Television Broadcasts Limited
Interim Report 2005

電 視 廣 播 有 限 公 司
二 〇 〇 五 年 度 中 期 報 告

CORPORATE INFORMATION

DIRECTORS

Sir Run Run Shaw, G.B.M. (Executive Chairman)
Dr. Norman Leung Nai Pang, G.B.S., LL.D., J.P. (Executive Deputy Chairman)
Mona Fong (Deputy Chairperson)
Louis Page (Managing Director)
Dr. Chow Yei Ching, G.B.S.
Ho Ting Kwan
Christina Lee Look Ngan Kwan
Chien Lee * (appointed on 17 March 2005)
Lee Jung Sen, O.B.E. * (retired on 25 May 2005)
Dr. Li Dak Sum, DSSc. (Hon.), J.P. *
Kevin Lo Chung Ping
Robert Sze Tsai To *
Anthony Hsien Pin Lee (alternate director to Christina Lee Look Ngan Kwan)

EXECUTIVE COMMITTEE

Sir Run Run Shaw (Chairman)
Dr. Norman Leung Nai Pang
Mona Fong
Louis Page
Kevin Lo Chung Ping

AUDIT COMMITTEE

Robert Sze Tsai To * (Chairman)
Dr. Li Dak Sum *
Chien Lee * (appointed on 17 March 2005)
Lee Jung Sen * (retired on 25 May 2005)

REMUNERATION COMMITTEE

Chien Lee * (Chairman)
Mona Fong
Robert Sze Tsai To *

EXECUTIVE OFFICERS

George Chan Ching Cheong (Assistant Managing Director)
Stephen Chan Chi Wan (General Manager - Broadcasting)
Cheong Shin Keong (General Manager - Broadcasting)

COMPANY SECRETARY

Adrian Mak Yau Kee

* independent non-executive Directors

CORPORATE INFORMATION (Continued)

REGISTERED OFFICE

TVB City, 77 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong

AUDITORS

PricewaterhouseCoopers
33/F, Cheung Kong Centre
2 Queen's Road Central
Hong Kong

SHARE REGISTRARS

Computershare Hong Kong Investor Services Limited
46/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

The directors of Television Broadcasts Limited ("Directors") are pleased to present the interim report and condensed accounts for the six months ended 30 June 2005 in respect of Television Broadcasts Limited (the "Company" or "TVB") and its subsidiaries (the "Group"). The consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 30 June 2005, and the consolidated balance sheet of the Group as at 30 June 2005, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 11 to 44 of this report.

INTERIM DIVIDEND

The Directors are pleased to declare an interim dividend of HK$0.25 (2004: HK$0.20) per share for 438,000,000 issued shares.

The Register of Members of the Company will be closed from 20 September 2005 to 22 September 2005, both dates inclusive, during which period, no transfer of shares will be effected. In order to qualify for the above interim dividend, all transfers must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on Friday, 16 September 2005. Dividend warrants will be despatched to shareholders on 29 September 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

Operating Results for the Period

For the six months ended 30 June 2005 (the "Period"), the Group achieved a turnover of HK$1,853 million (2004: HK$1,696 million), which represented an increase of 9.3%. Cost of sales amounted to approximately HK$805 million (2004: HK$899 million), which represented a reduction of 10.5%. Gross profit for the Period amounted to HK$1,048 million (2004: HK$797 million), which represented a gross profit percentage of 56.6% (2004: 47.0%)

Selling, distribution and transmission costs for the Period amounted to HK$226 million (2004: HK$225 million). General and administrative expenses for the Period totaled HK$219 million (2004: HK$241 million), which represented a decrease of 9.1%. The reason for the decrease was primarily attributable to lower staff costs which resulted from the streamlining of resources in 2004. Finance costs for the Period was reduced to HK$1 million (2004: HK$4 million), as the Group had a low level of bank borrowings during the Period.

The Group's share of losses of the 49% equity interest in Galaxy Satellite TV Holdings Limited ("GSTV"), an associated company, amounted to HK$99 million (2004: HK$77 million), which represented an increase of 28.6%. This was due to the increase in advertising and promotion costs of Galaxy Satellite Broadcasting Limited ("GSB"), in association with the re-branding exercise to rename its pay TV platform to *"SuperSUN"* which took place in May 2005. There was no sharing of losses by the Group relating to the 51% equity interest in GSTV, as the control of this portion of the interest was temporary.

A change in fair value of financial assets, which comprised the 51% equity interest in GSTV, of approximately HK$149 million, was recorded in the condensed consolidated income statement during the Period. This recognition of the increase in value of the financial assets is in compliance with Hong Kong Accounting Standard 39 on Financial Instruments to reflect the changes in the value of such investments by reference to their fair value, and is non-recurring. The 51% equity interest in GSTV was disposed of subsequent to the balance sheet date.

The Group's taxation charge amounted to HK$115 million (2004: HK$43 million), which represented an increase of 167.4%. The increase was attributable to the rise in the provision for Hong Kong profits tax due to increase in the advertising revenue derived in Hong Kong, and a provision for deferred income tax of HK$29 million on the undistributed profits of an overseas subsidiary.

As a result, profit attributable to equity holders of the Company for the Period amounted to HK$545 million (2004: HK$217 million), which represented an increase of 150.8%. Earnings per share increased to HK$1.25 (2004: HK$0.50).

Included in cost of sales were the costs of programme, film rights and stocks for the Period which amounted to HK$519 million (2004: HK$627 million). This decrease of 17.2% resulting from comparing the costs for the Period with the same period of last year, was attributable to adoption of a different compilation of programmes, primarily on *Jade* during prime time, which may vary from season to season taking into account audience taste and market trend.

Through a better mix of programming and scheduling between in-house production and acquired programmes, we have been able to optimise on our programme stock levels.

Business Review and Prospect

Terrestrial Television Broadcasting

Retail sales in Hong Kong grew by 7.9% in value in the first six months of this year compared with the same period of last year. The growth was strongest in the clothing (+13.0%) and jewellery/watches categories (+11.0%) but slightly weaker in the supermarket (+5.7%) category, which indicates less growth for fast moving consumer goods.

Against this background, TVB's Hong Kong advertising revenue for the first half of 2005 increased by 9.4%.

Advertisers in the skin care and milk powder categories continued to find TV advertising very impactful and their strong spending contributed significantly to our growth. We were also successful in gaining a fair share of the strong resurgence in local property advertising and this too was a major contributor to growth. In the services sector, we were able to secure strong growth from airlines, finance companies, mobile phone services and travel agents.

While the Company will continue to seek growth in airtime revenue for the rest of the year from these strong sectors, we must be prudent in our expectations of the quantum of the growth. Thus, we would also look to develop growth in hitherto weaker performing sectors through non-traditional advertising products, such as programme sponsorships, product sponsorships and event sponsorships.

In terms of viewership, *Jade* and *Pearl* continued to gain strong audience support during the Period. *Jade* achieved an average of 84% weekday prime time (7-11pm) audience share of terrestrial Chinese channels; and *Pearl* garnered a weekly prime time (7pm to midnight) average of 74% audience share of terrestrial English channels.

Discussion with the Government for the implementation of digital terrestrial television in Hong Kong continued during the Period, and good progress has been made.

Programme Licensing and Distribution

Revenue from programme licensing and distribution during the Period amounted to HK$285 million, which approximated the revenue recorded in the same period of last year of HK$286 million. Home video distribution revenue is under pressure in some of our markets owing to pirated compressed video discs ("HDVD") and illegal downloading.

