be made in subsequent years is capitalized and accounted for as intangible assets in the consolidated balance sheet, and those pre-agreed periodic payments constitute a contractual obligation to deliver cash and hence are considered to be a financial liability. The exclusive advertising agency right is amortized on a straight-line basis from the effective date of the right over the remaining license period and are stated net of accumulated amortization and impairment charges, if any. Interest accreted on the present value of pre-agreed periodic payments is charged to the consolidated income statement within finance costs.

Amortization of HK$181,760,000 (2005: HK$5,265,000) is included in the cost of sales.

(*) The names of the companies referred to above represent management's best effort in translating the Chinese names of the companies as no English names for these companies have been registered.

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to business segment as follows:

	2006
	HK$'000
TV advertising business	378,988
Film and TV drama business	117,096
	496,084

In 2005, the Group had only one CGU containing goodwill, which was the media-related business in the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

14. Intangible assets *(Continued)*

The recoverable amount of the 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. Cash flows beyond the five-year period are extrapolated using the estimate rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations:

	TV advertising business
	%
— Average annual revenue growth rate in five-year period	**22%**
— Annual growth rate beyond the five-year period	**0%**
— Discount rate	**15%**

	Film and TV drama business
	%
— Average annual gross margin in five-year period	**24%**
— Annual gross margin beyond the five-year period	**17%**
— Discount rate	**15%**

Management determined the budgeted gross margin based on past performance and its expectation for market development. The average annual 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.

15. Investments in subsidiaries

	Company	
	2006	2005
	HK$'000	*HK$'000*
Unlisted shares at cost	**193,018**	193,018
Provision for impairment loss	**(140,000)**	(140,000)
	53,018	53,018
Amounts due from subsidiaries — non-current	**674,948**	372,619
	727,966	425,637

The balances with subsidiaries are unsecured, interest-free and are not repayable within one year.

Particulars of the principal subsidiaries are set out in note 36 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

16. Interests in associated companies

The Group's interests in the ordinary shares of DVN (Holdings) Limited were reclassified as financial asset at fair value through profit or loss during the year. These ordinary shares were distributed to the Company's shareholders during the year.

The principal associated company as at 31st December 2006 is as follows:

Name	Place of incorporation and kind of legal entity	Nominal value of issued ordinary share/ preference share/ registered capital	Interest held indirectly		Principal activities and place of operation
			2006	2005	
北京電發網博科技有限公司	The People's Republic of China, co-operative joint venture	US$5,000,000	35.00%	35.00%	Provision of IP Telephone services in the PRC

17. Interests in jointly controlled entities and amount due from a jointly controlled entity and its subsidiaries

	Group	
	2006	2005
	HK$'000	*HK$'000*
Share of net assets	(528)	(11,672)
Loan to a jointly controlled entity	70,787	67,802
	70,259	56,130

Loan to a jointly controlled entity is unsecured, interest-bearing at prevailing market rates and not repayable in the coming twelve months.

The current portion of the amount due from a jointly controlled entity is unsecured, interest-bearing at prevailing market rates and has no fixed repayment terms.

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

17. Interests in jointly controlled entities and amount due from a jointly controlled entity and its subsidiaries *(Continued)*

The principal jointly controlled entity companies as at 31st December 2006 are as follows:

	Name	Place of incorporation and kind of legal entity	Nominal value of issued ordinary share/ preference share/ registered capital	Interest held indirectly		Principal activities and place of operation
				2006	2005	
(1)	**AUFM GROUP**					
	Asian Union Film and Media *(*)*	The People's Republic of China, limited liability company	RMB120,000,000	50%	50%	Investment in television drama, film production and advertising production in the PRC
	Hai Nan Haishi Travel Satellite TV Media Co., Ltd *(*)*	The People's Republic of China, limited liability company	RMB115,963,100	24.50%	24.50%	Production of television programmes (other than news) for the Travel Channel in the PRC
	Beijing Ying Shi Film & Television Art Limited Liability Company *(*)*	The People's Republic of China, limited Liability company	RMB500,000	30%	30%	Television drama production in the PRC
	Beijing Hua Yi Shan He Shui Advertising Company Limited *(*)*	The People's Republic of China, limited liability company	RMB1,020,000	25.50%	25.50%	Advertisement production in the PRC
(2)	上海艾普華億廣告有限公司	The People's Republic of China, limited liability company	RMB1,000,000	49%	—	Advertising agency in the PRC

(*) The names of the companies referred to above represent management's best effort in translating the Chinese names of the companies as no English names for these companies have been registered.

