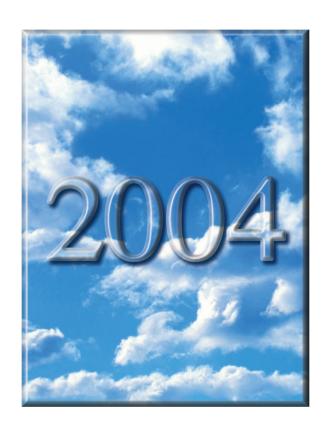
Television Broadcasts Limited Interim Report 2004



電視廣播有限公司 二〇四年度中期報告



The directors are pleased to present the Group's interim report and condensed accounts for the six months ended 30 June 2004. The consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 30 June 2004, and the consolidated balance sheet of the Group as at 30 June 2004, all of which are unaudited and condensed, along with selected explanatory notes, are set out on page 9 to 26 of this report.

INTERIM DIVIDEND

The directors are pleased to declare an Interim Dividend of HK\$0.20 (2003: HK\$0.20) per share for 438,000,000 issued shares.

Dividend warrants will be despatched to shareholders on 30 September 2004. The transfer books of the Company will be closed from 22 September 2004 to 24 September 2004, both dates inclusive.

MANAGEMENT DISCUSSION AND ANALYSIS

Review Of Operations

(a) Operating Results For The Period

For the six months ended 30 June 2004, the Group achieved a turnover of HK\$1,696 million, an increase of 18% over the same period last year. Profit attributable to shareholders amounted to HK\$217 million, an increase of 40% over the same period last year (2003: HK\$155 million). Earnings per share increased to HK\$0.50 (2003: HK\$0.35).

(b) Business Review And Prospects

Terrestrial Television Broadcasting

Forward sales for 2004 recorded at the close of upfront selling in December 2003 showed promising growth over that of 2003.

This heralded the start of a six-month period (January to June 2004) of robust growth in advertising revenues. Total advertising sales revenue recorded a 23% growth over the same period in 2003.

The programme and product sponsorship relaxations that took effect in July last year contributed significant non-airtime dollars. The contribution from programme sponsorship has shown double-digit growth over last year while the contribution from product sponsorship has exceeded internally set targets. These innovative forms of promotion will continue to be improved and developed in the months ahead in order to increase our share of the total media pie.

The prospects for the second half of the year are positive given the widespread consensus of a significantly improved economy this year and the strong sales momentum generated so far.

In terms of viewership, Jade and Pearl continued to gain strong audience support during the first half of 2004. Jade achieved an average 81% weekday primetime (7:00 - 11:30 p.m.) audience share of terrestrial Chinese channels; and Pearl garnered an average 73% weekly primetime (Monday to Sunday 7:00 p.m. - 12:00 midnight) audience share of terrestrial English channels.

With the Government's announcement, in July, of the policy framework of implementing digital terrestrial television ("DTT") in Hong Kong, as one of the two incumbent terrestrial television broadcasters, TVB would have one and a half multiplexes for the development of digital services - half a multiplex for digital migration, i.e. simulcasting of existing analogue channels, and an additional multiplex to launch new HDTV broadcasting services. The digital services are expected to commence in 2007. The Government's priority is to ensure a smooth analogue-to-digital migration of the existing terrestrial television services. The remaining two multiplexes (out of the five multiplexes available in Hong Kong) would be assigned later after existing terrestrial broadcasters have confirmed the technical feasibility of the Single Frequency Network configuration. Discussions on multiplex licensing details would be held with the Government during the second half of 2004.

TVB has been preparing to meet the DTT challenge when building the digital production centre at TVB City, Tseung Kwan O. Digital production of our drama and non-drama programmes have started since our state-of-the-art studios at TVB City became fully operational last November.

We will continue to expand our production capabilities and diversity in 2004. Drama co-productions were extended to Thailand early in the year and production output in China will be increased to 100 hours annually.

Programme Licensing And Distribution

Revenue from programme licensing and distribution during the period recorded single-digit percentage growth. We have started to look beyond conventional media and will supply content to broadband and wireless media.

The stringent Government restriction is still the main obstacle to the growth of our telecast licensing business in China. A new policy was implemented in the first half of 2004 that banned certain types of programmes. This affected our telecast licensing business in the same period, but the impact will not last long as the demand for content continues to grow and we have a larger library of other types of programmes to supply to this market.

Together with the strong growth in our VCD licensing business, we expect our licensing business to continue to grow this year.

Overseas Satellite Pay TV Operations

(a) TVB Satellite Platform ("TVBSP") USA

With joint promotional activities and special package offers by DirecTV and our installers, the subscriber base of our 5-channel package grew at a satisfactory double-digit rate. We anticipate the same growth rate throughout 2004.

In April, TVBSP was able to reach a settlement agreement with SES Americom for an early exit of the remaining 9-year transponder lease of AMC-4.

(b) TVB Australia ("TVBA")

In Australia, the programming revamp introduced in July 2003 delivered a steady and stable growth in subscribers and also reduced churn. TVBA maintained a double-digit growth for the first half of 2004.

(c) The Chinese Channel ("TCC") Europe

In Europe, TCC's subscription growth has been moderate. Churn was still high thus reducing net growth.

