

INTERIM REPORT  
2007  
中 期 報 告



**Television Broadcasts Limited**  
**電視廣播有限公司**

Stock Code 股份代號：511



**INTERIM  
REPORT 2007**

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# 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

HO Ting Kwan (*resigned on 13 April 2007*)

### 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. (*appointed on 10 July 2007*)

Robert SZE Tsai To

### 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

Robert SZE Tsai To (*Chairman*)

Chien LEE

Gordon SIU Kwing Chue (*appointed on 10 July 2007*)

HO Ting Kwan (*resigned on 13 April 2007*)

### REMUNERATION COMMITTEE

Chien LEE (*Chairman*)

Edward CHENG Wai Sun

Robert SZE Tsai To

## **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, appointed on 1 February 2007*)

### **COMPANY SECRETARY**

Adrian MAK Yau Kee

## **REGISTERED OFFICE**

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

## **AUDITORS**

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

## **SHARE REGISTRARS**

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

# CHAIRMAN'S STATEMENT

The directors of Television Broadcasts Limited ("Directors") are pleased to present the interim report and condensed accounts for the six months ended 30 June 2007 in respect of Television Broadcasts Limited (the "Company" or "TVB") and its subsidiaries (the "Group"). The consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 30 June 2007, and the consolidated balance sheet of the Group as at 30 June 2007, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 14 to 32 of this report.

## INTERIM DIVIDEND

Directors are pleased to declare an interim dividend of HK\$0.30 (2006: HK\$0.25) per share for the six months ended 30 June 2007 to shareholders who are on the Register of Members on 19 September 2007. A total of 438,000,000 ordinary shares of HK\$0.05 each were in issue as of 30 June 2007.

## CLOSURE OF BOOKS

The Register of Members of the Company will be closed from 18 September 2007 to 19 September 2007, both dates inclusive, during which period, no transfer of shares will be effected. In order to qualify for the above interim dividend, all transfers must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 17 September 2007. Dividend warrants will be despatched to shareholders on or around 27 September 2007.

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVIEW OF OPERATIONS

#### Operating Results for the Period

For the six months ended 30 June 2007 (the "Period"), the Group recorded a turnover of HK\$1,919 million (2006: HK\$1,887 million), which represented an increase of 2% over the same period of last year. Cost of sales amounted to HK\$841 million (2006: HK\$836 million), which represented an increase of 1%. Gross profit for the Period stood at HK\$1,078 million (2006: HK\$1,051 million).

Included in cost of sales were the cost of programmes, film rights, movies and stocks for the Period which amounted to HK\$547 million (2006: HK\$527 million), representing an increase of 4%.

Selling, distribution and transmission costs for the Period amounted to HK\$215 million (2006: HK\$228 million), which represented a decrease of 6%. General and administrative expenses amounted to HK\$252 million (2006: HK\$223 million), which represented an increase of 13%.

Other operating income for the Period amounted to HK\$16 million (2006: HK\$21 million) which was principally attributable to foreign exchange gains.

Share of the losses of an associate, TVB Pay Vision Holdings Limited, decreased from HK\$87 million to HK\$69 million for the Period, which represented a reduction of 20%.

The Group's income tax expense for the Period amounted to HK\$105 million (2006: HK\$96 million), which represented an increase of 9%.

The profit attributable to equity holders amounted to HK\$497 million (2006: HK\$470 million), which represented an increase of 6%. The earnings per share was HK\$1.14 (2006: HK\$1.07).

## Business Review and Prospects

### Terrestrial Television Broadcasting

#### (a) Advertising Revenue

Advertising revenue grew by a healthy 7% for the Period. The resurgence of local property advertising was a major contributor. Through offering a diversified mix of advertising formats including programme sponsorships, product placements and long duration commercials, we managed to more than double the local property spending, making it the largest spending category and contributing to almost one quarter of the growth in the Period.

Banks' advertising spending on television was up by more than 50% and this just managed to offset the decline in the spending by the credit card category. High single-digit growth in retail sales supported a healthy increase in advertising spending of many categories, contributing to the overall growth of the Period. Demand for tailor made sponsored programmes was particularly strong.

#### (b) Terrestrial Channels' Performance

TVB continued to attain a majority audience share in the terrestrial free TV market – the *Jade* channel achieved an average of 82% share<sup>1</sup> of the terrestrial Chinese channels during weekday prime time<sup>2</sup>; and *Pearl*, 78% audience share of the terrestrial English channels, weekly prime time<sup>3</sup>.

The impact of television on creating talking points around town has once again been exemplified by *Jade's* mega hit "*Heart of Greed*". Plots and deeds of its heroes/heroines and villains became talk-of-the-town and words of wisdom of the matriarch, played by Louise Lee,

were circulated as quotable quotes on the internet and captured as ring-tones for mobile phones. The series achieved an average of 32 TVRs<sup>4</sup> and 86% share, with the rating in the final telecast week soared to 40 TVRs and 91% share. The comedy "*The Family Link*", the top rated series for the Period which captured an average of 33 TVRs and 87% share, brought audience together through laughter and satires around realistic family problems. The audience found old-fashioned filial piety most touching in the total fantasy period piece "*Ten Brothers*". The series, which contained much animation and computer graphic effects, attracted 32 TVRs and 90% share, and was an instant hit among young viewers.

