ANNUAL REPORT 2007
周年報告

Television Broadcasts Limited
電視廣播有限公司

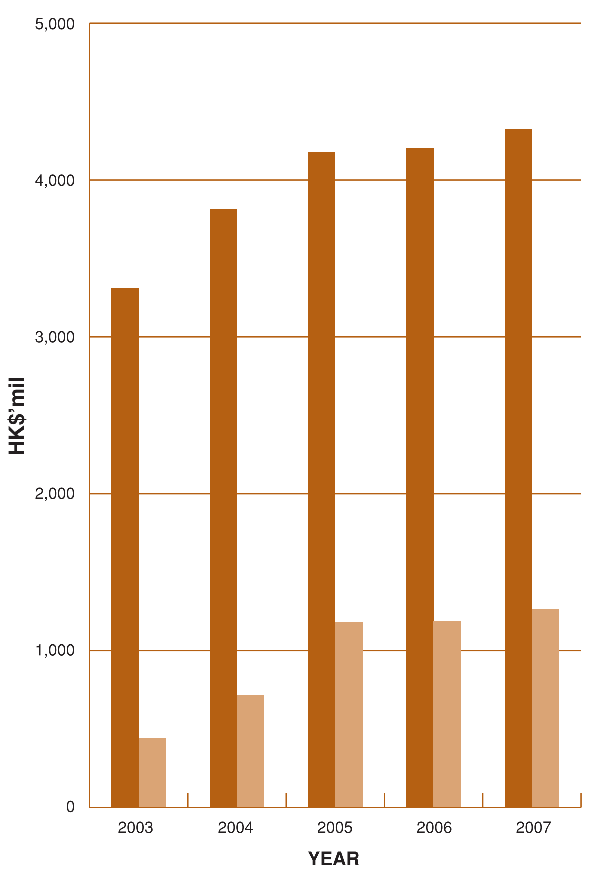
Stock Code 股份代號：00511

Contents

Financial Highlights

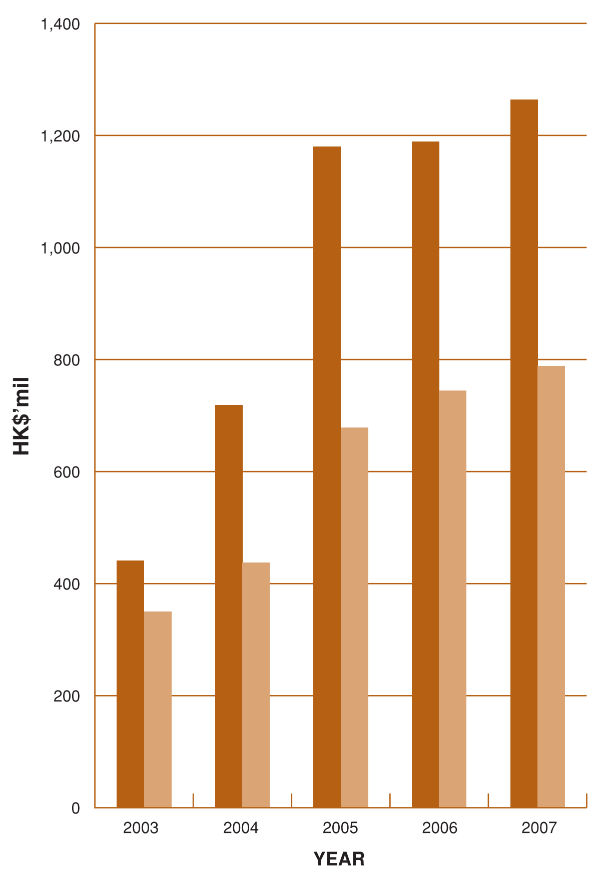
Turnover & Profit Attributable to Equity Holders of the Company

Turnover   Profit Attributable to Equity Holders of the Company



Earnings & Dividends

Earnings   Dividends



	2007 HK$'mil	2006 HK$'mil
Turnover	4,326	4,201
Profit before income tax	1,550	1,436
Profit attributable to equity holders of the Company	1,264	1,189
Earnings per share	HK$2.89	HK$2.71
Dividend per share	HK$1.80	HK$1.70
Number of issued shares	438,000,000 shares	438,000,000 shares
Property, plant and equipment	1,722	1,731
Programmes, film rights and movies	461	442
Trade and other receivables, prepayments and deposits	1,468	1,372
Bank deposits, cash and cash equivalents	2,141	1,597
Net current assets	3,277	2,752
Net assets	5,369	4,868
Gearing	–	–

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE 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 and Acting Managing Director)*

NON-EXECUTIVE DIRECTORS

Dr. CHOW Yei Ching, G.B.S.

Christina LEE LOOK Ngan Kwan

Kevin LO Chung Ping

INDEPENDENT NON-EXECUTIVE DIRECTORS

Edward CHENG Wai Sun, S.B.S., J.P.

Chien LEE

Dr. LI Dak Sum, DSSc. (Hon.), J.P.

Gordon SIU Kwing Chue, G.B.S., J.P.

Robert SZE Tsai To *(resigned on 22 January 2008)*

ALTERNATE DIRECTOR

Anthony LEE Hsien Pin *(Alternate Director to Christina LEE LOOK Ngan Kwan)*

BOARD COMMITTEES

EXECUTIVE COMMITTEE
Sir Run Run SHAW *(Chairman)*
Dr. Norman LEUNG Nai Pang
Mona FONG
Christina LEE LOOK Ngan Kwan
Kevin LO Chung Ping

AUDIT COMMITTEE
Gordon SIU Kwing Chue *(Chairman)*
(appointed as chairman on 22 January 2008)
Chien LEE
Robert SZE Tsai To *(resigned on 22 January 2008)*

REMUNERATION COMMITTEE
Chien LEE *(Chairman)*
Edward CHENG Wai Sun
Gordon SIU Kwing Chue *(appointed on 22 January 2008)*
Robert SZE Tsai To *(resigned on 22 January 2008)*

EXECUTIVE OFFICERS

SENIOR MANAGEMENT
George CHAN Ching Cheong *(Assistant Managing Director)*
Stephen CHAN Chi Wan *(General Manager – Broadcasting)*
CHEONG Shin Keong *(General Manager – Broadcasting)*
Mark LEE Po On *(General Manager – Finance and Administration)*

COMPANY SECRETARY
Adrian MAK Yau Kee

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

AUDITORS
PricewaterhouseCoopers
22/F, Prince's Building
Central
Hong Kong

PRINCIPAL BANKERS
Shanghai and Commercial Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

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

WEBSITE
www.tvb.com

Chairman's Statement

I am pleased to report that in 2007 the Group's turnover increased from HK$4,201 million (2006) to HK$4,326 million, representing a 3% increase. The Group's profit attributable to shareholders also increased from HK$1,189 million (2006) to HK$1,264 million, representing a 6% increase. At the year end, our shareholders' funds stood at HK$5,344 million.

At the forthcoming Annual General Meeting in May 2008, the Directors will recommend a final dividend of HK$1.50 per share. Together with the interim dividend of HK$0.30 per share paid earlier, this makes a total dividend of HK$1.80 per share for the full year ended 31 December 2007, and represents an increase of 6% over 2006 and a 62% payout of our current year's profit.

Through the dedication and persistent hard work of our staff, we continued to maintain overwhelming rating positions on our terrestrial TV channels. During the year, we saw our audience share in Hong Kong for Jade and Pearl averaged at 84% and 79% respectively during prime time hours. *TVB 40th Anniversary Gala* in November 2007 proved to be so popular that it attracted 2.4 million viewers and an audience share of 92%. We are extremely pleased to share this significant milestone in our corporate history with so many viewers in Hong Kong and many more viewers overseas.

During the course of the year, we actively cooperated in the production of programmes with our mainland partners. The drama *The Drive of Life* co-produced with China Central Television ("CCTV") was completed under much fanfare and publicity. Through this drama, we made inroad into prime time television hours in the mainland, thereby exposing our quality programmes and artistes to a much broader arena. We will, in future, continue to co-produce programmes with our mainland partners.

On 31 December 2007, we entered into a new era when we began broadcasting our digital channels in Hong Kong in a ceremony officiated by the Chief Executive. We now deliver to our audience HD Jade, the first round the clock high definition TV channel in Hong Kong together with Jade and Pearl channels in standard digital format. We plan to introduce two new standard digital channels J2 and Interactive Infotainment Channel later in 2008 so as to offer more programme choices to our viewers. Under digital broadcasting, audience will not only benefit from the improved image quality, but more targeted choice of entertainment and information channels.

In August 2008, China will stage the much eagerly-awaited Olympic Games in capital Beijing, which will capture the hearts of billions of viewers around the world. For the first time, TVB will be out in force to cover the events in high definition, bringing home the Olympic events in an unprecedented experience.

Our Taiwan operation will soon have a new home in the Neihu district, Taipei City. Our investment in the new headquarters building reaffirms our long term commitment to serving the people of Taiwan. It is comforting to see that our TVBS and TVBSN channels are the leading news channels in Taiwan.

Looking into the future when technology will play a bigger role in the media business, competition amongst different modes of media businesses will no doubt intensify. I am confident that with our dedicated and talented staff working in a team spirit, we will be able to take our business to new heights.

On behalf of the Board, I wish to thank all our stakeholders for their endorsement of and support to the TVB Group.

Run Run Shaw
Executive Chairman

Hong Kong, 26 March 2008

Review of Operations

OVERVIEW

For the year ended 31 December 2007, the Group achieved a turnover of HK$4,326 million (2006: HK$4,201 million), an increase of approximately 3% over 2006. Cost of sales amounted to HK$1,764 million (2006: HK$1,778 million), a decrease of approximately 1% over 2006. As a result, gross profit for the year amounted to HK$2,562 million (2006: HK$2,423 million), an increase of approximately 6% over 2006 and gross profit percentage was 59% (2006: 58%).

Included in the cost of sales was the costs of programmes, film rights, movies and stocks which amounted to HK$1,169 million (2006: HK$1,171 million).

Selling, distribution and transmission costs amounted to HK$453 million, a similar level as in 2006 (2006: HK$451 million). General and administrative expenses amounted to HK$570 million (2006: HK$504 million), an increase of approximately 13% over 2006.

Profit before income tax for the year amounted to HK$1,550 million (2006: HK$1,436 million), an increase of approximately 8% over 2006.

The Group recorded a gain amounting to HK$140 million on the disposal of a 20% equity interests in TVB Pay Vision Holdings Limited ("TVBPVH") to Gemstone Pacific Limited, as disclosed in the interim results announcement of the Company dated 29 August 2007. Subsequent to the completion of this transaction, the Group's interests in TVBPVH has fallen to 29%.

As the performance of the associate TVBPVH continued to improve, the Group's share of its losses decreased from HK$163 million to HK$125 million for the year. However, further to a review of the trade receivables from this associate, an impairment loss in the amount of HK$135 million was recognised in the accounts for the year in accordance with the Group's accounting policy. After incorporating this impairment loss, the total carrying value comprising balances of loans and trade receivables as recorded in the balance sheet at 31 December 2007 relating to this associate amounted to HK$298 million (2006: HK$379 million).

The Group's taxation charge amounted to HK$284 million (2006: HK$247 million), an increase of approximately 15% over 2006.

Overall, the profit attributable to equity holders for the year amounted to HK$1,264 million (2006: HK$1,189 million), an increase of approximately 6% over 2006. Earnings per share was HK$2.89 (2006: HK$2.71).

SEGMENT RESULTS

Benefiting from the strong economic growth in Hong Kong, revenue under terrestrial television broadcasting, which comprised predominantly advertising revenue on Jade and Pearl channels, continued to increase. The revenue for the year rose from HK$2,219 million to HK$2,373 million, representing an increase of approximately 7%. The cost of programmes for Jade and Pearl channels which comprised the costs of self-produced TV programmes, the amortised costs of acquired film rights and other cost of sales, increased from HK$811 million to HK$877 million, representing an increase of approximately 8%. As a result, this segment contributed an operating profit of HK$952 million (2006: HK$918 million), an increase of approximately 4% over 2006.

Revenue from programme licensing and distribution which comprised predominantly licensing income from distribution of our programmes through telecast, homevideo, and new media licensing, increased from HK$724 million to HK$743 million, representing an increase of approximately 3%. The direct costs and selling and distribution expenses amounted to HK$303 million (2006: HK$283 million) and as a result, this segment recorded an operating profit of HK$440 million (2006: HK$441 million).

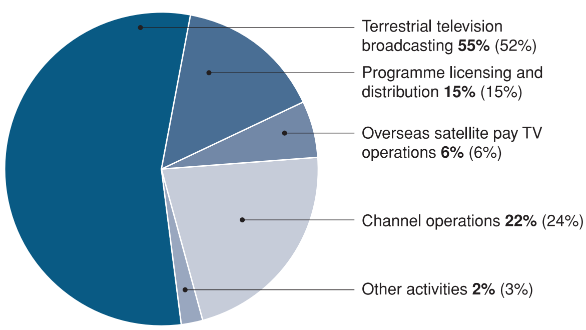
Revenue from overseas satellite pay TV operations which comprised revenue from our platforms in USA, Australia and Europe, showed an increase from HK$245 million to HK$281 million, representing an increase of approximately 15%, as subscriber numbers and advertising revenue continued to improve. Further, the costs under these platforms were kept under control. As a result, this segment contributed an operating profit of HK$59 million (2006: HK$28 million), an increase of approximately 111% over 2006.

Revenue from channel operations which comprised revenue from TVBS, the Taiwan channel operation; TVB8 and Xing He, the satellite TV channel operations; and the supply of the eight channels to TVB Pay Vision Limited ("TVBPV"), fell from HK$1,024 million to HK$965 million, representing a decrease of approximately 6%. TVBS recorded a decline in its revenue as adverse economic environment in Taiwan prevailed during the year. However, this decline in revenue was offset by higher revenue from the two satellite TV channel operations and higher advertising revenue derived from the eight channels supplied to TVBPV. Taking into account the impairment loss on trade receivables from TVBPV of HK$135 million, this segment contributed a combined operating profit of HK$57 million (2006: HK$187 million), representing a decrease of approximately 70%.

The percentage contribution of revenue and operating results from these business segments are set out in the charts below.

Turnover by Business Segment

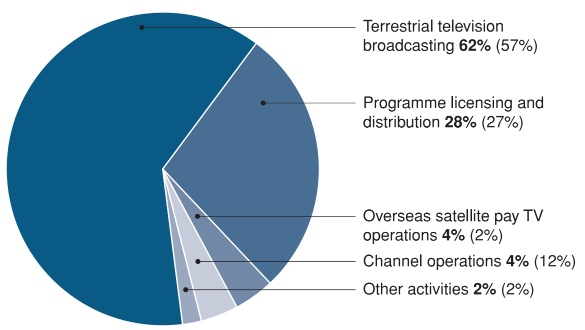
2007



% relating to 2006 are shown in brackets

Segment Results by Business Segment

2007



% relating to 2006 are shown in brackets

Review of Operations

TERRESTRIAL TELEVISION BROADCASTING

HONG KONG ADVERTISING REVENUE

Strong retail sales growth coupled with a rising property market and a bullish stock market (for a major part of 2007) contributed to the 7% growth in advertising revenue for 2007. Unlike the years when growth (or decline) was heavily influenced by property advertising, the growth in 2007 was more broad-based.

Of the ten largest spending categories, eight categories grew in spending this year. Among these large categories, the most significant growth in spending (in terms of dollar amount) came from supermarkets and banks, reflecting improved retail sales and higher demand for wealth management products.

As a result of our client development efforts targeted at the broadband service providers, Macau hotels and other properties, equestrian/Olympics promotion agencies, jewellery/watch retailers and sports-related membership clubs, strong growth was achieved among these categories. In fact, the dollar amount growth contributed by these five categories was approximately half of the total growth experienced for the whole year.

We shall continue, as a priority in 2008, our marketing activities on client development, Olympics-related products and the new digital channels. Special efforts to deliver revenue growth via new product categories are becoming increasingly important because the generally higher economic confidence within Hong Kong is being diluted by increasing fears of a global economic recession triggered by concerns over the US sub-prime mortgages.

TERRESTRIAL CHANNELS PERFORMANCE

Jade continued to be viewers' preferred TV channel in Hong Kong. Jade, the flagship channel in Cantonese, achieved an overall weekday prime time[1] average audience share[2] of 84% (2006: 85%) among terrestrial Chinese channels, and Pearl, the English channel, achieved a weekly prime time[3] average of 79% (2006: 75%) among terrestrial English channels during the year.

The Jade Channel

2007 was a double celebration year on the occasion of the station's 40th anniversary and the 10th anniversary of the handover of Hong Kong SAR.

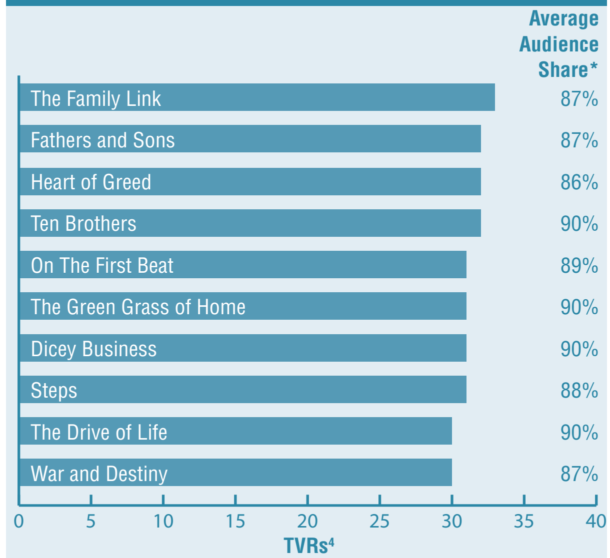
Jade hit new strides with innovative new formats and ground-breaking collaboration with Chinese broadcasters.

On the drama front, *Heart of Greed* grew into a phenomenon and became literally talk-of-the-town with the audience widely emulating the matriarch character's self-styled aphorisms, with the finale turning into event viewing. The top-rated series honours went to the grassroots comedy *The Family Link* which spoke to desperate housewives, while male conflicts confounded *Fathers and Sons*.

Our stronger partnership with Chinese broadcasters reached another milestone with CCTV and TVB co-producing the star-studded 60-episode *The Drive of Life*. This drama series formed part of Jade's programming which commemorated the 10th anniversary of the handover of Hong Kong SAR.

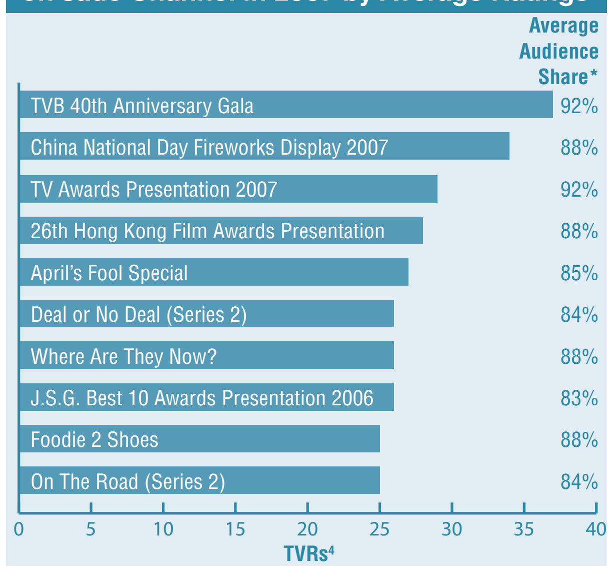
Innovation spread to reality shows in our first collaboration with Hunan Satellite TV in *Strictly Come Dancing*, a ten-episode contest series featuring Hong Kong and mainland China artiste participants, which won the hearts of the Chinese audience on its national broadcast. The Chinese national mountain climbing team invited TVB to be their exclusive partner in the expedition to scale Mount Yuzhu. The five-episode

Top 10 Dramas on Jade Channel in 2007 by Average Ratings



* average audience share[2] among terrestrial Chinese channels

Top 10 Non-drama Programmes on Jade Channel in 2007 by Average Ratings



* average audience share[2] among terrestrial Chinese channels

1 *Jade's weekday prime time runs from 7 p.m. to 11 p.m.*

2 *Audience share (%) is the percentage of ratings of a particular channel over the total ratings of the base channels for a specific period of time. When calculating audience share for free-to-air terrestrial TV channels in Hong Kong, the base would be the combined TV ratings[4] (TVRs) of terrestrial Chinese channels or the combined TVRs of terrestrial English channels.*

3 *Pearl's weekly prime time runs from 7 p.m. to midnight.*

4 *TV Rating (TVR) represents the size of audience expressed as a percentage of the total TV population. For 2007, the TV population was 6,482,000, and therefore, 1 TVR represents 64,820 viewers (1% of the TV population). Ratings data source: CSM Media Research.*

celebrity reality anniversary special *Into Mt. Yuzhu* was a testimony of our team's courage and endeavour. Meanwhile, the new season of the highly-acclaimed docu-travelogue *On the Road* continued to capture the hearts and minds of our audience.