Besides the satellite delivery channel that will be used to deliver live news and variety programmes directly from Hong Kong to TCC's playout centre as an immediate measure to improve programming, TCC is exploring the viability of increasing its channel capacity to enrich its current single-channel offering.

Channel Operations

(a) Taiwan

Despite the political controversies after the March 2004 presidential election and the slow economic recovery, our Taiwan channel operations continued to record strong growth in both advertising revenue and profit. This was achieved through our creative effort in advertising sales, production and programming.

TVBS has been focusing on enhancement of its programmes and production, especially its local drama production, which has received good response and would generate more overseas licensing revenue. In the second half of 2004,

TVBS will produce and broadcast more drama series and major events as well as equipping its leading news channel for the coming Legislative Council Elections in Taiwan. We expect to maintain our growth pace in the remaining months of the year.

(b) TVB8 And Xing He

Xing He and TVB8 have made good progress to substantially reduce losses.

Subscription income has increased, especially Xing He in China where revenue grew as a result of the trial viewing offered last year.

The landing of the channels on the Galaxy pay TV platform in February also contributed towards revenue. Advertising income managed a mild increase despite fierce competition in Hong Kong and China. The savings in direct cost especially in production is another key to the much improved results.

Other Activities

(a) Jade Animation

The animated series "Condor Hero" produced by Jade Animation performed well in TV audience ratings and regional TV and video distribution. Apart from the continuous work for Disney, the animation servicing business has slowed down due to keen competition in other markets. For future business development, Jade Animation is expanding its merchandising business and is considering the launch of an animation channel.

(b) Internet Operations (Hong Kong And Mainland China)

Advertising income doubled due to the creation of more mini sites and web pages for sponsors of TVB programmes. This has helped to make up for a shortfall in the income from Broadband, due to a lower rate of new subscriptions. A substantial new revenue stream is the sale of content to 3G network providers. These brought about a healthy 24% growth in total revenue in the first 6 months of 2004. The operation in China has successfully developed a new revenue stream for content provision to Short Message Services ("SMS") which shows potential for further growth.

(c) Magazine Publishing

Advertising income recovered strongly, showing a 20% growth over the same period last year. However, magazine sales has been under pressure along with the rest of the magazine market. The advertising revenue prospects for the rest of the year are positive and steps are being taken to reverse erosion in magazine sales.

(d) Mainland Joint Venture

Solid economic growth and the rapid commercialization of the TV media industry in the mainland helped our joint venture show encouraging growth in the first half of 2004. Further growth is expected following the expansion of existing business and the launch of new projects.

The daily infotainment programme which commenced last year continues to enjoy satisfactory ratings. Advertising income has also shown good growth since the first quarter of the year. Our joint venture is actively seeking similar opportunities for syndications and cooperations with local media partners on life-style and variety programmes.

We have also strengthened our drama syndication business to a nationwide coverage. An efficient and effective network has been established linking all major TV stations in the mainland. We have invested in various costume dramas in the mainland and have imported high quality Chinese language dramas into the mainland markets.

Other than the conventional TV media business, our new media business including provision of content to SMS and Broadband Services, also shows favourable progress. Our SMS business which is integrated with various TV programmes, contributes healthy cash flow since its launch in late 2003. We expect considerable growth of our content supply after commencing services in Guangzhou in June 2004 and the introduction of Interactive Voice Response and Multi-media Messaging Services in due course. Regarding Broadband Content Provision, there are plans to launch such services in the later part of the year in cooperation with mainland telecommunication companies.

In view of the above progress and the continuous vigorous growth of the economy in China, we are optimistic that our joint venture in the mainland will enjoy a quantum leap in the near future.

New Business - Hong Kong Pay TV

The pay TV platform of Galaxy Satellite Broadcasting Limited ("GSBL") - exTV, was launched in February 2004. (GSBL is a joint venture company, with 51% share owned by Intelsat and 49% by TVB.) TVB will continue to produce and package five channels for exTV. The 24-hour-news channel TVBN, drama and entertainment channel TVBE and the children's channel by day and family channel by night TVBQ are produced for the local pay TV market and broadcast in Cantonese; and the general entertainment channel TVB8 and the drama channel Xing He, which also serve the mainland and overseas markets, in Putonghua. Our share of the start up losses to 30 June 2004 amounting to HK\$77 million was recorded. The project is at its very early stage and steps are being taken to improve the home reach of the services.

Financial Review

(a) Capital Assets, Investment, Liquidity And Debts

As at 30 June 2004, fixed assets of the Group stood at HK\$2,295 million, a decrease from last year end of HK\$70 million, which represented depreciation charges exceeding the assets acquired during the period. With the completion of the TVB City Project last year, CAPEX has reduced substantially.

In accordance with the Subscription & Shareholders Agreement entered into with Intelsat Hong Kong Limited, TVB will contribute a total investment of HK\$520 million to be paid over a period of time. As of 31 December 2003, a sum of HK\$138 million was paid. Further cash investment of HK\$45 million was paid on 18 February 2004 and contribution in kind (mainly for programmes supplied) capitalized during the period amounted to HK\$74 million, thus increasing the total investment contribution in Galaxy Satellite TV Holding Limited (which owns 100% of GSBL, the company holding the pay TV service licence) to HK\$257 million as at 30 June 2004. Further contributions in kind and cash will be due: in 2004 HK\$76 million, in 2005 HK\$138 million and the balance HK\$49 million in 2006, thus making up a total of HK\$520 million.