On the other hand, our program library and continuous production capacity afford us the opportunity to explore new means of distribution, such as video-on-demand and mobile services. These new means of distribution will add positive elements to our business and will hopefully compensate for the slowdown in the traditional markets.

Overseas Satellite Pay TV Operations

TVB Satellite Platform ("TVBSP") USA

Subscription growth in TVBSP was affected by the increasing competition in the Chinese TV services in the USA. In the first half of 2005, our subscribers grew by a moderate single digit. This changing landscape prompted the need for TVBSP to expand its service into other Asian markets. TVBSP is planning to capitalise on its huge content library, and to compile more Asian language services such as Vietnamese and Putonghua programming for the mainstream satellite and cable platform operators in the USA.

TVB Australia ("TVBA")

Our Jadeworld platform service in Australia sustained its growth momentum. Our Mainland China TV content which comprised CCTV-4 and DragonTV was further strengthened by the inclusion of Hunan TV, making Jadeworld an 11-channel package. Based on the enhanced Jadeworld package, we have successfully imposed a moderate increase of subscription fee since March 2005. The Jadeworld carnival in Sydney in June 2005 boosted Jadeworld's image and enhanced the relationship between TVBA and the local Chinese communities.

The Chinese Channel ("TCC") Europe

Subscriber base in TCC saw mild growth during the six-month period up to 30 June 2005.

As part of the overall improvement of system efficiency and technical support, TCC is adopting the same subscriber management system currently used by TVBA. The change is to be completed by the end of 2005, and will coincide with promotional activities in London and Paris. TCC is also developing the European market via cable and IPTV operators.

Channel Operations

Taiwan

Competition in Taiwan's TV market continues to be challenging due to the high number of channels available. The reshuffling of the channels' numbering system at the beginning of the year added to the confusion. The popularity of some Korean dramas also affected the audience share of the traditional programmes. In spite of these adverse elements, ratings of TVBS channels remain high.

TVB8 and Xing He

The revenue of TVB8 and Xing He grew as a result of the subscription growth in Malaysia and the launch of Xing He in the cable TV networks in Vietnam and Thailand.

TVB8 shall continue to target young educated viewers and focus on improving our distribution network in Mainland China.

Supply of Channels to GSB

The Company continued to supply TV programmes in Cantonese to GSB during the Period under a license supply agreement dated 4 September 2001. The six channels comprised 24-hour news channel *tvbN*, TVB's classic drama channel *tvbChoice*, interactive consultation and health advices channel *tvbHealth*, music channel *tvbM*, children's channel *tvbQ*, and acquired Asian region and overseas soap operas channel *Drama Select*. By way of an agreement dated 29 June 2005, an amended channel supply agreement was entered into between GSB and TVB whereby certain amendments were agreed which included the supply of the above six channels from exclusive basis to non-exclusive basis.

Other Activities

Jade Animation

Upon the expiry of the business license of the joint venture company with Shenzhen Art Museum on 5 June 2005, Jade Animation discontinued its animation production operations and disposed of its assets in Shenzhen. Licensing activities of the animation library stock will be carried out by the marketing teams of TVB's Programme Licensing & Distribution Division.

Internet Operations

Growth was propelled mainly by the increase in the demand for 3G contents. This segment showed a 70% growth in revenue. As more 3G operators launch or enhance their services, further growth can be expected in the short to medium term.

Advertising income showed a slight decline but this was due to seasonal factors and the full year performance is expected to grow. As a result, profit for the Period showed a healthy increase of 24% over last year.

Devices and transmission technology for the reception and dissemination of digital content continue to evolve at a rapid pace. The Company will exploit all appropriate technologies to increase revenue generation and penetration of TVB content in an increasingly diverse media market.

Publishing Operations

TVB Weekly has positioned itself to be the weekly magazine targeting the followers of TVB *Jade* channel. To increase competitiveness in an oversupplied magazine market in Hong Kong, *TVB Weekly* had undergone a substantial restructuring of all aspects of its operations, including editorial, distribution and marketing, during the Period. This has resulted in a better format and presentation of the contents, as well as improvement in the standard of photography. Staffing level had also been streamlined. As a result, operating costs, including staff costs, had been significantly reduced compared with the same period of last year.

Despite the efforts made, advertising income from *TVB Weekly* saw a reduction that was partially offset by savings in operating costs. Overall, profit from this segment of the business was down by 24%. However, we expect that through the changes made the publishing operations will be on a better footing for revenue and profit growth in the next 12 months.

Hong Kong Pay TV Platform

The Group's pay TV operation is held under GSB. In May 2005, GSB changed its brand name *"ex-TV"* to *"SuperSUN"* to reflect a new operation.

To increase its service coverage, GSB signed a cooperation agreement with Hutchison Global Communications Limited ("HGC") in January 2005 to deliver GSB's *SuperSUN* pay TV service by leveraging HGC's broadband network in Hong Kong. This arrangement enhances both companies' competitive edges in bringing innovative infotainment services to customers.

New bundled services incorporating both GSB and HGC's services have been launched in the market since the end of July 2005. Under these arrangements, subscribers will simply install a set-top box with HGC's broadband connectivity to enjoy *SuperSUN's* TV programmes.

Currently, *SuperSUN* is transmitted via satellite through existing SMATV and CABD networks as well as through HGC's broadband network into set-top boxes of individual homes. On channels line-up, *SuperSUN* is currently carrying 42 channels on its SMATV platform and 40 channels over its broadband platform. Amongst these channels in the respective platforms, six are produced and packaged by TVB. 24-hour news channel *tvbN*, TVB's classic drama channel *tvbChoice*, interactive consultation and health advices channel *tvbHealth*, music channel *tvbM*, children's channel *tvbQ*, and acquired Asian region and overseas soap operas channel *Drama Select*, are produced for the local pay TV market and broadcast in Cantonese.

Besides the provision of pay television business in Hong Kong, GSB also engages in teleport business which includes the provision of satellite uplink and playback services.

Financial Review

Important Events

On 4 February 2005, a wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement with Primasia Development Co. Ltd. for the purchase of the remaining 30% of the issued share capital in Liann Yee Production Co. Ltd. ("LYP") not held by the Group for a cash consideration of NT$900 million (approximately HK$220.95 million). The transaction was approved by shareholders at an extraordinary general meeting held on 21 March 2005. As a result, the Group's interest in the shareholding in LYP increased from 70% to 100%.

On 21 April 2005, TVB Satellite TV Holdings Limited ("TVB Satellite"), a wholly-owned subsidiary of the Company, entered into a transaction with Enjoy Profits Limited, Ruili Holdings Limited, Dr. Chan Kwok Keung, Charles for the disposal of 49% and 2% equity interests respectively in GSTV, which owns 100% equity interest in GSB, to Ruili Holdings Limited, through Enjoy Profits Limited, and Dr. Chan Kwok Keung, Charles for a total cash consideration of HK$350 million. Completion of the transaction is subject to, inter-alia, the settlement of unpaid capital contribution by the Group to GSTV of HK$377 million. Completion of the first closing of the transaction took place on 12 August 2005, and completion of the second closing is scheduled to take place before 31 December 2005.

Capital Assets, Investment, Liquidity and Debts

As at 30 June 2005, non-current assets of the Group stood at HK$2,553 million, a decrease from 31 December 2004 of HK$2,615 million. The net decrease was attributable to the recognition of goodwill on acquisition of the remaining 30% equity interest in LYP, offset by the decrease in the net book value of property, plant and equipment and the shared losses of the associated company, GSTV.