TVB's developed a new format in the programme *Foodie 2 Shoes* which was co-hosted by a Taiwanese artiste and one of our own artistes, finished with a finale in Taipei. Back home, the appeal of the local adaptation of the acquired game show format *Deal or No Deal* grew with its latest season.

Annual specials remained the top draw with *TVB 40th Anniversary Gala* rightly being the highest-rated variety special of 2007, followed by *TV Awards Presentation 2007* and the *Jade Solid Gold Best 10 Awards Presentation 2006*.

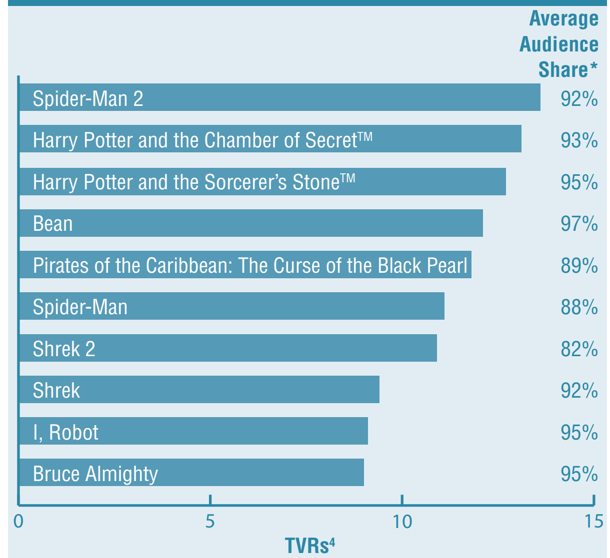
To mark the station's 40th anniversary, News' critically-acclaimed four-episode compilation of *Behind the News* took a current look at the many former news anchors and their insight over the last four decades.

To pave the way for our overwhelming coverage of the Beijing Olympics, Jade launched a variety of programmes. These included game show *Challenge of the Stars*; a series on human interest and aspirational stories, featuring interviews with top Chinese athletes *My Olympic Heroes*; a series of informational programmes on the host cities *Beyond Beijing* and documentaries on how technological advancements helped to make the Beijing Olympics more environmentally friendly (*New Technology of Beijing 2008 Olympic Games*). Equipped with the biggest broadcast centre within the Asia-Pacific Broadcasting Union ("ABU") in Beijing and an array of new digital channels, TVB's coverage in the summer of 2008 will definitely be the highlight of the year.

The Pearl Channel

Pearl achieved remarkable ratings in 2007 with the top-rated 100 programmes on English terrestrial channels all on Pearl. Weekend blockbusters remained the audience's favourite with Movie of the Month: *Spider-Man 2* leading the chart followed by the *Harry Potter* and *Shrek* series which gained in appeal when coincided with the latest sequel's theatrical release in Hong Kong.

Top 10 Programmes on Pearl Channel in 2007 by Average Ratings



* average audience share[2] among terrestrial English channels

On weekday nights, Pearl further strengthened its upmarket, trendy, and international position by showcasing a double bill of the latest edgy US/UK drama series hits such as *Heroes* (appealing mostly to mature male audience), *Ugly Betty* (appealing to females of all ages) and the much anticipated second season of the popular *Prison Break* while building a loyal following for the weekly Japanese drama highlighted by the controversial *Mother at 14* (drawing both young and mature female audience) which was 2007's most highly-rated Asian drama on Pearl.

To capture the younger audience who enjoy reality entertainment, *America's Got Talent* made its welcome debut while female fans kept *America's Next Top Model* their perennial favourite well into its ninth season.

For those who appreciate top quality documentaries, Pearl launched the BBC's landmark HD production *Planet Earth* in all its ecological glory with critical insight into environmental protection. During 2007, our own station-produced lifestyle magazine show *Dolce Vita* ventured to cover the Swiss Watch Fair in Basel, Switzerland, bringing our audience the latest watch trends.

To reinforce its market position in 2007, the channel opted to place heavy emphasis on local and international event programming, in particular sports, to appeal to a wider audience base. One of Hong Kong's highlights of the year, the *Rugby Sevens*, returned to Pearl, winning home-grown and visiting rugby fans over a festive weekend in March. In August, Pearl hosted the Equestrian Trials in preparation for 2008 Beijing Olympics' equestrian events to be held in Hong Kong. Pearl also telecasted matches featuring European soccer teams (such as Manchester United playing against Shenzhen) and NBA China Games 2007. Lastly, Pearl also covered the star-studded ground-breaking first Asian Film Awards which honoured Asian talent and drew international spotlight to our city.

The New Digital Channels

高清翡翠台

HD Jade led the field and set new standards by being Hong Kong's first 24-hour high definition ("HD") TV channel. HD production is fast becoming the norm for Jade's drama, comedy and infotainment programmes. Sports programmes will fully exploit the new advances in technology culminating in all the major events of the Beijing Olympics which will be showcased in our own dedicated HD channel. Standard definition channel Jade 2 ("J2") is currently on trial broadcast and targets the younger audience group.

DIGITISATION

On 31 December 2007, Hong Kong made broadcasting history as we commenced digital broadcasting from our Temple Hill main transmission site using the Chinese National Standard with the advanced MPEG-4 part 10 (H.264) compression systems. As required by the Broadcasting Authority, initial coverage of the new digital transmission reached greater than 50% of the Hong Kong population.

Work has commenced on the establishment of a further five principal transmission sites around Hong Kong during 2008 to meet the regulatory requirement of at least 75% digital coverage before the start of 2009.

The result of our being able to combine digital broadcasting and new technology is that we are able to offer efficiently a full time HD service together with standard definition services in the one single multiplex accorded to us for new services by the Government.

Our first new channel, HD Jade, has received positive comments for its excellent HD picture quality, and we observe that it is now the demonstration channel of choice with major electrical retail outlets, as it enables them to show off their latest HD LCD and Plasma TVs in full splendor.

Studio infrastructure upgrade continues with the conversion to HDTV and the introduction of associated non linear editing facilities including a complete tapeless work flow for all HDTV production. This upgrading of facilities will provide opportunities for the new media business to efficiently distribute content on emerging platforms. Preparations are well advanced for the production and integration of the Beijing Olympic Games which, for the first time, will be in full HDTV. Plans to achieve 75% coverage of all households before the Olympics are well advanced.

We will commence developing new revenue streams in 2008 from all of the new digital programming, as well as from the new interactive services. As with all new services, the significance of the revenue generated is largely dependent on the penetration rate of the new services.

COMMENDATIONS AND AWARDS

International recognition for TVB's creativity and excellence in programme production and on-air promotion reached far and wide in 2007.

Documentary *Sunday Report: Give Us A Hand! Help Us Lie!* became a finalist in the Current Affairs Category in the 2007 International Emmy Awards. Also, our artiste, Bobby Au Yeung Chun Wah, became a finalist in the Best Performance by an Actor, in his performance in drama *Dicey Business*.

Another documentary: *The Pearl Report: Hong Kong's Handover – Ten Years On: Snapshots/Greener Pastures?* won the Silver World Medal: Best News Documentary/Special category at the New York Festivals 2008.

Discovering China: Great Railway Journey took a winner in the TV Children Category in the ABU Prizes 2007. *Sunday Report: Children Left Behind* received a winning award in ABU/CASBAA/UNICEF Child Rights Award 2007.

The Rise of The Great Nations which was a programme originally produced by CCTV but re-packaged by us for distribution in the Cantonese language, won the Silver Award Promotion: Best Documentary Campaign category at the PROMAX Asia Awards 2007.

COMMUNITY AND PUBLIC SERVICE

In this special year, our community and public service efforts achieved a number of successes. We surpassed our previous record by assisting local and international charitable organisations to raise HK$168 million (2006: HK$139 million) through motivating active audience participation in our fund-raising specials.

In addition to supporting charities, TVB also promotes social awareness and issues of public interest. Among these were programmes on fighting crime and corruption (*ICAC Investigators 2007*), civil responsibilities (*Basic Law Quiz Show 2007, Singing Contest For The Promotion Of Basic Law, National Educational Quiz Show*), protection of our environment (*EPD Special: Dress Down & Energy Saving Show, WWF Special: Ekin And Whale Sharks*) and caring for the aged (*Senior Citizen Home Safety Association Special: Care For The Elderly 2007*).

Off screen, TVB arranged artistes and Miss Hong Kong titleholders to support community events such as Walk for Millions of The Community Chest and the annual Charity Sale of Cookies in aid of the Yan Chai Emergency Assistance Relief Fund. The Children's Festival has become a popular annual summer activity since our silver jubilee. It aims to help children spend their holidays in a meaningful way as well as to improve bonding with their parents.

We are pleased that our market position in Hong Kong's media and entertainment industry has enabled us to contribute and give back to the community.

Review of Operations

INTERNATIONAL OPERATIONS

PROGRAMME LICENSING AND DISTRIBUTION

During the year, the overall revenue from programme licensing and distribution recorded a 3% growth. Our major markets, namely Malaysia, mainland China and North America, continued to perform and deliver steady revenue growth.

As mentioned in our last annual report, we have begun to strategically diversify into providing content for new media and to increase the supply of titles through telecast licensing and channel distribution. These efforts are beginning to bear fruit.

In Malaysia, ASTRO All Asia Networks plc launched a near video-on-demand service with our first run dramas, providing us with a steady new revenue stream. In this market, TVB programmes gained further popularity as we increased our marketing efforts by deploying our artistes to promote drama launches. In the recent Wah Lai Toi Annual TV Awards 2007, TVB artistes reaffirmed their popularity in this key market, proving that our dramas are in strong demand. In Singapore, our multiple-year supply contract with Channel U, the free-to-air channel, expired in 2007 resulting in a decline in revenue. However, our new contract to supply new channels, for example TVB classic drama channel, and programmes for video-on-demand services to StarHub Cable Vision, Singapore's pay TV operator, started to generate a reliable revenue stream commencing in the second half of 2007. Our telecast business in mainland China continued to deliver steady growth, as we saw an increase in the number of TVB dramas approved by the State Administration for Radio, Films and Television ("SARFT") during the year. Furthermore, we continued to expand our market through video-on-demand internet café and IPTV operators. In North America, we achieved satisfactory revenue growth from our partnership with Fairchild TV and our own satellite platform. Revenue growth in these territories helped compensate the revenue decline under traditional homevideo licensing, which continued to suffer from piracy and illegal internet downloading.

In mainland China, a number of co-production projects were completed with success. Amongst the most prominent of these projects was the CCTV/TVB co-produced drama series *The Drive of Life*. The series premiered on CCTV in June 2007 and was later re-run on Hunan Satellite TV. This was the first time a TVB drama series was able to achieve primetime broadcast on national channels in mainland China.

In addition, we co-produced a lifestyle series *Market Trotter* and the programme *The 10th Anniversary of Hong Kong Reunification* with Shenzhen Satellite TV, and a celebrity contest series *Strictly Come Dancing* with Hunan Satellite TV during the year. These programmes were broadcast on Shenzhen Satellite and Hunan Satellite TV channels respectively, gaining good ratings and national following. For the first time, we co-produced beauty pageant *Miss Chinese International 2007* with Foshan TV and the programme was broadcast live on Jade and on our as well as our partners' overseas platforms falling within the same time zone.

OVERSEAS SATELLITE PAY TV OPERATIONS

Our overseas satellite pay TV platforms in the USA, Australia and Europe performed satisfactorily with double-digit revenue and operating profit growth. We were able to utilise the increased supply of programmes from our production base in Hong Kong for the compilation of additional new channels to our subscribers.

USA

The number of subscribers to our five-channel Chinese package on DirecTV showed a single-digit percentage growth, despite very keen competition among the Chinese channel operators. Subscribers to our new Vietnamese-dubbed drama channel in the USA grew significantly in just 14 months since its launch. To capture the increasing demand in Mandarin programmes, a new Mandarin service with two TVB channels was launched in July 2007.

Australia

The number of subscribers to our 14-channel Chinese package achieved single-digit percentage growth, while the advertising revenue achieved double-digit percentage growth. We launched a new Mandarin package with 12 channels in July 2007 to increase our market presence in the growing Mandarin-speaking market. We shall also explore IPTV and internet TV technology to widen our distribution network and to increase our channel capacity.

Europe

While the number of subscribers to our single channel platform remained about the same as 2006, percentage growth in advertising revenue was double-digit. Our operations will expand to become a five channel pay TV platform in 2008.

CHANNEL OPERATIONS

TVBS – Taiwan

The Taiwanese market weathered yet another year of economic setback, with the Government focusing attention on political rather than economic issues. CCI (Consumer Confidence Index) plummeted from 83.8 in November 2003 to 63.3 in November 2007, the lowest in five years. And whilst the increase in CPI (Consumer Price Index) seems to be at an acceptable 1.8% year-on-year growth, indicating that inflation was apparently not serious, a generally lower disposable household income level and a pessimistic market outlook resulted in significantly weaker consumer spending. Many businesses responded by cutting costs and Taiwan's total advertising revenue declined by 5% over 2006, with the cable TV sector down by an even more significant 5.8%[5]. As a result, TVBS' revenue suffered under this uncertain economic environment.

Taking a long term positive view, we entered into an agreement in December 2007 to acquire a new 11-storey building located in Neihu district, Taipei City, for a consideration of NT$2,598,000,000 (approximately HK$624,819,000) which has about 26,780 square meters in floor area to provide an integrated production and broadcasting base for TVBS. Plans are in place for TVBS to move into its new home towards the end of 2008 or early 2009.

TVB8 and Xing He

The overall performance of TVB8 and Xing He channels was satisfactory. It grew in both subscription and advertising revenue. This is partly attributable to co-production activities. For example, TVB8's co-productions with ASTRO in Malaysia (*Minutes to Fame 2007*) and Beijing TV (*CNY Celebration in Beijing 2007*) both earned enthusiastic local response and critical acclaim. *Mid-Autumn Show in Suzhou*, co-production with Suzhou TV was also well received.

Both TVB8 and Xing He received a boost in market coverage as a new carriage agreement with StarHub Cable Vision in Singapore took effect in the second half of 2007.

[5] *Source: AC Nielsen Taiwan*

Review of Operations

HONG KONG PAY TV BUSINESS

SUPPLY OF CHANNELS TO TVBPV

TVB continues to supply eight channels – six entertainment channels: TVB Lifestyle, TVB Drama, TVB Kids, TVB Classic, TVB Entertainment News and TVBM; and two news channels TVBN and TVBN2 – to TVBPV on an exclusive basis under a channel supply agreement.

TVB Drama showcased the latest, same season broadcast, of hit Asian series such as the Korean drama titles *Air City, Money War, Thank You*; and Taiwan idol dramas *Why Why Love, The Teen Age*. To ride on the success of local drama *Heart of Greed*, TVB Classic brought back Stardust Memories featuring dramas performed by popular Louise Li.

On TVB Lifestyle, a new programme *Speak Up* organised an outdoor forum to discuss the social issues of Tin Shui Wai and received positive feedback. The highly sought after interview programme *Be My Guest* featured a number of outstanding figures and artistes ranging from the Financial Secretary to movie director and icon Ang Lee and Jet Li.

INVESTMENT IN TVBPVH

TVB's interest in TVBPVH, had been reduced from 49% to 29%, subsequent to the disposal of a 20% stake to Gemstone Pacific Limited, an independent third party. During the year, TVB shared losses under equity accounting of HK$125 million of TVBPVH, whilst the shared losses of 2006 was HK$163 million.

The pay channels are distributed through satellite master antenna television, the broadband service provided by Hutchison Global Communication Limited, as well as PCCW Limited's NOW TV. The improved uptake of subscribers helped to further reduce the losses of TVBPVH.

OTHER BUSINESSES

INTERNET OPERATIONS

We have made enhancements to our portal www.tvb.com. Our much applauded drama series *Heart of Greed* was given particularly strong coverage on our portal, following the increase in buzz on the internet over this drama. The enhanced coverage included highlights and quotes of the day, *Heart of Greed* main characters' blog, live chat room, ringtone and discussion forum.

When the TV programme *Infolink* was launched in November 2007, it was supported by a tightly integrated mini-site that encouraged viewers to comment and contribute their own content and suggestions to our site online.

Also in November, a rich TVB artistes blog featuring over 80 artistes was launched. This artiste blog, which is being updated on a regular basis, serves both as a communication tool and as a traffic generator.

We also created a daily online fashion show in support of our hit drama *War of In-laws II*. The fashion show aroused talking points about the fashion worn by the main characters. Recently, a TVB Featured Blog was launched, which highlighted the news on the acute problems caused by the snow storms in China.

These efforts contributed to an increase of over 40% in average daily traffic in 2007 when compared to 2006. We aim to substantially increase user volume, traffic volume and advertising revenue on our portal in 2008.

MAGAZINE PUBLISHING

2007 was a challenging year for our publication, TVB Weekly. The proliferation of free dailies had intensified the competition among the print media, which brought an adverse effect on TVB Weekly's advertising revenue. Nevertheless, our sales and marketing team enhanced its work in creative advertising services. This included tailor-made promotional events, and publication of customised booklets. Such creative services were largely welcomed by our clients and brought us increased advertising revenue. We expect these creative services to generate more revenue in 2008.

In spite of severe competition amongst magazine, TVB Weekly's unique positioning of TVB's official magazine continues to attract a large number of the station's loyal fans and television lovers in general. TVB Weekly maintained a steady circulation in 2007.

In order to expand readership and to explore more categories of advertisers, TVB Weekly recently launched a series of new regular supplements, namely TVBaby, TVBeauty and Digital Channel Guide. We also introduced a series of special on-pack premiums, such as TVBuddy special gifts and Drama Booklets. Although printing cost would increase, we believe these supplements would raise our readership, and generate advertising revenue in both the parenting product and cosmetics product categories.

MUSIC

During the year, TVB Music Limited, a wholly-owned subsidiary, co-invested in or participated as the production house for various concerts in public arenas in Hong Kong with satisfactory results.

Review of Operations

FINANCIAL REVIEW

DISPOSAL TRANSACTION

On 10 August 2007, TVB Satellite TV Holdings Limited, a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Gemstone Pacific Limited for the sale of 217,173,552 shares, representing 20% equity interests in TVBPVH at a consideration of HK$140,000,000 in cash. The transaction was completed in December 2007.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's financial position continued to be strong. Total equity stood at HK$5,369 million (2006: HK$4,868 million), representing an increase of approximately 10%.

Non-current assets, comprising property, plant and equipment, leasehold land, goodwill, and investments, amounted to HK$2,232 million (2006: HK$2,259 million).

Trade and other receivables, prepayments and deposits (current portion) amounted to HK$1,406 million (2006: HK$1,372 million), representing an increase of approximately 2%. This mainly related to a higher level of billing to customers. Further to a review of the trade receivables from an associate, a provision for impairment loss of HK$135 million was made within the year.

Trade and other payables and accruals amounted to HK$668 million (2006: HK$594 million) representing an increase of approximately 12%. This was principally attributable to increase in creditors relating to additions in plant and equipment to which titles had been passed to the Group at the year end.