Non-drama programmes excelled for their informative as well as entertaining elements. A new food/lifestyle programme "*Market Trotter*", starring Chua Lam, a well-known gourmet and columnist, explored local culinary specialties, sampling the much diversified culinary culture in cities stretching from Asia to Europe. This series garnered an average of 23 TVRs and 86% share during regular Sunday nights. The second series to popular non-drama programmes were also well received. "*On The Road*", which combined travelogue with personal experience of celebrity hosts, attained an average of 25 TVRs and 84% share on weekday nights; and "*Deal or No Deal*" which tested the venturing spirit of participants in trying to win high rewards, captured an average of 26 TVRs and 82% share on Sunday nights. With further enhancement in format and content, the fifth series of "*Body Talks*", a health advisory-infotainment programme, averaged 23 TVRs and 77% share.

<sup>1</sup> **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 channels in Hong Kong, the base would be the combined TV ratings (TVRs) of terrestrial Chinese channels or combined TVRs of terrestrial English channels.

<sup>2</sup> *Jade's* weekday prime time runs from 7-11p.m.

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

<sup>4</sup> **TV Ratings (TVRs)** represent the size of the audience expressed as a percentage of the total TV population of individuals age 4 or above (4+). For 2007, the TV population is 6,482,000, and therefore, 1 TVR represents 64,820 viewers (1% of the 4+ TV population).

# CHAIRMAN'S STATEMENT

As the world started to run up to the 2008 Olympics in Beijing, we have begun to prepare the audience for this world event in a series of lead-in programmes during weekday evenings in the form of quiz shows and mini info-programmes, which were well received.

(c) Digitisation

Since the last Chairman's statement, we have made further progress in our digitisation plans in the construction and upgrade of our transmission network.

During the Period, many important standards were announced. The China National Standard was confirmed as the channel coding and modulation standard for digital terrestrial TV broadcasting in Hong Kong. This enabled all parties including broadcasters, set-top-box manufacturers, TV set manufacturers, electrical appliance retailers and in-building coaxial cable distribution installers to commence their respective activities. Both MPEG-2 and MPEG-4 Part 10 were confirmed to be the approved source coding standards for the new services on the single frequency network.

The focus of our work for the next few months will be the finalization of our transmission infrastructure at Temple Hill, confirmation of the standard for middleware, testing of set-top-boxes and completion of our high definition production facilities within TVB City.

### **Programme Licensing and Distribution**

During the Period, the overall revenue from programme licensing and distribution recorded a single-digit percentage growth. In particular, we saw encouraging revenue growth from the distribution of our programmes through the new media, namely the video-on-demand ("VOD") service providers. Currently, these VOD providers operate in Mainland China, Taiwan, and Canada, and we anticipate that as new VOD supply contracts are entered into, our VOD distribution areas would further include Malaysia, Singapore and USA in the second half of 2007.

Despite tough competition in the market, we managed to maintain a stable telecast licensing revenue in our major markets. In Taiwan, the licensing of TVB drama series to other TV stations outside our own network not only brought in additional revenue, but also helped increase the exposure for TVB programmes in that market.

In Mainland China, we have successfully completed a number of co-production projects with different TV stations and media groups in non-drama as well as drama programmes. Among the most prominent of these projects was the drama series *"Drive of Life"* which was co-produced with China International TV Corporation, a wholly-owned subsidiary of China Central Television (CCTV). The drama series was premiered on CCTV in June 2007, and on *Jade* in July 2007, followed by worldwide release on other platforms. We also co-produced a lifestyle programme series *"Market Trotter"* and *"The 10th Anniversary of Hong Kong Handover Special"* with Shenzhen Satellite TV, which were broadcast during primetime hours. These programmes helped extend our presence in Mainland China.

Other co-produced programmes have also been well received, notably *"Minutes To Fame"* in Malaysia and in Mainland China. The Group will continue to explore more opportunities for co-production.

### **Overseas Satellite Pay TV Platforms**

Our satellite pay TV business demonstrated steady growth in the three operating territories, namely USA, Australia and Europe. Total number of subscribers to our platforms sustained a single-digit percentage growth in the Period, while the advertising revenue recorded a more encouraging double-digit percentage growth. TVB Satellite Platform USA has reached an agreement with DirecTV to telecast two TVB-owned Mandarin channels starting in August of this year. TVB Australia launched an enhanced Mandarin package in June 2007. All platforms are exploring alternative methods in content delivery, such as through IPTV (Internet Protocol Television), for more cost-effective multi-channel distribution and to reach potential subscribers who are not within satellite coverage.

## **Channel Operations**

### (a) TVBS – Taiwan

Economic environment in Taiwan remained weak during the Period. Even the traditionally Chinese New Year strong returns period had seen lacklustre advertising sales results in February 2007. The general weakness in the economy had adversely affected the spending of advertisers on all media including television. The advertising revenue of our Taiwan operations recorded a decline in the turnover during the Period. Efforts are being made to contain operating costs so as to maintain a reasonable profit margin. We anticipate that the Taiwan economy in the second half of the year will remain weak which will continue to impact negatively on our business.

### (b) TVB8 and Xing He Channels

Our strategy in strengthening our business relationship with Mainland China's TV stations had proven to be successful. TVB8 collaborated with Beijing TV for the production of "Beijing Chinese New Year Special 2007" which was well received. The National TV Committee also awarded Beijing TV with The Best Chinese New Year Gala Show of the Year. Our cooperation with Beijing TV not only helps in enhancing TVB and TVB8's brand image and awareness, but also opens up new business opportunities.

In Singapore, both TVB8 and Xing He channels are scheduled to be released on StarHub's basic package starting in September. We hope that this will further increase the exposure of the channels and in subscription revenue.