Cash and bank balances as at 30 June 2004 amounted to HK\$335 million, a slight decrease of HK\$27 million over last year end (HK\$362 million). About 31% of the cash balance was maintained in overseas subsidiaries for their daily operation and 17% in accounts for specially assigned purposes. To finance current working capital requirements, sufficient banking facilities have been arranged. Cash and cash equivalents held by the Group were principally in Hong Kong Dollars and US Dollars and were not related to debts.

Accounts receivable decreased by 4% from the position at the end of last year, reflecting a lower level of billing for local advertising at the beginning of the year. Adequate provision has been set aside to allow for any delinquency. Accounts payable remains almost the same as last year end.

The Group recorded a gearing ratio of 15.7% as of 30 June 2004 (December 2003: 18.7%) which was measured by total debts of HK\$510 million (December 2003: HK\$618 million) against a shareholders' fund of HK\$3,247 million (December 2003: HK\$3.295 million). The decrease was due to repayment of bank loans taken out by overseas subsidiary companies.

- Debts decreased over last year by HK\$108 million due to repayment of short-term loans.
- Debts consisted of short and long-term bank loans and bank overdrafts taken out for purchase of properties, equipment
 and studio facilities in Taiwan and the TVB City Project, etc. Loans totalling HK\$70 million (December 2003: HK\$85
 million) were secured by assets of subsidiary companies.
- All debts are subject to floating rates of interest at an agreed percentage above the prevailing lending rates of the banks.
- The debt maturity profile as at 30 June 2004 was as follows: within one year HK\$461 million (91%); in the second year HK\$5 million (1%); in the third to fifth years HK\$17 million (3%) and after the fifth year HK\$27 million (5%).
- Debts were denominated mainly in Hong Kong Dollars (86%), New Taiwan Dollars (13%) and other currencies, such as
 US Dollars and Australian Dollars.
- The Group did not have any committed borrowing facilities during the period.

Capital commitments of the Group, excluding the Group's share of commitments for jointly controlled entities and associated companies, decreased by 32% to HK\$165 million (December 2003: HK\$243 million).

(b) Provision Written-back

The Group had a contractual commitment for transponder capacity (36 MHz) on AMC-4 (beaming over the USA, including Hawaii) provided by SES Americom for a period of ten years to 30 September 2012. Following the migration of our satellite platform to DirecTV in USA, this transponder capacity became redundant. In March 2004, Memorandums of Understanding ("MOUs") were signed with channel operators and operators of broadcasting platforms which we anticipated would lead to the signing of subleases, at prevailing market rates, covering the full original transponder capacity. These sublease rates were expected to be lower than the rates in our original transponder lease. Accordingly, a provision of HK\$54 million was made in last year's accounts to cover the shortfall between our original lease obligation and the anticipated revenue from subleases through to the end of the original contract term. However, upon further negotiation with SES Americom before the conclusion of the MOUs, they were willing to accept an early termination of the lease subject to a cash compensation. The amount of compensation was paid on 28 May 2004 and charged against the provision aforesaid. A surplus in the provision of HK\$11 million was written back in the accounts for the period ended 30 June 2004.

(c) Contingent Liabilities

There were guarantees to the extent of HK\$1.1 million (December 2003: HK\$1.1 million) provided to bankers for banking facilities.

(d) Exposure To Fluctuations In Exchange Rates And Related Hedges

As of 30 June 2004, there was no exchange contract entered into with bankers to sell forward certain foreign currencies in order to hedge against fluctuation for trade receipts from overseas customers (December 2003: HK\$15.5 million). Therefore, no potential loss on such contracts was recognised in the accounts (December 2003: HK\$0.8 million).

HUMAN RESOURCES

As of 30 June 2004, the Group employed, excluding directors and freelance workers but including contract artistes and staff in overseas subsidiary companies, a total of 5,082 (December 2003: 5,242) full-time employees. The decrease was due to manpower retrenched during the period. About 27% of our manpower was employed in overseas subsidiaries and was paid on a scale and system relevant to their localities and local legislation. For local employment, different pay schemes are operated for contract artistes, sales and non-sales employees. Contract artistes are paid either on a per-show basis or by a package of shows.

Sales personnel are remunerated based on on-target-earning packages comprised of salary and sales commissions. Non-sales personnel are offered a monthly salary. There was no share option scheme adopted by the Group during the period. From time to time, the Group organizes, either in-house or with vocational institutions, seminars, courses and workshops on subjects of technical interest, such as industrial safety, management skills and other related studies, apart from sponsorship of training programmes that employees may enroll on their own initiative.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2004, the Company has not redeemed any of its ordinary shares. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's ordinary shares.

CORPORATE GOVERNANCE

During the six months ended 30 June 2004, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Exchange") save that independent non-executive directors who have not been appointed for a specific term are subject to retirement by rotation as specified by the Company's Articles of Association.

AUDIT COMMITTEE

The Audit Committee 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 interim financial statements for the six months ended 30 June 2004.

The interim financial statements for the six months ended 30 June 2004 have not been audited but have been reviewed by the Company's external auditors.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2004, 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:

					Percentage
	Personal	Family	Corporate		of Issued
	Interests	Interests	Interests	Total	Capital (%)
Sir Run Run Shaw	<u>-</u>	1,146,000#	141,174,828*(a)	142,320,828	32.49%
Christina Lee Look Ngan Kwan	602,144	-	16,701,000 <i>(b)</i>	17,303,144	3.95%
Lee Jung Sen	1,262,415	-	-	1,262,415	0.28%
Mona Fong	1,146,000#	-	-	1,146,000	0.26%
Chien Lee	600,000	-	-	600,000	0.14%
Li Dak Sum	-	-	300,000 <i>(c)</i>	300,000	0.07%
Louis Page	100,000	-	-	100,000	0.02%

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

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

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

Apart from the above, no interests or short positions were held or deemed or taken (under the Securities and Futures Ordinance) to be held by any directors or chief executive of the Company in the shares or underlying shares in, or debentures of, the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance) as at 30 June 2004.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2004, the register of substantial shareholders maintained under Section 336 of the Securities and Futures Ordinance shows 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. These interests are in addition to those disclosed above in respect of the directors and chief executive.

	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 (i)	6.02%
State Street Corporation	22,451,808 (ii)	5.13%

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

- (i) Interests were held in the capacity of Investment Manager.
- (ii) Interests were held by State Street Bank & Trust Company, in which State Street Corporation holds 100% equity interests.

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 2004.

INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2004, containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules in force prior to 31 March 2004, which remain applicable to results announcements in respect of accounting periods commencing before 1 July 2004 under the transitional arrangements, is also published on the Exchange's website (www.hkex.com.hk) and the Company's website (www.tvb.com).

On behalf of the Board **Run Run Shaw**Executive Chairman

Hong Kong, 1 September 2004

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For The Six Months Ended 30 June 2004

Unaudit			
	Six Months E	Ended 30 June	
Note	2004	2003	
	HK\$'000	HK\$'000	
	1,695,542	1,433,835	
	(899,040)	(800,918)	
	796,502	632,917	
3	18,533	17,189	
	(224,662)	(228,743)	
	(240,899)	(255,917)	
	10,108	4,106	
	-	27,726	
	-	5,213	
4	359,582	202,491	
5	(4,003)	(8,676)	
	(1,911)	(7,613)	
	(76,853)	(3,954)	
	276,815	182,248	
6	(42,760)	(15,872)	
	234,055	166,376	
	(16,590)	(11,310)	
	217,465	155,066	
7	87,600	87,600	
8	HK\$0.50	HK\$0.35	
	3 4 5	Six Months E 2004 HK\$'000 1,695,542 (899,040) 796,502 3 18,533 (224,662) (240,899) 10,108 4 359,582 5 (4,003) (1,911) (76,853) 276,815 6 (42,760) 234,055 (16,590) 217,465	

CONDENSED CONSOLIDATED BALANCE SHEET

As At 30 June 2004

		Unaudited	Audited
		30 June	31 December
	Note	2004	2003
		HK\$'000	HK\$'000
Intangible Assets	9	59,041	62,739
Fixed Assets	9	2,295,047	2,365,231
Jointly Controlled Entities		22,893	22,714
Associated Companies		278,319	238,234
Investment Securities		3,605	3,658
Loans To Investee Companies		12,763	13,200
Deferred Tax Assets		23,811	23,551
Current Assets			
Programmes and film rights		527,037	605,459
Stocks		13,210	15,242
Trade and other receivables, prepayments and deposits	10	956,122	991,809
Tax recoverable		18,016	13,512
Pledged bank deposits Cash and bank balances		223	228
Cash and bank balances		334,779	361,783
		1,849,387	1,988,033
Current Liabilities			
Trade and other payables and accruals	11	512,025	511,527
Provisions	12	27,131	33,073
Short-term bank loans Bank overdrafts		451,138	549,368
Current portion of long-term liabilities	15	9,436	6,532 5,276
Tax payable	15	19,107	5,805
		1,018,837	1,111,581
Net Current Assets		830,550	876,452
Total Assets Less Current Liabilities	· <u></u>	3,526,029	3,605,779
		3,320,029	3,003,779
Financed by:			
Share Capital	13	21,900	21,900
Reserves	14	3,137,985	3,010,847
2003 Proposed Final Dividend	7(b)	-	262,800
Proposed Interim Dividend	7(c)	87,600	_
Shareholders' Funds		3,247,485	3,295,547
Minority Interests		98,542	83,785
Provisions	12	3,135	62,052
Long-term Liabilities	15	49,024	57,265
Pensions Obligations		13,298	11,372
Deferred Taxation		114,545	95,758
		3,526,029	3,605,779

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Six Months Ended 30 June 2004

	Unaudited		
	Six Months Ended 30 June		
	2004	2003	
	HK\$'000	HK\$'000	
Total equity as at 1 January	3,295,547	3,274,232	
Exchange differences	(2,727)	943	
Net (losses)/ gains not recognised in the profit and loss account	(2,727)	943	
Profit for the period	217,465	155,066	
Dividends	(262,800)	(328,500)	
Total equity as at 30 June	3,247,485	3,101,741	

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For The Six Months Ended 30 June 2004

Unaudited					
Six Months Ended 30 June	e				

	Six Months E	naea 30 June
	2004	2003
	HK\$'000	HK\$'000
Net Cash Inflow From Operating Activities	528,270	371,878
Net Cash Outflow From Investing Activities	(185,217)	(459,040)
Net Cash (Outflow)/Inflow From Financing Activities	(374,585)	141,248
(Decrease)/Increase In Cash And Cash Equivalents	(31,532)	54,086
Cash And Cash Equivalents At 1 January	300,224	143,362
Effect Of Foreign Exchange Rate Changes	294	179
Cash And Cash Equivalents At 30 June	268,986	197,627
Analysis Of Balances Of Cash And Cash Equivalents:		
Cash and bank balances	330,124	382,925
Bank overdrafts	-	(45,410)
Short-term bank loans repayable within three months	(61,138)	(139,888)
	268,986	197,627

NOTES TO CONDENSED ACCOUNTS

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited consolidated condensed accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

These condensed accounts should be read in conjunction with the 2003 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31 December 2003.

2 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.

Primary reporting format - business segments

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

	Six Months Ended 30 June 2004							
	Terrestrial	Programme	Overseas					
	television	licensing and	satellite pay	Channel	Other		Group	
	broadcasting	distribution	TV operations	operations	activities	Elimination	total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Turnover (note)								
External sales	828,497	285,721	97,698	432,719	50,907	-	1,695,542	
Inter-segment sales	541	47,733	106	7,103	3,879	(59,362)	-	
	829,038	333,454	97,804	439,822	54,786	(59,362)	1,695,542	
Segment results (note)	95,239	184,781	(6,678)	76,499	8,987	754	359,582	
Finance costs							(4,003)	
Share of profits less losses of								
Jointly controlled entities	-	-	-	4	(1,915)		(1,911)	
Associated companies	-	-	-	(76,853)	-		(76,853)	
Profit before taxation							276,815	
Taxation							(42,760)	
Profit after taxation							234,055	
Minority interests							(16,590)	
Profit attributable								
to shareholders							217,465	

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

Turnover	-	-	72,368	-	11,848	84,216
Operating profits	-	-	21,164	-	3,166	24,330

2 SEGMENT INFORMATION (Continued)

Primary reporting format - business segments (Continued)

Six Months Ended 30 June 2003

	SM Monda Ended 50 valle 2005						
	Terrestrial	Programme	Overseas				
	television	licensing and	satellite pay	Channel	Other		Group
	broadcasting	distribution	TV operations	operations	activities	Elimination	total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover (note)							
External sales	672,254	256,449	125,706	329,092	50,334	-	1,433,835
Inter-segment sales	120	47,981	88	7,609	8,718	(64,516)	-
	672,374	304,430	125,794	336,701	59,052	(64,516)	1,433,835
Segment results (note)	(13,448)	169,748	(21,202)	31,330	1,383	1,741	169,552
Gain on deemed disposal							
of subsidiaries							27,726
Gain on disposal							
of a subsidiary							5,213
Finance costs							(8,676)
Share of profits less losses of							
Jointly controlled entities	-	-	-	(3,472)	(4,141)		(7,613)
Associated companies	-	-	-	(3,954)	-		(3,954)
Profit before taxation							182,248
Taxation							(15,872)
Profit after taxation							166,376
Minority interests							(11,310)
·							
Profit attributable							
to shareholders							155,066

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

Turnover	_	-	85,370	-	9,389	94,759
						_
Operating profits/(losses)		-	(15,724)	-	1,212	(14,512)

2 SEGMENT INFORMATION (Continued)

Primary reporting format - business segments (Continued)

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

Terrestrial television broadcasting - free to air broadcasting of television programmes and commercials and production of programmes

Programme licensing and distribution - provision of television programmes to homevideo markets and overseas broadcasters Overseas satellite pay TV operations - provision of satellite pay television services to subscribers in USA, Europe and Australia

Channel operations - compilation and distribution of television channels in mainland China, Taiwan, Hong Kong and other countries

Other activities - animation production, merchandising services, website portal, magazine publication and other related services

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

Secondary reporting format - geographical segments

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

Hong Kong - terrestrial television broadcasting with programme production, channel supply, website portal and magazine publication

Taiwan - cable television channel services

USA and Canada - licensing and distribution of television programmes and satellite pay TV operations

Australia - licensing and distribution of television programmes and satellite pay TV operations

Europe - licensing and distribution of television programmes and satellite pay TV operations

Mainland China - licensing and distribution of television programmes and satellite TV channel services

Malaysia and Singapore - licensing and distribution of television programmes

Other countries - principally licensing and distribution of television programmes

2 SEGMENT INFORMATION (Continued)

Secondary reporting format - geographical segments (Continued)

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

	Turnover		Operating Profit/(Loss)		
	Six Months H	Six Months Ended 30 June		Six Months Ended 30 June	
	2004	2003	2004	2003	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Geographical segments:					
Hong Kong	948,741	712,138	111,704	(10,731)	
Taiwan	345,870	319,984	87,153	65,448	
USA and Canada	104,255	110,983	63,467	22,204	
Australia	29,563	25,496	(7,302)	(14,928)	
Europe	28,938	43,899	(21,666)	1,578	
Mainland China	44,021	43,517	20,016	20,099	
Malaysia and Singapore	174,755	160,721	94,982	75,391	
Other countries	19,399	17,097	11,228	10,491	
	1,695,542	1,433,835	359,582	169,552	
Gain on deemed disposal of subsidiaries				27,726	
Gain on disposal of a subsidiary				5,213	
				202,491	

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

3 OTHER REVENUES

	Six Month	Six Months Ended 30 June	
	2004	2003	
	HK\$'000	HK\$'000	
Interest income	753	1,615	
Others	17,780	15,574	
	18,533	17,189	

4 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Six Months Ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Crediting		
Gain on disposal of fixed assets	870	-
Reversal of impairment of fixed assets	7,210	-
Reversal of over provision for onerous contracts (note 12)	11,014	-
Charging		
Depreciation - owned fixed assets	139,672	99,308
Depreciation - leased fixed assets	26	152
Impairment of fixed assets	-	16,056
Loss on disposal of fixed assets	-	191

627,032

3,698

5 FINANCE COSTS

Amortisation of goodwill

Cost of programmes, film rights and stocks

	Six Months Ended 30 June		
	2004	2004	2003
	HK\$'000	HK\$'000	
Interest on overdrafts, bank loans and other loans	3,975	8,645	
Interest element of finance leases	28	31	
Interest element of land premium paid	-	2,071	
Total borrowing costs incurred	4,003	10,747	
Less: Interest amount capitalised in land	-	(2,071)	
	4,003	8,676	

6 TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 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 taxation charged to the condensed consolidated profit and loss account represents:

	Six Months Ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Current taxation:		
- Hong Kong profits tax	3,764	6,096
- Overseas taxation	20,331	4,052
- Under provisions in prior periods	110	256
Deferred taxation relating to the origination and reversal of		
temporary differences	18,555	134
Deferred taxation resulting from an increase in tax rate	-	5,334
	42,760	15,872

502,593

480

6 TAXATION (Continued)

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

	Six Months Ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Profit before taxation	276,815	182,248
Calculated at a taxation rate of 17.5% (2003: 17.5%)	48,443	31,893
Effect of different taxation rates in other countries	(16,809)	(21,027)
Income not subject to taxation	(13,152)	(6,088)
Expenses not deductible for taxation purposes	2,356	6,274
Tax losses not recognised	25,293	9,233
Utilisation of previously unrecognised tax losses	(3,338)	(9,791)
Tax credit allowance	-	(212)
Others	(143)	-
Under provisions in prior periods	110	256
Increase in opening net deferred tax liabilities resulting		
from an increase in tax rate	-	5,334
	42,760	15,872

7 DIVIDENDS

	Six Months Ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Interim dividend, proposed, of HK\$0.20 (2003: HK\$0.20)		
per ordinary share (note (a) and (c))	87,600	87,600

- Notes: (a) At a meeting held on 3 September 2003 the directors declared an interim dividend of HK\$0.20 per ordinary share for the year ended 31 December 2003, which was paid on 3 October 2003 (note 14).
 - (b) At a meeting held on 17 March 2004 the directors proposed a final dividend of HK\$0.60 per ordinary share for the year ended 31 December 2003, which was paid on 28 May 2004 and has been reflected as an appropriation of retained earnings in these condensed accounts for the six months ended 30 June 2004 (note 14).
 - (c) At a meeting held on 1 September 2004 the directors declared an interim dividend of HK\$0.20 per ordinary share for the year ending 31 December 2004. This proposed dividend is not reflected as a dividend payable in these condensed accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2004 (note 14).

8 EARNINGS PER SHARE

The earnings per share is calculated based on the group's profit attributable to shareholders of HK\$217,465,000 (2003: HK\$155,066,000) and 438,000,000 shares in issue throughout the six months ended 30 June 2004 and 2003.

9 CAPITAL EXPENDITURE

	Goodwill	Fixed assets
	HK\$'000	HK\$'000
Six months ended 30 June 2004		
Opening net book amount	62,739	2,365,231
Additions	-	68,488
Disposals	-	(670)
Depreciation (note 4)	-	(139,698)
Amortisation charge (note 4)	(3,698)	-
Reversal of impairment charge (note 4)	-	7,210
Exchange differences	-	(5,514)
Closing net book amount	59,041	2,295,047

10 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

Trade and other receivables, prepayments and deposits of HK\$956,122,000 include trade receivables of HK\$751,843,000. The aging analysis of trade receivables is as follows:

	30 June	31 December
	2004	2003
	HK\$'000	HK\$'000
Current	373,352	400,378
1-2 months	212,956	202,228
2-3 months	106,836	124,803
3-4 months	38,251	59,698
4-5 months	17,829	16,829
Over 5 months	65,874	43,896
	815,098	847,832
Trade receivables due from:		
Third parties	795,387	833,954
Jointly controlled entities, associated companies,		
an investee company and related parties	19,711	13,878
	815,098	847,832
Less: Provision for doubtful debts	(63,255)	(63,579)
	751,843	784,253

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. Cash on delivery, advance payments or bank guarantees are required from other customers of the group.

4 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

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	751,843	784,253

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16 CONTINGENT LIABILITIES

		30 June	31 December
		2004	2003
		HK\$'000	HK\$'000
	Guarantees for banking facilities granted to		
	an investee company	1,074	1,111
17	CAPITAL COMMITMENTS		
	The amounts of commitments for fixed assets are as follows:		
		30 June	31 December
		2004	2003
		HK\$'000	HK\$'000
	Authorised but not contracted for	129,684	169,232
	Contracted but not provided for	35,761	73,814
		165,445	243,046
	The group's share of commitments for fixed assets of the jointly contincluded in the above are as follows:	rolled entities and associated co	empanies themselves not
		30 June	31 December
		2004	2003
		HK\$'000	HK\$'000
	Authorised but not contracted for	51,493	-
	Contracted but not provided for	3,790	-
		55,283	

18 OPERATING LEASE COMMITMENTS

At 30 June 2004, the group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30 June 2004		31 December 2003	
	Land	Equipment	Land	Equipment
	and	and	and	and
	buildings	transponders	buildings	transponders
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Not later than one year	42,426	60,792	42,895	98,815
Later than one year and not later than five years	43,812	82,130	36,155	186,244
Later than five years	12,474	11,106	19	81,877
	98,712	154,028	79,069	366,936

19 SIGNIFICANT RELATED PARTY TRANSACTIONS

The following is a summary of the significant related party transactions, which are carried out in the normal course of the group's business:

- (a) On 19 May 1997 and 15 December 1997, the company and Shaw Brothers (Hong Kong) Limited ("Shaw"), a substantial shareholder of the company, entered into separate tenancy agreements, whereby Shaw granted to the company tenancies of certain office and car parking spaces. The term of the two tenancies commenced on 1 July 1997 and 1 November 1997 respectively and both will expire on 30 June 2005. The amount of rental paid by the company to Shaw during the six months ended 30 June 2004 was HK\$8,866,000 (2003: HK\$8,866,000).
- (b) On 30 March 2001, the company entered into a Letter of Intent with Chevalier (Network Solutions) Limited ("CNSL"), in relation to the supply, installation and maintenance of the private automatic branch exchange system and structured cabling network by CNSL at the new TVB City of the company at a lump sum fee of HK\$20,526,000, which is to be settled by way of installments. The controlling shareholder of the holding company of CNSL is also a director of the company. The formal contract containing the terms as stated in the Letter of Intent was signed in November 2001. The amount paid by the company to CNSL during the six months ended 30 June 2004 was HK\$2,648,000 (2003: HK\$5.119,000).
- (c) Since 1998, the company has entered into various sub-licencing agreements with an associated company, Galaxy Satellite Broadcasting Limited ("GSBL"), to sub-licence certain office, car parking spaces and satellite antenna farm to GSBL. The total licence fees paid by GSBL to the company during the six months ended 30 June 2004 was HK\$3,135,000 (2003: HK\$1,109,000).
- (d) On 4 September 2001, the company entered into a channel supply agreement with GSBL for the supply of five channels to GSBL for broadcast on GSBL's pay television platform in Hong Kong on an exclusive basis for a period of five years commencing from the commercial launch date of GSBL's service with an option for either party to renew for another five years. The licence fee received by the company from GSBL during the six months ended 30 June 2004 was HK\$73,563,000 (2003: nil).
- (e) On 20 February 2003, GSBL issued a promissory note in favour of the company in the principal sum of HK\$115,564,000, being the amount of debt due from GSBL to the company with interest at the rate of 8% per annum. The principal amount and the accrued interest shall be payable by GSBL to the company in two annual installments on 20 February 2007 and 20 February 2008 respectively, unless GSBL is publicly floated before either date, whereupon the outstanding principal amount and accrued interest shall be prepaid.
- (f) Since 1 January 1995, Era Communications Co. Ltd. ("Era") has been acting as the sole distributor of the cable channels of Liann Yee Production Co. Ltd. ("LYP") in Taiwan and is responsible for collecting the income generated from broadcast of LYP's television programmes on behalf of LYP. Era is a minority shareholder of LYP, a non-wholly owned subsidiary of the company. On 16 November 2000, the parties renewed the distribution agreement for a period of two years from 1 March 2001. On 13 March 2002, LYP and Era entered into a supplemental agreement to the distribution agreement varying the amount of commission payable by LYP to Era as from 1 January 2002. The agreement was not renewed upon its expiry date. The fee paid by LYP to Era during the six months ended 30 June 2004 was nil (2003: HK\$1,785,000).
- (g) Since 1995, Era has been placing advertisements on the cable television channels operated by LYP, as well as the channels or magazines of which LYP has been appointed as an agent for recruiting advertisements. As from 1 July 2002, LYP was only responsible for recruiting advertisements for its own channels and magazines of which LYP was appointed as agent. The amount received by LYP from Era during the six months ended 30 June 2004 was HK\$10,224,000 (2003: HK\$1,356,000).

19 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

- (h) Since 1 August 1998, Era has been providing LYP with optical fibre networking services in Taiwan. On 21 March 2003, the parties renewed the service agreement for one year from 1 January 2003, whereby Era would provide a 45 MB optic fibre line, maintenance and management of 14 optic fibre hubs and uplink control room at a monthly fee of HK\$295,000 (NT\$1,300,000) (inclusive of 5% sales tax). On 28 August 2003, the parties entered into a supplemental agreement, whereby (i) the term of the agreement would be extended for a further six months to 30 June 2004; and (ii) the monthly fee payable by LYP to Era would be reduced to HK\$174,000 (NT\$765,000) (inclusive of 5% sales tax) commencing from 1 August 2003. The fee paid by LYP to Era during the six months ended 30 June 2004 was HK\$983,000 (2003: HK\$1,671,000).
- (i) Since 28 October 2000, LYP has been providing Era with satellite equipment and technical services, while Era has been providing LYP with satellite relay programme services in Taiwan. On 30 January 2003, the parties entered into an agreement to renew the arrangement for one year from 1 January 2003. Under the renewal agreement, (i) the monthly fees (inclusive of 5% sales tax) payable by Era to LYP were reduced to HK\$669,000 (NT\$3,000,000) as from 1 February 2003; and (ii) the monthly fees (inclusive of 5% sales tax) payable by LYP to Era were reduced to HK\$334,000 (NT\$1,500,000) as from 1 February 2003. This arrangement was renewed for another year from 1 January 2004 on the same terms and conditions. During the six months ended 30 June 2004, the fees received by LYP from Era was HK\$3,854,000 (2003: HK\$4,505,000) and the fees paid by LYP to Era was HK\$1,927,000 (2003: HK\$2,249,000).
- (j) LYP entered into various agreements with a jointly controlled entity, Hsin Chi Broadcast Co. Ltd. ("HCB") to provide satellite transmission service to LYP. The agreements were terminated on 15 September 2003. The service fees paid by LYP to HCB during the six months ended 30 June 2004 was nil (2003: HK\$2,927,000).
- (k) On 16 April 1999, TVBI Company Limited ("TVBI"), a wholly owned subsidiary of the company, agreed to sub-lease part of the satellite transponder capacity to Era. The sub-lease agreement was superseded by a revised agreement dated 13 January 2000 varying the monthly fee and the contract period to commence on 1 January 2000 and expire on 31 March 2006. On 28 April 2001, TVBI and Era entered into a supplemental agreement to the revised agreement, pursuant to which the parties agreed that the transponder capacity leased from TVBI to Era would be reduced from 27 MHZ to 13.5 MHZ as from 1 March 2001. The fee received by TVBI from Era during the six months ended 30 June 2004 was HK\$2,581,000 (2003: HK\$2,584,000).
- (1) On 21 May 2002, TVBI and MEASAT Broadcast Network Systems Sdn. Bhd. ("MBNS"), an associate of the minority shareholder of two of the company's non-wholly owned subsidiaries, entered into a deal memorandum, pursuant to which TVBI would license television programmes to MBNS as part of the programme line up of a channel owned and operated by MBNS for the period from 16 April 2002 to 30 September 2004 on an exclusive basis in Malaysia and Brunei. The income accrued by TVBI during the six months ended 30 June 2004 was HK\$44,459,000 (2003: HK\$39,590,000).
- (m) On 25 June 2002, TVBI acting as an agent of LYP entered into a deal memorandum with MBNS for the grant of broadcast right in respect of a Mandarin language channel for the pay television services operated by MBNS and its affiliated company for the period from 16 April 2002 to 30 September 2004 on an exclusive basis in Malaysia and Brunei. The income accrued by LYP during the six months ended 30 June 2004 was HK\$11,220,000 (2003: HK\$10,439,000).

19 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

- (n) On 26 June 2002, TVB Satellite TV Entertainment Limited ("TVBSE"), a wholly owned subsidiary of the company, entered into a deal memorandum with MBNS for the supply of two Mandarin language channels to MBNS for broadcast on the pay television services operated by MBNS and its affiliated company from 16 April 2002 to 30 September 2004 on an exclusive basis in Malaysia and Brunei. The income accrued by TVBSE during the six months ended 30 June 2004 was HK\$14.181.000 (2003: HK\$12.354.000).
- (o) On 8 July 2002, MBNS appointed TVBSE as its advertising agent responsible for advertisement and sponsorship sales of certain channels of MBNS in Malaysia and Brunei for the period from 16 April 2002 to 30 September 2004. The income accrued by TVBSE during the six months ended 30 June 2004 was HK\$14,075,000 (2003: HK\$10,497,000).
- (p) Since 1998, GSBL has been providing TVBI, TVBSE and TVB (Australia) Pty. Ltd. ("TVBA"), all are the wholly owned subsidiaries of the company, various uplink and playback services. The service fees paid by TVBI, TVBSE and TVBA to GSBL during the six months ended 30 June 2004 was HK\$20,254,000 (2003: HK\$14,817,000).
- (q) On 11 March 2004, TVBA and Celestial Television Networks Ltd. ("CTNL"), an associate of the minority shareholder of two of the company's non-wholly owned subsidiaries, entered into an agreement, whereby CTNL would licence the Celestial Movies channel to TVBA for one year from 15 March 2004 with an option to renew for a further 2 years. Under the agreement, TVBA agrees to pay a fixed unit cost per subscriber (which includes both residential and commercial subscribers) to CTNL for the Celestial Movies channel or the package of channels to which the Celestial Movies channel is included. The licence fee paid by TVBA to CTNL during the six months ended 30 June 2004 was HK\$748,000 (2003: nil).

Apart from the above, the other related party transactions, the amounts of which involved were not significant to the group, include:

- Rental income from leasing of facilities and office premises,
- Income from sub-licensing of news reports rights,
- Income from satellite transmission.
- Expense on rebate of TV advertisements, and
- Rental expense on leasing of production spaces.



Television Broadcasts Limited

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