The Group continues to maintain a strong liquidity position. As at 31 December 2007, the Group had bank and cash balances of HK$2,141 million (2006: HK$1,597 million), an increase of approximately 34%. About 9% of the bank and cash balances were maintained in overseas subsidiaries for their daily operation. Cash and cash equivalent balances as at 31 December 2007 amounted to HK$2,009 million, of which 51% were in Hong Kong dollars, 42% in US dollars and 7% in other currencies.

The Group generally finances its operations and business development through internally generated resources. As at 31 December 2007, the Group's net current assets amounted to HK$3,277 million (2006: HK$2,752 million), representing an increase of approximately 19%. The current ratio, expressed as a percentage of current assets to current liabilities, stood at 5.42 as at 31 December 2007 (2006: 5.07).

As at 31 December 2007, the capital structure of the Company consisted of 438,000,000 ordinary shares of HK$0.05 each. There was no outstanding bank loan and other borrowings as at 31 December 2007 (2006: zero). However, for the financing of a property in Taipei, a mortgage loan and a short-term loan from a bank in Taiwan amounting to NT$1,519 million was drawn down on 14 March 2008.

The capital commitments of the Group as at 31 December 2007 were HK$1,676 million (2006: HK$821 million). These commitments included the continuation of an extensive capital expenditure programme for the development of digital terrestrial television network and HDTV production plan and an amount of HK$562 million (NT$2,338 million) for the property in Taipei.

CONTINGENT LIABILITIES

As at 31 December 2007, there were guarantees given to banks amounting to HK$10 million (2006: HK$9 million) for banking facilities granted to an investee company.

The Group has received protective profits tax assessment notices from the Inland Revenue Department of Hong Kong (IRD) for the years of assessment 1998/99, 1999/2000 and 2000/01 on the profits generated by the Group's programme licensing and distribution business carried out overseas, to which the Group has objected. Out of the total amounts assessed, the Group has been granted conditional holdovers by the purchase of Tax Reserve Certificates in the amounts of HK$24 million, HK$24 million and HK$20 million for the years of assessment 1998/99, 1999/2000 and 2000/01 respectively, whereas unconditional holdovers have been granted for the remaining assessed amounts of HK$74 million, HK$75 million and HK$66 million for the years of assessment 1998/99, 1999/2000, 2000/01 (revised) respectively. Further additional profits tax assessment notices for the year of assessment 2001/02 are expected to be issued before 31 March 2008.

The Group has filed an objection to these additional assessments. The Group believes that the objection is well-founded, and is determined to defend the Group's position vigorously. On this basis, the Group is of the view that no additional tax provision is necessary.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's foreign exchange exposures comprise trading and non-trading foreign currency translation exposures. Foreign exchange trading exposures mainly arises from trade receipts from overseas customers.

The Group is also exposed to currency fluctuation on translation of the accounts of overseas subsidiaries and also on the repatriation of earnings and loans. In order to mitigate the potential impact of currency movements, the Group closely monitors its foreign exchange exposures and uses suitable hedging arrangements against significant foreign currency exposures where necessary. No forward exchange contract was entered into by the Group during the year under review.

HUMAN RESOURCES

The Group employed, excluding Directors and freelance workers but including contract artistes and staff in overseas subsidiary companies, a total of 4,532 (2006: 4,557) full-time employees as at 31 December 2007.

For employment in Hong Kong, different pay schemes apply to contract artistes, sales and non-sales personnel. Contract artistes are paid either on a per-show basis or by a package of shows. Sales personnel are remunerated on commission based schemes. Non-sales personnel are remunerated on monthly salaries. About 26% of the Group's manpower was employed in overseas subsidiaries, and was paid on a scale and system relevant to the respective localities and legislations.

For Hong Kong employees, discretionary bonuses may be awarded as an incentive for better performance. Depending on individual's performance, a majority of the qualified personnel received discretionary bonuses between 0.75 and 1.25 of their monthly basic salaries for the year 2007.

The Group does not operate any employee share option scheme.

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 enrol on their own initiatives.

Corporate Governance

Directors

Sir Run Run SHAW

G.B.M.
Executive Chairman

aged 100, is one of the founding directors of the Company and was appointed Executive Chairman in 1980. He is Executive Chairman of Shaw Brothers (Hong Kong) Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), and President of the Shaw group of companies. Through the Shaw group, he holds a major interest in the share capital of the Company. Sir Run Run Shaw established The Shaw Foundation Hong Kong Limited in 1973 and is the Appointor of the Sir Run Run Shaw Charitable Trust. He is a Permanent Honorary Chairman of the Board of Trustees of United College of the Chinese University of Hong Kong and a Life Member of the Council of the Chinese University of Hong Kong. He is the husband of Ms. Mona Fong, the Deputy Chairperson and Acting Managing Director of the Company.

Dr. Norman LEUNG Nai Pang

G.B.S., LL.D., J.P.
Executive Deputy Chairman

aged 67, was appointed Director of the Company in September 2003 when he also took up the position as Executive Deputy Chairman. He is the Deputy Chairman of Transport International Holdings Ltd. and a director of Wing Lung Bank Ltd., both of which are listed on the Hong Kong Stock Exchange. Dr. Leung has been active in public service for over 30 years and he served as Commissioner of the Civil Aid Service from 1993 to 2007, Chairman of the Broadcasting Authority from 1997 to 2002 and Council Chairman of City University of Hong Kong from 1997 to 2003. He is now the Pro-Chancellor of City University of Hong Kong and a member of the Advisory Committee on Post-office Employment for former Chief Executives and Politically Appointed Officials.

Mona FONG

Deputy Chairperson and Acting Managing Director

aged 73, has been Director of the Company since 1988. She was appointed as Deputy Chairperson and Acting Managing Director on 25 October 2000 and 31 May 2006 respectively. Ms. Fong is the Deputy Chairperson and Managing Director of Shaw Brothers (Hong Kong) Limited, a company listed on the Hong Kong Stock Exchange, and Chairperson and Managing Director of the Shaw group of companies. She is also the Chairperson of The Shaw Foundation Hong Kong Limited, The Shaw Prize Foundation Limited and The Sir Run Run Shaw Charitable Trust and member of the Board of Trustees of the Shaw College of the Chinese University of Hong Kong. Ms. Fong is the wife of Sir Run Run Shaw, the Executive Chairman of the Company.

Dr. CHOW Yei Ching

G.B.S.
Non-executive Director

aged 72, was appointed Director of the Company in 2000. He is the founder and chairman of Chevalier Group, which consists of two listed companies on the Hong Kong Stock Exchange – Chevalier International Holdings Limited and Chevalier Pacific Holdings Limited. He is also an independent non-executive director of Shaw Brothers (Hong Kong) Limited, Van Shung Chong Holdings Limited and Towngas China Company Limited. He was appointed The Honorary Consul of The Kingdom of Bahrain in Hong Kong and a Standing Committee Member of the Chinese People's Political Consultative Conference, Shanghai.

Christina LEE LOOK Ngan Kwan

Non-executive Director

aged 84, is the widow of the Founder of the Company, Mr. Lee Hsiao-Wo. Mrs. Lee became Director of the Company in 1981. She is a non-executive director of Sa Sa International Holdings Limited, a company listed on the Hong Kong Stock Exchange. Mrs. Lee is actively involved in Caritas, Hong Kong, a local charitable organisation. Mrs. Lee is the aunt of Mr. Chien Lee and mother of Mr. Anthony Lee Hsien Pin.

Directors

Kevin LO Chung Ping

Non-executive Director

aged 71, joined the Company in 1966 as Project Engineer and as General Manager from 1978 to 1980. He was appointed Director in 1977. He is also a director of Gold Peak Industries (Holdings) Limited, a company listed on the Hong Kong Stock Exchange.

Edward CHENG Wai Sun

S.B.S., J.P.

Independent Non-executive Director

aged 52, was appointed Independent Non-executive Director of the Company in June 2006. He is the deputy chairman and chief executive of USI Holdings Limited and non-executive director of Winsor Properties Holdings Limited, both listed on the Hong Kong Stock Exchange.

Chien LEE

Independent Non-executive Director

aged 54, is a private investor. He was appointed Independent Non-executive Director of the Company in 2005. He is also non-executive director of Hysan Development Company Limited and Swire Pacific Limited, both listed on the Hong Kong Stock Exchange. He is also a Council Member of The Chinese University of Hong Kong and The Hong Kong Institute of Education. He received a Bachelor of Science Degree in Mathematical Sciences, a Master of Science Degree in Operations Research (1975) and an MBA Degree (1979) from Stanford University, California, U.S.A. Mr. Lee is the nephew of Mrs. Christina Lee Look Ngan Kwan and is a cousin of Mr. Anthony Lee Hsien Pin.

Dr. LI Dak Sum

DSSc. (Hon.), J.P.
Independent Non-executive Director

aged 87, is the chairman of Sharp-Roxy (Hong Kong) Limited which markets Sharp products in Hong Kong and Mainland China. Dr. Li is also the chairman of Carlton Hotel in Singapore. He was appointed Director of the Company in 1995.

Gordon SIU Kwing Chue

G.B.S., J.P.
Independent Non-executive Director

aged 62, was appointed Independent Non-executive Director of the Company in July 2007. He is also an independent non-executive director of Transport International Holdings Limited and China Resources Enterprise, Limited since October 2004 and November 2006 respectively which are listed on the Hong Kong Stock Exchange. Mr. Siu joined the Civil Service in 1966, rose to the rank of Secretary, Government Secretariat in 1993 and retired from the Service in 2002 with a service of over 36 years.

Anthony LEE Hsien Pin

Alternate Director to Mrs. Christina LEE LOOK Ngan Kwan

aged 50, is a director of Hysan Development Company Limited and Lee Hysan Estate Company Limited, and also a director and substantial shareholder of Australian-listed Beyond International Limited. He was appointed as Alternate Director to Mrs. Christina Lee Look Ngan Kwan in September 2002. He is the son of Mrs. Lee and is a cousin of Mr. Chien Lee.

Senior Management

George CHAN Ching Cheong

Assistant Managing Director

aged 55, first joined TVB's Sales Department in 1975. He held the position of Controller (Marketing & Sales) from 1982 to 1989. He has had a successful career as an entrepreneur and as director of several prominent companies engaged in media, telecommunication and technology in Hong Kong and overseas. Amongst other successful start-ups, he co-founded STAR-TV, Pacific Century Group and PCCW Limited in 1990, 1994 and 1999 respectively. He rejoined TVB in November 2004 as Assistant Managing Director.

Stephen CHAN Chi Wan

General Manager – Broadcasting

aged 49, first joined TVB as Controller (Programme) and took on the added responsibilities of Controller (External Affairs) in 1996. He was promoted to Assistant General Manager – Television Broadcasting in April 2002 and General Manager – Broadcasting in April 2004. Mr. Chan has extensive experience in the administration, broadcasting and corporate communication field. Before joining TVB, Mr. Chan had worked in various departments of the Hong Kong Government for 10 years prior to joining Hong Kong Commercial Broadcasting Limited.

CHEONG Shin Keong

General Manager – Broadcasting

aged 51, joined TVB as Controller, Marketing & Sales in 1989. He has extensive experience in the advertising/marketing industry and contributes actively to the professional development of marketing in Hong Kong through leading marketing industry bodies. He assumed the duties of General Manager – Broadcasting in April 2004. He is responsible for marketing, business development and corporate development matters including digital and mobile TV. He is a Fellow and Council Member of the Hong Kong Management Association and a Fellow of the Chartered Institute of Marketing.

Mark LEE Po On

General Manager – Finance and Administration

aged 52, joined TVB in February 2007 as General Manager – Finance and Administration. Mr. Lee is a member of the Institute of Chartered Accountants in England and Wales and also a member of the Hong Kong Institute of Certified Public Accountants. He has about 30 years of financial and commercial experience including working with KPMG and Asia Television Limited before joining TVB.

Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activities of the Company are terrestrial television broadcasting, together with programme production and other TV-related activities. The principal activities of the subsidiaries are detailed in Note 34 to the consolidated financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 4 to the consolidated financial statements.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the year are set out in the consolidated income statement on page 50.

Movements in the reserves of the Group and the Company during the year are set out in Note 17 to the consolidated financial statements on page 87.

Distributable reserves of the Company at 31 December 2007, calculated under Section 79B of the Companies Ordinance of Hong Kong, amounted to HK$3,696,014,000 (2006: HK$3,506,504,000).

DIVIDENDS

The Directors recommended the payment of a final dividend of HK$1.50 per share for the 438,000,000 ordinary shares in issue in respect of the year ended 31 December 2007. Subject to shareholders' approval at the forthcoming 2008 annual general meeting of the Company to be held on 28 May 2008, the proposed final dividend will be paid on or around 5 June 2008 to shareholders who are on the Register of Members of the Company on 28 May 2008.

Together with an interim dividend of HK$0.30 per share paid on 27 September 2007, total dividend for the year will amount to HK$1.80 per share (2006: HK$1.70 per share).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 7 May 2008 to 28 May 2008, both dates inclusive, during which period, no transfer of shares will be effected. In order to qualify for the proposed final dividend, all share transfer accompanied by the relevant share certificates must be lodged with the Company's Share Registrars and Transfer Office, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on 6 May 2008.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$220,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 5 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 16 to the consolidated financial statements.

FIVE-YEAR FINANCIAL REVIEW

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 45.

DIRECTORS

The Directors during the year were:
Run Run SHAW
Norman LEUNG Nai Pang
Mona FONG
CHOW Yei Ching#
Christina LEE LOOK Ngan Kwan#
Kevin LO Chung Ping#
Edward CHENG Wai Sun*
Chien LEE*
LI Dak Sum*
Gordon SIU Kwing Chue* *(appointed on 10 July 2007)*
HO Ting Kwan# *(resigned on 13 April 2007)*
Robert SZE Tsai To* *(resigned on 22 January 2008)*

The Alternate Director during the year was:
Anthony LEE Hsien Pin *(alternate to Mrs. Christina LEE LOOK Ngan Kwan)*

 # Non-executive Director

** Independent Non-executive Director*

Mr. Gordon Siu was appointed as Independent Non-executive Director of the Company on 10 July 2007. Under Article 109 of the Articles of Association of the Company (the "Articles"), Mr. Siu holds office until the next annual general meeting to be held on 28 May 2008 (the "Annual General Meeting"), and being eligible, offers himself for election.

In accordance with Article 114(A) of the Articles, Dr. Chow Yei Ching, Mr. Chien Lee, and Mr. Kevin Lo shall retire by rotation and being eligible, offer themselves for re-election at the Annual General Meeting.

Details of the proposed candidates standing for election or re-election are set out in the Notice of Annual General Meeting sent together with this Annual Report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and Senior Management are set out on pages 24 to 29 of this Annual Report.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2007, 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 (%)
Run Run Shaw	–	1,146,000#	141,174,828*(a)	142,320,828	32.49%
Christina Lee	602,144	–	16,701,000 (b)	17,303,144	3.95%
Mona Fong	1,146,000#	–	–	1,146,000	0.26%
Chien Lee	400,000	–	–	400,000	0.09%
Li Dak Sum	–	–	300,000 (c)	300,000	0.07%
Chow Yei Ching	100,000	–	–	100,000	0.02%

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

Notes:

(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 Shaw Holdings Inc. holds 74.58% and 100% equity interests respectively. Sir Run Run Shaw exerts 100% control over Shaw Holdings Inc. 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 any of its subsidiaries did not operate any employee share option scheme and therefore no such rights had been granted to the Directors or chief executive or their spouse or children under 18 years of age to subscribe for shares or debentures of the Company or any other body corporate during the year under review.

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 31 December 2007.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, 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%
The Shaw Foundation Hong Kong Limited	27,286,200*	6.23%
Marathon Asset Management	24,007,504 (a)	5.48%
Matthews International Capital Management, LLC	21,923,833 (a)	5.00%

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

Note (a): Interests were held in the capacity of investment manager.

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 31 December 2007.

DIRECTORS'/SUBSTANTIAL SHAREHOLDERS' INTERESTS IN CONTRACTS

CONNECTED TRANSACTIONS

The following transactions constitute continuing connected transactions of the Company which are subject to the requirements under Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"):

a) On 30 September 2004, TVBI Company Limited ("TVBI"), a wholly-owned subsidiary of the Company and MEASAT Broadcast Network Systems Sdn. Bhd. ("MBNS"), an associate of the substantial shareholder of three of the Company's non wholly-owned subsidiaries, entered into an agreement, pursuant to which TVBI would supply television programmes to MBNS for broadcast in Malaysia and Brunei on a channel owned and operated by MBNS for a period of 5 years from 1 October 2004 to 30 September 2009 on an exclusive basis. On 14 October 2004 and 14 February 2005, separate addendum to the agreement was entered into between the parties for the clarification of the base month upon which the subscribers guarantee would be calculated and for the increase of revenue sharing receivable by TVBI for revenue generated from hotel and commercial establishments respectively. The income accrued by TVBI during 2007 was HK$79,828,000 (MYR34,928,000).

b) On 30 September 2004, TVBI acting as an agent of Liann Yee Production Co. Ltd. ("LYP"), a wholly-owned subsidiary of the Company and MBNS entered into an agreement, pursuant to which TVBI would supply a Mandarin language channel to MBNS for broadcast in Malaysia and Brunei on the pay television services operated by MBNS and its affiliated company for a period of 5 years from 1 October 2004 to 30 September 2009 on an exclusive basis. On 14 October 2004 and 14 February 2005, separate addendum to the agreement was entered into between the parties for the clarification of the base month upon which the subscribers guarantee would be calculated and for the increase of revenue sharing receivable by LYP for revenue generated from hotel and commercial establishments respectively. The income accrued by LYP during 2007 was HK$28,681,000 (MYR12,549,000).

c) On 30 September 2004, TVB Satellite TV Entertainment Limited ("TVBSE"), a wholly-owned subsidiary of the Company and MBNS entered into an agreement, pursuant to which TVBSE would supply two Mandarin language channels to MBNS for broadcast in Malaysia and Brunei on the pay television services operated by MBNS and its affiliated company for a period of 5 years from 1 October 2004 to 30 September 2009 on an exclusive basis. On 14 February 2005, an addendum to the agreement was entered into between the parties for the increase of revenue sharing receivable by TVBSE for revenue generated from hotel and commercial establishments. The income accrued by TVBSE during 2007 was HK$44,442,000 (MYR19,445,000).

d) On 30 September 2004, MBNS and TVBSE entered into an agreement, pursuant to which MBNS appointed TVBSE as its advertising agent responsible for the recruitment of advertisements and sponsorship for certain channels broadcast by MBNS in Malaysia and Brunei for a period of 5 years from 1 October 2004 to 30 September 2009. The income accrued by TVBSE during 2007 was HK$46,849,000 (MYR20,498,000).

e) On 30 September 2004, TVBO Facilities Limited ("TVBOF") and TVB Satellite Broadcasting Limited ("TVBSB"), both are wholly-owned subsidiaries of the Company, entered into separate agreement with MBNS, pursuant to which MBNS appointed TVBOF and TVBSB to provide management services to MBNS for the period from 1 October 2004 to 30 September 2009 at a fixed amount for every period of 12 months. The aggregate management fee accrued by TVBOF and TVBSB during 2007 was HK$33,735,000 (MYR14,760,000).

f) On 4 April 2007, TVBI and MBNS entered into a binding deal memorandum pursuant to which TVBI agreed to (i) supply to MBNS a maximum of 600 hours of television programmes per year produced or co-produced by TVB for transmission and exhibition by MBNS in Cantonese language by means of Video-on-Demand and Near Video-on-Demand on an exclusive basis in Malaysia and Brunei; (ii) provide marketing and consultancy services to MBNS; and (iii) procure TVBOF to provide facilities services to MBNS, during a period of 5 years from 1 January 2007 to 31 December 2011. The income accrued by TVBI and TVBOF during 2007 was HK$49,521,000 (MYR21,667,000).

All the Independent Non-executive Directors have reviewed the above transactions described in paragraphs 1(a) to (f) above, and confirmed that these transactions have been entered into (i) in the ordinary and usual course of business of the Company; (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditors have also reviewed the above transactions described in paragraphs 1(a) to (f) and confirmed in their letter to the Directors that those transactions:

(i) have been approved by the Board of Directors of the Company;

(ii) have been entered into in accordance with the pricing policies stated in the relevant agreements governing them or set by the Board of Directors of the Company from time to time;

(iii) have been entered into in accordance with the relevant agreements governing them or, if there are no such agreements, on terms that are fair and reasonable so far as the shareholders are concerned by comparing to the market price charged to or from third parties; and

(iv) have not exceeded the relevant caps as disclosed in the previous announcements.