Cash and bank balances as at 30 June 2005 amounted to HK$456 million, a decrease of 15% over last year end (December 2004: HK$536 million). About 38% of the cash balance was maintained in overseas subsidiaries for their daily operation. To finance current working capital requirements, sufficient banking facilities have been arranged. Cash and cash equivalents held by the Group were principally in Hong Kong Dollars, US Dollars and New Taiwan Dollars.

Trade and other receivables, prepayment and deposits increased from HK$1,025 million to HK$1,111 million which represented an 8.4% increase from the position at the end of last year, reflecting a higher level of billing and the programme fee receivable from GSB. Specific provision had been made, where appropriate, to cover any potential bad and doubtful debts. Trade and other payables and accruals remained almost the same as last year end.

The Group recorded a gearing ratio of 0.04% as of 30 June 2005 (December 2004: 2%) which was measured by total debts of HK$1.5 million (December 2004: HK$61 million) against a shareholders' fund of HK$3,874 million (December 2004: HK$3,671 million). The decrease was due to the repayment of bank loans.

Contingent Liabilities

There were guarantees to the extent of HK$8.5 million (December 2004: HK$8.8 million) provided to bankers for banking facilities.

In March 2005, the Group received additional profits tax assessment notices from the Inland Revenue Department of Hong Kong for the year of assessment 1998/99 for profits generated by the Group's programme licensing and distribution business carried out overseas. The total amount of the additional assessments of profits tax was HK$98,277,000. The Group was granted a holdover of the payment on condition that tax reserve certificates are purchased. Tax reserve certificates of HK$23,989,000 were purchased in May 2005. The Group has objected to these additional assessments. The Group believes that the objection is well founded, and is determined to defend the Group's position vigorously. On this basis, the Group is of the view that no additional tax provision is necessary.

Exposure to Fluctuations in Exchange Rates and Related Hedges

As at 30 June 2005, there was no exchange contract entered into by the Group with financial institutions to sell forward foreign currencies in order to hedge against fluctuation for trade receipts from overseas customers (December 2004: HK$5.8 million). Consequently, there were no unrealised gains or losses arising from such forward contracts (December 2004: HK$0.5 million).

HUMAN RESOURCES

As of 30 June 2005, the Group employed, excluding directors and freelance workers but including contract artistes and staff in overseas subsidiary companies, a total of 4,625 (December 2004: 4,843) full-time employees. About 27% of our manpower was employed in overseas subsidiaries and was paid on a scale and system relevant to their localities and local legislation. For local employment, different pay schemes are operated for contract artistes, sales and non-sales employees. Contract artistes are paid either on a per-show basis or by a package of shows. Sales personnel are remunerated based on on-target-earning packages comprised of salary and sales commissions. Non-sales personnel are offered a monthly salary. There was no share option scheme adopted by the Group during the Period. From time to time, the Group organises, either in-house or with vocational institutions, seminars, courses and workshops on subjects of technical interest, such as industrial safety, management skills and other related studies, apart from sponsorship of training programmes that employees may enroll on their own initiative.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2005, the beneficial interests of the Directors and chief executive in the shares of the Company as recorded in the register maintained under Section 352 of the Securities and Futures Ordinance were as follows:

	No. of Ordinary Shares of HK$ 0.05 each				
	Personal Interests	**Family Interests**	**Corporate Interests**	**Total**	**Percentage of Issued Capital (%)**
Sir Run Run Shaw	-	1,146,000#	141,174,828* *(a)*	142,320,828	32.49%
Christina Lee Look Ngan Kwan	602,144	-	16,701,000 *(b)*	17,303,144	3.95%
Mona Fong	1,146,000#	-	-	1,146,000	0.26%
Chien Lee	600,000	-	-	600,000	0.14%
Dr. Li Dak Sum	-	-	300,000 *(c)*	300,000	0.07%
Louis Page	160,000	-	-	160,000	0.04%
Dr. Chow Yei Ching	100,000	-	-	100,000	0.02%

Note: *Duplication of shareholdings occurred between parties # shown above and between parties * shown above and below under "Substantial Shareholders".*

(a) *113,888,628 shares were held by Shaw Brothers (Hong Kong) Limited and 27,286,200 shares were held by The Shaw Foundation Hong Kong Limited, in which companies Sir Run Run Shaw holds 74.58% and 100% equity interests respectively through Shaw Holdings Inc., a company in which Sir Run Run Shaw holds a 100% equity interest through The Sir Run Run Shaw Charitable Trust.*

(b) *10,377,000 shares were held by Trio Investment Corporation S.A., 1,581,000 shares were held by Crystal Investments Limited, 3,162,000 shares were held by Compass Inc. and 1,581,000 shares were held by Bonus Inc. and in respect of such shares only, directors of these companies are all accustomed to act in accordance with the directions of Mrs. Christina Lee Look Ngan Kwan.*

(c) *The shares were held by Roxy Property Investment Co. Ltd. in which Dr. Li Dak Sum holds a 100% equity interest.*

All the interests stated above represent long positions. The Company or its subsidiaries did not grant to the Directors or chief executive or their spouse or children under 18 years of age any rights to subscribe for shares or debentures of the Company or any other body corporate.

Apart from the above, no interests or short positions were held or deemed or taken (under the Securities and Futures Ordinance) to be held by any Directors or chief executive of the Company in the shares or underlying shares in, or debentures of, the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance) as at 30 June 2005.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2005, the register of substantial shareholders maintained under Section 336 of the Securities and Futures Ordinance showed that the Company had been notified of the following substantial shareholders' interests (all being beneficial interests), being 5% or more of the Company's issued share capital.

	No. of Ordinary Shares of HK$0.05 each		Percentage of Issued Capital (%)
Shaw Brothers (Hong Kong) Limited	113,888,628*		26.00%
OppenheimerFunds, Inc.	34,220,600	*(i)*	7.81%
The Shaw Foundation Hong Kong Limited	27,286,200*		6.23%
Marathon Asset Management Limited	26,288,000	*(ii)*	6.02%
FMR Corporation	22,000,300	*(iii)*	5.02%
State Street Corporation	21,956,534	*(iv)*	5.01%

Note: *Duplication of shareholdings occurred between parties * shown here and above under "Directors' Interests In Shares".*

(i) *Interests were held in the capacity as investment adviser to clients of OppenheimerFunds, Inc.*

(ii) *Interests were held in the capacity of investment manager.*

(iii) *Interests were held by Fidelity Management & Research Company (FMRCo) and Fidelity Management Trust Company (FMTC), in both of which FMR Corporation in the US holds a 100% equity interest. FMRCo acts as investment adviser to various investment companies, and FMTC acts as a trustee or investment manager of various pensions and trust accounts, and as investment manager of other institutional accounts.*

(iv) *Interests were held by State Street Bank & Trust Company, in which State Street Corporation holds a 100% equity interest.*

All the interests stated above represent long positions. Save for the shares referred to above, no other person was recorded in the register kept pursuant to Section 336 of the Securities and Futures Ordinance as having an interest or short positions in the shares, underlying shares or debentures of, the Company or any associated corporations (within the meaning of the Securities and Futures Ordinance) which represented 5% or more of the issued share capital of the Company as at 30 June 2005.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2005, the Company had not redeemed any of its ordinary shares. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's ordinary shares.