### (c) Supply of Channels to TVB Pay Vision Limited ("TVBPV")

During the Period, TVB continued to supply a total of eight channels which comprise 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. Programme line-ups for the entertainment channels were further strengthened. On TVB Lifestyle, new

programmes launched included "Speak Up", a forum on social issues, and "At Your Service!", which offered tips on the employment and training of domestic helpers. The interview with the Honourable Henry Tang was among the highlights of TVB Lifestyle's signature programme "Be My Guest". TVB Drama was able to garner the latest, even same season broadcast, of hit Asian series such as the Japanese title "The Family", Korean drama "Princess Hours S"; and Taiwanese idol drama "Hanazakarino Kimitachihe". TVB Classics' "Stardust Memories" featured packages starring Lydia Shum and Carol "DoDo" Cheng. TVB Entertainment News covered major international and local film awards including The 79th Annual Academy Awards, Festival de Cannes and The 26th Hong Kong Film Awards. TVB Kids also launched "Performing Arts Academy", from which young viewers can learn from maestro pianist Liu Shi Kun among other renowned performing artistes. TVBM organised and presented "Your Music Choice Music Festival" featuring local and Mainland talents and "Live House", mini concerts held around town.

## **Other Businesses**

### (a) Investment in TVB Pay Vision Holdings Limited ("TVBPVH")

During the Period, TVB shared losses of HK\$69 million of TVBPVH. When compared with the losses shared of HK\$87 million for the same period in 2006, this represented an improvement of 20% which can be attributed to the new subscribers added during the Period.

As further disclosed in note 17 to the condensed consolidated financial information, the Group made a part disposal subsequent to 30 June 2007 of 217,173,552 shares of TVBPVH, representing 20% equity interest to a third party for a cash consideration of HK\$140 million, subject to fulfilment of certain conditions. As a result of this transaction, TVB's interest in TVBPVH will be reduced to 29% on completion. The introduction of the new investor in the pay TV platform shall broaden the shareholder base of TVBPVH and enhance its future development.

# CHAIRMAN'S STATEMENT

## (b) Internet Operations

We innovated an extensive range of interactive features/content in promoting our key dramas online and using telephone/SMS voting. This had paid off in terms of both programme rating and traffic at our website, [www.tvb.com](http://www.tvb.com). For the drama *"Heart of Greed"*, we ran daily telephone/SMS voting, artistes blogs, and online chat rooms, and provided expanded discussion forums and video clips of memorable scenes.

As a result, page views of our website during the 3-week promotion period increased significantly. We believe the enhanced online activity, coupled with matching of on-air promotions, helped to generate even more discussions about the drama in other internet sites, the print media and via word-of-mouth.

We are encouraged by this result and shall increase our activities in this area, with a view to also generating monetary returns through sponsorship.

## (c) Magazine Publishing

The impact of free newspapers in taking share of advertising revenue was felt not just in the newspaper market but also in the magazine market. Advertising revenue declined by a single-digit percentage but circulation revenue was maintained. We invested in improved printing quality, photography and content association with TVB programmes and artistes, while keeping total operating costs flat. We believe that these measures will pay off and look forward to improving results in the second half.

## FINANCIAL REVIEW

### Liquidity and Financial Resources

As at 30 June 2007, the non-current assets of the Group stood at HK\$2,154 million, which represented a decrease of 5% from 31 December 2006 of HK\$2,259 million. The net decrease was mainly attributable to the decrease in the net book value of property, plant and equipment by HK\$78 million and decrease in interest in associates by HK\$13 million.

Trade and other receivables, prepayments and deposits decreased from HK\$1,372 million to HK\$1,258 million, which represented a decrease of 8% over last year end. This mainly related to seasonal variation attributable to a lower level of billing to customers in the first half of the year, when compared with the second half of the year. At 30 June 2007, specific provision had been made, where appropriate, to cover any potential bad and doubtful debts.

Trade and other payables and accruals decreased from HK\$594 million to HK\$523 million, which represented a decrease of 12% over last year end.

Bank deposits and cash balances as at 30 June 2007 amounted to HK\$1,636 million, an increase of 2% over last year end (31 December 2006: HK\$1,597 million). About 13% of bank deposits and cash balances were maintained in overseas subsidiaries for their daily operation. Bank deposits and cash balances held by the Group were denominated in Hong Kong dollars, Renminbi, US dollars and New Taiwan dollars.

As at 30 June 2007, the Group had no bank borrowings and therefore the gearing ratio is not applicable. The current ratio, expressed as a percentage of current assets to current liabilities, improved from 5.07 as at 31 December 2006 to 5.38 as at 30 June 2007. The total equity was HK\$4,732 million (31 December 2006: HK\$4,868 million).

As at 30 June 2007, capital commitments of the Group amounted to HK\$779 million (31 December 2006: HK\$821 million), which represented a decrease of 5%.

### Contingent Liabilities

As at 30 June 2007, there were guarantees given to banks amounting to HK\$10 million (31 December 2006: HK\$9 million) for banking facilities granted to an investee company.

The Group had received protective profits tax assessment notices from the Inland Revenue Department of Hong Kong 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 had objected. Out of the total amounts assessed, the Group had 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 had been granted for the remaining assessed amounts of HK\$74 million, HK\$75 million and HK\$97 million for the years of assessment 1998/99, 1999/2000 and 2000/01 respectively. 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 currency 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 movement, the Group will closely monitor its foreign exchange risk and enter into forward exchange contracts to hedge its foreign exchange exposure when necessary. No forward exchange contract was entered into by the Group during the Period under review.

### **HUMAN RESOURCES**

As of 30 June 2007, the Group employed, excluding Directors and freelance workers but including contract artistes and staff in overseas subsidiaries, a total of 4,535 full-time employees (31 December 2006: 4,557).