Save for the above, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the year-end or at any time during the year.

None of the Directors of the Company has a service contract with the Company which is not determinable within one year, without payment of compensation, other than statutory compensation. No share options of the Company have been granted to the Directors during the year.

DISCLOSABLE TRANSACTION

On 21 December 2007, LYP entered into a sale and purchase agreement with Gala TV Corporation for the purchase of the land at Lot 107, Subsection 4, Xihu Section, Neihu District, Taipei and the building and facilities to be built thereon for a consideration of NT$2,598,000,000 (approximately HK$623,520,000).

DIRECTORS' EMOLUMENTS

Details of the remuneration of Directors for the year are set out in Note 22 to the consolidated financial statements on pages 94 to 95 of this Annual Report.

CORPORATE GOVERNANCE

The Company's corporate governance practices during the year are set out in the Corporate Governance Report on pages 36 and 41 of this Annual Report.

AUDIT COMMITTEE

The responsibilities of the Audit Committee and the work done during the year are set out in the Corporate Governance Report on page 42 of this Annual Report.

REMUNERATION COMMITTEE

The responsibilities of the Remuneration Committee and the work done during the year are set out in the Corporate Governance Report on page 40 of this Annual Report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors as at the date of this report, at least 25% of the Company's total issued share capital is held by the public at all times. As at 26 March 2008, there were 278 shareholders on the Company's register of shareholders.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the percentage of the Group's purchases and sales attributable to its five largest suppliers and five largest customers are both less than 30%.

AUDITORS

The consolidated financial statements for the year ended 31 December 2007 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the Annual General Meeting.

On behalf of the Board

Norman Leung Nai Pang
Executive Deputy Chairman

Hong Kong, 26 March 2008

Corporate Governance Report

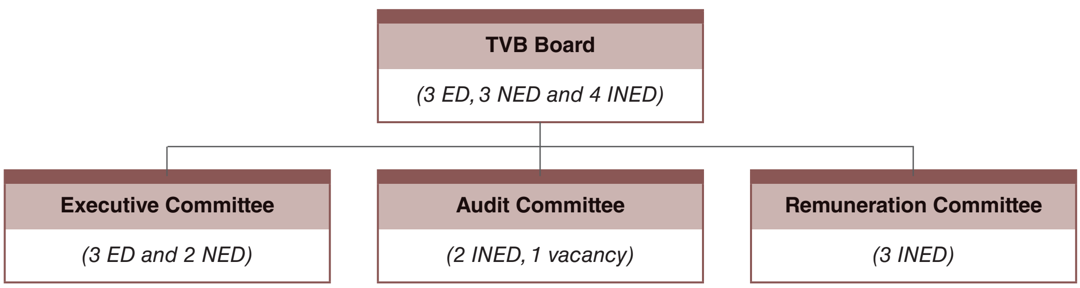
ACCOUNTABILITY, TRANSPARENCY AND INTEGRITY

Maintaining high standards of business ethics and corporate governance practices has always been one of the Company's core objectives. The Company believes that conducting business in an open and responsible manner serves its long-term interests and those of the shareholders.

The Company adopted its own code on corporate governance which, save for one of the code provisions (as disclosed under the sub-paragraph of "Code on Corporate Governance" in this report), complies with the code provisions of the Code on Corporate Governance Practices ("CG Code") set out in Appendix 14 of the Listing Rules.

The Board reviews the corporate governance practices adopted by the Company from time to time to comply with the increasingly stringent regulatory requirements and to meet the rising expectations of stakeholders.

GOVERNANCE STRUCTURE



Notes:
1) *ED – Executive Director(s)*
2) *NED – Non-executive Director(s)*
3) *INED – Independent Non-executive Director(s)*

THE BOARD OF DIRECTORS

The Board is charged with the duty of promoting the success of the Company by directing and supervising its affairs in a responsible manner. The Board is the highest governing body of the Company.

COMPOSITION

The Board comprises a total of 10 Directors and an Alternate Director. Directors as at the date of this report are as follows:

Executive Directors:
Run Run SHAW (Executive Chairman)
Norman LEUNG Nai Pang (Executive Deputy Chairman)
Mona FONG (Deputy Chairperson and Acting Managing Director)

Non-executive Directors:
CHOW Yei Ching
Christina LEE LOOK Ngan Kwan
Kevin LO Chung Ping

Independent Non-executive Directors:
Edward CHENG Wai Sun
Chien LEE
LI Dak Sum
Gordon SIU Kwing Chue (appointed on 10 July 2007)

Alternate Director:
Anthony LEE Hsien Pin (alternate to Mrs. Christina LEE LOOK Ngan Kwan)

Biographical details of Directors are set out on pages 24 to 27 of this Annual Report.

Mr. Ho Ting Kwan resigned as a Non-executive Director on 13 April 2007. The Executive Committee nominated and the Board approved the appointment of Mr. Gordon Siu to be an Independent Non-executive Director of the Company with effect from 10 July 2007.

Mr. Robert Sze Tsai To resigned as an Independent Non-executive Director of the Company on 22 January 2008, following an unsuccessful application to the Chief Executive in Council for Mr. Sze as a disqualified person under the Broadcasting Ordinance to exercise control of both the Company, which holds a domestic free television programme service licence, and Asia Satellite Telecommunications Holdings Limited, which controls two non-domestic television programme service licensees and of which Mr. Sze is also a non-executive director.

As announced on 22 January 2008, Mr. Gordon Siu was appointed the chairman of the Audit Committee and a member of the Remuneration Committee.

The Company currently has four Independent Non-executive Directors. Each of the Independent Non-executive Director has given the Company a confirmation of his independence. The Company considers these Directors to be independent, under the guidelines set out in Rule 3.13 of the Listing Rules.

The Directors have no relationship (including financial, business, family or other relationship) among themselves, save for the following:

- husband-wife relationship between Sir Run Run Shaw and Ms. Mona Fong;
- directorship of Dr. Chow Yei Ching in Shaw Brothers (Hong Kong) Limited, which holds major interest in the share capital of the Company;
- mother-son relationship between Mrs. Christina Lee and Mr. Anthony Lee;
- aunt-nephew relationship between Mrs. Christina Lee and Mr. Chien Lee; and
- cousin relationship between Mr. Chien Lee and Mr. Anthony Lee.

The Board sets the strategic direction of the Company and monitors the performance of the Group's business and management; and ensures that a risk management framework is in place. The Board exercises a number of reserved approval powers over matters which include:

- significant changes in accounting policies or capital structure;
- financial statements and announcements;
- major acquisitions, disposals and capital projects;
- material borrowings and any issuing, or buying back, of equity securities;
- remuneration policy;
- budget;
- dividend policy; and
- treasury policy.

Corporate Governance Report

DIRECTORS' RESPONSIBILITIES

Each Director has a duty to act in good faith and in the best interests of the Company. The Directors are aware of their collective and individual responsibilities to all shareholders for the manner in which the affairs of the Company are managed, controlled and operated.

Each Director is kept abreast of his/her responsibilities as Director of the Company and of the conduct, business activities and development of the Company. Management provides appropriate and sufficient information to Directors in a timely manner to keep them apprised of the latest development of the Group. Directors also have independent access to Management in respect of operational issues.

BOARD COMMITTEES

The Board is supported by three Board Committees, namely the Executive Committee, the Audit Committee and the Remuneration Committee. Each of them has defined terms of reference covering its duties, powers and functions. These terms of reference are available on the Company's website.

COMPOSITION AND FUNCTION

Major functions, composition and operating mode of the Board Committees are set out below:

	Major roles and functions	Composition	Operating mode
Executive Committee	• nominate suitably qualified candidates to become Directors • establish and consider changes to company-wide policies • consider corporate plans and budgets • consider actual or potential, major exception or occurrence which has, or may have, major impact on the business and operation of the Company	**ED** Run Run Shaw (Chairman) Norman Leung Mona Fong **NED** Kevin Lo Christina Lee	Meet normally six times a year
Audit Committee	• review appointment of external auditors and ensure continuing auditor's independence • assist the Board in fulfilling its responsibilities by providing independent review and supervision on financial reporting and effectiveness of the Group's internal control system • review objectivity and effectiveness of audit process in accordance with applicable standards	**INED** Gordon Siu[A*] (Chairman) Chien Lee vacancy	Meet at least twice a year
Remuneration Committee	• formulate Senior Management's remuneration policy and make recommendations on annual remuneration review • determine remuneration of Executive Directors and members of Senior Management	**INED** Chien Lee (Chairman) Edward Cheng Gordon Siu[A1]	Meet at least once a year

Notes:

A – appointed during 2007

A1 – appointed during 2008

** – appointed as the Chairman during 2008*

MEETING PROCEEDINGS

The Board normally holds five regular meetings annually, and meets at such other times as are necessary. Five Board meetings were held during 2007. Agenda of Board meetings are approved by the Chairman and presented to the Directors for comments. The Board is provided with adequate, timely and reliable information about the Group's business and developments before each meeting at which the Directors actively participate and hold informed discussions. All Directors are asked to comment on meeting minutes within a reasonable time after the meetings to ensure that the minutes reflect accurately the discussions which took place.

The attendance records of Directors at the Board meetings and the Board Committees' meetings are set out in the table below:

Directors	Board	Executive Committee	Audit Committee	Remuneration Committee
Executive Directors				
Run Run Shaw	2/5	2/6		
Norman Leung	5/5	6/6		
Mona Fong	5/5	6/6		
Non-executive Directors				
Chow Yei Ching	2/5			
Ho Ting Kwan[1]	1/1		2/2	
Christina Lee[2]	5/5	6/6		
Kevin Lo	4/5	5/6		
Independent Non-executive Directors				
Edward Cheng	4/5			1/1
Chien Lee	5/5		3/3	1/1
Li Dak Sum	5/5			
Gordon Siu[3]	3/3		1/1	
Robert Sze[4]	5/5		3/3	1/1

Notes:

1. *Mr. Ho Ting Kwan resigned as Non-executive Director and a member of the Audit Committee on 13 April 2007. One Board meeting and two Audit Committee meetings were held between 1 January 2007 to 12 April 2007.*
2. *In relation to Mrs. Christina Lee, two Board meetings and two Executive Committee meetings were attended by Mr. Anthony Lee, the Alternate Director.*
3. *Mr. Gordon Siu was appointed as an Independent Non-executive Director and a member of the Audit Committee on 10 July 2007. Three regular Board Meetings and one Audit Committee Meeting were held between 10 July 2007 to 31 December 2007.*
4. *Mr. Robert Sze resigned as an independent Non-executive Director, the Chairman of the Audit Committee and a member of the Remuneration Committee on 22 January 2008.*

Corporate Governance Report

REMUNERATION

The key elements of the Group's remuneration policies are:

- remuneration should be set which is commensurate with pay levels in the market;
- remuneration should be able to attract and retain individuals with appropriate background, skills, knowledge and experience, relevant to the industry and the business; and
- no individual should determine his or her own remuneration.

The Executive Chairman is remunerated by way of a fixed fee. Other Executive Directors and members of the Senior Management are remunerated by way of salaries and other incentives, such as discretionary or performance bonus and provident fund. Executive Directors are not entitled to an additional fee for serving on the Board Committees. Non-executive Directors are remunerated by a fixed Directors' fee and Board Committee fees, if they also serve those committees. Any increases in Directors' fee shall be recommended by the Board and approved by shareholders at annual general meetings.

The Company did not operate any employee share option scheme and therefore, no share options of the Company have been granted to Directors or the Senior Management in 2007.

Details of the Directors' and Senior Management's emoluments are set out on pages 94 to 96 of the Notes to the Consolidated Financial Statements. Ms. Mona Fong, Deputy Chairperson and Acting Managing Director, had offered to waive any discretionary bonus which might be granted to her for her office as Acting Managing Director in 2007.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three Independent Non-executive Directors.

The scope of work of the Remuneration Committee covers the remuneration of the Board and the Senior Management. During the year, the Remuneration Committee dealt with the following matters:

- reviewed the levels of Directors' fee and made a recommendation to the Board;
- reviewed and approved increase in remuneration of Directors and the Senior Management;
- reviewed and recommended discretionary bonuses for the Senior Management for the year ended 31 December 2007 to the Board.

A Remuneration Committee meeting was held on 29 August 2007 to discuss the remuneration packages of senior management of the Group. The Remuneration Committee resolved by way of written circulars the remuneration packages. It also held a meeting on 14 January 2008 after the balance sheet date, to approve the discretionary bonuses to senior management and senior executives, the renewal of employment contract of an executive director; and to review and recommend for Board approval an increment in Directors' fee.

NOMINATION OF DIRECTORS

The appointment of a new Director is a matter for consideration and decision by the Board. As delegated by the Board, the Executive Committee is responsible for nominating suitably qualified candidates to be Directors.

The Board appointed Mr. Gordon Siu to be an Independent Non-executive Director of the Company on 10 July 2007 to enhance the representation of Non-executive Directors on the Board. In the selection process, the Executive Committee made reference to criteria including, inter alia, reputation for integrity, education background, accomplishment and experience in the commercial industry, and time commitment and relevant interest.

DIRECTORS' TERM OF OFFICE AND RE-ELECTION

Non-executive Directors are appointed for a specific term of three years. All Directors shall retire from office by rotation and are subject to re-election at an annual general meeting at least once every three years. Pursuant to Article 114(D) of the Articles, the Chairman is exempted from retirement by rotation.

None of the Directors of the Company has a service contract with the Company which is not determinable within one year, without payment of compensation, other than statutory compensation.

The Articles provide that Directors appointed to fill a casual vacancy shall hold office only until the first annual general meeting after their appointment, and shall be subject to re-election by shareholders.

CORPORATE GOVERNANCE PRACTICES

The Board monitored the Company's progress on corporate governance practices throughout the year under review.

CODE ON CORPORATE GOVERNANCE

The Company adopted its own code on corporate governance ("TVB Code on Corporate Governance") in 2005 which complied with all the code provisions of the CG Code, save that the Chairman is not subject to retirement by rotation (as required under code provision A.4.2). Pursuant to Article 114(D) of the Articles, the Chairman is exempted from retirement by rotation. The Board considers that this deviation is well-founded as the Chairman, being a founder of the Company, has a wealth of experience which is essential to the Board and contributes to the continued stability of the Company's business.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "Model Code") as the code for Directors and Senior Management in their dealings in the Company's securities.

Mr. Gordon Siu, an Independent Non-executive Director, confirmed following specific enquiry by the Company, that he had complied with the Model Code throughout the period between 10 July 2007, the date of his appointment, and 31 December 2007.

All other Directors and members of the Senior Management confirmed following specific enquiries by the Company, that they had complied with the Model Code throughout the year ended 31 December 2007.

SEGREGATION OF DUTIES

The roles of the Chairman and the Managing Director are segregated and clearly defined, as set out in the TVB Code on Corporate Governance.

The Board has formalised the functions delegated to the Senior Management and reviews such arrangements on a periodic basis. The Senior Management is charged with the following responsibilities:

- implementing and reporting to the Board on the Company's strategies;
- overseeing the realisation by the Company of the objectives set by the Board;
- providing all such information to the Board as is necessary to enable the Board to monitor the performance of the Senior Management; and
- discharging duties and authority as may be delegated by the Board.

FINANCIAL REPORTING AND AUDIT

The Board is responsible for presenting financial information of the Group in a clear, balanced and timely manner in the form of financial statements that give a true and fair view of the Group's state of affairs. The Board also carries out the responsibility to select the most appropriate accounting policies for the Group. In this regard, the Board has adopted the Hong Kong Financial Reporting Standards as promulgated by the Hong Kong Institute of Certified Public Accountants.

The Board is also vested with the responsibility to disseminate to shareholders and the public any price-sensitive information in the form of announcements and circulars, in accordance with the Listing Rules.

AUDIT COMMITTEE

The Audit Committee comprises three members. Following the resignation of Mr. Robert Sze on 22 January 2008, the number of members of the Audit Committee falls under the minimum required by Rule 3.21 of the Listing Rules of three members. The Company is in the process of identifying a suitable candidate to fill this vacancy so as to ensure that it is able to fulfil the requirement of Rule 3.21 on a continuous basis.

The Audit Committee held three meetings during the year ended 31 December 2007 and dealt with the following matters:

- reviewed the selected accounting principles and practices;
- reviewed developments in the accounting standards and assessed their potential impacts;
- reviewed draft financial statements and results announcements;
- considered the proposed scope and approach of the audit;
- reviewed and discussed the audit findings and significant issues;
- reviewed the adequacy and effectiveness of the Group's system of internal controls; and
- made recommendation to the Board regarding the appointment and remuneration of the external auditors.

The reporting responsibilities of PricewaterhouseCoopers, the external auditors, are set out in the Auditors' Report on page 46 of this Annual Report.

AUDITORS' REMUNERATION

Management performs a review of the remuneration to the Group's auditors on an annual basis. The fees for audit services have been approved by the Audit Committee, whilst the fees for non-audit services are estimates made by Management. A summary of fees for audit and non-audit services is as follows:

	Fees for audit services		**Fees for non-audit services**	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Company	**1,139**	1,086	**90**	279
Subsidiaries	**2,864**	2,964	**1,740**	1,376
Total	**4,004**	4,050	**1,830**	1,655
Fees payable to PricewaterhouseCoopers, the principal auditors	**3,525**	3,591	**1,414**	1,313

Non-audit services rendered to the Group included principally professional fees in relation to tax services. All non-audit services being undertaken by the external auditors have been approved by the Audit Committee based on the set criteria.

INTERNAL CONTROLS

The Board has the overall responsibility for maintaining a sound and effective system of internal controls to safeguard the Company's assets and shareholders' interests.

A system of internal controls has been designed by Management in safeguarding assets from unauthorised use or disposition, ensuring reliability of financial reporting, and ensuring effectiveness and efficiency of operation and compliance with applicable laws and regulations. Management is directly responsible for implementing the strategies and policies adopted by the Board, and for managing the Company's activities, including the operation of the internal control system. This system of internal controls is, however, designed to provide reasonable, but not absolute, assurance against material mis-statement or loss, and manage rather than eliminate risks of failure in operational systems.

The Company has put in place an extensive risk management framework, covering engineering (including broadcasting), programme production and acquisition, resource management, marketing and sales, information technology, and financial and compliance functions.

The key internal control procedures adopted by the Board include:

- establishment of a clear organisation structure, including the delegation of appropriate responsibilities from the Board to the Board Committees, Management, and the heads of operating subsidiaries/divisions;
- documentation of a comprehensive set of internal control procedures covering all business operations of the Group;
- assessment of the effectiveness of the system of internal controls by considering the reviews performed by the Audit Committee, Management and the external auditors, as appropriate;
- establishment of a management accounting system to provide reliable financial and operational data for Management;
- adoption of a TVB Code of Ethics governing staff's conduct and setting the standards of integrity and professionalism.

During the year ended 31 December 2007, Management reviewed the internal controls of the Group, covering the financial, operational and compliance controls and risk management functions (the "Review").

The Review took the form of a control self-assessment process (except for Taiwan which was performed by its internal audit team). This required the controller or general manager of each business unit to perform an assessment of the effectiveness of the major internal controls within his business function. The outcome of the control self-assessment process was documented and analysed.

The Management also reviewed the macro and corporate level risks that confront the Group's businesses, and made an assessment on the adequacy of the internal controls that are in place to mitigate those risks.

The Audit Committee examined the report on the Review and was satisfied that:

- it had covered all material controls, including financial, operational and compliance controls, and the risk management function;
- the Group's internal controls are adequate for the current operation and in safeguarding the assets of the Group;
- Management has put in place appropriate financial controls at the headquarters;
- Management has put in place appropriate operational and compliance controls at operational divisions level; and
- it is satisified that the internal controls existing within the Group are functioning in a sound and effective manner to safeguard the shareholders' investment and the Group's assets.