CORPORATE GOVERNANCE

During the six months ended 30 June 2005, the Company was in compliance with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Exchange") except for the following:

a) the executive chairman is not subject to retirement by rotation pursuant to Article 114(D) of the Company's Articles of Association;

b) the non-executive Directors were not appointed for specific terms during the Period but are subject to retirement by rotation. Pursuant to Article 114(A) of the Company's Articles of Association, at each annual general meeting, one third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third, shall retire from office by rotation and shall be eligible for re-election. The Company is taking steps to comply with code provision A.4.1 by issuing a letter of appointment with specific term of office clearly mentioned therein to non-executive Directors in the second half of 2005; and

c) a remuneration committee of the Board comprising a majority of independent non-executive Directors was formed on 16 August 2005, subsequent to the Period end, in accordance with the provisions of the Code.

Save for the above, none of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 June 2005, in compliance with the Code.

The Board had adopted the revised Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules, which superseded the earlier model code adopted on 1 September 2004. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the Period.

AUDIT COMMITTEE

All of the Audit Committee members are appointed from the non-executive Directors, with the chairman of the Audit Committee meeting the qualifications and experience in financial matters as required by the Listing Rules.

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters, in the presence of the Company's external auditors, which included a review of the unaudited condensed interim accounts for the six months ended 30 June 2005 prior to making its recommendation to the Board of Directors.

The interim financial statements for the six months ended 30 June 2005 have not been audited but have been reviewed by the Company's external auditors whose report is set out on page 45 of this report.

INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2005 containing all the information required by paragraphs 46(1) to 46(9) of Appendix 16 of the Listing Rules is also published on the Exchange's website (www.hkex.com.hk) and the Company's website (www.tvb.com).

On behalf of the Board

Run Run Shaw
Executive Chairman

Hong Kong, 31 August 2005

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2005

	Note	**30 June 2005 Unaudited HK$'000**	31 December 2004 As restated HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,979,203**	2,049,844
Leasehold land	6	**190,700**	192,984
Goodwill	6&7	**164,733**	55,342
Interest in jointly controlled entities		**10,537**	18,722
Interest in associates		**185,953**	261,713
Non-trading securities		**206**	3,705
Loans to investee companies		**6,324**	14,263
Deferred income tax assets		**15,549**	18,592
		2,553,205	2,615,165
Current assets			
Programmes and film rights		**468,663**	452,652
Stocks		**10,906**	11,588
Trade and other receivables, prepayments and deposits	8	**1,110,843**	1,024,956
Financial assets at fair value through profit or loss	9	**338,210**	189,432
Tax recoverable		**1,107**	3,034
Pledged bank deposits		**246**	234
Bank deposits maturing after three months		**54,230**	9,550
Cash and cash equivalents		**401,464**	526,299
		2,385,669	2,217,745
Total assets		**4,938,874**	4,832,910
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	10	**21,900**	21,900
Other reserves	11	**707,372**	698,989
Retained earnings			
- Proposed final dividend	20(b)	**-**	350,400
- Others		**3,144,714**	2,599,357
		3,873,986	3,670,646
Minority interest		**21,935**	116,550
Total equity		**3,895,921**	3,787,196
LIABILITIES			
Non-current liabilities			
Long-term borrowings	13	**-**	48,683
Deferred income tax liabilities		**151,057**	125,370
Retirement benefit obligations		**20,488**	16,215
Long-term provisions	14	**-**	1,045
		171,545	191,313

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

AS AT 30 JUNE 2005

	Note	**30 June 2005 Unaudited HK$'000**	31 December 2004 As restated HK$'000
Current liabilities			
Trade and other payables and accruals	12	**714,745**	727,635
Current income tax liabilities		**152,070**	99,865
Borrowings	13	**1,460**	12,040
Short-term provisions	14	**3,133**	14,861
		871,408	854,401
Total liabilities		**1,042,953**	1,045,714
Total equity and liabilities		**4,938,874**	4,832,910

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Note	Unaudited Six months ended 30 June **2005** **HK$'000**	 2004 HK$'000
Turnover	5	**1,853,324**	1,695,542
Cost of sales	16	**(805,032)**	(899,040)
Gross profit		**1,048,292**	796,502
Other revenues	15	**26,606**	18,533
Selling, distribution and transmission costs	16	**(225,849)**	(224,662)
General and administrative expenses	16	**(218,704)**	(240,899)
Other operating (expenses)/income		**(8,569)**	10,108
		621,776	359,582
Change in fair value of financial assets at fair value through profit or loss		**148,778**	-
Operating profit		**770,554**	359,582
Finance costs	17	**(970)**	(4,003)
Share of losses of			
Jointly controlled entities		**(4,245)**	(1,911)
Associates		**(98,873)**	(76,853)
Profit before income tax		**666,466**	276,815
Income tax expense	18	**(115,266)**	(42,760)
Profit for the period		**551,200**	234,055
Attributable to:			
Equity holders of the Company		**545,357**	217,465
Minority interest		**5,843**	16,590
		551,200	234,055
Earnings per share for profit attributable to the equity holders of the Company during the period	19	**HK$1.25**	HK$0.50
Dividends	20	**109,500**	87,600

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Unaudited				
	Attributable to equity holders of the Company				
	Share capital	**Other reserves**	**Retained earnings**	**Minority interest**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2005, as previously reported as equity	21,900	698,989	2,949,757	-	3,670,646
Balance at 1 January 2005, as previously separately reported as minority interest	-	-	-	116,550	116,550
Balance at 1 January 2005, as restated	21,900	698,989	2,949,757	116,550	3,787,196
Currency translation differences	-	8,383	-	5,207	13,590
Net income recognised directly in equity	-	8,383	-	5,207	13,590
Profit for the period	-	-	545,357	5,843	551,200
Total recognised income for the six months ended 30 June 2005	-	8,383	545,357	11,050	564,790
Dividends relating to 2004	-	-	(350,400)	-	(350,400)
Acquisition of minority interest in a subsidiary (note 6)	-	-	-	(105,665)	(105,665)
	-	-	(350,400)	(105,665)	(456,065)
Balance at 30 June 2005	**21,900**	**707,372**	**3,144,714**	**21,935**	**3,895,921**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Unaudited				
	Attributable to equity holders of the Company				
	Share capital	**Other reserves**	**Retained earnings**	**Minority interest**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2004, as previously reported as equity	21,900	694,371	2,579,276	-	3,295,547
Balance at 1 January 2004, as previously separately reported as minority interest	-	-	-	83,785	83,785
Balance at 1 January 2004, as restated	21,900	694,371	2,579,276	83,785	3,379,332
Currency translation differences	-	(2,727)	-	(1,833)	(4,560)
Exchange recognised directly in equity	-	(1,033)	1,033	-	-
Net income/(expense) recognised directly in equity	-	(3,760)	1,033	(1,833)	(4,560)
Profit for the period	-	-	217,465	16,590	234,055
Total recognised income/(expense) for the six months ended 30 June 2004	-	(3,760)	218,498	14,757	229,495
Dividends relating to 2003	-	-	(262,800)	-	(262,800)
Balance at 30 June 2004	21,900	690,611	2,534,974	98,542	3,346,027

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Unaudited	
	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
Net cash inflow from operating activities	**583,647**	528,270
Net cash outflow from investing activities	**(300,969)**	(185,217)
Net cash outflow from financing activities	**(413,907)**	(374,585)
Decrease in cash and cash equivalents	**(131,229)**	(31,532)
Cash and cash equivalents at 1 January	**526,299**	300,224
Exchange gains on cash and cash equivalents	**4,934**	294
Cash and cash equivalents at 30 June	**400,004**	268,986
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	**401,464**	330,124
Bank overdrafts	**(1,460)**	-
Short-term bank loans repayable within three months	**-**	(61,138)
Cash and cash equivalents	**400,004**	268,986

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 Basis of preparation and accounting policies

These unaudited condensed consolidated financial information 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.