About 26% of our manpower was employed in overseas subsidiaries and was paid on a scale and system relevant to their localities and local legislations. For local employment, different pay schemes are operated for contract artistes, sales and non-sales employees. Contract artistes are paid either on a per-show basis or by a package of shows. Sales personnel are remunerated based on commission schemes. Non-sales personnel are remunerated on a monthly salary. Discretionary bonuses may be awarded as an incentive for better performance.

No employee share option scheme was adopted by the Group during the Period.

From time to time, the Group organises, either in-house or with vocational institutions, seminars, courses and workshops on subjects of technical interest, such as industrial safety, management skills and other related studies, apart from sponsorship of training programmes that employees may enrol on their own initiatives.

### **APPRECIATION**

Mr. Ho Ting Kwan resigned from the Board of Directors of the Company on 13 April 2007. I, on behalf of the Board, would like to thank Mr. Ho for his contributions to the Company over the past years.

I would also like to take this opportunity to express my gratitude to all our stakeholders for their continued support to the TVB Group.

### **Run Run Shaw**

Executive Chairman

Hong Kong, 29 August 2007

# OTHER INFORMATION

## DIRECTORS' INTERESTS IN SHARES

As at 30 June 2007, the beneficial interests of 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			Total	Percentage of Issued Capital (%)
	Personal Interests	Family Interests	Corporate Interests		
Run Run Shaw	–	1,146,000#	141,174,828*(a)	142,320,828	32.49%
Christina Lee Look Ngan Kwan	602,144	–	16,701,000 (b)	17,303,144	3.95%
Mona Fong	1,146,000#	–	–	1,146,000	0.26%
Chien Lee	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 its subsidiaries did not grant to Directors or chief executive or their spouse or children under 18 years of age any rights to subscribe for shares or debentures of the Company or any other body corporate.

Apart from the above, no interests or short positions were held or deemed or taken (under the Securities and Futures Ordinance) to be held by any Directors or chief executive of the Company in the shares or underlying shares in, or debentures of, the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance) as at 30 June 2007.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 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 Limited	26,288,000 (a)	6.02%
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 30 June 2007.

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the Period, the Company had not redeemed any of its ordinary shares. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's ordinary shares.

## CORPORATE GOVERNANCE

### BOARD COMPOSITION

Mr. Ho Ting Kwan resigned as Director of the Company on 13 April 2007. The Executive Committee nominated and the Board approved the appointment of Mr. Gordon Siu Kwing Chue as Independent Non-executive Director with effect from 10 July 2007 to fill the vacancy left by Mr. Ho. Mr. Siu has given his confirmation of independence to the Company and to The Stock Exchange of Hong Kong Limited (the "Exchange"), and the Company is satisfied with Mr. Siu's independence pursuant to the guidelines set out in Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Exchange.

## OTHER INFORMATION

### COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the Period, the Company was in compliance with the Code Provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules except that the Executive Chairman is not subject to retirement by rotation at least once every three years (code provision A.4.2).

Pursuant to Article 114(d) of the Company’s Articles of Association, the Chairman is exempted from retirement by rotation. The Board considers that the Chairman, being the founder of the Company, possesses a wealth of experience which is essential to the Board and contributes to the continued stability of the Company’s business.

Save for the above, none of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the Period, in compliance with the Code.

### COMPLIANCE WITH MODEL CODE

Since 1 September 2004, the Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules.

Mr. Ho Ting Kwan, who resigned as Director of the Company on 13 April 2007, confirmed that he had complied with the Model Code throughout the period between 1 January 2007 and 12 April 2007.

Mr. Mark Lee Po On, who was appointed as General Manager – Finance and Administration on 1 February 2007, confirmed that he had complied with the Model Code throughout the period between 1 February 2007 and 30 June 2007.

All other Directors (with the exception of Mr. Gordon Siu who was appointed as Director of the Company after the reporting period) and members of the Senior Management confirmed, following specific enquiries by the Company, that they had complied with the Model Code throughout the period between 1 January 2007 and 30 June 2007.

### INTERNAL CONTROL

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

The system of internal controls has been designed to safeguard assets from unauthorised use or disposition, ensure maintenance of proper accounting records, and ensure effective operation of the Company’s business and compliance with regulations. Management is directly responsible for implementing the strategies and policies adopted by the Board, and for managing all of the Company’s activities, including the operation of the internal control system. The system of internal controls is, however, designed to provide reasonable, but not absolute, assurance against material mis-statement or loss, and manage, rather than completely eliminate, the risk of system failure in operational systems.

The framework of internal control encompasses all controls incorporated into strategic governance and management processes, covering the Group's entire range of activities and operations, and not just those directly related to financial operations and reporting. It covers not only compliance matters, but extends also to the performance aspect of a business.

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

An annual review, pursuant to the requirement set out under Appendix 14 of the Listing Rules, of the effectiveness of the material controls, including financial, operational and compliance controls and risk management function, is in progress.

## AUDIT COMMITTEE

The membership of the Audit Committee fell short of the required number of members as set out in Rule 3.21 on 13 April 2007 as a result of the resignation of Mr. Ho Ting Kwan and remained so at 30 June 2007. To ensure compliance with the Listing Rules, the Board approved that Mr. Gordon Siu Kwing Chue be appointed as a member of the Audit Committee with effect from 10 July 2007 to fill the vacancy left by Mr. Ho.

As of 30 June 2007, all of the two Audit Committee members were Independent Non-executive Directors, with the Chairman having appropriate professional qualifications and experience in financial matters.

The Audit Committee, which now comprises Mr. Robert Sze Tsai To, Mr. Chien Lee and Mr. Gordon Siu Kwing Chue (all being Independent Non-executive Directors), has reviewed with Management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of the unaudited condensed interim accounts for the Period before such accounts were presented to the Board of Directors for approval.