Corporate Governance Report

CORPORATE COMMUNICATION

DISCLOSURE OF INFORMATION

The Company adopts a policy of disclosing relevant information to shareholders and the public in a timely manner:

- the Company makes announcements pursuant to the requirements of the Listing Rules on the Hong Kong Stock Exchange's and the Company's websites;
- the Company maintains a library of corporate information, including announcements, circulars and financial reports at its website for reference purpose;
- the Company provides a forum at the annual general meetings for shareholders to meet and communicate with Management; and
- reports and circulars are distributed to all registered shareholders.

GENERAL MEETINGS

Annual general meeting ("AGM") proceedings are reviewed periodically to ensure that the Company follows the best corporate governance practices. A notice of AGM is sent to all shareholders at least 21 days prior to the meeting, setting out details of each proposed resolution, voting procedures and other relevant information. The procedures for demanding and conducting a poll are explained during the meeting. Voting or poll results are released on the business day following the AGM.

Separate resolutions are proposed for each substantially separate issue by the Chairman and are voted on by poll at the AGM.

INVESTOR RELATIONS

The Company devotes substantial resources in ensuring that its dissemination of details of major activities, price sensitive information and transactions is in full compliance with the Listing Rules. The Company has designated key officers to communicate with institutional shareholders and analysts ensuring consistency of information. Through one-on-one meetings and presentations, the Company keeps the investment community informed of its latest developments.

On behalf of the Board

Norman Leung Nai Pang
Executive Deputy Chairman

Hong Kong, 26 March 2008

Financial Information

Five-Year Financial Review

	2007 **HK$'mil**	2006 HK$'mil	2005 HK$'mil	2004 HK$'mil	2003 HK$'mil
Turnover	**4,326**	4,201	4,177	3,817	3,311
Profit before income tax	**1,550**	1,436	1,420	902	485
Income tax expense	**284**	247	232	152	25
Profit attributable to equity holders of the Company	**1,264**	1,189	1,180	719	441
Earnings per share	**HK$2.89**	HK$2.71	HK$2.69	HK$1.64	HK$1.01
Property, plant and equipment	**1,722**	1,731	1,896	2,050	2,167
Leasehold land	**186**	184	188	193	198
Intangible assets	**163**	162	161	55	63
Interests in associates	**85**	150	246	280	238
Other non-current assets	**76**	32	31	56	64
Current assets	**4,019**	3,428	2,800	2,200	1,988
Current liabilities	**(741)**	(676)	(749)	(855)	(1,112)
	5,510	5,011	4,573	3,979	3,606
Share capital	**22**	22	22	22	22
Reserves	**5,322**	4,823	4,360	3,649	3,274
Shareholders' funds	**5,344**	4,845	4,382	3,671	3,296
Minority interest	**25**	23	23	117	84
Non-current liabilities	**141**	143	168	191	226
	5,510	5,011	4,573	3,979	3,606

Figures for 2003 to 2005 have been restated following the adoptiion of revised HKAS17 and also to align with current year presentation.

Report of the Auditors

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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TO THE SHAREHOLDERS OF TELEVISION BROADCASTS LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Television Broadcasts Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 47 to 108, which comprise the consolidated and Company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2008

Consolidated Balance Sheet

As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**1,721,921**	1,731,207
Leasehold land	6	**185,775**	183,848
Intangible assets	7	**163,034**	162,184
Interests in associates	9	**84,951**	150,213
Available-for-sale financial assets	10	**3**	3
Loan to investee company	11	**3,190**	6,666
Deferred income tax assets	19	**10,725**	25,121
Prepayment	13	**62,482**	–
		2,232,081	2,259,242
Current assets			
Programmes, film rights and movies		**460,720**	442,319
Stocks	12	**9,482**	14,439
Trade and other receivables, prepayments and deposits	13	**1,405,703**	1,372,347
Tax recoverable		**443**	1,450
Pledged bank deposits	14	**1,692**	239
Bank deposits maturing after three months		**131,683**	38,026
Cash and cash equivalents	15	**2,008,895**	1,559,079
		4,018,618	3,427,899
Total assets		**6,250,699**	5,687,141
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	16	**21,900**	21,900
Other reserves	17	**685,832**	669,823
Retained earnings			
– Proposed final dividend	27	**657,000**	635,100
– Others		**3,979,253**	3,518,325
		5,343,985	4,845,148
Minority interest		**24,765**	23,199
Total equity		**5,368,750**	4,868,347
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	19	**126,112**	126,443
Retirement benefit obligations	20	**14,637**	16,515
		140,749	142,958

Consolidated Balance Sheet

As at 31 December 2007

	Note	**2007 HK$'000**	2006 HK$'000
Current liabilities			
Trade and other payables and accruals	18	**668,365**	593,994
Current income tax liabilities		**72,835**	81,842
		741,200	675,836
Total liabilities		**881,949**	818,794
Total equity and liabilities		**6,250,699**	5,687,141
Net current assets		**3,277,418**	2,752,063
Total assets less current liabilities		**5,509,499**	5,011,305

Norman Leung Nai Pang
Director

Mona Fong
Director

The notes on pages 53 to 108 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**1,496,258**	1,483,838
Leasehold land	6	**179,280**	183,848
Interests in subsidiaries	8	**359,699**	493,702
Interests in associates	9	**164,533**	155,595
		2,199,770	2,316,983
Current assets			
Programmes and film rights		**401,785**	365,760
Stocks	12	**1,781**	1,870
Trade and other receivables, prepayments and deposits	13	**943,197**	917,261
Bank deposits maturing after three months		**96,113**	–
Cash and cash equivalents	15	**1,328,704**	994,354
		2,771,580	2,279,245
Total assets		**4,971,350**	4,596,228
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	16	**21,900**	21,900
Other reserves	17	**712,144**	712,144
Retained earnings			
– Proposed final dividend	27	**657,000**	635,100
– Others		**2,969,014**	2,801,404
Total equity		**4,360,058**	4,170,548
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	19	**107,973**	105,756
		107,973	105,756
Current liabilities			
Trade and other payables and accruals	18	**462,344**	270,466
Current income tax liabilities		**40,975**	49,458
		503,319	319,924
Total liabilities		**611,292**	425,680
Total equity and liabilities		**4,971,350**	4,596,228
Net current assets		**2,268,261**	1,959,321
Total assets less current liabilities		**4,468,031**	4,276,304

Norman Leung Nai Pang
Director

Mona Fong
Director

The notes on pages 53 to 108 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Turnover	4	**4,325,809**	4,201,186
Cost of sales		**(1,763,971)**	(1,778,433)
Gross profit		**2,561,838**	2,422,753
Other revenues	4	**103,960**	73,896
Selling, distribution and transmission costs		**(453,001)**	(451,064)
General and administrative expenses		**(569,801)**	(504,427)
Other operating income		**26,529**	57,670
Gain on disposal of equity interests in an associate	4(b)	**140,000**	–
Impairment loss of trade receivables from an associate	4(a)	**(135,000)**	–
Finance costs	23	**–**	(98)
Share of losses of associates		**(124,982)**	(163,109)
Profit before income tax	21	**1,549,543**	1,435,621
Income tax expense	24	**(284,322)**	(247,181)
Profit for the year		**1,265,221**	1,188,440
Attributable to:			
Equity holders of the Company	25	**1,263,684**	1,188,597
Minority interest		**1,537**	(157)
		1,265,221	1,188,440
Earnings per share (basic and diluted) for profit attributable to the equity holders of the Company during the year	26	**HK$2.89**	HK$2.71
Dividends	27	**788,400**	744,600

The notes on pages 53 to 108 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Attributable to equity holders of the Company				
	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Minority interest HK$'000	Total HK$'000
Balance at 1 January 2006	21,900	700,132	3,659,715	23,320	4,405,067
Currency translation differences	–	(46,296)	–	36	(46,260)
Net (expense)/income recognised directly in equity	–	(46,296)	–	36	(46,260)
Profit for the year	–	–	1,188,597	(157)	1,188,440
Total recognised income and expense for 2006	–	(46,296)	1,188,597	(121)	1,142,180
Transfer	–	15,987	(15,987)	–	–
2005 final dividend paid	–	–	(569,400)	–	(569,400)
2006 interim dividend paid	–	–	(109,500)	–	(109,500)
Balance at 31 December 2006	21,900	669,823	4,153,425	23,199	4,868,347
Balance at 1 January 2007	21,900	669,823	4,153,425	23,199	4,868,347
Currency translation differences	–	1,653	–	29	1,682
Net income recognised directly in equity	–	1,653	–	29	1,682
Profit for the year	–	–	1,263,684	1,537	1,265,221
Total recognised income and expense for 2007	–	1,653	1,263,684	1,566	1,266,903
Transfer	–	14,356	(14,356)	–	–
2006 final dividend paid	–	–	(635,100)	–	(635,100)
2007 interim dividend paid	–	–	(131,400)	–	(131,400)
Balance at 31 December 2007	**21,900**	**685,832**	**4,636,253**	**24,765**	**5,368,750**

The notes on pages 53 to 108 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Cash generated from operations	28	**1,681,545**	1,662,627
Hong Kong tax paid		**(212,930)**	(257,480)
Overseas taxation paid		**(65,252)**	(35,943)
Net cash generated from operating activities		**1,403,363**	1,369,204
Cash flows from investing activities			
Purchase of property, plant and equipment		**(196,961)**	(95,439)
Prepayment for acquiring a property		**(62,482)**	–
Increase in bank deposits maturing after three months		**(93,657)**	(2,737)
Loan repayments received from an investee company		**4,209**	–
Loan granted to an associate	9	**(50,000)**	–
Prepaid operating lease payments for leasehold land		**(6,495)**	–
Proceeds from disposal of equity interests in an associate	4(b)	**140,000**	–
Proceeds from sale of a financial asset at fair value through profit or loss		**–**	86,275
Investment in an associate		**–**	(56,280)
Investment in a financial asset at fair value through profit or loss		**–**	(56,876)
Proceeds from sale of property, plant and equipment		**353**	974
Interest received		**77,700**	45,610
Net cash used in investing activities		**(187,333)**	(78,473)
Cash flows from financing activities			
Increase in pledged bank deposits		**(1,453)**	(3)
Dividends paid		**(766,500)**	(678,900)
Net cash used in financing activities		**(767,953)**	(678,903)
Net increase in cash and cash equivalents		**448,077**	611,828
Cash and cash equivalents at 1 January		**1,559,079**	944,670
Effect of foreign exchange rate changes		**1,739**	2,581
Cash and cash equivalents at 31 December		**2,008,895**	1,559,079

The notes on pages 53 to 108 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). The consolidated financial statements have been prepared under the historical cost convention, except that the financial assets are stated at their fair values as explained in Note 1.8.

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 3.

(a) Adoption of new/revised HKFRS effective 1 January 2007

The following new/revised HKFRS are mandatory for financial year ended 31 December 2007. The Group adopted those which are relevant to its operations.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The new/revised HKFRS above do not have material financial impact to the Group other than the disclosure impact on the consolidated financial statements for the year ended 31 December 2007.

(b) New/revised HKFRS that are not yet effective and have not been early adopted by the Group

The new/revised HKFRS have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them:

HKAS 23 (Amendment)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HKFRS 8	Operating Segments
HK(IFRIC) – Int 13	Customer Loyalty Programmes

The adoption of such new/revised HKFRS will not result in substantial changes to the Group's accounting policies.

Notes to the Consolidated Financial Statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.2 CONSOLIDATION

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

(a) Subsidiaries

Subsidiaries are all 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.

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 (Note 1.6). 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.

All significant inter-company transactions and balances within the Group are eliminated on consolidation. 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 investment in subsidiaries are stated at cost less provision for impairment losses (Note 1.7). The results of subsidiaries are accounted by the Company on the basis of dividends received and receivable.

(b) Transactions with minority interest

The Group applies a policy of treating transactions with minority interest as transactions with parties external to the Group. Disposals to minority interest result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interest result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Interests in associates are accounted for using the equity method of accounting and are initially recognised at cost.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.2 CONSOLIDATION (Continued)

(c) Associates (Continued)

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

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

In the Company's balance sheet the interests in associates is stated at cost less provision for impairment losses (Note 1.7). The results of the associates are accounted for by the Company on the basis of dividend received and receivables.

1.3 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.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

1.4 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.

(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.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount are recognised in equity.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.4 FOREIGN CURRENCY TRANSLATION (Continued)

(b) Transactions and balances (Continued)

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale 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 rate on 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 operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholder's equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity 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 on or after 1 January 2005 are treated as assets and liabilities of the foreign entity and translated at the closing rate. Goodwill and fair value adjustments arising on acquisitions prior to 1 January 2005 are expressed in the acquiring company's functional currency and reported using the exchange rate at the date of these acquisitions.

1.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, comprising buildings, leasehold improvements, studio, broadcasting and transmitting equipment, furniture and fixtures and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised 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 charged in the income statement during the financial period in which they are incurred.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.5 PROPERTY, PLANT AND EQUIPMENT (Continued)

Freehold land is not depreciated. Other property, plant and equipment are depreciated at rates sufficient to write off their costs less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	2.5% – 5%
Leasehold improvements	Over the unexpired term of the lease
Studio, broadcasting and transmitting equipment	10% – 20%
Furniture, fixtures and equipment	5% – 25%
Motor vehicles	25%

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 (Note 1.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

1.6 INTANGIBLE ASSETS

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 and associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. 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. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Company allocates goodwill to each business segment in each country in which it operates.

1.7 IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND NON-FINANCIAL ASSETS

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. 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). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.8 FINANCIAL ASSETS

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(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 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 classified as trade and other receivables in the balance sheet (Note 1.11).

(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.

Regular purchases and sales of financial assets are recognised on the 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. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets 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. 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 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 presented 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.

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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.8 FINANCIAL ASSETS (Continued)

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. Impairment testing of trade and other receivables is described in Note 1.11.

1.9 PROGRAMMES, FILM RIGHTS AND MOVIES

Programmes are stated at cost less amounts expensed and any provision considered necessary by the management. Cost comprises direct expenditure and an appropriate proportion of production overheads. The cost of programmes is apportioned between domestic terrestrial market and overseas licensing and distribution market. In the case of the former, the cost is expensed on first transmission, and in the latter, the cost is expensed on first distribution to licensees. The cost of programmes for satellite channels is expensed in accordance with a formula computed to write off the cost over a maximum of three transmissions.

Film rights are stated at cost less amounts expensed and any provision considered necessary by the management. Film rights are expensed in accordance with a formula computed to write off the cost over the contracted number of transmissions.

Movies invested by the Group are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation of released movies is calculated at rates sufficient to write off the total cost of production in relation to expected revenues over a maximum period of three years. Unreleased movies are valued at cost less provision for impairment losses.

1.10 STOCKS

Stocks, comprising decoders, tapes, video compact discs, digital video discs and consumable supplies, are stated at the lower of cost and net realisable value. The cost of video compact discs and digital video discs is calculated on a weighted average basis whereas the cost of other stocks is calculated on a first in first out basis. Net realisable value is determined on the basis of anticipated sale proceeds less estimated selling expenses.

1.11 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. 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. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivable. Subsequent recoveries of amounts previously written off are credited against the provision in the income statement.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks, cash investments with a maturity of three months or less from the date of investment, and bank overdrafts and short-term loans repayable within three months.

1.13 SHARE CAPITAL

Ordinary shares are classified as equity.

1.14 TRADE AND OTHER PAYABLES

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.15 CURRENT AND DEFERRED INCOME TAX

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situation in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

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

Deferred income tax is provided on temporary differences arising on interests in subsidiaries and associates 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.

1.16 EMPLOYEE BENEFITS

(a) Employee leave entitlements

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

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.16 EMPLOYEE BENEFITS (Continued)

(b) Pension obligations

The Group operates a number of defined benefit and defined contribution plans throughout the world, the assets of which are generally held in separate trustee – administered funds.

All permanent staff, temporary staff and full time artistes signed in individual names (excluding singers and serial artistes), whose employment period reaches 60 days or more (collectively referred to as "eligible members") and located in Hong Kong are entitled to participate in the Mandatory Provident Fund Scheme ("MPF Scheme"). The contributions to the MPF Scheme made by the Group for permanent staff joined prior to 1 June 2003 comprise mandatory contributions and voluntary contributions. The mandatory contribution is calculated at 5% of individual's "relevant income" with a maximum amount of HK$1,000 per month and the voluntary contribution is calculated at 10% of individual's basic salary less the mandatory contribution. The Group's contribution for permanent staff joined after 1 June 2003, full time artistes and temporary staff is 5% of individual's "relevant income" with a maximum amount of HK$1,000 per month. "Relevant income" includes salaries, wages, paid leave, fees, commissions, bonuses, gratuities, and allowances (excluding housing allowance/benefits, any redeemed payment and long service payment). Employer's voluntary contributions shall be refunded to the Group according to the vesting scale when the eligible members leave employment prior to vesting fully in the MPF Scheme.

The contributions are recognised as employee benefit expense when they are due.

The retirement schemes which cover employees located in overseas locations, except for Taiwan, are defined contribution schemes at various funding rates that are in accordance with the local practice and regulations. The employees located in Taiwan are members of a defined benefit retirement scheme prior to 1 July 2005. Following the promulgation of a new pension ordinance on 1 July 2005, the employees located in Taiwan are entitled to elect to remain as the sole members of the defined benefit retirement scheme or to become members of both the defined benefit retirement scheme and a defined contribution retirement scheme. By electing for the latter, the service lives of employees under the defined benefit retirement scheme are being frozen at 30 June 2005. All employees joining on or after 1 July 2005 have to join as members of the defined contribution retirement scheme.

The liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the present value of the defined benefit obligation are recognised in the income statement over the employees' expected average remaining working lives.

Past-service costs are recognised immediately as expenses, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.17 PROVISIONS

Provisions are recognised 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 the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1.18 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

1.19 REVENUE RECOGNITION

Advertising income net of agency deductions is recognised when the advertisements are telecast.

Income from licensing of programme rights is recognised evenly over the contract period or upon delivery of the programmes concerned in accordance with the terms of the contracts. Income from box office receipts are recognised when movies are exhibited and the right to receive payment is established. Distribution income from movies are recognised upon delivery of the movies.

Subscription income from operation of satellite and subscription television networks is recognised on a straight-line basis over the contract period which generally coincides with the timing when the services are rendered. Unearned subscription fees received from subscribers are recorded as subscriptions received in advance under trade and other payables and accruals in the balance sheet.

Income from video tape and disc renting, provision of content to mobile device and website portal and sale of magazines are recognised on delivery of products. Income from other services, which includes programmes/ commercial production income, management fee income, facility rental income and other service fee income, is recognised when the services are rendered.

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

Interest income is recognised on a time proportion basis using the effective interest method.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.20 LEASES

(a) Operating leases (as lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in the income statement on a straight-line basis over the period of the lease.

(b) Operating leases (as lessor)

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs, if any, incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

1.21 RELATED PARTIES

A party is considered to be related to the Group if:

(a) directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control with the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a member of the key management personnel of the Group;

(d) the party is a close member of the family of any individual referred to in (a) to (c) above;

(e) the party is an entity that is controlled, jointly controlled or significant influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) and (d) above.

1.22 DIVIDEND DISTRIBUTION

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

1.23 COMPARATIVES

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

2 FINANCIAL RISK MANAGEMENT

FINANCIAL RISK FACTORS

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

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations, are in a currency that is not the entity's functional currency.

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

The Group manages this risk by initially seeking contracts effectively denominated in HK dollars and/or US dollars where possible and economically favorable to do so. The Group will continue to monitor its foreign currency risk exposure and market conditions to determine if any hedging is required. The Group does not conduct any foreign currency speculative activities.

The following table details the change in the Group's profit after taxation in response to reasonably possible changes in foreign exchange rates to which the Group have exposure at the balance sheet date and that all other variables remain constant. Such exposure relates to the portion of trade receivables, bank deposits, cash and bank balances and trade payables.