These condensed consolidated financial information should be read in conjunction with the 2004 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December 2004 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1 January 2005.

These condensed consolidated financial information has been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparing these information. The HKFRS standards and interpretations that will be applicable at 31 December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these condensed consolidated financial information.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in note 2 below.

2 Changes in accounting policies

(a) Effect of adopting new HKFRS

In 2005, the Group adopted the new/revised standards of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 3	Business Combinations

2 Changes in accounting policies (Continued)

(a) Effect of adopting new HKFRS (Continued)

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 31 and 33 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures.
- HKASs 2, 7, 8, 10, 16, 23, 27, 28, 31 and 33 had no material effect on the Group's policies.
- HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.
- HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and accumulated impairment.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 has resulted in a change in the accounting policy for goodwill. Until 31 December 2004, goodwill was:

- amortised on a straight-line basis over a period ranging from 5 to 10 years; and
- assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3 (note 2.4):

- the Group ceased amortisation of goodwill from 1 January 2005;
- accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill; and
- from the year ending 31 December 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

- HKAS 21 - prospective accounting for goodwill and fair value adjustments as part of foreign operations;
- HKAS 39 - does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous Hong Kong Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for investments in securities" to investments in securities for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 January 2005; and
- HKFRS 3 - prospectively after the adoption date.

2 Changes in accounting policies (Continued)

(a) Effect of adopting new HKFRS (Continued)

(i) The effects of the adoption of revised HKAS 17 are summarised as follows:

	30 June 2005	31 December 2004
	HK$'000	HK$'000
Decrease in property, plant and equipment	**(190,700)**	(192,984)
Increase in leasehold land	**190,700**	192,984

(ii) The effects of the adoption of revised HKFRS 3 and HKAS 38 are summarised as follows:

	Six months ended 30 June 2005
	HK$'000
Decrease in other operating expenses arising from the cessation of amortisation of goodwill	**(2,799)**

(b) New accounting policies

The accounting policies used for the condensed consolidated financial information for the six months ended 30 June 2005 are the same as those set out in note 1 to the 2004 annual financial statements except for the following:

2.1 Acquisition of subsidiaries and associates

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 interest. 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 recognised directly in the income statement.

An investment in an associate is accounted for using the equity method from the date on which it becomes an associate. On acquisition of the investment, the measurement and recognition of goodwill is the same as that of goodwill arising from the acquisition of subsidiaries. Goodwill relating to an associate is included in the carrying amount of the investment. Appropriate adjustments to the investor's share of the profits or losses after acquisition are made to account based on their fair values at the date of acquisition.

2.2 Foreign currency translation

(a) 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 Hong Kong dollars, which is the Company's functional and presentation currency.

2 Changes in accounting policies (Continued)

(b) New accounting policies (Continued)

2.2 Foreign currency translation (Continued)

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

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

(c) 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:

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

(ii) 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

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholder's equity. When a foreign operation is sold, such exchange differences are recognised 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.

2.3 Property, plant and equipment

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2.4 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/associate/jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and jointly controlled entities is included in investments in associates and jointly controlled entities. 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.

2 Changes in accounting policies (Continued)

(b) New accounting policies (Continued)

2.5 Impairment of assets

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

2.6 Investments

From 1 January 2004 to 31 December 2004:
The Group classified its investments in securities, other than subsidiaries, associates and jointly controlled entities, as investment securities and other investments.

(a) Investment securities
Investment securities are stated at cost less any provision for impairment losses. The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the income statement. This impairment loss is written back to the income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(b) Other investments
Other investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the income statement. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the income statement as they arise.

From 1 January 2005 onwards:
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 re-evaluates this designation at every reporting date.

(a) 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 categorised 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 realised within 12 months of the balance sheet date.

2 Changes in accounting policies (Continued)

(b) New accounting policies (Continued)

2.6 Investments (Continued)

(b) 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 (note 2.7).

(c) 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.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value whereas available-for-sale financial assets are carried at cost less accumulated impairment. Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised 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. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are carried at cost less accumulated impairment.

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

2.7 Trade and other receivables

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

2 Changes in accounting policies (Continued)

(b) New accounting policies (Continued)

2.8 Borrowings

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

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.

3 Financial risk management

Financial risk factors

The Group's activities exposed it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollars. Foreign exchange risk arises from future commercial transactions, assets and liabilities recognition and net investments in foreign operations, are in a currency that is not the subsidiaries' functional currency.

To manage the foreign exchange risk arising from future commercial transactions, assets and liabilities recognition, subsidiaries in the Group use forward contracts transacted between the Group and a financial institution.

The Group has certain investments in foreign operations, which net assets are exposed to foreign currency risk.

(ii) 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.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales are made to customers with established credit history or upon presentation of bank guarantees.

(c) Cash flow interest rate risk

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

4 Critical accounting estimates and judgements

In preparing the condensed consolidated financial information, accounting estimates and judgements need to be made. The Group evaluates these based on historical experience 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 will, by definition, seldom equate the related actual results. Estimates and assumptions that may have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of goodwill
The Group performs annual tests on whether there has been impairment of goodwill in accordance with the accounting policy stated in note 2.4. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

(b) Trade debtors
The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the income statement. Changes in the collectibility of trade receivables for which provisions are not made could affect our results of operations.

(c) Useful lives of fixed assets
In accordance with HKAS 16, the Group estimates the useful lives of fixed assets in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

(d) Impairment of non-current assets
If a triggering event occurs indicating that the carrying amount of an asset may not be recoverable, an assessment of the carrying amount of that asset will be performed. Triggering events include significant adverse changes in the market value of an asset, changes in the business or regulatory environment, or certain legal events. The interpretation of such events requires judgment from management with respect to whether such an event has occurred.

Upon the occurrence of triggering events, the carrying amounts of non-current assets are reviewed to assess whether their recoverable amounts have declined below their carrying amounts. The recoverable amount is the present value of estimated net future cash flows which the Group expects to generate from the future use of the asset, plus the asset's residual value on disposal. Where the recoverable amount of non-current assets is less than its carrying value, an impairment loss is recognised to write the assets down to its recoverable amount.

5 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 - animation production, merchandising services, website portal, magazine publication 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.

5 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 2005						
	Terrestrial television broadcasting	Programme licensing and distribution	Overseas satellite pay TV operations	Channel operations	Other activities	Elimination	Group total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover (note)							
External sales	910,188	285,235	128,761	490,399	38,741	-	1,853,324
Inter-segment sales	303	48,480	-	7,115	3,797	(59,695)	-
	910,491	333,715	128,761	497,514	42,538	(59,695)	1,853,324
Segment results (note)	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							551,200

Note: There are no new activities at their initial stage of operations (i.e. not more than five years since commencement of commercial operations) for the six months ended 30 June 2005.