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

17. Interests in jointly controlled entities and amount due from a jointly controlled entity and its subsidiaries *(Continued)*

The consolidated results and financial position of the AUFM, of which the Group held 50% equity interests, at 31st December 2006 were as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Assets:		
Non-current assets	**308,402**	280,444
Current assets	**21,731**	66,541
	330,133	346,985
Liabilities:		
Current liabilities	**(274,048)**	(303,935)
Long-term liabilities	**(139,008)**	(143,329)
	(413,056)	(447,264)
Net Liabilities	**(82,923)**	(100,279)

	2006	Period from 1st June 2005 to 31st December 2005
	HK$'000	*HK$'000*
Income	**21,131**	58,343
Share of profit/(loss) of an associated company	**19,440**	(15,649)
Expenses	**(18,683)**	(101,492)
Profit/(loss) for the period	**21,888**	(58,798)

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

18. Investment in preference shares and preference dividends receivable

	Group	
	2006	2005
	HK$'000	*HK$'000*
Investment in preference shares is segregated into:		
— Available-for-sale portion	**48,750**	48,750
— Derivative portion	**49,145**	14,828
End of year	**97,895**	63,578

Investment in preference shares represents 15,000,000 non-voting exchangeable preference shares of DVN (Group) Limited. These preference shares are exchangeable, after adjustment, to approximately 31,250,000 ordinary shares of DVN (Holdings) Limited, a listed company, at an adjusted conversion price of HK$3.72 per share, and are subject to adjustment.

During the year, the shareholders of the Company have approved the Board of Directors' mandate to dispose of the Group's investment in preference shares including the rights to receive dividends attached to the preference shares on a normal commercial terms from time to time during the twelve-month period after the shareholders have approved the granting of the mandate. Since then, the investment in preference shares has been classified as current asset in the Group's consolidated balance sheet.

19. Trade receivables

At 31st December 2006, the aging analysis of trade receivables is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
		(Note 35)
0 — 3 months	**26,306**	1,091
4 — 6 months	**32,974**	16,410
Over 6 months	**25,754**	—
	85,034	17,501

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

19. Trade receivables *(Continued)*

The Group generally requires customers to pay in advance, but grants a credit period of 30 days to 90 days to certain customers.

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed to perform completely as contracted. Top five trade receivables accounted for 77% of total trade receivables as at 31st December 2006. Management does not expect any material losses from non-performance by these counterparties.

Included in the trade receivables was an amount due from a related party of approximately HK$20,076,000. An amount due from a related company of HK$16,324,000 was included in prepayments, deposits and other receivables as at 31st December 2005 and was reclassified to trade receivables to conform with the current year's presentation.

20. Financial assets at fair value through profit and loss

	Group	
	2006	2005
	HK$'000	*HK$'000*
Equity securities:		
Listed in Hong Kong	**11,150**	12,000

The unrealized gain on equity securities is included in other revenues in the consolidated income statement.

21. Prepayments, deposits and other receivables

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments, deposits and other receivables	**22,591**	4,640	**1,006**	1
Amounts due from a related company and subsidiaries of JCE *(i)*	**5,710**	4,742	**—**	—
	28,301	9,382	**1,006**	1

(i) The amounts due from a related company and subsidiaries of JCE were unsecured, non-interest bearing and repayable on demand.

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

22. Trade payables

At 31st December 2006, the aging analysis of trade payables is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
0 — 3 months	**17**	—
4 — 6 months	**231**	1
Over 6 months	**35**	33
	283	34

23. Other payables and accrued liabilities

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deposits received, accrued charges and other payables	**61,166**	5,615	**2,120**	1,061
Amount due to a fellow subsidiary	**—**	18	**—**	—
Amount due to an associated company	**—**	470	**—**	—
Amount due to a subsidiary of JCE	**—**	6,237	**—**	—
	61,166	12,340	**2,120**	1,061

24. Loans

	Group	
	2006	2005
	HK$'000	*HK$'000*
Wholly repayable within one year:		
Bank loan	**16,000**	8,621
Other loan	**6,776**	6,137
	22,776	14,758

The bank loan is interest-bearing at 5% per annum and is secured against the Group's pledged bank deposits of HK$17,000,000. The other loan is interest bearing at 6% per annum, unsecured and repayable on demand.

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

25. Convertible notes

In September 2006, the Company issued a convertible note ("Second Tranche Convertible Note") which can be converted into 3,202,234,673 ordinary shares at a conversion price of HK$0.049 per share, as additional considerations for the acquisition of the 100% equity interest in Anglo Alliance Co., Ltd. completed in May 2005. The terms of the Second Tranche Convertible Note are disclosed in the Company's circular dated 13th May 2005.

The fair value of Second Tranche Convertible Note has been split between the liability and equity portion, as follows:

	Group and the Company 2006 *HK$'000*
Fair value of Second Tranche Convertible Note issued during the year	299,820
Equity portion	(181,000)
Liability portion at the issuance date	118,820
Interest accretion	2,410
Liability portion at 31st December 2006	121,230

The net book value of the liability portion of Second Tranche Convertible Note at 31st December 2006 approximates to its fair value, which is calculated using cash flows discounted at a rate of 7.85% per annum, based on the yield of bonds issued in US dollar with a rating of B, whose maturity is 3 to 4 years.

The residual amount, representing the value of equity conversion component, is included in other reserves in shareholders' equity.

The First Tranche Convertible Note, whose carrying amount was approximately HK$77,070,000 as at 31st December 2005, has been fully converted into 2,122,136,612 ordinary shares of the Company on 18th May 2006.

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

26. Share capital

	Authorized				
	Preference shares of HK$0.01 each		Ordinary shares of HK$0.01 each		Total
	No. of shares		No. of shares		
	'000	*HK$'000*	*'000*	*HK$'000*	*HK$'000*
At 1st January 2005 and 31st December 2005	240,760	2,408	30,000,000	300,000	302,408
At 1st January 2006 and 31st December 2006	240,760	2,408	30,000,000	300,000	302,408

	Issued and fully paid				
	Preference shares of HK$0.01 each		Ordinary shares of HK$0.01 each		Total
	No. of shares		No. of shares		
	'000	*HK$'000*	*'000*	*HK$'000*	*HK$'000*
At 1st January 2005	240,760	2,408	3,274,293	32,743	35,151
Issue of shares on placing	—	—	654,850	6,549	6,549
Issue of shares on acquisition of a subsidiary company	—	—	5,746,571	57,465	57,465
Conversion of preference shares	(240,760)	(2,408)	240,760	2,408	—
At 31st December 2005	—	—	9,916,474	99,165	99,165
At 1st January 2006	—	—	9,916,474	99,165	99,165
Conversion of convertible *note (i)*	—	—	2,122,137	21,221	21,221
At 31st December 2006	—	—	12,038,611	120,386	120,386

Ordinary shares

During the year, the Company issued ordinary shares as follows:

(i) On 18th May 2006, 2,122,136,612 ordinary shares were issued upon the full conversion of the First Tranche Convertible note at a conversion rate of HK$0.049 per share. Details of the transaction is disclosed in the Company's circular dated 13th May 2005.

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

26. Share capital *(Continued)*

Share options

Pursuant to the 10-year term share option scheme ("Option Scheme") adopted by the Company on 30th July 2002, the Company can grant options to Qualified Persons for a consideration of HK$1.00 for each grant payable by the Qualified Persons to the Company. The total number of the shares issued and to be issued upon exercise options granted to each Qualified Person (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the shares then in issue. Pursuant to a resolution passed on the annual general meeting of the Company, dated 30th June 2005, the Company can grant up to 991,647,402 share options to the Qualified Persons.

Subscription price in relation to each option pursuant to the Option Scheme shall not be less than the higher of (i) the closing price of the shares as stated in Stock Exchange's daily quotation sheets on the date on which the option is offered to a Qualified Person; or (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 trading days immediately preceding the date of offer; or (iii) the nominal value of the shares of the Company. There shall be no minimum holding period for the vesting or exercise of the options and the options are exercisable within the option period as determined by the Board of directors of the Company. During the year, no share-based compensation is charged to the consolidated income statement (2005: Nil) since all share options outstanding were fully vested before 1st January 2005.

Movement of share options during the year:

Date of Share Options Granted	Number of share options outstanding as at 1st January 2006	Number of share options granted during the year	Number of share options cancelled/ lapsed during the year	Number of share options exercised during the year	Number of share options outstanding as at 31st December 2006	Exercise period	Exercise price per share
							HK$
1/12/2004	277,400,000	—	—	—	277,400,000	1/1/2005 to 31/12/2009	0.054
	277,400,000	—	—	—	277,400,000		

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

27. Reserves

Group

	Attributable to the equity holders of the Company									
	Share premium	Merger reserve	Available for sale investments	Convertible notes	Currency translation reserve	Interests in a former associated company	Accumulated losses	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1st January 2005	172,353	860,640	120	—	(171)	—	(991,006)	41,936	—	41,936
Loss for the year	—	—	—	—	—	—	(22,187)	(22,187)	—	(22,187)
Issue of shares — placing	69,639	—	—	—	—	—	—	69,639	—	69,639
Issue of shares — business combination	205,216	—	—	—	—	—	—	205,216	—	205,216
Convertible notes — equity component	—	—	—	29,984	—	—	—	29,984	—	29,984
Currency translation difference	—	—	—	—	1,529	—	—	1,529	—	1,529
Movement in reserves of a former associated company	—	—	—	—	—	1,566	—	1,566	—	1,566
Balance at 31st December 2005	447,208	860,640	120	29,984	1,358	1,566	(1,013,193)	327,683	—	327,683
Balance at 1st January 2006	447,208	860,640	120	29,984	1,358	1,566	(1,013,193)	327,683	—	327,683
Profit for the year	—	—	—	—	—	—	264,604	264,604	(147)	264,457
Conversion of convertible notes	87,803	—	—	(29,984)	—	—	—	57,819	—	57,819
Convertible notes — equity component	—	—	—	181,000	—	—	—	181,000	—	181,000
Dividend in specie — interest in ordinary shares of DVN (Holdings) Limited	(209,640)	—	—	—	—	(1,566)	—	(211,206)	—	(211,206)
Currency translation difference	—	—	—	—	(341)	—	—	(341)	—	(341)
Injection by minority shareholder of a subsidiary	—	—	—	—	—	—	—	—	147	147
Balance at 31st December 2006	325,371	860,640	120	181,000	1,017	—	(748,589)	619,559	—	619,559

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

27. Reserves *(Continued)*

Company

	Share premium *(ii)*	Convertible notes	Retained profits/ (accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January 2005	172,353	—	(147,871)	24,482
Issue of shares on placing	69,639	—	—	69,639
Issue of shares — business combination	205,216	—	—	205,216
Issue of convertible notes — equity component	—	29,984	—	29,984
Loss for the year	—	—	(6,375)	(6,375)
At 31st December 2005	447,208	29,984	(154,246)	322,946
At 1st January 2006	447,208	29,984	(154,246)	322,946
Conversion of convertible notes	87,803	(29,984)	—	57,819
Issue of convertible notes — equity component	—	181,000	—	181,000
Dividend in specie — interest in ordinary shares of DVN Holdings Limited	(209,640)	—	—	(209,640)
Profit for the year	—	—	199,774	199,774
At 31st December 2006	325,371	181,000	45,528	551,899

Notes:

(i) The merger reserve of the Group derives from the difference between the nominal value of the Company's shares issued to acquire the issued share capital of Universal Appliances Limited pursuant to the group reorganization in 2002, and the consolidated net asset value of Universal Appliances Limited so acquired. Under the Companies Law (2003 Revision) (Cap. 22) of the Cayman Islands, the merger reserve is distributable to shareholders under certain prescribed circumstances.

(ii) The share premium of the Company represents the excess of the fair value of the issued shares over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Law (2003 Revision) (Cap. 22) of the Cayman Islands, a company may make distributions to its members out of the share premium in certain circumstances.

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

28. Notes to the consolidated cash flow statement

(a) Reconciliation of profit/(loss) before taxation to cash generated from/(used in) operations

	2006	2005
	HK$'000	*HK$'000*
Profit/(loss) before taxation	276,522	(21,857)
Adjustments for:		
— Share of (profit)/loss of jointly controlled entity	(10,944)	13,700
— Share of (profit)/loss of a former associated company	(5,990)	8,223
— Interest income	(9,047)	(104)
— Depreciation	1,306	295
— Amortization of intangible assets	181,760	5,265
— Fair value gain on financial assets at fair value through profit or loss	(185,553)	—
— Unrealized gain on trading securities	—	(2,000)
— Preference share dividend income	(6,589)	(5,036)
— Finance costs	51,232	3,634
— Increase in fair value of preference share	(34,317)	(2,439)
— Increase in fair value of preference share dividend receivable	(2,257)	—
— Gain on disposal of property, plant and equipment	—	(230)
— Net gain on dilution of interest in an associated company	—	(10,637)
Operating profit/(loss) before working capital changes	256,123	(11,186)
Changes in working capital:		
— Decrease in financial assets in fair value through profit or loss	850	—
— Decrease in inventories	10	95
— Increase in amounts due from a jointly controlled entity and its subsidiaries	(10,880)	(113,003)
— Increase in trade receivables, prepayments, deposits and other receivables	(49,538)	(22,738)
— Decrease in agency fee payables, trade payables, other payables and accrued liabilities	(169,933)	(21,936)
Cash generated from/(used in) operations	26,632	(168,768)

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

28. Notes to the consolidated cash flow statement *(Continued)*

(b) Acquisition of interests in a subsidiary

Details of acquisition of interests in a subsidiary:

	2006	2005
	HK$'000	*HK$'000*
Net assets acquired:		
Property, plant and equipment	723	—
Investment in a jointly controlled entity	—	17,549
Amount due from a jointly controlled entity	—	160,937
Prepayments, deposits and other receivables	36,914	2,154
Cash and cash equivalents	1,589	2,000
Payables and accrued liabilities	(40,399)	(97)
	(1,173)	182,543
Goodwill	3,846	189,798
	2,673	372,341
Satisfied by:		
Consideration payable		
Issue of shares	—	(262,681)
Convertible notes	—	(103,985)
Cash	2,673	5,675
Cash and cash equivalents in subsidiaries acquired	(1,589)	(2,000)
Cash outflow on acquisition	1,084	3,675

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

28. Notes to the consolidated cash flow statement *(Continued)*

(c) Significant non-cash transactions

(i) In September 2006, the Company issued Second Tranche Convertible Note with a fair value of approximately HK$299,820,000 (please refer to note 25 for details) as additional consideration for the acquisition of 100% equity interests in Anglo Alliance Co., Ltd. that was completed in May 2005. The goodwill of the Group has been increased by the same amount accordingly.

(ii) In May 2006, 2,122,136,612 ordinary shares were issued upon the full conversion of the First Tranche Convertible Note at a conversion rate of HK$0.049 per share.

(iii) During the year, the Company has distributed the Group's interests in the ordinary shares of DVN (Holding) Limited to its shareholders. The distribution was made out of the share premium.

(iv) During the year, the Group has acquired from Travel TV an exclusive advertising agency right (an intangible asset) initially recognized at the net present value of the corresponding agency fee payable of approximately HK$976,180,000 (please refer to note 14 for details).

29. Commitments

At 31st December 2006, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	2006	2005
	HK$'000	*HK$'000*
Not later than one year	**128**	577
Later than one year and not later than five years	**—**	50
	128	627

	Equipment	
	2006	2005
	HK$'000	*HK$'000*
Not later than one year	**14**	14
Later than one year and not later than five years	**42**	56
	56	70

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

30. Business combinations

On 1st January 2006, the Group has acquired 100% equity interest in Qiansi, a company that principally engaged in the sale of television advertisements, for a cash consideration of approximately HK$2,673,000. Qiansi was 60% owned by a jointly controlled entity of the Group prior to the acquisition.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration — cash paid	2,673
Fair value of net identifiable liabilities acquired (see below)	1,173
Goodwill *(note 14)*	3,846

The goodwill is attributable to the future expected profitability of the acquired business and the significant synergies expected to arise after the reorganization.

The assets and liabilities arising from the acquisition are as follows:

	Acquirees' carrying amount	**Aggregated fair value**
	HK$'000	*HK$'000*
Cash and cash equivalents	1,589	1,589
Property, plant and equipment	723	723
Receivables	36,914	36,914
Payable	(40,399)	(40,399)
Net identifiable liabilities acquired	(1,173)	(1,173)

Outflow of cash to acquire business, net of cash acquired	
— cash consideration	2,673
— cash and cash equivalents in subsidiary acquired	(1,589)
Cash outflow on acquisition	1,084

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

31. Related party transactions

(i) Saved as disclosed elsewhere in the consolidated financial statements, the Group has entered into the following significant related party transactions during the year:

	2006	2005
	HK$'000	HK$'000
Purchase of programs and film rights from a JCE	1,000	34,574
Purchase of revenue receivable rights of certain programs and films from a JCE	—	17,252
Purchases of investment in a film from a JCE	—	12,561
Dividend income from an associated company	6,589	5,036
Sale of advertising resources to an associated company of a JCE	44,136	—
Interest income from loan to a JCE	8,798	8,174
Purchase of property, plant and equipment from a JCE	2,040	—

(ii) Key management compensation

Remuneration for key management personnel, including amounts paid to the Company's directors is disclosed in note 12(a) and certain of the highest paid employees is disclosed in note 12(b).

32. Profit/(loss) attributable to ordinary shareholders

The profit attributable to ordinary shareholders is dealt with in the financial statements of the Company to the extent of HK$199,774,000 (2005: loss of HK$6,375,000).

33. Approval of consolidated financial statements

The consolidated financial statements were approved by the board of directors on 23rd April 2007.

34. Events after the balance sheet date

On 16th March 2007, the corporate income tax law was passed at the Fifth Session of Tenth National People's Congress of PRC whereby all enterprises with operations in the PRC will be subject to the same statutory income tax rate effective from 1st January 2008. As at the date that these consolidated financial statements are approved for issue, detail measures of the new law has yet to be issued. The Group will evaluate the impact of the new law on the operating results and the financial position of the future periods as more detail measures and other related regulations are announced.

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

35. Comparative figures

Certain 2005 Comparative figures have been reclassified in order to be consistent with the current year presentation.

36. Particulars of principal subsidiaries

The table below lists out the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name	Place of incorporation and kind of legal entity	Nominal value of issued ordinary share/ registered capital	Interest held	Principal activities and place of operation
Anglo Alliances Co. Ltd	British Virgin Islands, limited company	US$2 ordinary	100%	Investment holding
Beijing Hua Yi Hao Ge Media Culture Co., Ltd. (*)	PRC, co-operative joint venture	RMB30,000,000	100%	Investment holding and licensing of films and TV drama
Beijing E-Pay Net Technology Co. Ltd.	PRC, co-operative joint venture	US$2,680,000 ordinary	70%	Provision of communication Services in the PRC
Beijing Jiya Telecommunication Engineering Co Ltd	PRC, co-operative joint venture	US$2,680,000 ordinary	70%	Provision of computer telephony integration engineering service in the PRC
Asian Union New Media (Hong Kong) Limited (formerly known as "Barnwell Enterprises Limited")	Hong Kong, limited company	HK$2 ordinary	100%	Group treasury and administrative services in Hong Kong
Beijing Hua Yi Qian Si Advertising Company Limited (*)	PRC, limited liability Company	RMB 5,000,000	100%	Advertising agency

Notes to the Consolidated Financial Statements

For the year ended 31st December 2006

36. Particulars of principal subsidiaries *(Continued)*

Name	Place of incorporation and kind of legal entity	Nominal value of issued ordinary share/ registered capital	Interest held	Principal activities and place of operation
Global Assets Limited	Hong Kong, limited company	HK$5,000,000 ordinary	100%	Group treasury and administrative services in Hong Kong
Million Way Enterprises Limited	British Virgin Islands, limited company	US$1 ordinary	100%	Investment holding
Netbroad Communication Limited	British Virgin Islands, limited company	HK$1 ordinary	100%	Investment holding
Orient Venture Limited	Hong Kong, limited company	HK$2 ordinary	100%	Investment holding
Prime Pacific International Limited	British Virgin Islands, limited company	US$50,000 ordinary	67%	Investment holding
Smoothline Limited	Hong Kong, limited company	HK$7,500,000 ordinary	100%	Inactive
Super China Development Limited	British Virgin Islands, limited company	US$1 ordinary	100%	Investment holding
Universal Appliances Limited	Hong Kong, limited company	HK$499,373,000 ordinary HK$43,337,000 Preference	#100%	Investment holding

Shares held directly by the Company

* The names of the companies referred to above represent management's best effort in translating the Chinese names of the companies as no English names for these companies have been registered.

Except for Asian Union New Media (Hong Kong) Limited and Global Assets Limited, the statutory financial statements of all other subsidiaries for years ended 31st December 2006 and 2005 are not audited by PricewaterhouseCoopers.