		2007 Increase/ (decrease) in profit after taxation HK$'000	2006 Increase/ (decrease) in profit after taxation HK$'000
Renminbi against Hong Kong dollars	10%	**11,110**	10,501
	(10%)	**(11,110)**	(10,501)
Malaysian Ringgit against Hong Kong dollars	10%	**6,794**	5,581
	(10%)	**(6,794)**	(5,581)

2 FINANCIAL RISK MANAGEMENT (Continued)

FINANCIAL RISK FACTORS (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk

The Group's principal interest bearing assets are loans to associates and cash balances and bank deposits. The tenor of the bank deposits is usually less than one year. The Group actively manages cash balances and deposits by comparing quotations from banks, with a view to select terms which are most favourable to the Group.

The sensitivity analysis has been conducted on the loans to associates and bank deposits, if interest rates had been 100 basis-points higher/lower with all other variables held constant, the Group's profit after taxation for the year would have been increased/(decreased) by HK$1,850,000 (2006: HK$1,201,000) and HK$18,696,000 (2006: HK$13,443,000) respectively.

(iii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as available-for-sale financial assets. The Group is not exposed to commodity price risk.

(b) Credit risk

The Group's credit risk is primarily attributable to loans to associates, credit sales and bank balances and bank deposits. The Group has no significant concentrations of credit risk due to its diverse customer base. The Group also has policies to assess the credit worthiness of customers, credit reviews and monitoring procedures that include a formal collection process. In addition, the Group reviews the recoverable amount of each individual trade debtors at each balance sheet date to ensure that impairment has adequately provided for doubtful debts. The credit risk on bank balances is limited as all deposits are placed with banks with ratings at BBB or above.

(c) Liquidity risk

The Group does not have significant financial liabilities except for trade payables, other payables and accruals. The trade payables and other payables, they are generally on credit terms of one to three months after the invoice date. For accruals, there are generally no specified contractual maturities and are paid upon counterparty's formal notification, of which should be within 12 months from the balance sheet date.

CAPITAL RISK

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group defines the shareholders' equity as the capital of the Group.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are 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, rarely equal the related actual results. The 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) Estimated impairment of goodwill

The Group performs annual tests on whether there has been impairment of goodwill (Note 7) in accordance with the accounting policy stated in Note 1.6. 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 receivables

The aged debt profile of trade receivables is reviewed on a regular basis to ensure that the trade receivables 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 receivables 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 receivables 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 the results of operations.

(c) Loans and trade receivables from associates

The Group periodically reviews loan and receivables from associates to assess whether there is objective evidence that loans and receivables are impaired. In 2007, after reviewing the payment status and performance of an associate, management has concluded that there is an impairment loss of HK$135,000,000 against the trade receivable from an associate (Note 13) in accordance with HKAS 39.

Determining the impairment of loan and receivables requires an estimation of the probable credit losses related to specifically-identified loan and receivables as well as probable credit losses inherent in the remainder of the loan and receivables balances that have been incurred as of 31 December 2007.

(d) Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment 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. Such reviews take into account the technological changes, prospective economic utilisation and physical condition of the assets concerned.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(e) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded or anticipated, such differences will impact the current income tax and deferred income tax provisions in the period in which such determination is made.

(f) Deferred income tax assets

Deferred income tax assets are recognised for all temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available in the future against which the temporary differences, the carry forward of unused tax credits and unused tax losses could be utilised. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and which are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Where the actual or expected tax positions in future are different from the original estimate, such difference will impact the recognition of deferred income tax assets and income tax charge in the period in which such estimate has been changed.

4 TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in terrestrial television broadcasting with programme production, programme licensing and distribution, overseas satellite pay TV operations, channel operations and other related activities.

Turnover comprises advertising income net of agency deductions, licensing income, subscription income, as well as income from video tape and disc rentals, provision of contents to mobile devices, website portal, sale of magazines, programmes/commercial production income, management fee income, facility rental income and other service fee income.

Other revenues comprise mainly interest income and other rental income.

4 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

The amount of each significant category of revenue recognised during the year is as follows:

	2007 HK$'000	2006 HK$'000
Turnover		
Advertising income, net of agency deductions	**2,691,325**	2,681,120
Licensing income	**824,692**	815,500
Subscription income	**454,497**	422,625
Others	**405,785**	328,441
	4,376,299	4,247,686
Less: Withholding tax	**(50,490)**	(46,500)
	4,325,809	4,201,186
Other revenues		
Interest income	**89,165**	58,080
Others	**14,795**	15,816
	103,960	73,896
	4,429,769	4,275,082

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	–	distribution of television programmes and channels to video and telecast operators
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, Malaysia, Hong Kong and other countries
Other activities	–	provision of contents to mobile devices, website portal, magazine publication, licensing and distribution of movies and other related services

The Group's inter-segment transactions mainly consist of licensing of programmes and film rights and provision of services. Licensing of programmes and film rights were entered into at similar terms as that contracted with third parties. The services provided were charged on a cost plus basis or at similar terms as that contracted with third parties.

4 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Primary reporting format – business segments (Continued)

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

	2007						
	Terrestrial television broadcasting HK$'000	Programme licensing and distribution HK$'000	Overseas satellite pay TV operations HK$'000	Channel operations HK$'000	Other activities HK$'000	Elimination HK$'000	Total HK$'000
Turnover							
External sales	2,365,857	635,499	280,752	947,777	95,924	–	4,325,809
Inter-segment sales	7,405	107,269	470	16,888	5,233	(137,265)	–
	2,373,262	742,768	281,222	964,665	101,157	(137,265)	4,325,809
Segment results excluding impairment loss	951,729	440,325	59,186	191,902	26,407	(24)	1,669,525
Impairment loss of trade receivables from an associate (note (a))	–	–	–	(135,000)	–	–	(135,000)
Segment results including impairment loss (operating profit)	951,729	440,325	59,186	56,902	26,407	(24)	1,534,525
Gain on disposal of equity interests in an associate (note (b))	–	–	–	140,000	–	–	140,000
Share of losses of associates	–	–	–	(124,982)	–	–	(124,982)
Profit before income tax							1,549,543
Income tax expense							(284,322)
Profit for the year							1,265,221
Other segment items included in the income statement are as follows:							
Depreciation	201,318	6,627	6,447	32,941	1,281		248,614
Amortisation of leasehold land	4,568	–	–	–	–		4,568

4 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Primary reporting format – business segments (Continued)

Notes:

(a) In 2007, after reviewing the payment status and performance of an associate, management has concluded that there is an impairment loss of HK$135,000,000 against the trade receivable from an associate in accordance with HKAS 39.

(b) During the year, TVB Satellite TV Holdings Limited, a wholly-owned subsidiary of the Company disposed 217,173,552 shares, representing 20% equity interests in TVB Pay Vision Holdings Limited to Gemstone Pacific Limited at a consideration of HK$140,000,000 in cash. The Group recorded a gain amounting to HK$140,000,000 upon the completion of the transaction.

	2006						
	Terrestrial television broadcasting HK$'000	Programme licensing and distribution HK$'000	Overseas satellite pay TV operations HK$'000	Channel operations HK$'000	Other activities HK$'000	Elimination HK$'000	Total HK$'000
Turnover							
External sales	2,209,351	622,065	245,113	1,010,749	113,908	–	4,201,186
Inter-segment sales	9,247	101,597	432	13,005	5,420	(129,701)	–
	2,218,598	723,662	245,545	1,023,754	119,328	(129,701)	4,201,186
Segment results	917,680	441,017	28,187	187,280	24,653	11	1,598,828
Finance costs							(98)
Share of losses of associates	–	–	–	(163,109)	–	–	(163,109)
Profit before income tax							1,435,621
Income tax expense							(247,181)
Profit for the year							1,188,440
Other segment items included in the income statement are as follows:							
Depreciation	198,114	7,178	9,687	44,948	1,278		261,205
Amortisation of leasehold land	4,568	–	–	–	–		4,568

4 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Primary reporting format – business segments (Continued)

The segment assets and liabilities at 31 December 2007 and capital expenditure for the year ended 31 December 2007 are as follows:

	Terrestrial television broadcasting HK$'000	Programme licensing and distribution HK$'000	Overseas satellite pay TV operations HK$'000	Channel operations HK$'000	Other activities HK$'000	Total HK$'000
Segment assets	4,201,460	319,896	151,616	891,658	151,139	5,715,769
Interests in associates	164,533	–	–	(79,582)	–	84,951
Available-for-sale financial assets	–	3	–	–	–	3
Loan to investee company	–	3,190	–	–	–	3,190
Unallocated assets						446,786
Total assets						6,250,699
Segment liabilities	388,601	67,681	70,549	137,703	18,468	683,002
Unallocated liabilities						198,947
Total liabilities						881,949
Capital expenditure	214,415	3,913	5,170	12,172	3,010	238,680

4 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Primary reporting format – business segments (Continued)

The segment assets and liabilities at 31 December 2006 and capital expenditure for the year ended 31 December 2006 are as follows:

	Terrestrial television broadcasting HK$'000	Programme licensing and distribution HK$'000	Overseas satellite pay TV operations HK$'000	Channel operations HK$'000	Other activities HK$'000	Total HK$'000
Segment assets	3,690,330	274,533	123,307	928,840	116,676	5,133,686
Interests in associates	155,595	–	–	(5,382)	–	150,213
Available-for-sale financial assets	–	3	–	–	–	3
Loan to investee company	–	6,666	–	–	–	6,666
Unallocated assets						396,573
Total assets						5,687,141
Segment liabilities	270,272	81,992	71,607	162,016	24,622	610,509
Unallocated liabilities						208,285
Total liabilities						818,794
Capital expenditure	49,956	2,538	2,851	39,402	692	95,439

Segment assets consist primarily of property, plant and equipment, leasehold land, intangible assets, programmes, film rights and movies, stocks, receivables and operating cash, and mainly exclude tax recoverable, deferred income tax and investments.

Segment liabilities comprise operating liabilities and exclude items such as income tax.

Capital expenditure comprises additions to property, plant and equipment (Note 5).

4 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Secondary reporting format – geographical segments

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

Hong Kong	–	terrestrial television broadcasting with programme/commercial production, distribution of television channels, provision of contents to mobile devices, website portal, magazine publication, licensing and distribution of movies and sale of video compact discs
Taiwan	–	cable television channel services, licensing and distribution of television programmes
USA and Canada	–	licensing and distribution of television programmes and channels and satellite pay TV operations
Australia	–	licensing and distribution of television programmes and satellite pay TV operations
Europe	–	licensing and distribution of television programmes and satellite pay TV operations
Mainland China	–	licensing and distribution of television programmes and channels and satellite TV channel services
Malaysia and Singapore	–	licensing and distribution of television programmes and channels
Other countries	–	principally licensing and distribution of television programmes and channels

4 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Secondary reporting format – geographical segments (Continued)

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

	Turnover		Segment results	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**2,689,295**	2,548,729	**1,026,951**	990,603
Taiwan	**654,339**	743,010	**133,723**	150,066
USA and Canada	**212,721**	209,013	**120,702**	113,355
Australia	**88,442**	71,313	**9,545**	(27)
Europe	**100,694**	95,589	**26,003**	16,784
Mainland China	**183,786**	171,869	**121,741**	115,459
Malaysia and Singapore	**365,772**	331,513	**216,706**	195,891
Other countries	**30,760**	30,150	**14,154**	16,697
	4,325,809	4,201,186	**1,669,525**	1,598,828
Impairment loss of trade receivables from an associate			**(135,000)**	–
			1,534,525	1,598,828
Finance costs			**–**	(98)
Gain on disposal of equity interests in an associate			**140,000**	–
Share of losses of associates			**(124,982)**	(163,109)
Profit before income tax			**1,549,543**	1,435,621

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

4 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Secondary reporting format – geographical segments (Continued)

	Total assets		Capital expenditure	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**4,667,136**	4,141,898	**220,836**	52,899
Taiwan	**588,381**	614,605	**12,060**	39,176
USA and Canada	**144,344**	102,757	**713**	957
Australia	**20,980**	15,447	**4,398**	350
Europe	**106,409**	79,520	**393**	1,829
Mainland China	**40,102**	34,406	**98**	30
Malaysia and Singapore	**135,685**	124,053	**–**	–
Other countries	**12,732**	21,000	**182**	198
	5,715,769	5,133,686	**238,680**	95,439
Interests in associates	**84,951**	150,213		
Available-for-sale financial assets	**3**	3		
Loan to investee company	**3,190**	6,666		
Unallocated assets	**446,786**	396,573		
	6,250,699	5,687,141		

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

5 PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Freehold land and buildings HK$'000	Leasehold improvements HK$'000	Studio, broadcasting and transmitting equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2006	1,063,763	70,971	1,604,670	626,827	44,825	3,411,056
Exchange differences	1,382	740	7,597	2,504	202	12,425
Additions	637	1,215	79,237	13,884	466	95,439
Transfers	(158)	–	11,397	(11,239)	–	–
Disposals	–	(303)	(11,682)	(26,488)	(1,358)	(39,831)
At 31 December 2006	1,065,624	72,623	1,691,219	605,488	44,135	3,479,089
At 1 January 2007	1,065,624	72,623	1,691,219	605,488	44,135	3,479,089
Exchange differences	1,024	828	4,158	1,096	165	7,271
Additions	2,709	3,814	210,746	19,233	2,178	238,680
Disposals	–	(77)	(41,251)	(7,027)	(1,127)	(49,482)
At 31 December 2007	**1,069,357**	**77,188**	**1,864,872**	**618,790**	**45,351**	**3,675,558**
Accumulated depreciation and impairment						
At 1 January 2006	127,554	63,308	1,057,177	232,790	34,127	1,514,956
Exchange differences	255	697	6,612	1,994	148	9,706
Charge for the year	38,953	3,861	158,230	56,024	4,137	261,205
Transfers	(1)	–	5,892	(5,891)	–	–
Written back on disposals	–	(303)	(11,060)	(25,990)	(632)	(37,985)
At 31 December 2006	166,761	67,563	1,216,851	258,927	37,780	1,747,882
At 1 January 2007	166,761	67,563	1,216,851	258,927	37,780	1,747,882
Exchange differences	218	664	3,625	908	117	5,532
Charge for the year	38,970	1,841	155,311	49,130	3,362	248,614
Written back on disposals	–	(77)	(40,389)	(6,798)	(1,127)	(48,391)
At 31 December 2007	**205,949**	**69,991**	**1,335,398**	**302,167**	**40,132**	**1,953,637**
Net book value						
At 31 December 2007	**863,408**	**7,197**	**529,474**	**316,623**	**5,219**	**1,721,921**
At 31 December 2006	898,863	5,060	474,368	346,561	6,355	1,731,207

Notes:

(i) Property, plant and equipment comprise freehold land outside Hong Kong at cost of HK$76,307,000 (2006: HK$75,754,000).

(ii) No depreciation is provided for studio, broadcasting and transmitting equipment with cost of HK$92,069,000 (2006: nil) as they cannot be put to effective use at the year end.

5 PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Company

	Buildings HK$'000	Leasehold improvements HK$'000	Studio, broadcasting and transmitting equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2006	920,232	3,990	1,134,113	512,017	33,561	2,603,913
Additions	53	–	45,319	4,549	35	49,956
Transferred from/(to) subsidiaries	–	–	(216)	2	–	(214)
Disposals	–	(243)	(3,370)	(4,332)	(1,138)	(9,083)
At 31 December 2006	920,285	3,747	1,175,846	512,236	32,458	2,644,572
At 1 January 2007	920,285	3,747	1,175,846	512,236	32,458	2,644,572
Additions	–	–	201,482	12,842	91	214,415
Transferred from/(to) subsidiaries	–	–	(5,266)	5	–	(5,261)
Disposals	–	–	(35,071)	(5,923)	(292)	(41,286)
At 31 December 2007	**920,285**	**3,747**	**1,336,991**	**519,160**	**32,257**	**2,812,440**
Accumulated depreciation						
At 1 January 2006	101,226	3,990	694,126	146,346	25,125	970,813
Charge for the year	36,817	–	113,061	44,678	3,558	198,114
Transferred from/(to) subsidiaries	–	–	(216)	2	–	(214)
Written back on disposals	–	(243)	(3,250)	(4,059)	(427)	(7,979)
At 31 December 2006	138,043	3,747	803,721	186,967	28,256	1,160,734
At 1 January 2007	138,043	3,747	803,721	186,967	28,256	1,160,734
Charge for the year	36,811	–	121,939	39,871	2,696	201,317
Transferred from/(to) subsidiaries	–	–	(5,272)	1	–	(5,271)
Written back on disposals	–	–	(34,517)	(5,789)	(292)	(40,598)
At 31 December 2007	**174,854**	**3,747**	**885,871**	**221,050**	**30,660**	**1,316,182**
Net book value						
At 31 December 2007	**745,431**	**–**	**451,120**	**298,110**	**1,597**	**1,496,258**
At 31 December 2006	782,242	–	372,125	325,269	4,202	1,483,838

Note:

No depreciation is provided for studio, broadcasting and transmitting equipment with cost of HK$92,069,000 (2006: nil) as they cannot be put to effective use at the year end.

6 LEASEHOLD LAND

The Group's interests in leasehold land represent prepaid operating lease payments and their net book value is analysed as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
In Hong Kong held on:				
Leases of between 10 to 50 years	**179,280**	183,848	**179,280**	183,848
Leases of over 50 years	**6,495**	–	**–**	–
	185,775	183,848	**179,280**	183,848
Opening net book value	**183,848**	188,416	**183,848**	188,416
Additions	**6,495**	–	**–**	–
Amortisation (Note 21)	**(4,568)**	(4,568)	**(4,568)**	(4,568)
Closing net book value	**185,775**	183,848	**179,280**	183,848
Cost	**207,472**	200,977	**200,977**	200,977
Accumulated amortisation	**(21,697)**	(17,129)	**(21,697)**	(17,129)
Closing net book value	**185,775**	183,848	**179,280**	183,848

7 INTANGIBLE ASSETS

	Group Goodwill HK$'000
At 1 January 2006	
Cost	166,897
Accumulated impairment	(5,894)
Net book amount	161,003
Year ended 31 December 2006	
Opening net book amount	161,003
Exchange differences	1,181
Closing net book amount	162,184
At 31 December 2006	
Cost	168,078
Accumulated impairment	(5,894)
Net book amount	162,184
Year ended 31 December 2007	
Opening net book amount	162,184
Exchange differences	850
Closing net book amount	**163,034**
At 31 December 2007	
Cost	168,928
Accumulated impairment	(5,894)
Net book amount	**163,034**

7 INTANGIBLE ASSETS (Continued)

Impairment tests for goodwill

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

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

	2007		
	Overseas satellite pay TV operations HK$'000	**Channel operations HK$'000**	**Total HK$'000**
Europe	**49,448**	**–**	**49,448**
Taiwan	**–**	**113,586**	**113,586**
	49,448	**113,586**	**163,034**

	2006		
	Overseas satellite pay TV operations HK$'000	Channel operations HK$'000	Total HK$'000
Europe	49,448	–	49,448
Taiwan	–	112,736	112,736
	49,448	112,736	162,184

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax 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.

Key assumptions used for value-in-use calculations are as follows:

	Overseas satellite pay TV operations	**Channel Operations**
	Europe	**Taiwan**
Gross margin	**47%**	**34%**
Growth rate	**-18%**	**6%**
Discount rate	**12.55%**	**12.55%**

These assumptions have been used for the analysis of each CGU within the business segment.

Management determined budgeted gross margin based on past performance and its expectations of market development. The weighted average 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.

8 INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**11,135**	1,100
Amounts due from subsidiaries (note)	**348,564**	492,602
	359,699	493,702

Note:

The amounts due from subsidiaries are unsecured and interest free, and have no fixed terms of repayment.

Details of the subsidiaries are listed in Note 34.

9 INTERESTS IN ASSOCIATES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Investment costs	**316,127**	533,300	**–**	–
Less: Accumulated share of losses	**(446,491)**	(538,682)	**–**	–
	(130,364)	(5,382)	**–**	–
Loans to associates (note (a))	**207,224**	115,564	**157,224**	115,564
Interest receivables from associates (note (a))	**8,091**	40,031	**7,309**	40,031
	84,951	150,213	**164,533**	155,595
Unlisted shares, at cost	**316,127**	533,300	**–**	–

Notes:

(a) Loans to associates represented a loan of HK$157,224,000 and HK$50,000,000 to TVB Pay Vision Limited ("TVBPV") and TVB Pay Vision Holdings Limited ("TVBPVH") respectively. Details of the terms of repayments and interest rates are disclosed in Note 32(d). The Group has recognised losses in excess of investment costs of HK$130,364,000 (2006: HK$5,382,000) because of the aforementioned loans granted to the associates.

The carrying amounts of loans to associates approximate their fair values.

(b) In addition to loans described in (a), the Group has trade receivables from associates, net of impairment loss, of HK$212,691,000 as disclosed in Note 32(c).

9 INTERESTS IN ASSOCIATES (Continued)

Details of the associates are listed below:

Name	Place of incorporation and operation	Principal activities	Particulars of issued shares held	Percentage of interest in ownership
TVB3 Network Company Limited	Thailand	Television production and programming service	Ordinary shares of Baht10 each	40%
TVB Pay Vision Holdings Limited	Hong Kong	Investment holding	Ordinary shares of HK$1 each	29% (Note 4(b))
#TVB Pay Vision Limited	Hong Kong	Domestic pay television programme service	Ordinary shares of HK$1 each	29% (Note 4(b))

an associate held indirectly by the Group

Summary of the Group's share of financial information on associates is as follows:

	Assets HK$'000	Liabilities HK$'000	Equity HK$'000	Revenues HK$'000	Loss for the year HK$'000
2007	**95,044**	**177,454**	**(82,410)**	**99,508**	**(124,982)**
2006	207,918	213,300	(5,382)	87,428	(163,109)

10 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2007 HK$'000	2006 HK$'000
Beginning and end of the year	**3**	3
Available-for-sale financial assets include the following:		
Unlisted equity securities – Canada	**3**	3

11 LOAN TO INVESTEE COMPANY

	Group	
	2007	2006
	HK$'000	HK$'000
Loan to investee company	**3,190**	6,666

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

The carrying amount of loan to investee company approximates its fair value.

12 STOCKS

At 31 December 2007 and 2006, all stocks are stated at lower of cost and net realisable value.

13 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current portion				
Prepayment for acquiring a property (Note 30 (a))	**62,482**	–	**–**	–
Current portion				
Receivables from:				
Associates	**349,499**	231,069	**346,998**	228,450
Related parties	**76,926**	63,865	**–**	–
Trade receivables (note)	**984,066**	952,998	**661,690**	626,571
	1,410,491	1,247,932	**1,008,688**	855,021
Less: Provision for impairment loss of receivables from:				
Associates (Note 3(c))	**(136,808)**	(1,803)	**(135,000)**	–
Third parties and related parties	**(75,308)**	(72,198)	**(28,334)**	(33,554)
Other receivables, prepayments and deposits	**139,572**	150,865	**97,843**	95,794
Tax reserve certificates	**67,756**	47,551	**–**	–
	1,405,703	1,372,347	**943,197**	917,261
Total	**1,468,185**	1,372,347	**943,197**	917,261

Note:

The Group operates a controlled credit policy and allows an average credit period of forty to sixty days to the majority of the Group's customers who satisfy the credit evaluation of the Group. Cash on delivery, advance payments or bank guarantees are required from other customers of the Group.

13 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (Continued)

At 31 December 2007 and 2006, the aging analysis of the trade receivables including trading balances due from associates and related parties is as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current	**480,843**	443,681	**254,454**	233,360
1-2 months	**274,129**	258,383	**222,077**	209,957
2-3 months	**165,614**	173,324	**139,746**	138,996
3-4 months	**88,481**	95,638	**63,475**	68,358
4-5 months	**49,148**	57,153	**38,747**	39,789
Over 5 months	**351,875**	217,491	**290,189**	164,561
	1,410,090	1,245,670	**1,008,688**	855,021
Trade receivables due from:				
Third parties	**984,066**	952,998	**661,690**	626,571
Associates and related parties	**426,024**	292,672	**346,998**	228,450
	1,410,090	1,245,670	**1,008,688**	855,021
Non-trading amounts due from associates and related parties	**401**	2,262	**–**	–
	1,410,491	1,247,932	**1,008,688**	855,021

As at 31 December 2007, the aging analysis of the trade receivables not determined to be impaired is as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Up to 5 months	**1,035,558**	1,004,845	**699,085**	672,808
Over 5 months to 1 year	**147,010**	136,549	**132,525**	116,663
Over 1 year	**15,406**	32,537	**13,744**	31,996
	1,197,974	1,173,931	**845,354**	821,467
Less: Amounts not yet due	**(577,763)**	(554,441)	**(389,797)**	(373,898)
Amounts past due	**620,211**	619,490	**455,557**	447,569

Receivables that were past due but not impaired were related to a number of individual customers that have a good trade record with the Group. Based on past experience, Management believes that no impairment allowance is necessary for these balances.

13 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (Continued)

The percentage of amounts (before impairment loss) of the Group's trade receivables are denominated in the following currencies:

	Group	
	2007	2006
	%	%
Hong Kong dollars	**74**	72
US dollars	**7**	6
New Taiwan dollars	**10**	13
Malaysian Ringgit	**5**	5
Other currencies	**4**	4
	100	100

Movements on the provision for impairment of trade and other receivables are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
At 1 January	**74,001**	68,031
Provision for impairment loss		
– Associate (Note 3(c))	**135,000**	–
– Third parties	**17,137**	20,132
Reversal of provision for impairment	**(7,825)**	(14,000)
Receivables written off as uncollectible	**(6,427)**	(232)
Exchange differences	**230**	70
	212,116	74,001

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

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

14 PLEDGED BANK DEPOSITS

At 31 December 2007, the Group had pledged bank deposits of HK$1,692,000 (2006: HK$239,000) to secure banking and credit facilities granted to subsidiaries of the Group. The carrying amounts of bank deposits approximate their fair values.

15 CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**261,127**	241,842	**51,639**	81,758
Short term bank deposits (note)	**1,747,768**	1,317,237	**1,277,065**	912,596
	2,008,895	1,559,079	**1,328,704**	994,354

Note:

The maximum exposure to credit risk on bank balances is represented by the carrying amount in the balance sheet.

16 SHARE CAPITAL

	Number of ordinary shares of HK$0.05 each	**Nominal value HK$'000**
Authorised:		
At 1 January 2006 and 2007 and 31 December 2007	**1,300,000,000**	**65,000**
Issued and fully paid:		
At 1 January 2006 and 2007 and 31 December 2007	**438,000,000**	**21,900**

17 OTHER RESERVES

(a) Group

	Share premium HK$'000	General reserve HK$'000	Capital reserve HK$'000	Legal reserve HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	Total HK$'000
Balance at 1 January 2006	602,026	70,000	864	19,407	40,118	(32,283)	700,132
Currency translation differences:							
– Group	–	–	–	–	–	(46,296)	(46,296)
Transfer from retained earnings	–	–	–	15,987	–	–	15,987
Balance at 31 December 2006	602,026	70,000	864	35,394	40,118	(78,579)	669,823
Balance at 1 January 2007	602,026	70,000	864	35,394	40,118	(78,579)	669,823
Currency translation differences:							
– Group	–	–	–	–	–	1,653	1,653
Transfer from retained earnings	–	–	–	14,356	–	–	14,356
Balance at 31 December 2007	**602,026**	**70,000**	**864**	**49,750**	**40,118**	**(76,926)**	**685,832**

(b) Company

	Share premium HK$'000	General reserve HK$'000	Capital redemption reserve HK$'000	Total HK$'000
Balance at 1 January 2006 and 2007 and 31 December 2007	**602,026**	**70,000**	**40,118**	**712,144**

In accordance with the local laws and regulations of a subsidiary, the subsidiary is required to transfer the gain on deemed disposal of its associate to the capital reserve. The capital reserve in connection with the gain on deemed disposal of its associate can only be used to cover operating losses.

In accordance with the local laws of subsidiaries in Taiwan, these subsidiaries are required to set aside 10% of annual net income less any accumulated deficit as legal reserve to the extent that the legal reserve amounts to total contributed share capital. The application of the legal reserve is restricted to covering operating losses and conversion into share capital.

The capital redemption reserve and share premium account of the Group were set up in accordance with the requirements of the Hong Kong Companies Ordinance.

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 1.4.

Distributable reserves, include retained earnings and general reserve, of the Company at 31 December 2007, calculated under Section 79B of the Hong Kong Companies Ordinance, amounted to HK$3,696,014,000 (2006: HK$3,506,504,000).

18 TRADE AND OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables to:				
Associates (Note 32(c))	**4,627**	5,157	**–**	–
Related parties (Note 32(c))	**2,881**	109	**–**	–
Third parties	**140,466**	80,104	**109,781**	39,649
	147,974	85,370	**109,781**	39,649
Amount due to subsidiaries	**–**	–	**73,778**	–
Other payables and accruals	**520,391**	508,624	**278,785**	230,817
	668,365	593,994	**462,344**	270,466

At 31 December 2007 and 2006, the aging analysis of the trade payables including trading balances due to associates and related parties is as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current	**105,136**	48,181	**85,184**	26,783
1-2 months	**28,595**	22,253	**17,571**	9,441
2-3 months	**9,723**	8,433	**5,695**	2,518
3-4 months	**2,330**	3,437	**869**	221
4-5 months	**653**	866	**437**	283
Over 5 months	**1,537**	2,200	**25**	403
	147,974	85,370	**109,781**	39,649

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

19 DEFERRED INCOME TAX

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

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 January	**101,322**	125,382	**105,756**	118,562
Exchange differences	**(75)**	(91)	**–**	–
Recognised in the income statement (Note 24)	**14,140**	(23,969)	**2,217**	(12,806)
At 31 December	**115,387**	101,322	**107,973**	105,756

19 DEFERRED INCOME TAX (Continued)

Deferred income tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. At 31 December 2007, the Group has unrecognised tax losses of HK$455,389,000 (2006: HK$474,587,000) to carry forward against future taxable income. These tax losses will expire as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
After the fifth year	**–**	36,652
No expiry date	**455,389**	437,935
	455,389	474,587

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

(a) Group

Deferred income tax liabilities

	Accelerated tax depreciation		Others		Total	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**112,894**	128,902	**21,050**	31,590	**133,944**	160,492
Recognised in the income statement	**334**	(16,012)	**(2,928)**	(10,564)	**(2,594)**	(26,576)
Exchange differences	**1**	4	**26**	24	**27**	28
At 31 December	**113,229**	112,894	**18,148**	21,050	**131,377**	133,944

Deferred income tax assets

	Provisions		Tax losses		Others		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**–**	182	**17,350**	19,832	**15,272**	15,096	**32,622**	35,110
Recognised in the income statement	**–**	(182)	**(16,503)**	(2,540)	**(231)**	115	**(16,734)**	(2,607)
Exchange differences	**–**	–	**47**	58	**55**	61	**102**	119
At 31 December	**–**	–	**894**	17,350	**15,096**	15,272	**15,990**	32,622

19 DEFERRED INCOME TAX (Continued)

(b) Company

Deferred income tax liabilities

	Accelerated tax depreciation		Others		Total	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**109,757**	123,307	**374**	1,030	**110,131**	124,337
Recognised in the income statement	**2,064**	(13,550)	**1,028**	(656)	**3,092**	(14,206)
At 31 December	**111,821**	109,757	**1,402**	374	**113,223**	110,131

Deferred income tax assets

	Others		Total	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 January	**4,375**	5,775	**4,375**	5,775
Recognised in the income statement	**875**	(1,400)	**875**	(1,400)
At 31 December	**5,250**	4,375	**5,250**	4,375

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Net deferred income tax assets recognised on the balance sheet	**(10,725)**	(25,121)	**–**	–
Net deferred income tax liabilities recognised on the balance sheet	**126,112**	126,443	**107,973**	105,756
	115,387	101,322	**107,973**	105,756

20 RETIREMENT BENEFIT OBLIGATIONS

	Group	
	2007	2006
	HK$'000	HK$'000
Obligations on:		
Pensions – defined contribution plans (note (a))	**7,629**	7,830
Pensions – defined benefits plans (note (b))	**14,637**	16,515
	22,266	24,345

Notes:

(a) Pensions – defined contribution plans

Forfeited contributions totaling HK$2,301,000 (2006: HK$3,401,000) were utilised during the year.

Contributions totaling HK$7,629,000 (2006: HK$7,830,000) were payable to the fund at the year end and are included in other payables and accruals.

(b) Pensions – defined benefits plans

The Group operates a defined benefit retirement scheme providing benefits to eligible employees located in Taiwan under the local regulations.

The pension plan is a final salary defined benefit plan. The assets of the funded plan are held independently of those of the Group, being invested through a central trust fund. The plan is valued by a qualified actuary annually using the projected unit credit method. The latest valuation was carried out as of 31 December 2007 by Client View Management Consulting Co., Ltd..

The amounts recognised in the consolidated balance sheet are determined as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Present value of funded obligations	**63,334**	52,534
Fair value of plan assets	**(33,435)**	(27,528)
	29,899	25,006
Unrecognised actuarial losses	**(15,262)**	(8,491)
Liability in the balance sheet	**14,637**	16,515

20 RETIREMENT BENEFIT OBLIGATIONS (Continued)

Notes:

(b) Pensions – defined benefits plans (Continued)

Expected contributions to defined benefit plans for the year ending 31 December 2008 are HK$4,551,000.

Plan assets are comprised as follows:

	Group			
	2007		2006	
	HK$'000	**%**	HK$'000	%
Bank deposits	**13,234**	**40**	12,313	45
Equity	**3,735**	**11**	4,586	16
Debt	**8,666**	**26**	9,332	34
Others	**7,800**	**23**	1,297	5
	33,435	**100**	27,528	100

The movement in the present value of the liability recognised in the consolidated balance sheet is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
At 1 January	**52,534**	47,120
Current service cost	**1,107**	1,385
Interest cost	**1,835**	1,666
Actuarial losses	**7,367**	1,863
Exchange differences	**491**	500
At 31 December	**63,334**	52,534

The movement in the fair value of plan assets of the year is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
At 1 January	**27,528**	21,428
Expected return on plan assets	**754**	614
Actuarial gains/(losses)	**56**	(29)
Employer contributions	**4,838**	5,287
Exchange differences	**259**	228
At 31 December	**33,435**	27,528

20 RETIREMENT BENEFIT OBLIGATIONS (Continued)

Notes:

(b) Pensions – defined benefits plans (Continued)

The amounts recognised in the consolidated income statement are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Current service cost	**1,107**	1,385
Interest cost	**1,836**	1,666
Expected return on plan assets	**(754)**	(614)
Net actuarial losses recognised	**665**	666
Total, included in employee benefit expense (Note 22 (b))	**2,854**	3,103

The actual return on plan assets was HK$810,000 (2006: HK$585,000).

The principal actuarial assumptions used were as follows:

	Group	
	2007	2006
	%	%
Discount rate	**3.00**	3.50
Expected rate of return on plan assets	**2.50**	2.50
Expected rate of future salary increases	**2.00 – 3.00**	3.00

Historical information:

	Group	
	2007	2006
	HK$'000	HK$'000
Present value of defined benefit obligation	**63,334**	52,534
Fair value of plan assets	**(33,435)**	(27,528)
Deficit	**29,899**	25,006
Experience adjustments on plan liabilities	**1,355**	1,627
Experience adjustments on plan assets	**(56)**	30

21 PROFIT BEFORE INCOME TAX

The following items have been charged/(credited) to the profit before income tax during the year:

	2007 HK$'000	2006 HK$'000
Net exchange gain	**(26,529)**	(57,670)
Loss on disposal of property, plant and equipment	**738**	872
Auditors' remuneration	**4,221**	3,623
Non-audit service fees (mainly tax services)	**1,830**	1,655
Cost of programmes, film rights, movies and stocks	**1,168,902**	1,170,761
Depreciation	**248,614**	261,205
Amortisation of leasehold land (Note 6)	**4,568**	4,568
Operating leases		
– equipment and transponders	**41,962**	48,286
– land and buildings	**29,719**	27,080
Employee benefit expense (excluding directors' emoluments) (Note 22 (b))	**1,272,836**	1,169,257

22 DIRECTORS' EMOLUMENTS AND EMPLOYEE BENEFIT EXPENSE

(a) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2007 is set out below:

Name of Director	Fees HK$'000	Salary and allowance HK$'000	Discretionary bonuses HK$'000	Pension contributions HK$'000	Total HK$'000
Executive Directors					
Sir Run Run Shaw, G.B.M.	900	–	–	–	900
Dr. Norman Leung Nai Pang, G.B.S., LL.D., J.P.	75	4,380	–	12	4,467
Mona Fong	225	1,200	–	–	1,425
Non-executive Directors					
Edward Cheng Wai Sun, S.B.S., J.P.	105	–	–	–	105
Dr. Chow Yei Ching, G.B.S.	75	–	–	–	75
Ho Ting Kwan (note (i))	35	–	–	–	35
Chien Lee	165	–	–	–	165
Christina Lee Look Ngan Kwan	150	–	–	–	150
Dr. Li Dak Sum, DSSc. (Hon.), J.P.	75	–	–	–	75
Kevin Lo Chung Ping	150	–	–	–	150
Gordon Siu Kwing Chue, G.B.S., J.P. (note (ii))	60	–	–	–	60
Robert Sze Tsai To (note (iii))	245	–	–	–	245
	2,260	5,580	–	12	7,852

22 DIRECTORS' EMOLUMENTS AND EMPLOYEE BENEFIT EXPENSE (Continued)

(a) Directors' emoluments (Continued)

The remuneration of every Director for the year ended 31 December 2006 was set out below:

Name of Director	Fees HK$'000	Salary and allowance HK$'000	Discretionary bonuses HK$'000	Pension contributions HK$'000	Total HK$'000
Executive Directors					
Sir Run Run Shaw, G.B.M.	900	–	–	–	900
Dr. Norman Leung Nai Pang, G.B.S., LL.D., J.P.	53	4,247	–	12	4,312
Mona Fong	244	703	–	–	947
Louis Page	43	994	3,000	99	4,136
Non-executive Directors					
Edward Cheng Wai Sun, S.B.S., J.P.	56	–	–	–	56
Dr. Chow Yei Ching, G.B.S.	53	–	–	–	53
Ho Ting Kwan	85	–	–	–	85
Chien Lee	115	–	–	–	115
Christina Lee Look Ngan Kwan	96	–	–	–	96
Dr. Li Dak Sum, DSSc. (Hon.), J.P.	56	–	–	–	56
Kevin Lo Chung Ping	128	–	–	–	128
Robert Sze Tsai To	213	–	–	–	213
	2,042	5,944	3,000	111	11,097

Notes:

(i) The Director resigned on 13 April 2007.

(ii) The Director was appointed on 10 July 2007.

(iii) The Director resigned on 22 January 2008.

(b) Employee benefit expense

	2007 HK$'000	2006 HK$'000
Wages and salaries	**1,195,406**	1,094,072
Pension costs – defined contribution plans	**74,576**	72,082
Pension costs – defined benefits plans	**2,854**	3,103
	1,272,836	1,169,257

22 DIRECTORS' EMOLUMENTS AND EMPLOYEE BENEFIT EXPENSE (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2006: two) Director whose emoluments are reflected in the analysis presented in note (a) above. The emoluments payable to the remaining four (2006: three) individuals during the year are as follows:

	2007 HK$'000	2006 HK$'000
Salaries and allowances	**13,106**	9,199
Bonuses	**5,517**	5,512
Pension contributions	**658**	620
	19,281	15,331

The aggregate emoluments paid to the individuals are further analysed into the following bands:

Emolument bands	**Number of individuals in each band**	
	2007	2006
HK$3,000,001 – HK$3,500,000	**1**	–
HK$3,500,001 – HK$4,000,000	**1**	1
HK$4,000,001 – HK$4,500,000	**1**	1
HK$7,500,001 – HK$8,000,000	**1**	1
	4	3

23 FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest on overdrafts, bank loans and other loans – wholly repayable within five years	**–**	98

24 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2007 HK$'000	2006 HK$'000
Current income tax:		
– Hong Kong	**211,266**	213,192
– Overseas	**58,716**	57,803
– Under provisions in prior years	**200**	155
Deferred income tax relating to the origination and reversal of temporary differences (Note 19)	**14,140**	(23,969)
	284,322	247,181

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of the place where the company operates as follows:

	2007 HK$'000	2006 HK$'000
Profit before income tax	**1,549,543**	1,435,621
Calculated at a taxation rate of 17.5% (2006: 17.5%)	**271,170**	251,234
Effect of different taxation rates in other countries	**(12,491)**	(19,653)
Tax effect of share of results of associates	**21,872**	28,544
Income not subject to taxation	**(38,410)**	(8,467)
Expenses not deductible for taxation purposes	**35,005**	1,582
Tax losses not recognised	**558**	2,437
Utilisation of previously unrecognised tax losses	**(6,185)**	(11,839)
Tax credit allowance	**(638)**	(2,746)
Tax on undistributed profits	**14,046**	7,158
Allowance for previous non-deductible expenses	**(332)**	(985)
Others	**(473)**	(239)
Under provisions in prior years	**200**	155
	284,322	247,181

25 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$956,010,000 (2006: HK$937,458,000).