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

5 Segment information (Continued)

Primary reporting format - business segments (Continued)

	Six months ended 30 June 2004						
	Terrestrial television broadcasting	**Programme licensing and distribution**	**Overseas satellite pay TV operations**	**Channel operations**	**Other activities**	**Elimination**	**Group total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover (note)							
External sales	828,497	285,721	97,698	432,719	50,907	-	1,695,542
Inter-segment sales	541	47,733	106	7,103	3,879	(59,362)	-
	829,038	333,454	97,804	439,822	54,786	(59,362)	1,695,542
Segment results (note)	95,239	184,781	(6,678)	76,499	8,987	754	359,582
Finance costs							(4,003)
Share of losses of							
Jointly controlled entities	-	-	-	4	(1,915)		(1,911)
Associates	-	-	-	(76,853)	-		(76,853)
Profit before income tax							276,815
Income tax expense							(42,760)
Profit for the period							234,055

Note: The above segments include activities at their initial stage of operations (i.e. not more than five years since commencement of commercial operations) and an analysis of their respective turnover and results is as follows:

Turnover	-	-	72,368	-	11,848		84,216
Segment results	-	-	21,164	-	3,166		24,330

Other segment terms included in the income statement are as follows:

Depreciation	96,088	3,304	9,824	25,896	2,302		137,414
Amortisation of leasehold land	2,284	-	-	-	-		2,284
Amortisation of goodwill	-	-	2,799	899	-		3,698

5 Segment information (Continued)

Primary reporting format - business segments (Continued)

The segment assets and liabilities at 30 June 2005 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	Group total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	3,025,786	187,886	142,510	841,460	139,734	4,337,376
Interest in jointly controlled entities	-	-	-	-	10,537	10,537
Interest in associates	138,677	-	-	47,276	-	185,953
Non-trading securities	-	3	-	203	-	206
Loans to investee companies	-	6,324	-	-	-	6,324
Financial assets at fair value through profit or loss	-	-	-	338,210	-	338,210
Unallocated assets						60,268
Total assets						4,938,874
Segment liabilities	217,059	111,595	61,098	143,297	15,885	548,934
Payable for financial assets at fair value through profit or loss	-	-	-	189,432	-	189,432
Unallocated liabilities						304,587
						1,042,953
Capital expenditure	38,818	3,567	739	13,180	286	56,590

5 Segment information (Continued)

Primary reporting format - business segments (Continued)

The segment assets and liabilities at 31 December 2004 and capital expenditure for the six months ended 30 June 2004 are as follows:

	Terrestrial television broadcasting	Programme licensing and distribution	Overseas satellite pay TV operations	Channel operations	Other activities	Group total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	3,201,734	195,608	141,685	621,002	147,191	4,307,220
Interest in jointly controlled entities	-	-	-	3,814	14,908	18,722
Interest in associates	115,564	-	-	146,149	-	261,713
Non-trading securities	-	3	-	2,164	1,538	3,705
Loans to investee companies	-	14,263	-	-	-	14,263
Financial assets at fair value through profit or loss	-	-	-	189,432	-	189,432
Unallocated assets						37,855
Total assets						4,832,910
Segment liabilities	258,362	88,972	60,744	141,655	20,591	570,324
Payable for financial assets at fair value through profit or loss	-	-	-	189,432	-	189,432
Unallocated liabilities						285,958
						1,045,714
Capital expenditure	53,966	3,380	1,214	8,312	1,616	68,488

Segment assets consist primarily of prepaid operating lease payments, property, plant and equipment, intangible assets, inventories, receivables and operating cash. They exclude deferred taxation and investments.

Segment liabilities comprise operating liabilities. They exclude items such as taxation and borrowings.

Capital expenditure comprises additions to leasehold land, property, plant and equipment.

5 Segment information (Continued)

Secondary reporting format - geographical segments

Although the Group's five business segments are managed on a worldwide basis, the sales are generated in eight main geographical areas:

Hong Kong - terrestrial television broadcasting with programme production, distribution of television channels, website portal and magazine publication
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 satellite TV channel services
Malaysia and Singapore - licensing and distribution of television programmes
Other countries - principally licensing and distribution of television programmes

An analysis of the Group's turnover and contribution to operating profit/(loss) for the period by geographical segments is as follows:

	Turnover		**Operating profit/(loss)**	
	Six months ended 30 June		**Six months ended 30 June**	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Geographical segments:				
Hong Kong	**1,054,239**	948,741	**357,210**	111,704
Taiwan	**371,271**	345,870	**69,672**	87,153
USA and Canada	**108,560**	104,255	**56,935**	63,467
Australia	**34,080**	29,563	**(2,831)**	(7,302)
Europe	**49,077**	28,938	**8,661**	(21,666)
Mainland China	**58,176**	44,021	**35,444**	20,016
Malaysia and Singapore	**153,702**	174,755	**84,500**	94,982
Other countries	**24,219**	19,399	**12,185**	11,228
	1,853,324	1,695,542	**621,776**	359,582
Change in fair value of financial assets at fair value through profit or loss			**148,778**	
			770,554	

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

5 Segment information (Continued)

Secondary reporting format - geographical segments (Continued)

	Total assets		Capital expenditure	
	30 June 2005	31 December 2004	**Six months ended 30 June 2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**3,335,215**	3,406,310	**41,836**	55,530
Taiwan	**644,967**	540,143	**13,113**	8,265
USA and Canada	**116,813**	123,375	**950**	2,600
Australia	**19,137**	16,113	**159**	601
Europe	**81,168**	88,195	**522**	558
Mainland China	**26,368**	21,806	**-**	908
Malaysia and Singapore	**77,796**	78,750	**-**	-
Other countries	**35,912**	32,528	**10**	26
	4,337,376	4,307,220	**56,590**	68,488
Interest in jointly controlled entities	**10,537**	18,722		
Interest in associates	**185,953**	261,713		
Non-trading securities	**206**	3,705		
Loans to investee companies	**6,324**	14,263		
Financial assets at fair value through profit or loss	**338,210**	189,432		
Unallocated assets	**60,268**	37,855		
	4,938,874	4,832,910		

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

6 Capital expenditure

	Goodwill	Property, plant and equipment	Leasehold land
	HK$'000	HK$'000	HK$'000
Opening net book amount as at 1 January 2005	55,342	2,049,844	192,984
Acquisition of minority interest in a subsidiary (note)	115,285	-	-
Additions	-	56,590	-
Disposals	-	(3,815)	-
Depreciation/amortisation charge (note 16)	-	(133,748)	(2,284)
Impairment charge (note 16)	(5,894)	-	-
Exchange differences	-	10,332	-
Closing net book amount as at 30 June 2005	**164,733**	**1,979,203**	**190,700**
Opening net book amount as at 1 January 2004	62,739	2,167,680	197,551
Additions	-	68,488	-
Disposals	-	(670)	-
Depreciation/amortisation charge (note 16)	(3,698)	(137,414)	(2,284)
Reversal of impairment charge	-	7,210	-
Exchange differences	-	(5,514)	-
Closing net book amount as at 30 June 2004	59,041	2,099,780	195,267
Additions	-	74,659	-
Disposals	-	(213)	-
Depreciation/amortisation charge	(3,699)	(135,004)	(2,283)
Exchange differences	-	10,622	-
Closing net book amount as at 31 December 2004	55,342	2,049,844	192,984

Note: On 21 March 2005, the Group acquired 30% interest in Liann Yee Production Co. Ltd. ("LYP") from the minority shareholder at a cash consideration of NT$900 million (approximately HK$220,950,000). The excess of the Group's share of the consideration of LYP over the additional 30% shareholding acquired, amounting to NT$470 million (approximately HK$115,285,000), has been recognised as goodwill.

7 Goodwill

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to country of operation and business segment.