The interim financial statements for the Period have not been audited, but have been reviewed by the Company's external auditors whose report is set out on page 33.

## INTERIM REPORT

The interim report of the Company for the Period containing all the information required by paragraphs 46(1) to 46(9) of Appendix 16 of the Listing Rules is published on the Exchange's website ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company's website ([www.tvb.com](http://www.tvb.com)).

# CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2007

	Note	30 June 2007 Unaudited HK\$'000	31 December 2006 Audited HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	1,652,887	1,731,207
Leasehold land	4	181,564	183,848
Intangible assets	4	162,562	162,184
Interest in associates		136,798	150,213
Available-for-sale financial assets		3	3
Loan to investee company		2,940	6,666
Deferred income tax assets		17,357	25,121
		<b>2,154,111</b>	<b>2,259,242</b>
<b>Current assets</b>			
Programmes, film rights and movies		428,338	442,319
Stocks		10,761	14,439
Trade and other receivables, prepayments and deposits	5	1,258,142	1,372,347
Tax recoverable		2,477	1,450
Pledged bank deposits		239	239
Bank deposits maturing after three months		170,600	38,026
Cash and cash equivalents		1,465,620	1,559,079
		<b>3,336,177</b>	<b>3,427,899</b>
<b>Total assets</b>		<b>5,490,288</b>	<b>5,687,141</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	6	21,900	21,900
Other reserves	7	684,763	669,823
Retained earnings			
– Final dividend	13	–	635,100
– Others		4,001,251	3,518,325
		<b>4,707,914</b>	<b>4,845,148</b>
<b>Minority interest</b>		<b>23,620</b>	<b>23,199</b>
<b>Total equity</b>		<b>4,731,534</b>	<b>4,868,347</b>

	Note	30 June 2007 Unaudited HK\$'000	31 December 2006 Audited HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		123,276	126,443
Retirement benefit obligations		15,498	16,515
		<b>138,774</b>	142,958
<b>Current liabilities</b>			
Trade and other payables and accruals	8	522,858	593,994
Current income tax liabilities		97,122	81,842
		<b>619,980</b>	675,836
<b>Total liabilities</b>		<b>758,754</b>	818,794
<b>Total equity and liabilities</b>		<b>5,490,288</b>	5,687,141
<b>Net current assets</b>		<b>2,716,197</b>	2,752,063
<b>Total assets less current liabilities</b>		<b>4,870,308</b>	5,011,305

The notes on pages 19 to 32 form an integral part of this condensed consolidated financial information.

# CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Note	Unaudited Six months ended 30 June	
		2007 HK\$'000	2006 HK\$'000
Turnover	3	1,918,799	1,887,112
Cost of sales		(841,227)	(836,048)
<b>Gross profit</b>		<b>1,077,572</b>	<b>1,051,064</b>
Other revenues	9	46,517	31,056
Selling, distribution and transmission costs		(215,272)	(227,856)
General and administrative expenses		(252,221)	(222,912)
Other operating income		15,974	21,092
<b>Operating profit</b>	10	<b>672,570</b>	<b>652,444</b>
Share of losses of associates		(69,418)	(86,601)
<b>Profit before income tax</b>		<b>603,152</b>	<b>565,843</b>
Income tax expense	11	(105,462)	(96,365)
<b>Profit for the period</b>		<b>497,690</b>	<b>469,478</b>
<b>Attributable to:</b>			
Equity holders of the Company		497,282	469,964
Minority interest		408	(486)
		<b>497,690</b>	<b>469,478</b>
<b>Earnings per share for profit attributable to equity holders of the Company during the period</b>	12	<b>HK\$1.14</b>	<b>HK\$1.07</b>
<b>Dividends</b>	13	<b>131,400</b>	<b>109,500</b>

The notes on pages 19 to 32 form an integral part of this condensed consolidated financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Unaudited				
	Attributable to equity holders of the Company				Total HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Minority interest HK\$'000	
Balance at 1 January 2007	21,900	669,823	4,153,425	23,199	4,868,347
Currency translation differences	–	584	–	13	597
Net income recognised directly in equity	–	584	–	13	597
Profit for the period	–	–	497,282	408	497,690
Total recognised income for the period	–	584	497,282	421	498,287
Transfer	–	14,356	(14,356)	–	–
Dividends relating to 2006	–	–	(635,100)	–	(635,100)
<b>Balance at 30 June 2007</b>	<b>21,900</b>	<b>684,763</b>	<b>4,001,251</b>	<b>23,620</b>	<b>4,731,534</b>
Balance at 1 January 2006	21,900	700,132	3,659,715	23,320	4,405,067
Currency translation differences	–	(14,603)	–	27	(14,576)
Net (expense)/income recognised directly in equity	–	(14,603)	–	27	(14,576)
Profit for the period	–	–	469,964	(486)	469,478
Total recognised income and expense for the period	–	(14,603)	469,964	(459)	454,902
Transfer	–	10,063	(10,063)	–	–
Dividends relating to 2005	–	–	(569,400)	–	(569,400)
Balance at 30 June 2006	21,900	695,592	3,550,216	22,861	4,290,569

The notes on pages 19 to 32 form an integral part of this condensed consolidated financial information.

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Unaudited	
	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Net cash generated from operating activities	729,122	731,995
Net cash used in investing activities	(188,871)	(82,941)
Net cash used in financing activities	(635,100)	(569,402)
Net (decrease)/increase in cash and cash equivalents	(94,849)	79,652
Cash and cash equivalents at 1 January	1,559,079	944,670
Effect of foreign exchange rate changes	1,390	1,455
Cash and cash equivalents at 30 June	1,465,620	1,025,777

The notes on pages 19 to 32 form an integral part of this condensed consolidated financial information.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1 BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the six months ended 30 June 2007 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The unaudited condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

## 2 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of 2006 annual financial statements, except that the Group has adopted the following new standards, amendments to standards and interpretations (collectively referred to “new HKFRSs”) issued by the HKICPA which are mandatory for financial year ending 31 December 2007.

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 adoption of the new HKFRSs has no material impacts to the Group other than the disclosure impacts on the consolidated financial statements for the year ending 31 December 2007.

The Group has not early adopted new HKFRSs that have been issued but not yet effective for the accounting period ending 31 December 2007. The adoption of these new HKFRSs will not result in substantial changes to the Group’s accounting policies.

## 3 SEGMENT INFORMATION

### Primary reporting format – business segments

The Group is organised on a worldwide basis into five main business segments:

- (a) Terrestrial television broadcasting – free-to-air broadcasting of television programmes and commercials and production of programmes
- (b) Programme licensing and distribution – distribution of television programmes and channels to video and telecast operators
- (c) Overseas satellite pay TV operations – provision of satellite pay television services to subscribers in USA, Europe and Australia
- (d) Channel operations – compilation and distribution of television channels in Mainland China, Taiwan, Malaysia, Hong Kong and other countries
- (e) Other activities – provision of contents to mobile devices, website portal, magazine publication, licensing and distribution of movies and other related services

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 3 SEGMENT INFORMATION (continued)

### Primary reporting format – business segments (continued)

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

	Six months ended 30 June 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	988,737	302,849	137,145	449,930	40,138	–	1,918,799
Inter-segment sales	3,658	52,173	232	7,693	2,361	(66,117)	–
	992,395	355,022	137,377	457,623	42,499	(66,117)	1,918,799
Segment results	341,157	216,077	27,207	78,796	9,335	(2)	672,570
Share of losses of associates	–	–	–	(69,418)	–	–	(69,418)
Profit before income tax							603,152
Income tax expense							(105,462)
Profit for the period							497,690
Other segment terms included in the income statement are as follows:							
Depreciation	99,523	3,297	4,025	16,764	627	–	124,236
Amortisation of leasehold land	2,284	–	–	–	–	–	2,284

	Six months ended 30 June 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	924,899	295,819	119,190	490,118	57,086	–	1,887,112
Inter-segment sales	4,582	49,610	209	6,614	2,614	(63,629)	–
	929,481	345,429	119,399	496,732	59,700	(63,629)	1,887,112
Segment results	332,795	206,103	13,525	91,733	8,290	(2)	652,444
Share of losses of associates	–	–	–	(86,601)	–	–	(86,601)
Profit before income tax							565,843
Income tax expense							(96,365)
Profit for the period							469,478
Other segment terms included in the income statement are as follows:							
Depreciation	96,093	3,588	5,085	24,566	639	–	129,971
Amortisation of leasehold land	2,284	–	–	–	–	–	2,284

### 3 SEGMENT INFORMATION (continued)

#### Primary reporting format – business segments (continued)

The segment assets and liabilities at 30 June 2007 and capital expenditure for the six months then ended 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	3,621,619	272,511	139,828	934,205	122,059	5,090,222
Interest in associates	160,205	–	–	(23,407)	–	136,798
Available-for-sale financial assets	–	3	–	–	–	3
Loan to investee company	–	2,940	–	–	–	2,940
Unallocated assets						260,325
<b>Total assets</b>						<b>5,490,288</b>
Segment liabilities	249,445	80,570	70,652	122,947	14,742	538,356
Unallocated liabilities						220,398
<b>Total liabilities</b>						<b>758,754</b>
Capital expenditure	38,560	911	968	4,253	505	45,197

The segment assets and liabilities at 31 December 2006 and capital expenditure for the six months ended 30 June 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
Interest 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
<b>Total assets</b>						<b>5,687,141</b>
Segment liabilities	270,272	81,992	71,607	162,016	24,622	610,509
Unallocated liabilities						208,285
<b>Total liabilities</b>						<b>818,794</b>
Capital expenditure	22,419	1,621	1,978	30,789	428	57,235

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

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 3 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 sales 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  |

### 3 SEGMENT INFORMATION (continued)

#### Secondary reporting format – geographical segments (continued)

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

	Turnover		Segment results	
	Six months ended 30 June		Six months ended 30 June	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	1,142,179	1,088,656	375,814	367,324
Taiwan	313,374	363,736	58,731	74,708
USA and Canada	101,198	103,983	56,591	55,485
Australia	42,098	34,010	4,076	(3,044)
Europe	50,295	46,480	12,784	10,225
Mainland China	74,104	68,917	49,577	44,167
Malaysia and Singapore	181,405	165,973	107,861	94,526
Other countries	14,146	15,357	7,136	9,053
	<b>1,918,799</b>	<b>1,887,112</b>	<b>672,570</b>	<b>652,444</b>

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

	Total assets		Capital expenditure	
	30 June	31 December	Six months ended 30 June	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	4,109,074	4,141,898	39,899	24,230
Taiwan	598,789	614,605	4,193	30,681
USA and Canada	100,883	102,757	75	662
Australia	17,336	15,447	749	324
Europe	98,467	79,520	189	1,110
Mainland China	30,765	34,406	–	30
Malaysia and Singapore	113,001	124,053	–	–
Other countries	21,907	21,000	92	198
	<b>5,090,222</b>	<b>5,133,686</b>	<b>45,197</b>	<b>57,235</b>
Interest in associates	136,798	150,213		
Available-for-sale financial assets	3	3		
Loan to investee company	2,940	6,666		
Unallocated assets	260,325	396,573		
	<b>5,490,288</b>	<b>5,687,141</b>		

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 4 CAPITAL EXPENDITURE

	Goodwill HK\$'000	Property, plant and equipment HK\$'000	Leasehold land HK\$'000
Opening net book amount as at 1 January 2007	162,184	1,731,207	183,848
Additions	–	45,197	–
Disposals	–	(172)	–
Depreciation/amortisation charge (Note 10)	–	(124,236)	(2,284)
Exchange differences	378	891	–
<b>Closing net book amount as at 30 June 2007</b>	<b>162,562</b>	<b>1,652,887</b>	<b>181,564</b>
Opening net book amount as at 1 January 2006	161,003	1,896,100	188,416
Additions	–	57,235	–
Disposals	–	(443)	–
Depreciation/amortisation charge (Note 10)	–	(129,971)	(2,284)
Exchange differences	933	1,869	–
Closing net book amount as at 30 June 2006	161,936	1,824,790	186,132
Additions	–	38,204	–
Disposals	–	(1,403)	–
Depreciation/amortisation charge	–	(131,234)	(2,284)
Exchange differences	248	850	–
Closing net book amount as at 31 December 2006	162,184	1,731,207	183,848

## 5 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Receivables from:		
Associates	251,248	231,069
Related parties	63,947	63,865
Trade receivables (note)	799,316	952,998
	<b>1,114,511</b>	1,247,932
Less: provision for impairment of receivables	(81,381)	(74,001)
Other receivables, prepayments and deposits	157,256	150,865
Tax reserve certificates	67,756	47,551
	<b>1,258,142</b>	1,372,347

**Note:**

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

At 30 June 2007 and 31 December 2006, the aging analysis of the trade receivables including trading balances due from associates and related parties is as follows:

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Current	384,266	443,681
1-2 months	231,341	258,383
2-3 months	140,758	173,324
3-4 months	76,819	95,638
4-5 months	38,778	57,153
Over 5 months	240,287	217,491
	<b>1,112,249</b>	1,245,670
Trade receivables due from:		
Third parties	799,316	952,998
Associates and related parties	312,933	292,672
	<b>1,112,249</b>	1,245,670
Non-trading amounts due from related parties	2,262	2,262
	<b>1,114,511</b>	1,247,932

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 6 SHARE CAPITAL

	Number of ordinary shares of HK\$0.05 each	Nominal value HK\$'000
Authorised: <b>At 1 January 2006 and 2007 and 30 June 2007</b>	<b>1,300,000,000</b>	<b>65,000</b>
Issued and fully paid: <b>At 1 January 2006 and 2007 and 30 June 2007</b>	<b>438,000,000</b>	<b>21,900</b>

## 7 OTHER RESERVES

	Share premium HK\$'000	General reserve HK\$'000	Capital reserve HK\$'000	Legal reserve HK\$'000	Capital redemption reserve HK\$'000	Translation 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	–	–	–	–	–	(14,603)	(14,603)
Transfer from retained earnings	–	–	–	10,063	–	–	10,063
Balance at 30 June 2006	602,026	70,000	864	29,470	40,118	(46,886)	695,592
Currency translation differences:							
– Group	–	–	–	–	–	(31,693)	(31,693)
Transfer from retained earnings	–	–	–	5,924	–	–	5,924
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	–	–	–	–	–	584	584
Transfer from retained earnings	–	–	–	14,356	–	–	14,356
<b>Balance at 30 June 2007</b>	<b>602,026</b>	<b>70,000</b>	<b>864</b>	<b>49,750</b>	<b>40,118</b>	<b>(77,995)</b>	<b>684,763</b>

## 8 TRADE AND OTHER PAYABLES AND ACCRUALS

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Trade payables to:		
Associates	3,985	5,157
Related parties	243	109
Third parties	60,948	80,104
	<b>65,176</b>	85,370
Other payables and accruals	457,682	508,624
	<b>522,858</b>	593,994

At 30 June 2007 and 31 December 2006, the aging analysis of the trade payables including trading balances due to associates and related parties is as follows:

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Current	39,055	48,181
1-2 months	16,605	22,253
2-3 months	6,135	8,433
3-4 months	1,224	3,437
4-5 months	397	866
Over 5 months	1,760	2,200
	<b>65,176</b>	85,370

## 9 OTHER REVENUES

	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Interest income	40,007	24,834
Others	6,510	6,222
	<b>46,517</b>	31,056

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 10 OPERATING PROFIT

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

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Depreciation – owned property, plant and equipment	124,236	129,971
Amortisation of leasehold land	2,284	2,284
Cost of programmes, film rights, movies and stocks	547,221	527,126
Net exchange gain	(15,974)	(21,092)

## 11 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 period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Current income tax:		
– Hong Kong	84,763	73,892
– Overseas	16,193	19,084
– (Over)/under provisions in prior periods	(188)	333
Deferred income tax relating to the origination and reversal of temporary differences	4,694	3,056
	105,462	96,365

Please refer to Note 14(b) on contingent liabilities regarding the additional profits tax assessments raised by the Inland Revenue Department of Hong Kong (“IRD”) in respect of the years of assessment 1998/99, 1999/2000 and 2000/01.

## 12 EARNINGS PER SHARE

The earnings per share is calculated based on the Group’s profit attributable to equity holders of HK\$497,282,000 (2006: HK\$469,964,000) and 438,000,000 shares in issue throughout the six months ended 30 June 2007 and 2006. No fully diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

### 13 DIVIDENDS

	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Interim dividend, proposed, of HK\$0.30 (2006: HK\$0.25) per ordinary share	<b>131,400</b>	109,500

At a meeting held on 21 March 2007, the Directors declared a final dividend of HK\$1.45 per ordinary share for the year ended 31 December 2006 amounting to HK\$635,100,000, which was paid on 6 June 2007 and was reflected as an appropriation of retained earnings in these condensed consolidated financial information for the six months ended 30 June 2007.

### 14 CONTINGENT LIABILITIES

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
	(a) Guarantees for banking facilities granted to an investee company	<b>9,580</b>

(b) The Group had 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 had objected. Out of the total amounts assessed, the Group had 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 had been granted for the remaining assessed amounts of HK\$74,287,000, HK\$75,015,000 and HK\$96,551,000 for the years of assessment 1998/99, 1999/2000 and 2000/01 respectively. 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.

### 15 CAPITAL COMMITMENTS

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

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
	Authorised but not contracted for	<b>750,935</b>
Contracted but not provided for	<b>27,861</b>	28,461
	<b>778,796</b>	820,632

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 16 SIGNIFICANT RELATED PARTY TRANSACTIONS

### (a) Transactions with related parties

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

	Note	Six months ended 30 June	
		2007 HK\$'000	2006 HK\$'000
Sales of services:			
Associate			
Programmes/channel licensing fee	(i)	101,563	96,644
Channel package service fee	(i)	900	1,298
Advertising income	(i)	104	3,245
Rental income and related charges	(i)	3,193	3,181
Others	(i)	1,554	1,391
Other related parties			
Programmes/channel licensing fee	(ii)	95,784	70,033
Advertising agency fee	(ii)	22,253	18,822
Management fee	(ii)	16,748	15,560
Marketing and consultancy service fee	(ii)	4,312	–
Facilities service fee	(ii)	1,362	–
Channel licensing fee	(iii)	586	–
Advertising income	(iv)	–	2,591
		<b>248,359</b>	<b>212,765</b>
Purchases of services:			
Associate			
Playback and uplink service fee	(i)	(17,276)	(18,043)
Others	(i)	(2,220)	(650)
Other related parties			
Programmes/channel licensing fee	(v)	(729)	(1,661)
Agency fee	(vi)	(108)	(1,713)
		<b>(20,333)</b>	<b>(22,067)</b>

Notes:

- (i) The fees were received from/(paid to) TVB Pay Vision Limited (“TVBPV”), an associate of the Company.
- (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.

## 16 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

### (a) Transactions with related parties (continued)

Notes:

- (iv) The fees were received from Sharp-Roxy (Hong Kong) Limited (“Sharp Roxy”), an associate of a Director of the Company. Sharp Roxy has through its advertising agent placed advertising airtime booking with the Company on the Company’s channels in Hong Kong for the period from 20 June 2006 to 23 September 2006 at a total value of HK\$5,569,000 net after deduction of agency commission, volume rebate and discount. The advertising income accrued during the six months ended 30 June 2006 was HK\$2,591,000.
- (v) The fees were paid to Celestial Television Networks Ltd., an associate of the minority shareholder of non wholly-owned subsidiaries of the Company.
- (vi) The fees were paid to Celestial Productions Limited, an associate of the minority shareholder of non wholly-owned subsidiaries of the Company.

### (b) Key management compensation

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	9,370	11,146

### (c) Balances with related parties

	30 June	31 December
	2007	2006
	HK\$'000	HK\$'000
Receivables from associates (note (i))	251,248	231,069
Receivables from other related parties (note (ii))	63,947	63,865
	315,195	294,934
Payables to associates	3,985	5,157
Payables to other related parties	243	109
	4,228	5,266

Notes:

- (i) At 30 June 2007, a provision for impairment of receivable from an associate of HK\$1,812,000 (31 December 2006: HK\$1,803,000) had been made.
- (ii) At 30 June 2007, a provision for impairment of receivables from other related parties of HK\$2,262,000 (31 December 2006: HK\$2,262,000) had been made.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 16 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

### (d) Loans to related parties

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Investee company		
Beginning of the period/year	6,666	6,712
Loan repayments received	(4,218)	–
Interest charged	211	480
Interest received	(211)	(516)
Exchange differences	492	(10)
End of the period/year	2,940	6,666
Associate		
Beginning of the period/year	155,595	144,069
Loan advanced	50,000	–
Interest charged	6,004	11,526
End of the period/year	211,599	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.

The loan, totalling HK\$115,564,000, to an associate, TVBPV, is unsecured and carries interest at 8% per annum compounded annually. A Restructuring and Mortgage Deed was concluded in April 2007 which extended the Debt (principal amount and the accrued interest up to 19 February 2007) 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 secured on assets.

On 12 March 2007, an unsecured loan of HK\$50,000,000 was provided to an associate, TVB Pay Vision Holdings Limited (“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.

## 17 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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 an independent third party 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 is subject to the approval of the Broadcasting Authority and/or the Chief Executive in Council as may be required under the Broadcasting Ordinance and the domestic pay television programme service licence currently held by TVBPV, a wholly-owned subsidiary of TVBPVH. Upon closing, the Group would be interested in 29% of the equity interests in TVBPVH.

# INDEPENDENT REVIEW REPORT

## TO THE BOARD OF DIRECTORS OF TELEVISION BROADCASTS LIMITED

*(Incorporated in Hong Kong with limited liability)*

### INTRODUCTION

We have reviewed the interim financial information set out on pages 14 to 32 which comprises the condensed consolidated balance sheet of Television Broadcasts Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2007 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The Directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

**PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, 29 August 2007

**Television Broadcasts Limited**  
**電視廣播有限公司**

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