26 EARNINGS PER SHARE

The earnings per share is calculated based on the Group's profit attributable to equity holders of HK$1,263,684,000 (2006: HK$1,188,597,000) and 438,000,000 shares in issue throughout the years ended 31 December 2007 and 2006. No fully diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

27 DIVIDENDS

	2007 HK$'000	2006 HK$'000
Interim dividend paid of HK$0.30 (2006: HK$0.25) per ordinary share	**131,400**	109,500
Proposed final dividend of HK$1.50 (2006: HK$1.45) per ordinary share	**657,000**	635,100
	788,400	744,600

At a meeting held on 26 March 2008, the Directors recommended a final dividend of HK$1.50 per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2008.

28 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before income tax to cash generated from operations

	2007 HK$'000	2006 HK$'000
Profit before income tax	**1,549,543**	1,435,621
Depreciation and amortisation of leasehold land	**253,182**	265,773
Loss on disposal of property, plant and equipment	**738**	872
Impairment loss of trade receivables from an associate	**135,000**	–
Share of losses of associates	**124,982**	163,109
Gain on disposal of equity interests in an associate	**(140,000)**	–
Utilisation of onerous contracts	**–**	(1,042)
Interest income	**(89,165)**	(58,080)
Exchange differences	**(3,454)**	(52,822)
	1,830,826	1,753,431
(Increase)/decrease in programmes, film rights, movies and stocks	**(13,444)**	7,258
Increase in trade and other receivables, prepayments and deposits	**(166,611)**	(103,712)
Increase in trade and other payables and accruals	**32,652**	7,638
Decrease in retirement benefit obligations – defined benefits plans	**(1,878)**	(1,988)
Cash generated from operations	**1,681,545**	1,662,627

29 CONTINGENT LIABILITIES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
(a) Guarantees for banking facilities granted to an investee company	**10,393**	8,675	**–**	–

It is anticipated that no material liabilities will arise from the above bank and other guarantees which arose in the ordinary course of business.

(b) The Group has received protective profits tax assessment notices from the IRD for the years of assessment 1998/99, 1999/2000 and 2000/01 on the profits generated by the Group's programme licensing and distribution business carried out overseas, to which the Group has objected. Out of the total amounts assessed, the Group has been granted conditional holdovers by the purchase of Tax Reserve Certificates in the amounts of HK$23,990,000, HK$23,561,000 and HK$20,205,000 for the years of assessment 1998/99, 1999/2000 and 2000/01 respectively, whereas unconditional holdovers have been granted for the remaining assessed amounts of HK$74,287,000, HK$75,015,000 and HK$65,819,000 for the years of assessment 1998/99, 1999/2000, 2000/01 (revised) respectively. Further additional profits tax assessment notices for the year of assessment 2001/02 are expected to be issued before 31 March 2008.

The Group has filed an objection to these additional assessments. The Group believes that the objection is well-founded, and is determined to defend the Group's position vigorously. On this basis, the Group is of the view that no additional tax provision is necessary.

30 COMMITMENTS

(a) Capital commitments

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

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Authorised but not contracted for	**1,046,897**	792,171	**874,573**	720,031
Contracted but not provided for (note)	**629,111**	28,461	**62,854**	25,236
	1,676,008	820,632	**937,427**	745,267

Note:

Pursuant to an agreement signed between Liann Yee Production Co. Ltd. ("LYP"), a wholly-owned subsidiary of the Company and Gala TV Corporation ("Gala TV") on 21 December 2007, LYP paid NT$259,800,000 (HK$62,482,000) as a prepayment to Gala TV representing 10% of the total consideration (NT$2,598,000,000) for the acquisition of a property, which is under the construction, in Taiwan. LYP has committed to pay remaining balance of NT$2,338,200,000 (HK$562,337,000) upon Gala TV satisfying certain conditions.

30 COMMITMENTS (Continued)

(b) Operating lease commitments as lessee

At 31 December 2007, the Group had future aggregate minimum lease payments under non-cancellable operating leases which fall due as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Land and buildings				
– not later than one year	**29,097**	23,598	**4,345**	1,520
– later than one year and not later than five years	**52,009**	40,167	**5,740**	524
– later than five years	**5,218**	–	**–**	–
	86,324	63,765	**10,085**	2,044
Equipment and transponders				
– not later than one year	**38,845**	35,503	**141**	331
– later than one year and not later than five years	**42,371**	68,490	**–**	141
– later than five years	**–**	1,096	**–**	–
	81,216	105,089	**141**	472
	167,540	168,854	**10,226**	2,516

The Group leases various premises and buildings for the use as offices and studios under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The Group also leases various plant and machinery under non-cancellable operating lease agreements.

The lease expenditure expensed in the income statement during the year is disclosed in Note 21.

(c) Operating lease commitments as lessor

At 31 December 2007, the Group had contracted with tenants for future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Land and buildings				
– not later than one year	**4,402**	6,238	**4,402**	6,238
– later than one year and not later than five years	**–**	4,419	**–**	4,419
	4,402	10,657	**4,402**	10,657

Operating lease payments represent rental receivable by the Group from its associate. Leases are negotiated and rentals are fixed for 5 years.

31 TELEVISION BROADCASTING LICENCE

The Company operates under the terms of a licence granted by the Government of the HKSAR which runs for a period of twelve years to 30 November 2015. The licence will be subject to a mid-term review in 2009.

32 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

The following is a summary of significant related party transactions during the year carried out by the Group in the normal course of its business:

	Note	**2007** **HK$'000**	2006 HK$'000
Sales of services:			
Associates			
Programmes/channel licensing fee	(i)	**203,417**	197,781
Channel package service fee	(i)	**1,800**	2,131
Advertising income	(i)	**316**	6,615
Rental income and related charges	(i)	**6,376**	6,377
Others	(i)	**3,039**	3,259
Other related parties			
Programmes/channel licensing fee	(ii)	**192,740**	143,928
Advertising agency fee	(ii)	**46,849**	40,305
Management fee	(ii)	**33,735**	31,345
Marketing and consultancy services fee	(ii)	**8,685**	–
Facilities services fee	(ii)	**2,743**	–
Channel licensing fee	(iii)	**1,170**	971
Advertising income	(iv)	**3,488**	5,569
Advertising income	(v)	**1,692**	–
Advertising income	(vi)	**1,200**	–
		507,250	438,281
Purchases of services:			
Associates			
Playback and uplink service fee	(i)	**(33,256)**	(36,207)
Others	(i)	**(6,268)**	(3,245)
Other related parties			
Programmes/channel licensing fee	(vii)	**(1,538)**	(2,588)
Supply and installation of generator	(viii)	**(2,463)**	–
Agency fee	(ix)	**(239)**	(1,836)
Digital restoration of video tapes	(x)	**(617)**	–
		(44,381)	(43,876)

32 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

Notes:

(i) The fees were received from/(paid to) TVBPV, an associate of the Company (Note 4(a)).

(ii) 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.

(iii) The fees were received from All Asia Multimedia Networks FZ-LLC, an associate of the minority shareholder of non wholly-owned subsidiaries of the Company.

(iv) The fees were received from Sharp-Roxy (Hong Kong) Limited, an associate of a Director of the Company.

(v) The fees were received from Chevalier International Holdings Limited whose controlling shareholder is also a Director of the Company.

(vi) The fees were received from East Asia Entertainment Ltd., an associate of the minority shareholder of non wholly-owned subsidiaries of the Company.

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

(viii) The fees were paid to Chevalier (HK) Limited ("CHKL"). The controlling shareholders of the holding company of CHKL, is also a Director of the Company.

(ix) The fees were paid to Celestial Productions Limited, an associate of the minority shareholder of non wholly-owned subsidiaries of the Company.

(x) The fees were paid to Shaw Brothers (Hong Kong) Limited, a substantial shareholder of the Company.

(b) Key management compensation

	2007 **HK$'000**	2006 HK$'000
Salaries and other short-term employee benefits	**24,873**	24,385

32 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

	2007 HK$'000	2006 HK$'000
Receivables from associates (note (i))	**349,499**	231,069
Receivables from other related parties (note (ii))	**76,926**	63,865
	426,425	294,934
Payables to associates	**4,627**	5,157
Payables to other related parties	**2,881**	109
	7,508	5,266

Notes:

(i) At 31 December 2007, a provision for impairment loss of receivable from associates of HK$136,808,000 (2006: HK$1,803,000) had been provided (Note 3(c)).

(ii) At 31 December 2007, no provision for impairment loss of receivable from other related parties was provided (2006: HK$2,262,000) as the impairment loss of HK$2,262,000 provided in previous years was written off in 2007.

32 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(d) Loans to related parties

	2007 HK$'000	2006 HK$'000
Investee company		
Beginning of the year	**6,666**	6,712
Loan repayments received	**(4,209)**	–
Interest charged	**324**	480
Interest received	**(324)**	(516)
Exchange differences	**733**	(10)
End of the year	**3,190**	6,666
Associates		
Beginning of the year	**155,595**	144,069
Loan advanced	**50,000**	–
Interest charged	**12,584**	11,526
Interest received	**(2,864)**	–
End of the year	**215,315**	155,595

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

A loan of HK$115,564,000 granted to an associate, TVBPV, is unsecured and carries interest at 8% per annum compounded annually. The loan together with the accrued interest should be payable to the Company in two annual installments on 20 February 2007 and 20 February 2008 respectively. However, a Restructuring and Mortgage Deed was concluded in April 2007 to extend the Debt (principal amount and the accrued interest up to 19 February 2007) of HK$157,224,000 and all interest accrued thereon to be repaid in one lump sum on or before 18 August 2008. TVBPV undertakes to pay interest at the rate of 3-month HIBOR plus 1% and the Debt is partially secured on assets with the carrying value as at 31 December 2007 amounting to HK$32,414,000.

On 12 March 2007, an unsecured loan of HK$50,000,000 was provided to an associate, TVBPVH, at an annual rate of 1.5% above the prime lending rate announced by The Hongkong and Shanghai Banking Corporation Limited and to be repaid in full on 28 February 2009.

33 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 26 March 2008.

34 SUBSIDIARIES

	Name	Place of incorporation and kind of legal entity	Issued and fully paid ordinary share capital	Issued and fully paid preference share capital	Percentage of equity capital held by the Group	Percentage of equity capital held by the Company	Principal activities
#	iTVB Holdings Limited	British Virgin Islands, limited liability company	HK$10,000	–	100	100	Investment holding
#	Jade Animation International Limited	Bermuda, limited liability company	US$12,000	–	100	100	Inactive
	Long Wisdom Limited	Hong Kong, limited liability company	HK$2	–	100	100	Investment holding
#	OHE Facilities Limited	Bermuda, limited liability company	US$20,000	–	100	100	Inactive
*	Television Broadcasts Airtime Sales (Guangzhou) Limited	The People's Republic of China, limited liability company	HK$500,000	–	100	100	Provision of agency services on design, production and exhibition of advertisements
#	TVB Club Limited	Hong Kong, limited liability company	HK$1	–	100	100	Dormant
	TVB Investment Limited	Bermuda, limited liability company	US$20,000	–	100	100	Investment holding
	TVB Music Limited	Hong Kong, limited liability company	HK$1	–	100	100	Production, publishing and licensing of musical works
#	TVB Satellite TV Holdings Limited	Bermuda, limited liability company	US$12,000	–	100	100	Investment holding
	TVBI Company Limited	Hong Kong, limited liability company	HK$2,000,000	–	100	100	Investment holding and programme licensing
	TVBO Production Limited	Bermuda, limited liability company	US$12,000	–	100	100	Owner of film rights and programme licensing
*	广东采星坊演艺咨询服务有限公司	The People's Republic of China, limited liability company	RMB10,000,000	–	100	100	Provision of consultancy, management and agency services to artistes
	Art Limited	Hong Kong, limited liability company	HK$10,000	–	73.68	–	Film licensing and distribution

34 SUBSIDIARIES (Continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid ordinary share capital	Issued and fully paid preference share capital	Percentage of equity capital held by the Group	Percentage of equity capital held by the Company	Principal activities
Capital Empire Limited	British Virgin Islands, limited liability company	US$1,000	–	100	–	Owner of film rights and programme licensing
CC Decoders Ltd.	United Kingdom, limited liability company	GBP2	–	100	–	Provider of decoder units
# Condor Entertainment B.V.	The Netherlands, limited liability company	EUR18,400	–	100	–	Investment holding
Countless Entertainment (Taiwan) Company Ltd.	Taiwan, limited liability company	NT$10,000,000	–	100	–	Investment holding
# Extra Profit Holdings Limited	British Virgin Islands, limited liability company	HK$1	–	100	–	Investment holding
# Fairwork Group Limited	British Virgin Islands, limited liability company	US$1,000	–	100	–	Investment holding
# Golden Star Video Library Sdn. Bhd.	Malaysia, limited liability company	MYR10,000	–	51	–	Inactive
Interface Communication Co., Ltd.	Taiwan, limited liability company	NT$199,800,000	–	92.51	–	Magazine publication
# iTVB Limited	British Virgin Islands, limited liability company	HK$10,000	–	100	–	Investment holding
Jade Animation Company Limited	Hong Kong, limited liability company	HK$2	–	100	–	Inactive
Jade Animation Productions Limited	Hong Kong, limited liability company	HK$500,000	–	100	–	Inactive
Jade Multimedia International Limited	Bermuda, limited liability company	US$12,000	–	100	–	Animation investment, licensing and distribution
Liann Yee Production Co. Ltd.	Taiwan, limited liability company	NT$880,000,000	–	100	–	Production of television programmes, leasing of film studios and advertising
* Oriental Home Entertainment Inc.	Canada, limited liability company	CAD100	–	100	–	Programme licensing and distribution
Peony Holding N.V.	Netherlands Antilles, limited liability company	US$100	US$6,000	100	–	Investment holding

34 SUBSIDIARIES (Continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid ordinary share capital	Issued and fully paid preference share capital	Percentage of equity capital held by the Group	Percentage of equity capital held by the Company	Principal activities
# Request Investments Limited	British Virgin Islands, limited liability company	HK$1	–	100	–	Dormant
# The Chinese Channel Limited	Hong Kong, limited liability company	HK$4	–	100	–	Inactive
The Chinese Channel Limited	United Kingdom, limited liability company	GBP1,111	–	100	–	Provision of services for programme productions
The Chinese Channel (France) SAS	France, limited liability company	EUR37,000	–	100	–	Provision of satellite and subscription television programmes
# The Chinese Channel (Holdings) Limited	Cayman Islands, limited liability company	GBP89,640	–	100	–	Investment holding
# Toysters Animation International Ltd.	British Virgin Islands, limited liability company	US$1,000	–	55	–	Inactive
TVB (Australia) Pty. Ltd.	Australia, limited liability company	A$5,500,000	–	100	–	Provision of satellite and subscription television programmes
TVB Facilities Limited	Hong Kong, limited liability company	HK$10,000	–	100	–	Provision of services for programme productions
* TVB Holdings (USA) Inc.	USA, limited liability company	US$6,010,000	–	100	–	Investment holding and programme licensing and distribution
# TVB International Limited	Hong Kong, limited liability company	HK$10,000	–	100	–	Inactive
TVB Macau Company Limited	Macau, limited liability company	MOP25,000	–	100	–	Provision of services for programmes productions
# TVB (Overseas) Limited	Bermuda, limited liability company	US$12,000	–	100	–	Inactive
TVB Publications Limited	Hong Kong, limited liability company	HK$20,000,000	–	73.68	–	Magazine publications
§ TVB Publishing Holding Limited	Hong Kong, limited liability company	HK$8,550,000	–	73.68	–	Investment holding

34 SUBSIDIARIES (Continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid ordinary share capital	Issued and fully paid preference share capital	Percentage of equity capital held by the Group	Percentage of equity capital held by the Company	Principal activities
TVB Satellite Broadcasting Limited	Hong Kong, limited liability company	HK$2	–	100	–	Provision of programming and channel services
* TVB Satellite Platform, Inc.	USA, limited liability company	US$3,000,000	–	100	–	Provision of satellite and subscription television programmes
TVB Satellite TV Entertainment Limited	Bermuda, limited liability company	US$12,000	–	100	–	Provision of satellite and subscription television programmes
TVB Satellite TV (HK) Limited	Hong Kong, limited liability company	HK$2	–	100	–	Provision of pay television programmes
# TVB (Shanghai Holdings) Limited	British Virgin Islands, limited liability company	US$1	–	100	–	Dormant
TVB (UK) Limited	United Kingdom, limited liability company	GBP2	–	100	–	Investment holding
* TVB (USA) Inc.	USA, limited liability company	US$10,000	–	100	–	Provision of satellite and subscription television programmes
TVB Video (UK) Limited	United Kingdom, limited liability company	GBP1,000	–	100	–	Programme licensing
TVB.COM Limited	Hong Kong, limited liability company	HK$2	–	100	–	Internet web portal
TVBO Facilities Limited	Bermuda, limited liability company	US$12,000	–	100	–	Provision of services for programme productions
# Zennora Group Limited	British Virgin Islands, limited liability company	US$1,000	–	100	–	Investment holding

None of the subsidiaries have issued any loan capital. Except for TVBO Facilities Limited and TVBO Production Limited which operate worldwide, all subsidiaries operate principally in their place of incorporation.

* The accounts of these subsidiaries have been audited by firms other than PricewaterhouseCoopers, which do not materially affect the results of the Group.

\# The accounts of these subsidiaries are not audited.

§ On 30 November 2001, TVB Publishing Holding Limited issued a total of 9,000,000 ordinary shares (with a par value of HK$0.10 per share) at HK$8.60 per share to its minority shareholders as unpaid shares. These shares will not be entitled to voting and dividends rights until they are fully paid. 4,500,000 ordinary shares were fully paid up in 2003 and the remaining 4,500,000 ordinary shares were still unpaid as at 31 December 2007.

星光燦爛，TVB 40年來魅力非凡
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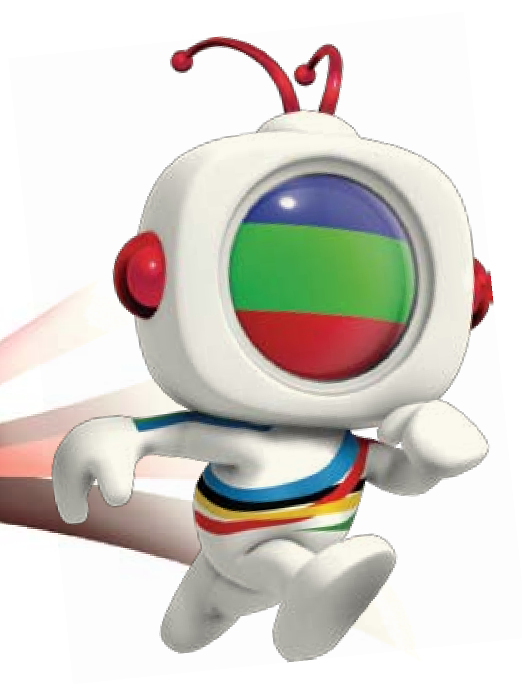

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