7 Goodwill (Continued)

A segment-level summary of the goodwill allocation is presented below:

	30 June 2005		
	Overseas satellite pay TV operations	**Channel operations**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Europe	**49,448**	**-**	**49,448**
Taiwan	**-**	**115,285**	**115,285**
	49,448	**115,285**	**164,733**

	31 December 2004		
	Overseas satellite pay TV operations	**Channel operations**	**Total**
	HK$'000	HK$'000	HK$'000
Europe	49,448	-	49,448
Taiwan	-	5,894	5,894
	49,448	5,894	55,342

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The growth rate does not exceed the long-term average growth rate in which the CGU operates. The annual impairment test will be performed at the end of the year to coincide with the completion of the annual budgeting process.

8 Trade and other receivables, prepayments and deposits

	30 June 2005	31 December 2004
	HK$'000	HK$'000
Receivables from:		
Associates	**136,934**	43,735
An investee company	**-**	2,167
Related parties	**37,535**	48,349
Trade receivables	**808,197**	841,758
Less: provision for impairment of receivables	**(71,878)**	(66,885)
Prepayments, deposits and other receivables	**176,066**	155,832
Tax reserve certificates (note 21(b))	**23,989**	-
	1,110,843	1,024,956

8 Trade and other receivables, prepayments and deposits (Continued)

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 2005 and 31 December 2004, the aging analysis of the trade receivables including trading balances due from associates and an investee company and related parties is as follows:

	30 June 2005	31 December 2004
	HK$'000	HK$'000
Current	**340,596**	403,890
1-2 months	**255,832**	209,821
2-3 months	**143,552**	131,528
3-4 months	**86,651**	65,386
4-5 months	**42,140**	29,430
Over 5 months	**103,753**	66,897
	972,524	906,952
Trade receivables from:		
Third parties	**808,197**	841,758
Associates, an investee company and related parties	**164,327**	65,194
Non-trading amounts due from associates and related parties	**10,142**	29,057
	982,666	936,009

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

The carrying amounts of trade and other receivables approximate their fair values.

9 Financial assets at fair value through profit or loss

	30 June 2005	31 December 2004
	HK$'000	HK$'000
Unlisted security at fair value - held for trading	**338,210**	189,432

Note: The unlisted security represents 51% interest in Galaxy Satellite TV Holdings Limited ("GSTV"). The fair value of the security as at 30 June 2005 represents the consideration for the disposal of the security to independent third parties in accordance with a sale and purchase agreement dated 21 April 2005. The transaction was completed on 12 August 2005 subject to the settlement of unpaid capital contribution by the Group to GSTV of HK$376,882,000. The settlement will take place before 31 December 2005.

10 Share capital

	Number of ordinary shares of HK$0.05 each	Nominal value
		HK$'000
Authorised:		
At 1 January 2004 and 2005 and 30 June 2005	**1,300,000,000**	**65,000**
Issued and fully paid:		
At 1 January 2004 and 2005 and 30 June 2005	**438,000,000**	**21,900**

11 Other reserves

	Share premium	General reserve	Capital reserve	Legal reserve	Capital redemption reserve	Translation	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2004	602,026	70,000	864	7,831	40,118	(26,468)	694,371
Currency translation differences:							
- Group	-	-	-	-	-	(2,632)	(2,632)
- Jointly controlled entities	-	-	-	-	-	(95)	(95)
Exchange recognised directly in equity	-	-	-	-	-	(1,033)	(1,033)
Balance at 30 June 2004	602,026	70,000	864	7,831	40,118	(30,228)	690,611
Currency translation differences:							
- Group	-	-	-	-	-	8,625	8,625
- Jointly controlled entities	-	-	-	-	-	186	186
Transfer from retained earnings	-	-	-	1,415	-	-	1,415
Exchange recognised directly in equity	-	-	-	-	-	(1,848)	(1,848)
Balance at 31 December 2004	602,026	70,000	864	9,246	40,118	(23,265)	698,989
Balance at 1 January 2005	602,026	70,000	864	9,246	40,118	(23,265)	698,989
Currency translation differences:							
- Group	-	-	-	-	-	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**

12 Trade and other payables and accruals

	30 June 2005 HK$'000	31 December 2004 HK$'000
Trade payables to:		
Associates	**3,177**	1,551
Related parties	**235**	1,037
Third parties	**83,608**	85,232
Other accounts payables and accruals	**438,293**	450,383
Payable for financial assets at fair value through profit or loss	**189,432**	189,432
	714,745	727,635

At 30 June 2005 and at 31 December 2004, the aging analysis of the trade payables including trading balances due to associates and related parties is as follows:

	30 June 2005 HK$'000	31 December 2004 HK$'000
Current	**47,105**	59,805
1-2 months	**30,846**	21,877
2-3 months	**4,083**	1,662
3-4 months	**1,469**	1,108
4-5 months	**959**	1,095
Over 5 months	**2,558**	2,273
	87,020	87,820

13 Borrowings

	30 June 2005 HK$'000	31 December 2004 HK$'000
Non-current		
Long-term bank loans	**-**	48,683
Current		
Current portion of long-term bank loans	**-**	5,366
Current portion of long-term other loans	**-**	4,253
Obligations under finance leases	**-**	83
Short-term bank loans	**-**	2,338
Bank overdrafts	**1,460**	-
	1,460	12,040
Total borrowings	**1,460**	60,723

13 Borrowings (Continued)

As at 31 December 2004, bank loans and other loans of HK$58,302,000 were secured by land and buildings with net book value of HK$109,894,000.

The maturity of borrowings is as follows:

	30 June 2005	31 December 2004		
	Bank overdrafts	**Bank loans**	**Others loans**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
In the first year	**1,460**	7,704	4,253	11,957
In the second year	**-**	5,623	-	5,623
In the third to fifth year	**-**	18,534	-	18,534
After the fifth year	**-**	24,526	-	24,526
	1,460	56,387	4,253	60,640

At 30 June 2005 and 31 December 2004, the group's finance lease liabilities were repayable as follows:

	30 June 2005	31 December 2004
	HK$'000	HK$'000
In the first year - present value	**-**	83

The carrying amounts of the borrowings are denominated in the following currencies:

	30 June 2005	31 December 2004
	HK$'000	HK$'000
New Taiwan dollars	**-**	54,049
Sterling	**1,460**	2,338
US dollars	**-**	4,253
Australian dollars	**-**	83
	1,460	60,723

14 Provisions

	Onerous contracts
	HK$'000
At 1 January 2005	15,906
Less: utilised during the period	(12,773)
At 30 June 2005	**3,133**

Analysis of total provisions

	30 June 2005	31 December 2004
	HK$'000	HK$'000
Non-current	**-**	1,045
Current	**3,133**	14,861
	3,133	15,906

15 Other revenues

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
Interest income	**9,155**	753
Others	**17,451**	17,780
	26,606	18,533

16 Expenses by nature

Expenses included in cost of sales, selling, distribution and transmission costs and general and administrative expenses are analysed as follows:

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
Depreciation - owned fixed assets	**133,747**	137,388
Depreciation - leased fixed assets	**1**	26
Amortisation of leasehold land	**2,284**	2,284
Cost of programmes, film rights and stocks	**519,201**	627,032
Impairment of goodwill	**5,894**	-
Amortisation of goodwill	**-**	3,698

17 Finance costs

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
Interest on overdrafts, bank loans and other loans	**970**	3,975
Interest element of finance leases	**-**	28
Total finance costs incurred	**970**	4,003

18 Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the 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.

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
Current income tax:		
- Hong Kong profits tax	**70,795**	3,764
- Overseas taxation	**15,847**	20,331
- (Over)/under provisions in prior periods	**(222)**	110
Deferred income tax	**28,846**	18,555
	115,266	42,760

19 Earnings per share

The earnings per share is calculated based on the Group's profit attributable to equity holders of the Company of HK$545,357,000 (2004: HK$217,465,000) and 438,000,000 shares in issue throughout the six months ended 30 June 2005 and 2004.

20 Dividends

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
Interim dividend, proposed, of HK$0.25 (2004: HK$0.20) per ordinary share (note (a) and (c))	**109,500**	87,600

Notes:

(a) At a meeting held on 1 September 2004, the directors declared an interim dividend of HK$0.20 per ordinary share for the year ended 31 December 2004 which was paid on 30 September 2004.

20 Dividends (Continued)

(b) At a meeting held on 23 March 2005, the directors proposed a final dividend of HK$0.80 per ordinary share for the year ended 31 December 2004, which was paid on 3 June 2005 and was reflected as an appropriation of retained earnings in these condensed consolidated financial information for the six months ended 30 June 2005.

(c) At a meeting held on 31 August 2005, the directors declared an interim dividend of HK$0.25 per ordinary share for the year ending 31 December 2005. This proposed dividend is not reflected as a dividend payable in these condensed consolidated financial information, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2005.

21 Contingent liabilities

	30 June 2005	31 December 2004
	HK$'000	HK$'000
(a) Guarantees for banking facilities granted to an investee company	**8,546**	8,756

(b) In March 2005, the Group received additional profits tax assessment notices from the Inland Revenue Department of Hong Kong for the year of assessment 1998/99 for profits generated by the Group's programme licensing and distribution business carried out overseas. The total amount of the additional assessments of profits tax was HK$98,277,000. The Group was granted a holdover of the payment on condition that tax reserve certificates are purchased. Tax reserve certificates of HK$23,989,000 were purchased in May 2005 (note 8). The Group has objected to these additional assessments. The Group believes that the objection is well founded, and is determined to defend the Group's position vigorously. On this basis, the Group is of the view that no additional tax provision is necessary.

22 Capital commitments

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	30 June 2005	31 December 2004
	HK$'000	HK$'000
Property, plant and equipment		
Authorised but not contracted for	**136,920**	184,390
Contracted but not provided for	**23,062**	14,845
	159,982	199,235

The Group's share of commitments for property, plant and equipment of the jointly controlled entities was nil (31 December 2004: Nil).

23 Operating lease commitments

At 30 June 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30 June 2005		31 December 2004	
	Land and buildings	**Equipment and transponders**	Land and buildings	Equipment and transponders
	HK$'000	**HK$'000**	HK$'000	HK$'000
Not later than one year	**25,806**	**45,418**	37,077	62,427
Later than one year and not later than five years	**47,524**	**53,910**	51,892	60,557
Later than five years	**6,734**	**-**	11,769	5,537
	80,064	**99,328**	100,738	128,521

24 Significant related party transactions

The following transactions were carried out with related parties:

		Six months ended 30 June	
	Note	**2005**	2004
		HK$'000	HK$'000
(i) Sales of goods and services			
Sales of services to other related parties			
Programmes/channel licensing fee	(a)	**63,516**	69,860
Advertising agency fee	(a)	**15,662**	14,075
Management fee	(a)	**15,130**	-
Advertising income	(b)	**-**	10,224
Rental of satellite equipment and technical service fee	(b)	**783**	3,854
Transponder leasing fee	(b)	**476**	2,581
Programmes licensing fee	(c)	**3,428**	3,117
Sales of services to an associate			
Programmes/channel licensing fee	(d)	**100,000**	73,563
Channel package service fee	(d)	**1,096**	-
Downlink service fee	(d)	**948**	-
Advertising income	(d)	**14,247**	-
Rental income and related charges	(d)	**3,738**	3,135
		219,024	180,409

24 Significant related party transactions (Continued)

	Note	Six months ended 30 June 2005 HK$'000	2004 HK$'000
(ii) Purchases of goods and services			
Purchases of services from other related parties			
Rental fee	(e)	**(8,866)**	(8,866)
Optical fibre rental fee	(b)	**(200)**	(983)
Satellite relay service fee	(b)	**(392)**	(1,927)
Programmes/channel licensing fee	(f)	**(2,431)**	(998)
Supply network and telephone system	(g)	**(935)**	(2,648)
Purchases of services from an associate			
Playback and uplink service fee	(d)	**(18,477)**	(20,253)
		(31,301)	(35,675)

Notes:

(a) 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.

(b) The fees were received from/(paid to) Era Communications Co. Ltd., a minority shareholder of a non-wholly owned subsidiary of the Company. The non-wholly owned subsidiary has become a wholly owned subsidiary on 22 March 2005.

(c) The fees were received from ASTRO Entertainment Networks Ltd., an associate of the minority shareholder of non-wholly owned subsidiaries of the Company.

(d) The fees were received from/(paid to) Galaxy Satellite Broadcasting Limited, an associate of the Company.

(e) 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.

(f) The fees were paid to Celestial Television Networks Ltd., an associate of the minority shareholder of non-wholly owned subsidiaries of the Company.

(g) The fees were paid to Chevalier (Network Solutions) Limited ("CNSL") in relation to the supply, installation and maintenance of the private automatic branch exchange system and structured cabling network. The total sum was settled by way of installments. The controlling shareholder of the holding company of CNSL, is also a director of the Company.

24 Significant related party transactions (Continued)

(iii) Period-end balances

	30 June 2005 HK$'000	30 June 2004 HK$'000
Receivables from other related parties (note)	**37,535**	53,018
Receivables from an investee company	**-**	2,186
Receivables from associates	**136,934**	1,900
	174,469	57,104
Payables to other related parties	**235**	2,402
Payables to associates	**3,177**	2,863
	3,412	5,265

Note: As at 30 June 2005, a provision for impairment of receivable from other related parties of HK$7,880,000 (30 June 2004: HK$7,880,000) has been provided.

(iv) Loans to related parties

	30 June 2005 HK$'000	31 December 2004 HK$'000
Loans to investee companies		
Beginning of the period	**52,210**	51,085
Loan repayments received	**(7,408)**	-
Interest expensed	**208**	417
Interest received	**(208)**	(417)
Exchange difference	**(560)**	1,125
End of the period	**44,242**	52,210
Less: provision for impairment of loans	**(37,918)**	(37,947)
	6,324	14,263
Loan to an associate		
Beginning of the period	**133,397**	115,564
Interest expensed	**5,280**	17,833
End of the period	**138,677**	133,397

24 Significant related party transactions (Continued)

The loans to the investee companies are unsecured and interest free, and have no fixed terms of repayment, except for an amount of C$999,000 (31 December 2004: C$1,275,000) which carries interest at 2% per annum above the Canadian Prime Rate.

The loan to an associate is unsecured and carries interest at 8% per annum compounded annually. The principal amount and the accrued interest shall be payable to the Company in two annual installments on 20 February 2007 and 20 February 2008 respectively, unless the associate is publicly floated before either date, whereupon the outstanding principal amount and accrued interest shall be prepaid.

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF TELEVISION BROADCASTS LIMITED

(Incorporated in Hong Kong with limited liability)

Introduction

We have been instructed by Television Broadcasts Limited (the "Company") to review the interim financial report set out on pages 11 to 44.

Respective responsibilities of directors and auditors

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the HKICPA. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2005.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 August 2005

TELEVISION BROADCASTS LIMITED INTERIM REPORT 2005

Television Broadcasts Limited

TVB City, 77 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong.