Television Broadcasts Limited
Annual Report 2004

2004

電 視 廣 播 有 限 公 司
二 〇 〇 四 年 度 週 年 報 告

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CORPORATE INFORMATION

DIRECTORS

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

* *independent non-executive Directors*

EXECUTIVE OFFICERS

Ho Ting Kwan (Director & Group General Manager)
Chan Ching Cheong, George (Assistant Managing Director)
Cheong Shin Keong (General Manager - Broadcasting)
Stephen Chan Chi Wan (General Manager - Broadcasting)

COMPANY SECRETARY

Mak Yau Kee, Adrian

REGISTERED OFFICE

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

AUDITORS

PricewaterhouseCoopers

SHARE REGISTRARS

Computershare Hong Kong Investor Services Limited
Hopewell Centre
46th Floor
183 Queen's Road East
Wan Chai
Hong Kong

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the shareholders of the Company will be held at the Harbour Room, Mezzanine Floor, Kowloon Shangri-La Hotel, Tsim Sha Tsui East, Kowloon, Hong Kong, on Wednesday, 25 May 2005 at 11:00 a.m. for the following purposes:-

(1) To receive and consider the Company's Accounts and the Reports of the Directors and Auditors for the year ended 31 December 2004;

(2) To sanction a final dividend;

(3) To elect Directors and to fix their remuneration;

(4) To appoint Auditors and authorise the Directors to fix their remuneration; and

(5) As special business, to consider and, if thought fit, pass the following Resolutions as Ordinary Resolutions:-

(I) THAT:

(a) subject to paragraph (c) below and in substitution of all previous authorities, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with unissued shares in the capital of the Company and to make or grant offers, agreements, options and other rights, or issue securities, which might require the exercise of such powers be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements, options and other rights, and issue securities, which might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted or issued (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue; or (ii) any scrip dividend or similar arrangement providing for allotment of shares in lieu of the whole or part of a dividend on the ordinary shares in the Company (such ordinary shares being defined in this and the following Resolution (II), "Shares") in accordance with the Articles of Association of the Company, shall not exceed the aggregate of:

(i) 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution; and

(ii) (if the directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution),

and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiry of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any other applicable law to be held; and

(iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking, varying or renewing the authority given to the directors of the Company by this Resolution; and

" Rights Issue" means an offer of shares in the Company, or an offer of warrants, options or other securities giving rights to subscribe for Shares, open for a period fixed by the directors of the Company, to holders of Shares on the register (and, where appropriate, to holders of other securities of the Company entitled to be offered them) on a fixed record date in proportion to their then holdings of Shares (or, where appropriate, such other securities), subject in all cases to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong.

(II) THAT:

(a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period of all powers of the Company to purchase Shares on The Stock Exchange of Hong Kong Limited or any other stock exchange on which the Shares may be listed and recognised by the Securities and Futures Commission and The Stock Exchange of Hong Kong Limited be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of Shares which may be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent of the aggregate nominal amount of the issued share capital of the Company at the date of passing of this Resolution and the approval pursuant to paragraph (a) shall be limited accordingly; and

(c) for the purposes of this Resolution, " Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiry of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any other applicable law to be held; and

(iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking, varying or renewing the authority given to the directors of the Company by this Resolution.

(III) THAT the directors of the Company be and are hereby authorised to exercise the powers of the Company referred to in paragraph (a) of Resolution (I) above in respect of the share capital of the Company referred to in paragraph (c)(ii) of such resolution.

By Order of the Board

Mak Yau Kee, Adrian
Company Secretary

Hong Kong, 23 March 2005

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.

2. The Register of Members of the Company will be closed from 4 May 2005 to 25 May 2005 both dates inclusive.

3. Explanatory Notes To The Resolutions

   Set out below is a brief explanation of the purpose of each resolution.

Resolution No.:	Purpose
(5)(I)	General Mandate authorising the directors to issue additional shares.
(5)(II)	General Mandate authorising the directors to repurchase issued shares.
(5)(III)	Extension of authority given under Resolution (5)(I) to shares repurchased under the authority given in Resolution (5)(II).

CHAIRMAN'S STATEMENT

2004 was a year of recovery for Hong Kong's economy and TVB. We performed consistently throughout the year posting very satisfactory results for the year.

It is my pleasure to report an increase of the group's turnover from HK$3,311 million to HK$3,817 million, which represented an increase of 15%. Our advertising revenue which totalled HK$2,007 million showed an increase of 16% over 2003. This reflected the recovery in the economy in Hong Kong during 2004, as compared with the year 2003, which was adversely affected by SARS in the region, and the strength of TVB in continuing to capture a significant share of advertising dollars. As a result, net profit for the year increased from HK$441 million to HK$719 million, which represented an increase of 63%. This is the result of solid revenue growth and stringent measures taken to control costs and overheads.

At the Company's annual general meeting to be held on 25 May 2005, the directors will recommend a final dividend of HK$0.80 per share. Together with the interim dividend of HK$0.20 per share paid on 30 September 2004, this makes a total dividend of HK$1.00 per share for the year ended 31 December 2004, and represents an increase of 25% over the total dividend of HK$0.80 per share for last year.

Our channel operations in Taiwan continued to generate encouraging results. In line with our long term strategy to expand our earnings base, we are pleased to report that the group has increased its stake in Liann Yee Production Co. Ltd., in Taiwan, from 70% to 100% through a transaction announced on 4 February 2005. The transaction received the approval from shareholders of the Company at an extraordinary general meeting on 21 March 2005. With the consolidation of our interest in the Taiwan cable TV market, we look forward to further contribution from this exciting, though competitive, market.

Our licensing business continued to make steady progress in key markets as the subscriber base continued to expand, despite rising web piracy which affected some of our video rental and sale businesses. Subscriber numbers for our satellite delivered channels in the USA showed satisfactory growth. As regards the European and Australian satellite pay TV operations, we have improved our distribution technology to counteract piracy of our channels.

Despite the departure of Intelsat Hong Kong, LLC, our partner in Galaxy Satellite Broadcasting Limited ("Galaxy"), in December 2004, we remain a believer in the exciting opportunities in the pay TV market in Hong Kong. We base this belief on the competitive advantage that Galaxy has in providing TV programmes that meet local market needs, and its ability to respond to changes in viewing habits and tastes, as new pay TV operators emerge. Through Galaxy's planned business cooperation with Hutchison Global Communications Limited, it will be able to expand into the IPTV market in Hong Kong, in addition to distribution through SMATV. We believe that this will make Galaxy's offerings attractive and competitive.

In 2004, we secured the right to legally distribute our two Hong Kong terrestrial TV channels - Jade and Pearl, in the Cantonese speaking Pearl River Delta area. We see this as the first step in cooperating with partners in the Pearl River Delta, which we hope will give rise to mutually beneficial business opportunities.

Finally, on behalf of the board, I would like to extend my sincere thanks to all of our dedicated staff for their many efforts in reaching new heights. We continue to look forward to further successes in the future.

Run Run Shaw
Executive Chairman

Hong Kong, 23 March 2005

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

(a) Overview

For the year ended 31 December 2004, the Group achieved a turnover of approximately HK$3,817 million (2003: HK$3,311 million), which represented an increase of 15%. Cost of sales amounted to approximately HK$1,842 million (2003: HK$1,692 million), which represented an increase of 9%. Gross profit for the year amounted to approximately HK$1,975 million (2003: HK$1,619 million), which represented a gross profit percentage of 52% (2003: 49%).

Selling, distribution and transmission costs amounted to approximately HK$450 million (2003: HK$443 million), which represented an increase of 2%. General and administrative expenses amounted to approximately HK$513 million (2003: HK$574 million), which represented a decrease of 11%. The reason for the reduction in this expenditure was principally due to the relocation from the former base in Clear Water Bay to TVB City in Tseung Kwan O which resulted in savings in rental and rates charges. The effect of this reduction had more than offset the additional depreciation charges at TVB City. Finance costs for the year amounted to HK$7 million (2003: HK$17 million) which showed a reduction of 59%. This was the result of the repayments of bank borrowings in Hong Kong.

Share of losses of jointly controlled entities, was reduced from HK$47 million to HK$6 million. However, the Group's share of the losses of an associated company, Galaxy Satellite Broadcasting Limited, increased from HK$16 million to HK$166 million for the year, which represented the share of losses since the commercial launch of pay TV operations on 18 February 2004 to 31 December 2004.

Overall, the profit attributable to shareholders amounted to HK$719 million (2003: HK$441 million), which represented an increase of 63%. Earnings per share was HK$1.64 (2003: HK$1.01).

Included in cost of sales was the cost of programme, film rights and stocks which amounted to approximately HK$1,311 million (2003: HK$1,151 million). Increase in the spending in programmes was due to the costs for the coverage of the 2004 Olympic Games in Athens during August 2004 and an increase in output of drama production for Hong Kong and overseas consumption.

(b) Comments on segmental information

Revenue from terrestrial television broadcasting, which comprised predominantly local advertising revenue, increased from HK$1,725 million to HK$2,007 million, which represented an increase of 16%. Cost of sales, which comprised costs of own produced TV programmes and film rights, was kept under tight budgetary control and, as a result, the gross margin saw a single-digit percentage improvement over last year. Other costs were also lower than 2003 and, as a result, gave rise to an operating profit for this segment of HK$519 million (2003: HK$175 million).

Revenue from programme licensing and distribution increased from HK$653 million to HK$679 million, which represented an increase of 4%. Our costs of distribution were in line with the growth of the business. As noted in the business review, the primary area of growth came from key markets, such as Singapore and mainland China, in terms of telecast and licensing of programmes. This segment contributed an operating profit of HK$375 million (2003: HK$363 million).

Revenue from overseas satellite pay TV operations, which comprised TVB Satellite Platform ("TVBSP") USA, TVB Australia ("TVBA") and The Chinese Channel ("TCC") Europe, showed a small reduction from HK$231 million to HK$214 million, which represented a decrease of 7%. In 2003, provision was made for an onerous contract in relation to a transponder lease with a satellite company, which was not repeated in 2004. Subsequent write back of the over provided amount in relation to the transponder lease in 2004 had resulted in a substantial reduction in costs in 2004. This segment contributed an operating loss of HK$7 million (2003: an operating loss of HK$97 million). We anticipate that the profitability of this business should further improve.

Revenue from channel operations, which comprised TVBS operating under Liann Yee Production Co. Ltd. ("LYP") in Taiwan, the two channels - TVB8 and Xing He and the supply of channels to Galaxy, showed a marked increase of 30% from HK$710 million to HK$922 million. Improvement in revenue from LYP, TVB8 and Xing He were noted due to the increase in advertising revenue and the subscriber base. This segment contributed an operating profit of HK$171 million (2003: HK$83 million).

(c) Business Review and Prospects

Terrestrial Television Broadcasting

A strong showing in March 2004 heralded the start of a good year. March sales were up more than 25% when compared to 2003. This was followed by robust revenue growth in April and May, which recorded growth of more than 50% over the same two months in 2003. (These two months in 2003 were the worst affected by SARS). Throughout the summer and autumn period of July to October, revenue growth over 2003 was in excess of 20%. The stellar performance between March and October helped push the percentage revenue growth for the year into the high teens.

This result is higher than what was expected from the 2004 advance commitments that we received at the end of 2003 and at the beginning of 2004, at which time we forecast around a 10% growth in revenue. Undoubtedly, this strong showing has been greatly assisted by the substantial budget increases on the part of advertisers in a few key categories. Mobile phone networks resumed their aggressive marketing activities, more than doubling their spending with us in 2004. Banks, finance companies and credit cards companies showed very significant growth in spending, as they normally do when the consumer economy improves significantly. Among packaged consumer goods, the most notable growth came from skin care products, which is also now our largest category of advertisers in terms of revenue.

Growth in sponsorship revenue continued to exceed expectations in 2003. We see further potential for growth in this area in 2005 and in the coming years. Revenue from the English language channel, Pearl, also met and exceeded our aggressive growth target by 30%. The high double-digit revenue growth on Pearl for 2003 and 2004 confirms our success in rejuvenating advertisers' interest in the English language TV channel.

The economic growth forecasts for 2005 are somewhat lower than they were for 2004 a year ago. Thus, the expectation for growth in 2005 must be lower than what has been achieved in 2004, particularly since 2003 was a year afflicted by SARS. The total advance commitment for 2005 showed a healthy growth over the same period last year, and this bodes well for the growth prospects of 2005.

TVB Jade and Pearl continued to be the preferred channels for the majority of the people in Hong Kong, with an overall weekday prime time average* of 81% among terrestrial Chinese channels for Jade and a weekly average of 74% among terrestrial English channels for Pearl during the year in review.

* Prime time audience share refers to average share from 7:00 p.m. to 11:00 p.m. on Jade, and 7:00 p.m. to midnight on Pearl.

The Jade Channel

Jade's drama production, variety extravaganzas and event programming continued to excel in 2004.

The period drama "War and Beauty" became the talk of the town and made media headlines with its plot and dialogues likened to modern day office politics. It captured the attention of 2.1 million viewers on average per episode and the series' final episode was a major TV event of the year as nearly 3 million viewers watched its conclusion.

The attraction of Jade dramas was also further enhanced by the infusion of innovative narrative style and dramatic elements. The top rating drama of the year "To Catch The Uncatchable" incorporated cartoon-like characters and comic elements into a police drama and attracted 2.1 million viewers per episode. "To Get Unstuck In Time," a detective story for the ages and the love-hate relationship between father and son, captured 2.0 million viewers per episode. “Split Second”, a story of undercover cops which was filmed partly in Thailand, attracted 1.7 million viewers per episode. “The Last Breakthrough” which portrayed touching stories of medical professionals serving patients in developing countries, and filmed with parts on location in Kenya, captured 1.8 million viewers per episode. The well-received sitcom “Virtues of Harmony II” entertained 1.9 million viewers every evening on weekdays throughout the year.

As to variety extravaganzas and event programming, “TVB 37th Anniversary Special” was the highest-rating non-drama programme of the year and attracted 2.3 million viewers. “Miss Hong Kong Pageant 2004” held at the eve of the opening of the Olympic Games attracted 1.9 million viewers. Jointly performed by the Olympic champions of Chinese national team and local artistes, “Sports Extravaganza - Chinese Olympic Gold Medallists 2004” captured 2.2 million viewers.

Variety, musical and entertainment programmes featuring celebrities are evergreen on Jade. For example, “The Super Trio Continues...”, the hilarious celebrity game show, attracted an average of 2.1 million viewers per episode. “Anita Mui’s Everlasting Glamour on Stage”, a retrospective of the late superstar pop idol, captured 1.9 million viewers.

TVB’s coverage of the 2004 Athens Olympic Games also achieved outstanding ratings during the two weeks of events. In particular, the live coverage of Hong Kong team’s Ko Lai-chak and Li Ching who took a silver medal at the table tennis men’s final attracted 1.7 million viewers.

Jade also explored new themes and formats for drama and non-drama programming during the year. “Sunshine Heartbeat”, a youth drama, successfully attracted young audience on Sunday evenings. “Hong Kong Live”, a live talk-magazine programme on events around town and financial information, began in late November on weekday mornings and afternoons.

The Pearl Channel

Blockbuster movies remained the most popular programme genre on Pearl. 70 of the top 100 programmes on terrestrial English TV were Pearl’s movies. Mega movie “The Mummy Returns” and Pic of the Year “Jurassic Park III” gained the highest ratings, attracting 768,000 and 679,000 viewers respectively.

Pearl also carried extensive coverage of the 2004 Athens Olympic Games. In particular, the live telecast during prime time achieved an average share of 75% of terrestrial English television channels.

Live coverage of three critical soccer matches of Asian Cup 2004 was a highlight of the year for Pearl. The final match of China Vs Japan attracted an average of 1 million viewers and broke the rating record of sport programmes on English channels. It was also the highest rated programme of English channels in 2004.

Apart from the well-received drama series “24” and “ER”, Pearl also offered other popular series such as “Las Vegas”, “Without a Trace” and “Miss Match”. Mini series “Taken” by Stephen Spielberg, “Stephen King’s Rose Red” and “Helen of Troy” were also acclaimed by viewers.

Wildlife documentaries such as “Jungle”, “The Most Extreme” and “Big Cat Diary” were still favourites of Hong Kong viewers. Reality programmes such as “The Apprentice”, “America’s Next Top Model” and “Queer Eye For The Straight Guy” were also well-received.

Commendations and Awards

TVB continued to receive international recognition for excellence in current affairs and entertainment programmes, production and promotion in 2004. At the New York Festival, “The Pearl Report: Virus” won a Gold World Medal in the category of Health/Medical Issues. “Newscast: Hong Kong People Power - Article 23 Protest” won the 2004 RTNDA R. Murrow Award for Overall Excellence. The programme promotion of “Band of Brothers” won the Gold Prize of PROMAX 2004 in the

Interstitial/Promotainment - General Programming category. In BDA 2004, the design of the invitation card of "TVB City Grand Opening" won a Gold Prize for Invitation or Card category while the backdrop design of "Jade Starbiz" won the Silver Prize for Scenic Design category. In The Asian Television Awards, newscast "Clearing The Ground" earned the runner-up in Best Single News Story/Report. In the First Beijing Under My Pen Award Beijing News Awards, "Newscast: Behind Bars - Under New Management" and "Newscast: A Different Ideal" won Award for Excellent Works.

Community and Public Service

TVB continued to contribute to the Hong Kong community through on-air and outreached community service and fund-raising programmes and activities.

A total of HK$131.36 million was raised for local and international charity organisations in aid of diverse worthy causes. Among such were the annual fund raising programme "Tung Wah Charity Show 2004" which not only entertained 1.5 million viewers, but also raised a sum of HK$76.29 million for the Tung Wah Group. "Caritas Star Studded Charity Show" drew 1.5 million viewers and raised a sum of HK$2.36 million for Caritas Hospital. "Gala Spectacular 2004" attracted 1.3 million viewers and raised a sum of HK$4 million for Po Leung Kuk. "Yan Chai Charity Show" also captured 1.3 million viewers and raised a sum of HK$14.93 million for Yan Chai Hospital. The anniversary special charity event, the final challenge of "Aiming High", featuring the race to the roof of the 88-storey International Finance Centre Phase II, drew 1.5 million viewers and raised HK$4.2 million for The Community Chest of Hong Kong.

Digital Terrestrial Television

Subsequent to the Government's announcement of the implementation framework for digital terrestrial television ("DTT") in Hong Kong in July, TVB submitted the proposed plan for DTT Programme Services and technical proposal on our DTT Network to the Government on 31 December. TVB will provide the digital simulcast of Jade and Pearl on the 50% of the Multiple Frequency Network ("MFN") multiplex and new programme services with enhanced features such as High-Definition TV ("HDTV") on the Single Frequency Network ("SFN") assigned to TVB. DTT programme services would be launched within 2007. Upgrade plans for our digital production centre at the Tseung Kwan O TVB City would include equipping our studios in phases for HDTV productions.

Programme Licensing and Distribution

Business from distribution and licensing was strong with single-digit percentage growth. The thrust of the growth came from strong video sales in mainland China and increased content supply to television channels in Singapore and Indonesia.

DVD and web piracy still pose a great challenge to our licensing revenue. Peer-to-peer download on the Internet has taken away some of our rental revenue among the younger viewers in many markets. Nevertheless, increase in revenue of our licensing operation by sharing a bigger subscriber base of our pay TV operator clients made up for the shortfall from the abovementioned areas.

We have also made inroads into content supply to new media such as Video-On-Demand ("VOD") over broadband and 3G operators in selected markets in Asia. This would become an important revenue generator to the Company in a few years to come.

Overseas Satellite Pay TV Operations

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

In the USA, the subscriber base of our Jadeworld package on DirecTV achieved a satisfactory double-digit growth. Competition in Putonghua language programming escalated when the bundle of "Great Wall" channels from mainland China entered the market in October 2004.

TVBSP is working closely with DirecTV to enhance our Jadeworld package offer to effectively tackle the changing landscape of the Chinese pay TV business in the USA.

(b) TVB Australia ("TVBA")

In Australia, the subscriber base of our Jadeworld platform grew at a satisfactory double-digit rate. TVBA further strengthened its Putonghua programming with the inclusion of contents from Hunan TV in August 2004.

The stringent cost control measures implemented since early 2004 has resulted in a much improved performance compared to results of the previous year.

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

Amidst the stagnant market, TCC's subscriber base grew at a mild single-digit rate through improved programming delivered via satellite commencing from August 2004. TCC has also established itself as an effective advertising medium, as reflected in the fast growing advertising revenue.

In 2005, TCC will revise its subscription offer aiming to increase profitability and reduce churn.

Channel Operations

(a) Taiwan

Although the economy of Taiwan was still sluggish in 2004, TVBS managed to grow from an already profitable year of 2003. This had mainly been achieved through advertising growth and cost control.

In late 2004, the Minister of Government Information Office of Taiwan declared that the Government would support the terrestrial TV stations and Taiwan Telecommunications in providing competition to cable TV. He also indicated that the Government would exert tighter control over cable TV. Operators will have to be more cautious in both programming and marketing while facing more competition. Despite this, TVBS plans to enhance its programmes and production as well as to step up its cost control to further improve its profitability in Taiwan.

(b) TVB8 and Xing He

Subscription revenue has increased and the growth was mainly attributed to the licensing of TVB8 and Xing He channels to Galaxy in Hong Kong and Astro in Malaysia. Astro has managed to tackle the pirated set top boxes problem and the subscription numbers had consequently increased. Advertising sales and commission income from Malaysia are still going strong. Subscription income of Xing He from mainland China has made great progress through extensive distribution efforts.

In 2005, TVBI will formulate a marketing plan to concentrate on developing TVB8 and Xing He channels to Mandarin speaking subscribers in Malaysia. In mainland China, we will continue to strengthen our distribution network. Besides, the coverage of Xing He channel will extend to Singapore, Vietnam, Thailand and the USA. It is hoped that a promising subscription revenue can be generated.

(c) HK Pay TV

During the year, TVB supplied a package of 5 channels - TVBN, TVBE, TVBQ, TVB8 and Xing He to the pay TV platform operated by Galaxy.

Other Activities

(a) Jade Animation

Jade Animation is curtailing its production activities as the cost of production in Shenzhen has surpassed many Asian countries like India and the Philippines.

(b) Internet Operations

For the second year running, advertising income on TVB.COM showed good growth in double-digit territory. The factors contributing to this included growth in TVB's programme sponsorships (for which TVB.COM provides a value-added service of building mini-web sites for the sponsors) and increase in advertiser interest in Internet promotion.

Broadband income fell due to a slow down in the growth of new subscribers. This was made up for by the huge increase (from a low base) of 3G content income. The sales of content for 3G devices is most definitely an area of substantial revenue growth in 2005 as all of the major 3G network licensees will be launching their services in the course of the year.

Overall, revenues were up by 5% but cost savings in bandwidth and rent and lower depreciation charges helped to push profit growth beyond 30%.

Many initiatives were started in 2004. Though they are not expected to generate substantial revenue within 2005, they hold the promise of good growth in future years. These include the launching of "giv" a service displayed within TVB programmes whereby viewers can play games ("g"), ask for more information ("i") and vote or voice their opinions ("v") through SMS on their mobile phones. Simple java-based games were launched on mobile networks using popular TVB drama themes. Finally, a trial pay-per-view service featuring TVB variety and infotainment programmes has been launched on Sohu, one of the 3 largest portals in mainland China.

(c) Magazine Publishing

This was a difficult year for magazine publishers in terms of holding up circulation revenue. We believe magazine sales as a whole fell in Hong Kong as magazine buyers are able to readily find the same or equivalent content on the Internet. Fortunately, the decline in circulation revenue could almost be made up for by the increase in advertising revenue and loose insert revenue, resulting in only a slight drop in total revenue for the year.

Savings in staff expenses and printing costs helped us to achieve a substantial profit growth despite the slight drop in revenue.

Our distribution in mainland China, which started in November 2003, has now run for one full year with a strong indication of increasing demand.

(d) Mainland Joint Venture

2004 saw a dynamic year for TV media industry in mainland China. Spectacular growth was recorded as a result of the prosperous economic situation. There was clear relaxation in government policies, which made it easier for private entities to enter into the market. Our joint venture was a clear beneficiary of this favourable trend.

Our joint venture marked an encouraging 2004 with revenue rising by over two folds. With continuous support from our strategic partners, we have produced reputable TV drama series and launched rewarding advertising models during the year. The momentum remains robust along all business lines.

Our recent 32-episode drama production "History of Time", which was a dramatized TV series with the mainland's contemporary history from 1940s to 1980s as its background, received great acclaim. It also won "The Fourth Best Rating TV Drama Award, 2004" from Shanghai Dragon TV, the only satellite TV channel of Shanghai Media and Entertainment Group which has nationwide coverage. Underpinned by our well-maintained syndication platform both inside and outside mainland China, we plan to further increase the output of high quality Chinese drama production in 2005.

Our infotainment programme continued to be very well received in Zhejiang province, as evident by its high rating in a number of major cities around the region. We are also in discussion with major channels throughout mainland China on new syndicated time blocks. This viable business model, together with our professional advertising teams, enables our joint ventures to directly capture opportunities from the prosperous advertising market of mainland China.

Together with the coming launch of broadband content services, we are optimistic that the new media business will contribute value-added income to our Company in coming years.

(e) Galaxy Satellite TV Holdings

The operation of Galaxy Satellite TV Holdings Limited ("GSTV") was launched on 18 February 2004. GSTV was a joint venture company, with 51% share owned by Intelsat and 49% by TVB. The pay TV service is transmitted via satellite through existing SMATV and CABD networks into set-top boxes at individual homes. As at the end of 2004, Galaxy passed over 600,000 homes in Hong Kong. The service operates on a 24-hr schedule, providing our viewers with a choice of over 30 channels. These consist of high quality local programming plus branded content such as BBC World, CNBC Asia, Bloomberg, HBO, Cinemax, Cartoon Network, Eurosportnews, CCTV, MATV Movies and Celestial Movies. Additional world-class content will be added in 2005 to expand our programme offering.

TVB currently provides five exclusive channels for Galaxy. 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.

In September 2004, due to its corporate restructuring, Intelsat decided to terminate its 51% participation in GSTV and transferred all its shareholding of the joint venture to TVB on 28 December 2004, making TVB the only shareholder of GSTV. As restricted by the pay TV licence granted by the Government, TVB cannot hold 50% or more of the total voting control of GSTV. Hence, a waiver was applied for and granted by the Government which temporarily permits TVB to hold 100% of GSTV, for a period of one year, pending the search for a new shareholder.

Since its commercial launch to date of this report and with limited advertising activities, Galaxy had acquired a subscriber base of over 26,000.

In January 2005, Galaxy signed an agreement with Hutchison Global Communications Limited ("HGC") to deliver Galaxy's pay TV service through HGC's broadband network in Hong Kong. The new agreement will enhance both companies' competitive edges in bringing innovative infotainment services to customers. New services are expected to be launched in the second quarter of 2005. Together with HGC's distribution network, Galaxy aims to pass 2 millions homes by the end of 2005. The two companies will offer customers bundled service packages incorporating Galaxy's pay TV services and HGC's broadband services.

FINANCIAL REVIEW

(a) Investments in Subsidiary Companies and Associates

On 16 September 2004, the Company entered into the Deed ("Share Transfer") with Intelsat (Bermuda) Limited, Intelsat Hong Kong LLC ("Intelsat"), TVB Satellite TV Holdings Limited ("TVB Satellite"), Galaxy Satellite Broadcasting Limited ("Galaxy") and Galaxy Satellite TV Holdings Limited ("GSTV"), pursuant to which Intelsat had unconditionally agreed to transfer its holdings of 542,000,000 shares of HK$1.00 each in GSTV to TVB Satellite or its nominee free of any payment. Upon completion of the Share Transfer in December 2004, GSTV and Galaxy become wholly owned subsidiaries of the Company. In view of above, the Company had applied to the Government for a waiver of the provisions in the Licence held by Galaxy which restricts the Company from holding or beneficially owing 50% or more of the total voting control of GSTV for a period of 12 months from 28 December 2004. This is to give the Company time to find a new investor to take up the shares transferred.

On 4 February 2005, a wholly owned subsidiary of the Company entered into a conditional sale and purchase agreement with Primasia Development Co. Ltd. for the purchase of 30% of the issued share capital in Liann Yee Production Co. Ltd. ("LYP") for a cash consideration of NT$900 million (approximately HK$220.50 million), subject to the terms and conditions of the agreement which included, inter-alia, the approval of the transaction by the Company's shareholders at an extraordinary general meeting of shareholders held on 21 March 2005 ("EGM"). At the EGM, the transaction was duly approved by shareholders. As a result, the Group's interest in the shareholding of LYP increased from 70% to 100%.

Apart from those reported above, there was no other material acquisition or disposal of subsidiaries and associated companies during the year and up to the date of the report.

(b) Capital Assets, Liquidity and Debts

The new TVB City Project has been completed and all capital expenditures incurred are reflected in the accounts for the year. As at 31 December 2004, fixed assets of the Group stood at HK$2,243 million, a decrease over last year end of HK$122 million which was due to depreciation charge on fixed assets offset by a lower level of capital expenditure during the year.

Cash and bank balances as at 31 December 2004 stood at HK$536 million. About 34% of the cash balance was maintained in overseas subsidiaries for their daily operation. To finance current working capital requirements, various banking facilities have been arranged. Cash and cash equivalents held by the Group were principally in Hong Kong Dollars, US Dollars and New Taiwan Dollars.

Accounts receivable increased by 3% from the end of the last year, reflecting a higher level of billing for local advertising at the year end. Adequate provision has been made for bad and doubtful debts. Accounts payable increased over last year by 42%, due to the inclusion of an amount of HK$189 million relating to the subscription of unpaid shares in GSTV.

The Group recorded a gearing ratio of 2% as at 31 December 2004 (2003: 19%) which was measured by total debts of HK$61 million (2003: HK$618 million) against a shareholders' fund of HK$3,671 million (2003: HK$3,295 million). The decrease was due to the full repayment of all Hong Kong dollars denominated bank loans by 31 December 2004, leaving only bank loans taken out in foreign currencies.

- Debts consisted of short and long-term bank loans and bank overdrafts taken out for purchase of properties, equipment and studio facilities in Taiwan. Loans totalling HK$58 million (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 banks.

- The debt maturity profile as at 31 December 2004 was as follows: within one year HK$12 million (20%); in the second year HK$6 million (10%); in the third to fifth years HK$19 million (31%) and after the fifth year HK$24 million (39%).

- Debts were denominated mainly in New Taiwan Dollars (89%), British Pounds (4%) and US Dollars (7%).

- The Group had no committed borrowing facilities during the year.

Capital commitments of the Group, excluding the Group's share of commitments for jointly controlled entities, decreased by 18% to HK$199 million (2003: HK$243 million).

(c) Contingent Liabilities

There were guarantees to the extent of HK$8.8 million (2003: HK$1.1 million) provided to bankers for banking facilities.

(d) Exposure to Fluctuation in Exchange Rates and Related Hedges

As of 31 December 2004, exchange contracts, entered into with banks to sell forward certain foreign currencies in order to hedge against fluctuation for trade receipts from overseas customers, amounted to HK$5.8 million. There was an unrealised loss on these contracts of HK$0.5 million which has not been recognised in the accounts.

HUMAN RESOURCES

As of 31 December 2004, the Group employed, excluding directors and freelance workers but including contract artistes and staff in overseas subsidiary companies, a total of 4,843 (December 2003: 5,242) full-time employees. About 28% of our manpower was employed in overseas subsidiaries and was paid on a scale and system relevant to their localities and local legislations. In Hong Kong, different pay schemes are in operation 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 which comprised of salary and sales commissions. Non-sales personnel are remunerated on a monthly salary. Qualified non-sales personnel received a discretionary bonus equivalent to a twenty-fourth of their annual salary in 2004.

No employee share option scheme was adopted by the Group during the year. 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 enrol on their own initiative.

REPORT OF THE DIRECTORS

The directors submit their report together with the audited accounts for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is terrestrial television broadcasting, together with programme production and other broadcasting related activities. The principal activities of the subsidiaries are detailed in note 39 to the accounts.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 to the accounts.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the year are set out in the consolidated profit and loss account on page 28.

Movements in the reserves of the Group and the Company during the year are set out in note 28 to the accounts on pages 59 to 61.

Distributable reserves of the Company at 31 December 2004, calculated under Section 79B of the Hong Kong Companies Ordinance, amounted to HK$ 2,618,142,000 (2003 : HK$2,320,033,000).

DIVIDENDS

An interim dividend of HK$0.20 per share, totalling HK$87,600,000, was paid on 30 September 2004. The directors now recommend the payment of a final dividend of HK$0.80 per share in respect of the year ended 31 December 2004 payable to shareholders who are on the Register of Members on 25 May 2005.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$72,000.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 13 to the accounts.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 27 to the accounts.

FIVE-YEAR FINANCIAL REVIEW

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 26.

DIRECTORATE AND SENIOR MANAGEMENT

The following directors and senior managers were in office during the year and at the date of this report.

Sir Run Run Shaw, G.B.M. (Executive Chairman)
aged 97, is the President of the Shaw group of companies with substantial interests in the entertainment and movie industry. Through the Shaw group, he holds a major interest in the share capital of the Company. He is one of the founding directors of the Company and became the Chairman in 1980. He is the husband of Ms. Mona Fong, the Deputy Chairperson of the Company.

Dr. Norman Leung Nai Pang, G.B.S., LL.D., J.P. (Executive Deputy Chairman)
aged 64, was appointed a director of the Company in September 2003 when he also took up the position as Executive Deputy Chairman. He is the Deputy Chairman of Kowloon Motor Bus Holdings Ltd and a director of Wing Lung Bank Ltd. Mr. Leung has been active in public service for 30 years and he served as the Chairman of the Broadcasting Authority from 1997 to 2002. He is currently serving as Commissioner of Civil Aid Service and Pro-Chancellor of City University of Hong Kong.

Mona Fong (Deputy Chairperson)
aged 70, has been a director of the Company since 1988 and appointed as Deputy Chairperson on 25 October 2000. Ms. Fong is the Deputy Chairperson and Managing Director of Shaw Brothers (Hong Kong) Limited, and Chairperson and Managing Director of the Shaw group of companies. She is also the Chairperson of The Shaw Foundation Hong Kong Limited, The Shaw Prize Foundation Limited and The Sir Run Run Shaw Charitable Trust and member of the Board of Trustees of the Shaw College of the Chinese University of Hong Kong. Ms. Fong is the wife of Sir Run Run Shaw, the Executive Chairman of the Company.

Louis Page (Managing Director)
aged 55, was appointed a director of the Company in 1987 and as Managing Director in September 1995. He is an executive director of the Shaw group of companies.

Dr. Chow Yei Ching, G.B.S.
aged 69, was appointed a director of the Company in 2000. He is the Founder and Chairman of Chevalier Group, which consists of two listed companies on the Hong Kong Stock Exchange - Chevalier International Holdings Limited and Chevalier iTech Holdings Limited. He is also a non-executive director of Shaw Brothers (Hong Kong) Limited and Van Shung Chong Holdings Limited. He was appointed The Honorary Consul of The Kingdom of Bahrain in Hong Kong and a Standing Committee Member of the Chinese People's Political Consultative Conference, Shanghai.

Ho Ting Kwan
aged 60, joined the Company in 1968 as Assistant Accountant. He was appointed General Manager - Television Broadcasting in November 1995. In April 2002, he was promoted to the position of Group General Manager. Added to this position, he was appointed a director in June 2003.

Christina Lee Look Ngan Kwan
aged 81, is the widow of the Founder of the Company, Mr. Lee Hsiao-Wo. Mrs. Lee became a director of the Company in 1981. She is actively involved in Caritas, Hong Kong, a local charitable organisation.

Chien Lee (independent non-executive director and alternate director to Mr. Lee Jung Sen)
aged 51, is a private investor. He is also a director of Hysan Development Company Limited and Swire Pacific Limited. He acted as alternate director to Mr. Lee Jung Sen, his father, since July 1995. He was appointed a director in March 2005.

Lee Jung Sen, O.B.E. (independent non-executive director)
aged 89, is one of the founding directors of the Company. He is a director of Lee Gardens International Holdings Limited and Shanghai Commercial Bank Limited.

Dr. Li Dak Sum, DSSc. (Hon.), J.P. (independent non-executive director)
aged 84, is the Chairman of Sharp-Roxy (Hong Kong) Limited which markets "Sharp" products in Hong Kong and China. Dr. Li is also the Chairman of various hotel operations in Singapore, Australia and New Zealand. He was appointed a director of the Company in 1995.

Kevin Lo Chung Ping
aged 68, joined the Company in 1966 as Project Engineer and as General Manager from 1978 to 1980. He was appointed a director in 1977. He is also a director of Gold Peak Industries (Holdings) Limited.

Robert Sze Tsai To (independent non-executive director)
aged 64, was appointed a director of the Company in June 2003. He is a Fellow of the Institute of Chartered Accountants in England and Wales, and the Hong Kong Institute of Certified Public Accountants, and was a partner in an international firm of accountants with which he practised for over 20 years. He is a non-executive director of a number of Hong Kong listed companies. He is also a member of the Shanghai Committee of the Chinese People's Political Consultative Conference.

Anthony Hsien Pin Lee (alternate director to Mrs. Christina Lee Look Ngan Kwan)
aged 47, is a director of Hysan Development Company Limited and Lee Hysan Estate Company Limited, and also a director and substantial shareholder of Australian-listed Beyond International Limited. He was appointed as Mrs. Lee's alternate in September 2002. He is the son of Mrs. Lee.

Chan Ching Cheong, George
aged 52, first joined TVB's Sales Department in 1975. He held the position of Controller (Marketing & Sales) from 1982 to 1989. He has had a successful career as an entrepreneur and as director of several prominent companies engaged in media, telecommunication and technology before he rejoined TVB in November 2004 as Assistant Managing Director.

Cheong Shin Keong
aged 48, joined TVB as Controller, Marketing & Sales in 1989. He has extensive experience in the advertising industry specialising in media planning, buying and research. He was promoted to Assistant General Manager - Television Broadcasting in November 1995, and as General Manager - Broadcasting in April 2004.

Stephen Chan Chi Wan
aged 46, joined TVB in 1994 as Controller (Programme) and took on the added responsibilities of Controller (External Affairs) in 1996. He was promoted to Assistant General Manager - Television Broadcasting in April 2002, and as General Manager - Broadcasting in April 2004.

DIRECTORS

Mr. Chien Lee was appointed a director on 17 March 2005. Under Article 109 of the Articles of Association, he holds office until the Annual General Meeting, and being eligible, offers himself for election.

Mr. Louis Page retires by rotation under Article 114(A) of the Articles of Association and being eligible, offers himself for re-election.

Dr. Chow Yei Ching retires by rotation under Article 114(A) of the Articles of Association and being eligible, offers himself for re-election.

Mr. Lee Jung Sen retires by rotation under Article 114(A) of the Articles of Association and will not offer himself for re-election.

DIRECTORS' INTERESTS

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

The Company has entered into agreements with Shaw Brothers (Hong Kong) Limited for the lease of certain premises at Shaw House, Clear Water Bay Road, Kowloon, Hong Kong. The Executive Chairman of the Company, Sir Run Run Shaw, is the Executive Chairman of Shaw Brothers (Hong Kong) Limited, in which he also has substantial attributed corporate interests. The Deputy Chairperson of the Company, Ms. Mona Fong, is the Deputy Chairperson and Managing Director of Shaw Brothers (Hong Kong) Limited.

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

As at 31 December 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:-

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

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

(a) 113,888,628 shares were held by Shaw Brothers (Hong Kong) Limited and 27,286,200 shares were held by The Shaw Foundation Hong Kong Limited, in which companies Sir Run Run Shaw holds 74.58% and 100% equity interests respectively through Shaw Holdings Inc., a company in which Sir Run Run Shaw holds 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 31 December 2004.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 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%
OppenheimerFunds, Inc.	34,298,600 *(i)*	7.81%
The Shaw Foundation Hong Kong Limited	27,286,200*	6.23%
Marathon Asset Management Limited	26,288,000 *(ii)*	6.02%
State Street Corporation	21,956,534 *(iii)*	5.01%

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

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

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

(iii) Interests were held by 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 (winthin the meaning of the Securities and Futures Ordinance) which represented 5% or more of the issued share capital of the Company as at 31 December 2004.

CONNECTED TRANSACTIONS

1) The following transactions constitute continuing connected transactions of the Company made under the old Chapter 14 of the Listing Rules (before the amendments made on 31 March 2004) to which conditional waivers have been granted by The Stock Exchange of Hong Kong Ltd. (the " Stock Exchange"):

   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, pursuant to which Shaw granted to the Company tenancies of certain office and car parking spaces situated at Shaw House, Lot 220 Clear Water Bay Road, Kowloon, Hong Kong. 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 2004 was HK$17,732,000.

   b) On 21 May 2002, TVBI Company Limited (" TVBI"), a wholly owned subsidiary of the Company, and MEASAT Broadcast Network Systems Sdn. Bhd. (" MBNS"), an associate of the substantial shareholder of three of the Company's non-wholly owned subsidiaries, entered into 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 for broadcast in Malaysia and Brunei. On 12 March 2004, the parties entered into a formal agreement setting out the terms of the arrangement described in the deal memorandum. The income accrued by TVBI during 2004 was HK$66,153,000 (MYR32,142,000).

   c) On 25 June 2002, TVBI acting as an agent of Liann Yee Production Co. Ltd. (" LYP"), a non-wholly owned subsidiary of the Company, 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. On 12 March 2004, the parties entered into a formal agreement setting out the terms of the arrangement described in the deal memorandum. The income accrued by LYP during 2004 was HK$16,892,000 (MYR1,790,000 and US$1,695,000).

d) 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 for the period from 16 April 2002 to 30 September 2004 on an exclusive basis in Malaysia and Brunei. On 12 March 2004, the parties entered into a formal agreement setting out the terms of the arrangement described in the deal memorandum. The income accrued by TVBSE during 2004 was HK$21,444,000 (MYR7,292,000 and US$826,000).

e) On 8 July 2002, MBNS appointed TVBSE as its advertising agent responsible for advertisements and sponsorship sales of certain channels broadcast by MBNS in Malaysia and Brunei for the period from 16 April 2002 to 30 September 2004. The income accrued by TVBSE during 2004 was HK$21,746,000 (MYR10,566,000).

f) On 19 September 2003, TVBI and ASTRO Entertainment Networks Ltd. ("AENL"), an associate of the substantial shareholder of three of the Company's non-wholly owned subsidiaries, entered into a licensing agreement, pursuant to which TVBI would license to AENL certain programmes on an exclusive basis for broadcast on free terrestrial television in Indonesia for a period of 2 years commencing from the earlier of 1 January 2004 or when AENL was able to secure the broadcast of programmes on free terrestrial television in Indonesia prior to 1 January 2004. The income accrued by TVBI in 2004 was HK$6,232,000 (US$800,000).

2) The following transactions constitute continuing connected transactions of the Company which are subject to the requirements under the new Chapter 14A of the Listing Rules (which came in force on 31 March 2004):

a) Since 28 October 2000, LYP has been providing Era Communications Co. Ltd. ("Era"), a substantial shareholder of LYP, with satellite equipment and technical services while Era has been providing LYP with satellite relay programme services in Taiwan. On 30 March 2004, the parties entered into an agreement to renew the arrangement for one year from 1 January 2004 on the same terms and conditions. Under the renewal agreement, the monthly fees payable by Era to LYP was HK$669,000 (NT$3,000,000) and by LYP to Era was HK$334,000 (NT$1,500,000). All amounts payable under the renewal agreement included 5% sales tax. On 1 March 2005, the parties renewed the agreement for another year from 1 January 2005 on the same terms and conditions. The fees received by LYP from Era during 2004 was HK$7,719,000 (NT$34,286,000) and the fees paid by LYP to Era during 2004 was HK$3,859,000 (NT$17,143,000).

b) On 16 April 1999, TVBI 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 2004 was HK$5,161,000 (US$663,000).

All of the independent non-executive directors have reviewed the above transactions described in paragraphs 1(a) to (f) and 2(a) to (b) above and confirmed that these transactions have been entered into (i) in the ordinary and usual course of business, (ii) on normal commercial terms or on terms no less favourable than those available to or from independent third parties, (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole; and that the aggregate amount of each transaction described in paragraph 1 (a) to (f) for 2004 has not exceeded the relevant cap amount for each transaction as set out in the conditional waivers granted by the Stock Exchange.

The Company's auditors have also reviewed the above transactions described in paragraphs 1(a) to (f) and 2(a) to (b) and confirmed in its letter to the directors that:

(i) the transactions have received the approval of the Company's board of directors;
(ii) the transactions are in accordance with the pricing policies as laid down in the relevant agreements and documents;
(iii) the transactions have been entered into in accordance with the relevant agreements governing the transactions; and
(iv) for transactions set out under paragraphs 1(a) to (f), the cap amount for each transaction has not been exceeded.

3) On 11 March 2004, TVB (Australia) Pty. Ltd. ("TVBA"), a wholly owned subsidiary of the Company, and Celestial Television Networks Ltd. ("CTNL") an associate of the substantial shareholder of three of the Company's non-wholly owned subsidiaries, entered into an agreement, pursuant to which CTNL would license 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 CTNL a fixed unit cost per subscriber (which includes both residential and commercial subscribers) to 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 2004 was HK$2,129,000 (A$369,000).

4) On 20 March 2003, LYP obtained a banking facility of NT$1,050,000,000 from a bank in Taiwan. To facilitate the issuance of such banking facility, the Company was required to enter into an arrangement with a bank in Hong Kong to issue an irrevocable standby letter of credit in proportion to its then shareholding in LYP which was in the amount of HK$167,892,000 (NT$735,000,000). The irrevocable standby letter of credit was for a period of one year from the issue date. The banking facility was renewed on 27 April 2004, pursuant to which the facility was split into long term bank loan of NT$265,000,000 and short term bank loan of NT$785,000,000. The long term bank loan was pledged by certain fixed assets of LYP. The Company had entered into an arrangement with a bank in Hong Kong to issue an irrevocable standby letter of credit in proportion to its then shareholding in LYP in the amount of HK$128,308,000 (NT$549,500,000) as security for the short term bank loan. The irrevocable standby letter of credit was for a period of one year from the issue date. The banking facility of the short term bank loan had not been drawn down by LYP at the balance sheet date.

5) Since 1995, Era has been placing advertisements on the cable television channels operated by LYP, as well as the channels and/or magazines of which LYP has been appointed as an agent for recruiting advertisements. Pursuant to media sales packages of the Taiwan Government successfully bid by Era in 2003 where government advertisements would be aired or printed in 2004, Era was required to place advertisements on cable television channels operated by LYP and magazines of which LYP is appointed as agent in order to meet the requirements laid down by the Taiwan Government for such media sales packages. After deduction of commissions, bonus and rebates, the amount received by LYP from Era during 2004 was HK$9,548,000 (NT$42,413,000).

6) On 23 December 2004, Art Limited ("Art"), a non-wholly owned subsidiary of the Company, and Celestial Productions Limited ("Celestial"), an associate of the substantial shareholder of three of the Company's non-wholly owned subsidiaries, entered into the Sale and Purchase Agreement, pursuant to which Art agrees to sell to Celestial the right to distribute a Chinese language musical picture (the "Picture") which is commissioned and financed by Art and produced by an independent third party via pay television channels transmitted by all means of technology throughout the world (except the mainland China) in perpetuity with effect on 1 August 2005 or such other date as may be agreed by the parties provided that it is no later than the completion of the Picture. No income was accrued by Art in 2004.

7) On 4 February 2005, Countless Entertainment (Taiwan) Co. Ltd. ("Countless"), a wholly owned subsidiary of the Company, and Primasia Development Co. Ltd. ("Primasia"), a substantial shareholder of a non-wholly owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the "Agreement"), pursuant to which Countless agreed to purchase and Primasia agreed to sell 30% of the issued share capital in LYP for a cash consideration of NT$900,000,000 (approximately HK$220,500,000), subject to the terms and conditions of the Agreement. Completion of the Agreement is conditional upon the Agreement and the transaction contemplated thereunder having been approved by the shareholders of the Company. At the Extraordinary General Meeting held on 21 March 2005, approval from shareholders was duly obtained.

8) The following transactions constitute continuing connected transactions of the Company under Listing Rule 14A.27 with respect of which the Stock Exchange requires the Company to aggregate and hence shareholders' approval will be sought by the Company at an Extraordinary General Meeting to be held immediately after the Annual General Meeting on 25 May 2005:

   a) On 30 September 2004, TVBI and MBNS entered into an agreement, pursuant to which TVBI would supply television programmes to MBNS for broadcast in Malaysia and Brunei on a channel owned and operated by MBNS for a period of 5 years from 1 October 2004 to 30 September 2009 on an exclusive basis. On 14 October 2004 and 14 February 2005, separate addendum to the agreement were entered into between the parties for the clarification of the base month upon which the subscribers guarantee would be calculated and for the increase of revenue sharing receivable by TVBI for revenue generated from hotel and commercial establishments respectively. The income accrued by TVBI during 2004 was HK$16,705,000 (MYR8,116,000).

   b) On 30 September 2004, TVBI acting as an agent of LYP and MBNS entered into an agreement, pursuant to which TVBI would supply a Mandarin language channel to MBNS for broadcast in Malaysia and Brunei on the pay television services operated by MBNS and its affiliated company for a period of 5 years from 1 October 2004 to 30 September 2009 on an exclusive basis. On 14 October 2004 and 14 February 2005, separate addendum to the agreement were entered into between the parties for the clarification of the base month upon which the subscribers guarantee would be calculated and for the increase of revenue sharing receivable by LYP for revenue generated from hotel and commercial establishments respectively. The income accrued by LYP during 2004 was HK$7,002,000 (MYR3,402,000).

   c) On 30 September 2004, TVBSE and MBNS entered into an agreement, pursuant to which TVBSE would supply two Mandarin language channels to MBNS for broadcast in Malaysia and Brunei on the pay television services operated by MBNS and its affiliated company for a period of 5 years from 1 October 2004 to 30 September 2009 on an exclusive basis. On 14 February 2005, an addendum to the agreement were entered into between the parties for the increase of revenue sharing receivable by TVBSE for revenue generated from hotel and commercial establishments. The income accrued by TVBSE during 2004 was HK$7,997,000 (MYR3,886,000).

   d) On 30 September 2004, MBNS and TVBSE entered into an agreement, pursuant to which MBNS appointed TVBSE as its advertising agent responsible for the recruitment of advertisements and sponsorship for certain channels broadcast by MBNS in Malaysia and Brunei for a period of 5 years from 1 October 2004 to 30 September 2009. The income accrued by TVBSE during 2004 was HK$8,569,000 (MYR4,163,000).

   e) On 30 September 2004, TVBO Facilities Limited ("TVBOF") and TVB Satellite Broadcasting Limited ("TVBSB"), both wholly owned subsidiaries of the Company, entered into separate agreement with MBNS, pursuant to which MBNS appointed TVBOF and TVBSB to provide management services to MBNS for the period from 1 October 2004 to 30 September 2009 at a fixed amount for every period of 12 months. The aggregate management fee accrued by TVBOF and TVBSB during 2004 was HK$7,595,000 (MYR3,690,000).

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its ordinary shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's ordinary shares during the year.

MAJOR SUPPLIERS AND CUSTOMERS

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

CORPORATE GOVERNANCE

During the year, the Company was in compliance with the Code of Best Practice set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in force prior to 1 January 2005, 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.

On 1 September 2004, the Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. The Company has made specific enquiries of all directors regarding any non-compliance with the Model Code during the year, and received confirmations from all the directors that they had fully complied with the required standard set out in the Model Code.

The Company has received, from each of the independent non-executive directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive directors are independent.

AUDIT COMMITTEE

In compliance with the Code of Best Practice set out in Appendix 14 of the Listing Rules, an Audit Committee was established on 1 January 1999 with written terms of reference adopted from "A Guide For The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The Audit Committee comprises all the independent non-executive directors, with the Chairman of the Audit Committee having appropriate professional qualifications and experience in financial matters.

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 audited financial statements for the year ended 31 December 2004 before they were presented to the Board of Directors for approval.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for reappointment.

On behalf of the Board

Run Run Shaw
Executive Chairman

Hong Kong, 23 March 2005

FIVE-YEAR FINANCIAL REVIEW

	2000	2001	2002	2003	2004
Turnover (HK$'m)	3,490	3,265	3,162	3,311	3,817
Profit before taxation (HK$'m)	889	663	684	485	902
Taxation (HK$'m)	141	111	90	25	152
Profit attributable to shareholders (HK$'m)	774	589	590	441	719
Earnings per share (HK$)	1.77	1.35	1.35	1.01	1.64
Intangible assets (HK$'m)	-	-	-	63	55
Fixed assets (HK$'m)	992	1,654	2,166	2,365	2,243
Jointly controlled entities (HK$'m)	107	105	81	23	19
Associated companies (HK$'m)	16	19	26	238	262
Investments in securities (HK$'m)	48	5	5	4	4
Loans to investee companies (HK$'m)	11	11	11	13	14
Deferred tax assets (HK$'m)	-	-	-	24	19
Current assets (HK$'m)	3,010	2,434	2,009	1,988	2,218
Current liabilities (HK$'m)	(1,077)	(1,002)	(905)	(1,112)	(855)
	3,107	3,226	3,393	3,606	3,979
Share capital (HK$'m)	22	22	22	22	22
Reserves (HK$'m)	2,962	3,073	3,252	3,274	3,649
Shareholders' funds (HK$'m)	2,984	3,095	3,274	3,296	3,671
Minority interests (HK$'m)	45	-	-	84	117
Provisions (HK$'m)	-	-	-	62	1
Long term liabilities and pensions obligations (HK$'m)	78	78	63	68	65
Deferred tax liabilities (HK$'m)	-	53	56	96	125
	3,107	3,226	3,393	3,606	3,979

AUDITORS' REPORT TO THE SHAREHOLDERS OF TELEVISION BROADCASTS LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the accounts set out on pages 28 to 77 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Hong Kong Companies Ordinance requires the directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

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

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group as at 31 December 2004 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For The Year Ended 31 December 2004

	Note	2004	2003
		HK$'000	HK$'000
Turnover	2	**3,816,936**	3,311,162
Cost Of Sales		**(1,841,449)**	(1,692,513)
Gross Profit		**1,975,487**	1,618,649
Other Revenues	2	**58,220**	37,922
Selling, Distribution And Transmission Costs		**(450,258)**	(442,818)
General And Administrative Expenses		**(512,948)**	(574,207)
Other Operating Income/(Expenses)		**10,890**	(106,382)
Gain On Deemed Disposal Of Subsidiaries		**-**	27,726
Gain On Disposal Of A Subsidiary		**-**	5,213
Operating Profit	3	**1,081,391**	566,103
Finance Costs	7	**(7,006)**	(17,202)
Share Of Losses Of			
Jointly Controlled Entities		**(6,099)**	(47,080)
Associated Companies		**(166,402)**	(16,734)
Profit Before Taxation		**901,884**	485,087
Taxation	8	**(152,312)**	(25,378)
Profit After Taxation		**749,572**	459,709
Minority Interests		**(30,157)**	(18,711)
Profit Attributable To Shareholders	9	**719,415**	440,998
Dividends	10	**438,000**	350,400
Earnings Per Share	11	**HK$1.64**	HK$1.01

CONSOLIDATED BALANCE SHEET

As At 31 December 2004

	Note	**2004**	2003
		HK$'000	HK$'000
Intangible Assets	12	**55,342**	62,739
Fixed Assets	13	**2,242,828**	2,365,231
Jointly Controlled Entities	15	**18,722**	22,714
Associated Companies	16	**261,713**	238,234
Investment Securities	17	**3,705**	3,658
Loans To Investee Companies	18	**14,263**	13,200
Deferred Tax Assets	30	**18,592**	23,551
Current Assets			
Programmes and film rights		**452,652**	605,459
Stocks	19	**11,588**	15,242
Trade and other receivables, prepayments and deposits	20	**1,024,956**	991,809
Other investments	21	**189,432**	-
Tax recoverable		**3,034**	13,512
Pledged bank deposits	23	**234**	228
Cash and bank balances		**535,849**	361,783
		2,217,745	1,988,033
Current Liabilities			
Trade and other payables and accruals	22 & 26(a)	**727,635**	511,527
Provisions	24	**14,861**	33,073
Short term bank loans	25	**2,338**	549,368
Bank overdrafts, unsecured		**-**	6,532
Current portion of long term liabilities	29	**9,702**	5,276
Tax payable		**99,865**	5,805
		854,401	1,111,581
Net Current Assets		**1,363,344**	876,452
		3,978,509	3,605,779
Financed by:			
Share Capital	27	**21,900**	21,900
Reserves	28	**3,648,746**	3,273,647
Shareholders' Funds		**3,670,646**	3,295,547
Minority Interests		**116,550**	83,785
Provisions	24	**1,045**	62,052
Long Term Liabilities	29	**48,683**	57,265
Pensions Obligations	26(b)	**16,215**	11,372
Deferred Tax Liabilities	30	**125,370**	95,758
		3,978,509	3,605,779

Louis Page
Director

Run Run Shaw
Director

BALANCE SHEET

As At 31 December 2004

	Note	2004	2003
		HK$'000	HK$'000
Fixed Assets	13	**1,951,363**	2,036,723
Subsidiaries	14	**376,040**	336,022
Associated Company	16	**115,564**	120,883
Current Assets			
Programmes and film rights		**372,008**	526,160
Stocks	19	**1,694**	3,433
Trade and other receivables, prepayments and deposits	20	**660,551**	628,185
Tax recoverable		**-**	13,512
Cash and bank balances		**252,869**	149,158
		1,287,122	1,320,448
Current Liabilities			
Trade and other payables and accruals	22	**247,680**	253,777
Provisions	24	**10,682**	21,175
Short term bank loans, unsecured	25	**-**	450,000
Tax payable		**66,011**	-
		324,373	724,952
Net Current Assets		**962,749**	595,496
		3,405,716	3,089,124
Financed by:			
Share Capital	27	**21,900**	21,900
Reserves	28	**3,260,286**	2,962,177
Shareholders' Funds		**3,282,186**	2,984,077
Provisions	24	**-**	10,682
Deferred Tax Liabilities	30	**123,530**	94,365
		3,405,716	3,089,124

Louis Page
Director

Run Run Shaw
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2004

	Note	2004	2003
		HK$'000	HK$'000
Total equity as at 1 January		**3,295,547**	3,274,232
Exchange differences arising on translation of the financial statements of foreign subsidiaries, jointly controlled entities and associated companies	28	**6,084**	(3,583)
Net gains/(losses) not recognised in the consolidated profit and loss account		**6,084**	(3,583)
Profit for the year	28	**719,415**	440,998
Dividends	28	**(350,400)**	(416,100)
Total equity as at 31 December		**3,670,646**	3,295,547

CONSOLIDATED CASH FLOW STATEMENT

For The Year Ended 31 December 2004

	Note	2004	2003
		HK$'000	HK$'000
Operating Activities			
Net Cash Inflow Generated From Operations	35(a)	**1,285,497**	859,610
Interest paid		**(10,423)**	(16,443)
Hong Kong profits tax paid		**(3,266)**	(43,490)
Overseas taxation paid		**(9,848)**	(1,849)
Net Cash Inflow From Operating Activities		**1,261,960**	797,828
Investing Activities			
Purchase of fixed assets		**(143,147)**	(549,264)
Increase in bank deposits with maturity over three months		**(4,776)**	(4,774)
(Increase)/decrease in loans to a jointly controlled entity		**(2,016)**	41
Decrease/(increase) in amount due from an associated company		**5,319**	(11,634)
Acquisition of subsidiaries, net of cash acquired		**-**	(2,156)
Sale of a subsidiary, net of cash disposed		**-**	(5,497)
Refund of investment cost in a jointly controlled entity		**-**	12,548
Investment in an associated company		**(45,200)**	(138,100)
Sale of fixed assets		**2,469**	9,403
Interest received		**2,386**	3,515
Net Cash Outflow From Investing Activities		**(184,965)**	(685,918)
Net Cash Inflow Before Financing		**1,076,995**	111,910
Financing Activities	35(b)		
Capital contributed by minority shareholders		**-**	38,685
Long term bank loans		**-**	60,049
Short term bank loans		**2,338**	499,115
Repayment of long term bank loans, other loans and obligations under finance leases		**(5,268)**	(75,830)
Repayment of short term bank loans		**(499,115)**	(59,968)
(Increase in)/release of pledged bank deposits		**(6)**	1,390
Dividends paid		**(350,400)**	(416,100)
Net Cash (Outflow)/Inflow From Financing Activities		**(852,451)**	47,341
Increase In Cash And Cash Equivalents		**224,544**	159,251
Cash And Cash Equivalents At 1 January		**300,224**	143,362
Effect Of Foreign Exchange Rate Changes		**1,531**	(2,389)
Cash And Cash Equivalents At 31 December		**526,299**	300,224
Analysis Of The Balances Of Cash And Cash Equivalents			
Cash and bank balances		**535,849**	361,783
Less:			
Bank deposits maturing after three months		**(9,550)**	(4,774)
Bank overdrafts		**-**	(6,532)
Short term bank loans repayable within three months		**-**	(50,253)
		526,299	300,224

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, other investments are stated at fair value.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods beginning on or after 1 January 2005.

The group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(b) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the company and its subsidiaries made up to 31 December. Subsidiaries are those entities in which the company, directly or indirectly, controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account and any related accumulated foreign currency translation reserve.

Minority interests represent the interests of outside shareholders in the operating results and net asset value of subsidiaries.

In the company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the company on the basis of dividends received and receivable.

(ii) Jointly controlled entities

A jointly controlled entity is under a contractual arrangement whereby the group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over its economic activity.

The consolidated profit and loss account includes the group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the group's share of the net assets of the jointly controlled entities and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Group accounting (Continued)

(iii) Associated companies

An associated company is a company, not being a subsidiary or a jointly controlled entity, in which an equity interest is held for the long term and significant influence is exercised in its management.

The consolidated profit and loss account includes the group's share of the results of associated companies for the year, and the consolidated balance sheet includes the group's share of the net assets of the associated companies and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the group has incurred obligations or guaranteed obligations in respect of the associated company.

(iv) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries, jointly controlled entities and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences arising from the translation of the net investment in subsidiaries, jointly controlled entities and associated companies and of intra-group balances of equity nature are dealt with as a movement in reserves.

(c) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net assets of the acquired subsidiary, jointly controlled entity and associated company at the date of acquisition.

Goodwill on acquisitions occurring on or after 1 January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. For all acquisitions, goodwill is amortised over 5-10 years.

Goodwill on acquisitions that occurred prior to 1 January 2001 was written off against reserves.

Any impairment arising on goodwill is accounted for in the profit and loss account.

(d) Fixed assets

(i) Fixed assets

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

Freehold land is not depreciated. Leasehold land is depreciated over the period of the lease while other fixed assets are depreciated at rates sufficient to write off their costs less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Fixed assets (Continued)

(i) Fixed assets (Continued)

Leasehold land	Over the unexpired term of the lease
Buildings	2.5% - 5%
Leasehold improvements	Over the unexpired term of the lease
Studio, broadcasting and transmitting equipment	7% - 20%
Furniture, fixtures and equipment	5% - 33.3%
Motor vehicles	10% - 25%

Improvements are capitalised and depreciated over their expected useful lives to the group.

(ii) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(iii) Assets under finance leases

Leases that substantially transfer to the group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(e) Investments in securities

(i) Investment securities

Investment securities are stated at cost less any provision for impairment losses.

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

(ii) Other investments

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Programmes and film rights

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

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

(g) Stocks

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

(h) Trade receivables

Provision is made against trade receivables to the extent that their recoverability is considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

(i) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from the date of investment, and bank overdrafts and short term loans repayable within three months.

(j) Provisions for onerous contracts

The group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

(k) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

All permanent staff, temporary staff and full time artistes signed in individual names (excluding singers and serial artistes), whose employment period reaches 60 days or more (collectively referred to as " eligible members") and located in Hong Kong are entitled to participate in the Mandatory Provident Fund Scheme (" MPF Scheme"). The contributions to the MPF Scheme made by the group for permanent staff joined prior to 1 June 2003 comprise mandatory contributions and voluntary contributions. The mandatory contribution is calculated at 5% of

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Employee benefits (Continued)

(ii) Pension obligations (Continued)

individual's "relevant income" with a maximum amount of HK$1,000 per month and the voluntary contribution is calculated at 10% of individual's basic salary less the mandatory contribution. The group's contribution for permanent staff joined after 1 June 2003, full time artistes and temporary staff is 5% of individual's "relevant income" with a maximum amount of HK$1,000 per month. "Relevant income" includes salaries, wages, paid leave, fees, commissions, bonuses, gratuities, and allowances (excluding housing allowance/benefits, any redeemed payment and long service payment). Employer's voluntary contributions shall be refunded to the group according to the vesting scale when the eligible members leave employment prior to vesting fully in the MPF Scheme.

The retirement schemes which cover employees located in some overseas locations, except for Taiwan, are defined contribution schemes at various funding rates that are in accordance with the local practice and regulations. The employees located in Taiwan are members of a defined benefit retirement scheme. Pension costs are assessed using the projected unit credit method: the cost of providing pensions is charged to the profit and loss account so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans each year whilst the employees are not required to contribute. The pension obligation is measured as the present value of the estimated future cash outflows using average market yields for high quality corporate bonds or securities. Actuarial gains and losses are recognised over the average remaining service lives of employees.

The cost of all these schemes are charged to the profit and loss account in the period to which the contributions relate.

(l) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

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

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associated companies except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(m) Contingent liabilities

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

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

(n) Revenue recognition

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(n) Revenue recognition (Continued)

Income from licensing of programme rights is recognised evenly over the contract period or upon delivery of the programmes concerned in accordance with the terms of the contracts.

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

Income from video tape renting and sale of magazines are recognised on delivery of products. Income from sale of animation productions is recognised progressively in accordance with the stage of completion of the production. Income from other services is recognised when the services are rendered.

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

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

(o) Operating leases

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

(p) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(q) Segment reporting

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

Segment assets consist primarily of intangible assets, fixed assets, stocks, receivables and operating cash, and mainly exclude investment securities and other investments. Segment liabilities comprise operating liabilities and exclude items such as taxation and borrowings. Capital expenditure comprises additions to fixed assets (note 13).

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

(r) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

2 TURNOVER, REVENUE AND SEGMENT INFORMATION

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

Turnover comprises advertising income net of agency deductions, licensing income, subscription income, as well as income from video tape rentals, sale of animation productions and sale of magazines.

Other revenues comprise interest income, commercial production income, merchandising income, management fee income, service fee income and facility rental income.

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

	2004	2003
	HK$'000	HK$'000
Turnover		
Advertising income, net of agency deductions	**2,597,471**	2,268,055
Licensing income	**767,060**	550,582
Subscription income	**370,940**	353,629
Others	**116,096**	152,624
	3,851,567	3,324,890
Less: Withholding tax	**(34,631)**	(13,728)
	3,816,936	3,311,162
Others revenues		
Interest income	**20,294**	3,491
Others	**37,926**	34,431
	58,220	37,922
Total revenues	**3,875,156**	3,349,084

2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Primary reporting format - business segments

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

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

Programme licensing and distribution - provision of television programmes to home video markets and overseas broadcasters

Overseas satellite pay TV operations - provision of satellite pay television services to subscribers in the 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, distribution of television channels, website portal and magazine publication

Taiwan - cable television channel services

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

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

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

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

Malaysia and Singapore - licensing and distribution of television programmes

Other countries - principally licensing and distribution of television programmes

There are no sales between the geographical segments.

2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Primary reporting format - business segments

	Terrestrial television broadcasting 2004 HK$'000	Programme licensing and distribution 2004 HK$'000	Overseas satellite pay TV operations 2004 HK$'000	Channel operations 2004 HK$'000	Other activities 2004 HK$'000	Elimination 2004 HK$'000	Group total 2004 HK$'000
Turnover (note)							
External sales	2,005,790	581,817	213,834	907,560	107,935		3,816,936
Inter-segment sales	1,142	97,426	183	14,912	8,295	(121,958)	-
	2,006,932	679,243	214,017	922,472	116,230	(121,958)	3,816,936
Segment results (note)	519,227	375,081	(7,010)	171,403	21,015	1,675	1,081,391
Finance costs							(7,006)
Share of losses of							
Jointly controlled entities	-	-	-	(6)	(6,093)		(6,099)
Associated companies	-	-	-	(166,402)	-		(166,402)
Profit before taxation							901,884
Taxation							(152,312)
Profit after taxation							749,572
Minority interests							(30,157)
Profit attributable to shareholders							719,415
Segment assets	3,201,734	195,608	141,685	621,002	147,191		4,307,220
Jointly controlled entities	-	-	-	3,814	14,908		18,722
Associated companies	115,564	-	-	146,149	-		261,713
Investment securities	-	3	-	2,164	1,538		3,705
Loans to investee companies	-	14,263	-	-	-		14,263
Other investments (note 21)	-	-	-	189,432	-		189,432
Unallocated assets							37,855
Total assets							4,832,910
Segment liabilities	258,362	88,972	60,744	141,655	20,591		570,324
Payable for other investments (note 22)	-	-	-	189,432	-		189,432
Unallocated liabilities							285,958
Total liabilities							1,045,714
Capital expenditure	111,512	5,953	1,445	20,164	4,073		143,147
Depreciation and amortisation	196,353	6,712	15,245	54,932	3,930		277,172

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:

	Terrestrial television broadcasting	Programme licensing and distribution	Overseas satellite pay TV operations	Channel operations	Other activities	Elimination	Group total
Turnover	-	-	142,350	-	26,142		168,492
Segment results	-	-	24,547	-	10,132		34,679

2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Primary reporting format - business segments (Continued)

	Terrestrial television broadcasting 2003 HK$'000	Programme licensing and distribution 2003 HK$'000	Overseas satellite pay TV operations 2003 HK$'000	Channel operations 2003 HK$'000	Other activities 2003 HK$'000	Elimination 2003 HK$'000	Group total 2003 HK$'000
Turnover (note)							
External sales	1,723,846	554,554	231,177	694,282	107,303	-	3,311,162
Inter-segment sales	1,461	98,643	71	15,489	10,405	(126,069)	-
	1,725,307	653,197	231,248	709,771	117,708	(126,069)	3,311,162
Segment results (note)	175,069	362,544	(97,163)	83,258	6,278	3,178	533,164
Gain on deemed disposal of subsidiaries							27,726
Gain on disposal of a subsidiary							5,213
Finance costs							(17,202)
Share of losses of							
Jointly controlled entities	-	-	-	(47,080)	-		(47,080)
Associated companies	-	-	-	(16,734)	-		(16,734)
Profit before taxation							485,087
Taxation							(25,378)
Profit after taxation							459,709
Minority interests							(18,711)
Profit attributable to shareholders							440,998
Segment assets	3,343,659	215,535	162,231	537,168	122,439		4,381,032
Jointly controlled entities	-	-	-	3,737	18,977		22,714
Associated companies	120,883	-	-	117,351	-		238,234
Investment securities	-	3	-	2,117	1,538		3,658
Loans to investee companies	-	13,200	-	-	-		13,200
Unallocated assets							58,522
Total assets							4,717,360
Segment liabilities	285,635	86,473	111,406	123,171	17,871		624,556
Unallocated liabilities							713,472
Total liabilities							1,338,028
Capital expenditure	509,634	13,983	11,022	14,545	2,151		551,335
Depreciation and amortisation	149,440	5,718	16,386	57,065	8,837		237,446
Impairment of fixed assets	-	-	15,978	-	-		15,978
Other non-cash expenses	31,857	9,405	54,015	-	-		95,277

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	-	-	148,527	-	24,528		173,055
Segment results	-	-	(87,673)	-	9,232		(78,441)

2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Secondary reporting format - geographical segments

	Turnover 2004 HK$'000	Segment results 2004 HK$'000	Total assets 2004 HK$'000	Capital expenditure 2004 HK$'000
Hong Kong	**2,281,105**	**587,331**	**3,406,310**	**115,523**
Taiwan	**703,831**	**155,050**	**540,143**	**20,006**
USA and Canada	**208,667**	**106,873**	**123,375**	**4,975**
Australia	**60,510**	**(11,933)**	**16,113**	**473**
Europe	**78,953**	**(19,119)**	**88,195**	**913**
Mainland China	**104,922**	**56,571**	**21,806**	**1,229**
Malaysia and Singapore	**337,056**	**184,095**	**78,750**	**-**
Other countries	**41,892**	**22,523**	**32,528**	**28**
	3,816,936	**1,081,391**	**4,307,220**	**143,147**
Jointly controlled entities			**18,722**	
Associated companies			**261,713**	
Investment securities			**3,705**	
Loans to investee companies			**14,263**	
Other investments			**189,432**	
Unallocated assets			**37,855**	
Total assets			**4,832,910**	

	Turnover 2003 HK$'000	Segment results 2003 HK$'000	Total assets 2003 HK$'000	Capital expenditure 2003 HK$'000
Hong Kong	1,819,702	184,045	3,489,441	523,471
Taiwan	671,171	145,446	495,230	14,413
USA and Canada	217,557	9,703	130,682	7,043
Australia	53,318	(32,410)	17,206	1,670
Europe	90,149	6,305	104,989	4,295
Mainland China	104,237	50,841	28,530	124
Malaysia and Singapore	326,310	161,275	87,172	-
Other countries	28,718	7,959	27,782	319
	3,311,162	533,164	4,381,032	551,335
Gain on deemed disposal of subsidiaries		27,726		
Gain on disposal of a subsidiary		5,213		
Operating profit		566,103		
Jointly controlled entities			22,714	
Associated companies			238,234	
Investment securities			3,658	
Loans to investee companies			13,200	
Unallocated assets			58,522	
Total assets			4,717,360	

3 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2004	2003
	HK$'000	HK$'000
Crediting		
Gain on disposal of fixed assets	**1,586**	1,613
Net exchange gain	**2,558**	8,467
Charging		
Auditors' remuneration	**3,185**	3,309
Non-audit service fees paid to principal auditors (mainly tax services)	**631**	907
Cost of programmes, film rights and stocks	**1,311,297**	1,151,008
Depreciation - owned fixed assets	**269,748**	235,107
Depreciation - leased fixed assets	**27**	212
Impairment of fixed assets	**-**	15,978
Provisions for onerous contracts (note 24)	**-**	95,277
Amortisation of goodwill (note 12)	**7,397**	2,127
Operating leases		
- Equipment and transponders	**64,137**	92,884
- Land and buildings	**24,654**	108,337
Staff costs, excluding directors' emoluments (note 4)	**1,160,175**	1,156,371

4 STAFF COSTS

	2004	2003
	HK$'000	HK$'000
Wages and salaries	**1,085,380**	1,074,010
Pension costs - defined contribution plans	**67,885**	76,479
Pension costs - defined benefits plans	**6,910**	5,882
	1,160,175	1,156,371

5 DIRECTORS' EMOLUMENTS

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

	2004	2003
	HK$'000	HK$'000
Fees	**2,173**	1,298
Salaries and allowances	**10,988**	6,338
Discretionary bonuses	**2,300**	2,050
Pension contributions	**687**	498
	16,148	10,184

The emoluments disclosed above include HK$345,000 (2003: HK$203,000) paid to independent non-executive directors.

5 DIRECTORS' EMOLUMENTS (Continued)

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

Emolument bands	Number of directors in each band	
	2004	2003
HK$Nil - HK$1,000,000	**8**	8
HK$1,000,001 - HK$1,500,000	**-**	1
HK$3,500,001 - HK$4,000,000	**-**	2
HK$4,000,001 - HK$4,500,000	**2**	-
HK$5,500,001 - HK$6,000,000	**1**	-
	11	11

During the year, a director, Kevin Lo Chung Ping, has waived fees payable to him as director and executive committee member of the company totalling HK$105,000 (2003: HK$85,000).

6 FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the group for the year include three (2003: two) directors whose emoluments are reflected in the analysis presented in note 5. The emoluments payable to the remaining two (2003: three) individuals during the year are as follows:

	2004	2003
	HK$'000	HK$'000
Salaries and allowances	**5,666**	8,575
Bonuses	**1,083**	1,192
Pension contibutions	**555**	571
	7,304	10,338

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

Emolument bands	Number of individuals in each band	
	2004	2003
HK$2,500,001 - HK$3,000,000	**-**	1
HK$3,000,001 - HK$3,500,000	**1**	-
HK$3,500,001 - HK$4,000,000	**-**	2
HK$4,000,001 - HK$4,500,000	**1**	-
	2	3

7 FINANCE COSTS

	2004	2003
	HK$'000	HK$'000
Interest on overdrafts, bank loans and other loans		
- wholly repayable within five years	**4,286**	14,375
- not wholly repayable within five years	**2,682**	2,762
Interest element of finance leases	**38**	65
Interest element of land premium paid	**-**	2,071
Total borrowing costs incurred	**7,006**	19,273
Less : Amount capitalised in land and buildings	**-**	(2,071)
	7,006	17,202

In 2003, the capitalisation rate applied to the amount of borrowing costs being capitalised in land and buildings was 6.75% per annum.

8 TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	2004	2003
	HK$'000	HK$'000
Current taxation:		
- Hong Kong profits tax	**80,863**	7,673
- Overseas taxation	**34,209**	6,011
- Under/(over) provisions in prior years	**2,580**	(4,674)
Deferred taxation relating to the origination and reversal of temporary differences	**34,660**	10,950
Deferred taxation resulting from an increase in tax rate	**-**	5,418
	152,312	25,378

8 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:

	2004	2003
	HK$'000	HK$'000
Profit before taxation	**901,884**	485,087
Calculated at a taxation rate of 17.5% (2003: 17.5%)	**157,830**	84,890
Effect of different taxation rates in other countries	**(37,070)**	(55,633)
Income not subject to taxation	**(13,799)**	(7,003)
Expenses not deductible for taxation purposes	**5,956**	20,878
Tax losses not recognised	**46,327**	17,557
Utilisation of previously unrecognised tax losses	**(4,690)**	(27,456)
Tax credit allowance	**(2,599)**	(2,326)
Others	**(2,223)**	(6,273)
Under/(over) provisions in prior years	**2,580**	(4,674)
Increase in opening net deferred tax liabilities resulting from an increase in tax rate	**-**	5,418
	152,312	25,378

9 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the company to the extent of HK$648,509,000 (2003: HK$237,174,000).

10 DIVIDENDS

	2004	2003
	HK$'000	HK$'000
Interim dividend paid of HK$0.20 (2003: HK$0.20) per ordinary share	**87,600**	87,600
Proposed final dividend of HK$0.80 (2003: HK$0.60) per ordinary share	**350,400**	262,800
	438,000	350,400

At a meeting held on 23 March 2005, the directors declared a final dividend of HK$0.80 per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ended 31 December 2005.

11 EARNINGS PER SHARE

The earnings per share is calculated based on the group's profit attributable to shareholders of HK$719,415,000 (2003: HK$440,998,000) and 438,000,000 shares in issue throughout the years ended 31 December 2004 and 2003. No fully diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

12 INTANGIBLE ASSETS

	Goodwill
	HK$'000
Year ended 31 December 2004	
Opening net book amount	62,739
Amortisation charge	(7,397)
Closing net book amount	**55,342**
At 31 December 2004	
Cost	64,866
Accumulated amortisation	(9,524)
Net book amount	**55,342**
At 31 December 2003	
Cost	64,866
Accumulated amortisation	(2,127)
Net book amount	62,739

13 FIXED ASSETS

(a) Group

	Land and buildings	Leasehold improvements	Studio, broadcasting and transmitting equipment	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost						
At 1 January 2004	1,245,659	96,697	1,475,698	603,340	37,773	3,459,167
Exchange differences	2,377	1,591	9,420	2,135	310	15,833
Additions	1,706	1,998	109,251	25,632	4,560	143,147
Transfers	-	-	4,072	(4,072)	-	-
Disposals	-	(5,154)	(16,601)	(9,925)	(2,319)	(33,999)
At 31 December 2004	**1,249,742**	**95,132**	**1,581,840**	**617,110**	**40,324**	**3,584,148**
Accumulated depreciation and impairment						
At 1 January 2004	39,820	67,644	807,005	149,491	29,976	1,093,936
Exchange differences	173	1,406	7,465	1,410	271	10,725
Charge for the year	42,736	11,669	157,000	54,190	4,180	269,775
Transfers	-	-	1,596	(1,596)	-	-
Written back on disposals	-	(5,121)	(15,943)	(9,733)	(2,319)	(33,116)
At 31 December 2004	**82,729**	**75,598**	**957,123**	**193,762**	**32,108**	**1,341,320**
Net book value						
At 31 December 2004	**1,167,013**	**19,534**	**624,717**	**423,348**	**8,216**	**2,242,828**
At 31 December 2003	1,205,839	29,053	668,693	453,849	7,797	2,365,231

Notes:

(i) The net book value of leased assets as at 31 December 2004 comprised furniture, fixtures and equipment of HK$1,000 (2003: HK$4,000) and motor vehicles of HK$ nil (2003: HK$24,000).

(ii) At 31 December 2004, fixed assets with net book value amounting to HK$109,894,000 (2003: HK$107,292,000) were pledged as security for the group's short term loans and long term liabilities.

(iii) At 31 December 2004, interest capitalised in land & buildings and other fixed assets amounted to HK$19,859,000 (2003: HK$19,859,000) and HK$5,157,000 (2003: HK$5,157,000) respectively.

(iv) No depreciation is provided for studio, broadcasting and transmission equipment with cost of HK$617,000 (2003: HK$44,779,000) and furniture, fixture and equipment with cost of HK$824,000 (2003: HK$18,802,000) as they cannot be put to effective use at the year end.

13 FIXED ASSETS (Continued)

(a) Group (Continued)

(v) The group's interests in land and buildings at their net book values are analysed as follows:

	2004	2003
	HK$'000	HK$'000
Outside Hong Kong, freehold	115,785	114,732
In Hong Kong, lease of between 10 to 50 years	1,051,228	1,091,107
	1,167,013	1,205,839

(b) Company

	Land and buildings in Hong Kong, lease of between 10-50 years	Leasehold improvements	Studio, broadcasting and transmitting equipment	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost						
At 1 January 2004	1,122,169	14,186	1,042,755	494,796	26,765	2,700,671
Additions	1,652	-	91,979	14,257	3,623	111,511
Transferred from subsidiaries	-	-	-	5	-	5
Disposals	-	-	(7,459)	(5,175)	(2,319)	(14,953)
At 31 December 2004	**1,123,821**	**14,186**	**1,127,275**	**503,883**	**28,069**	**2,797,234**
Accumulated depreciation						
At 1 January 2004	31,062	14,186	518,682	79,604	20,414	663,948
Charge for the year	41,531	-	111,930	39,586	3,306	196,353
Transferred from subsidiaries	-	-	-	3	-	3
Written back on disposals	-	-	(7,008)	(5,106)	(2,319)	(14,433)
At 31 December 2004	**72,593**	**14,186**	**623,604**	**114,087**	**21,401**	**845,871**
Net book value						
At 31 December 2004	**1,051,228**	**-**	**503,671**	**389,796**	**6,668**	**1,951,363**
At 31 December 2003	1,091,107	-	524,073	415,192	6,351	2,036,723

Notes:

(i) At 31 December 2004, interest capitalised in land and buildings amounted to HK$19,859,000 (2003: HK$19,859,000).

(ii) No depreciation is provided for studio, broadcasting and transmission equipment with cost of HK$617,000 (2003: HK$44,779,000) and furniture, fixtures and equipment with cost of HK$824,000 (2003: HK$18,802,000) as they cannot be put to effective use as at year end.

14 SUBSIDIARIES

	Company	
	2004	2003
	HK$'000	HK$'000
Unlisted shares, at cost	**600**	693
Amounts due from subsidiaries (note)	**389,360**	619,798
Amounts due to subsidiaries (note)	**(13,920)**	(284,469)
	376,040	336,022

Note: The amounts due from/(to) the subsidiaries are unsecured and interest free, and have no fixed terms of repayment.

Details of the subsidiaries are listed in note 39.

15 JOINTLY CONTROLLED ENTITIES

	Group	
	2004	2003
	HK$'000	HK$'000
Share of net assets	**(2,271)**	3,737
Loan to a jointly controlled entity (note (a))	**20,993**	18,977
	18,722	22,714
Unlisted shares, at cost	**74,007**	74,007

Notes:

(a) The loan to a jointly controlled entity is unsecured and interest free, and has no fixed terms of repayment.

(b) Details of the jointly controlled entities are listed below:

Name	**Place of incorporation**	**Principal activities and place of operation**	**Percentage of interest in ownership**
Hsin Chi Broadcast Co. Ltd.	Taiwan	Satellite digital television broadcasting services in Taiwan	40%
上海新视线互动多媒体有限公司	The People's Republic of China	Internet web portal in Mainland China	50%

16 ASSOCIATED COMPANIES

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Share of net assets	**333,599**	500,001	**-**	-
Loan to an associated company (note (a))	**115,564**	115,564	**115,564**	115,564
Amount due from an associated company (note (b))	**-**	5,319	**-**	5,319
Amount due to an associated company (note (c))	**(187,450)**	(382,650)	**-**	-
	261,713	238,234	**115,564**	120,883
Unlisted shares, at cost	**521,975**	521,975	**-**	-

Notes:

(a) The loan to an associated company is unsecured and carries interest at 8% per annum compounded annually. Details of the terms of repayment are disclosed in note 36(e) to the accounts.

(b) Amount due from an associated company is unsecured, interest free and has no fixed terms of repayment.

(c) The amount represents the unpaid capital contributions to an associated company, Galaxy Satellite TV Holdings Limited ("GSTV"), which is unsecured, interest free and payable when required by GSTV.

Details of the associated companies are listed below:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued shares held	Percentage of interest in ownership
TVB3 Network Company Limited	Thailand	Television production and programming service in Thailand	Ordinary shares of Baht10 each	40%
Galaxy Satellite TV Holdings Limited *	Hong Kong	Investment holding in Hong Kong	Ordinary shares of HK$1 each	49%
Galaxy Satellite Broadcasting Limited *	Hong Kong	Domestic pay television programme service in Hong Kong	Ordinary shares of HK$1 each	#49%

associated company held indirectly by the group

* See also note 21 regarding the remaining ownership interest in these associated companies.

17 INVESTMENT SECURITIES

	Group	
	2004	2003
	HK$'000	HK$'000
Equity securities, at cost		
Unlisted	**21,478**	21,354
Less: Provision for impairment loss	**(17,773)**	(17,696)
	3,705	3,658

18 LOANS TO INVESTEE COMPANIES

	Group	
	2004	2003
	HK$'000	HK$'000
Loans to investee companies	**52,210**	51,084
Less: Provision	**(37,947)**	(37,884)
	14,263	13,200

The loans to the investee companies are unsecured and interest free, and have no fixed terms of repayment, except for an amount of HK$8,271,000 (2003: HK$7,654,000) which carries interest at 2% per annum above the Canadian Prime Rate. The provision was made by the directors for the amounts considered irrecoverable.

19 STOCKS

At 31 December 2004 and 31 December 2003, all stocks are stated at cost.

20 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due from:				
Jointly controlled entities	**-**	1,950	**-**	-
Associated companies	**43,735**	-	**41,842**	-
An investee company	**2,167**	2,105	**-**	-
Related parties	**22,789**	20,388	**-**	-
Trade receivables (note)	**867,318**	833,954	**578,267**	553,498
Less: Provision for doubtful debts	**(66,885)**	(70,912)	**(39,694)**	(38,335)
Prepayments, deposits and other receivables	**155,832**	204,324	**80,136**	113,022
	1,024,956	991,809	**660,551**	628,185

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.

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

At 31 December 2004, the aging analysis of the trade receivables including trading balances due from jointly controlled entities, associated companies, an investee company and related parties is as follows:

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current	**403,890**	400,378	**235,670**	247,004
1-2 months	**209,821**	202,228	**162,361**	154,217
2-3 months	**131,528**	124,803	**105,021**	92,803
3-4 months	**65,386**	59,698	**43,756**	40,684
4-5 months	**29,430**	16,829	**23,830**	6,786
Over 5 months	**66,897**	43,896	**31,128**	12,004
	906,952	847,832	**601,766**	553,498
Trade receivables due from:				
Third parties	**867,318**	833,954	**578,267**	553,498
Jointly controlled entities, associated companies, an investee company and related parties	**39,634**	13,878	**23,499**	-
Non-trading amounts due from jointly controlled entities, associated companies and related parties	**29,057**	10,565	**18,343**	-
	936,009	858,397	**620,109**	553,498

21 OTHER INVESTMENTS

On 16 September 2004, the group entered into a deed of agreement with Intelsat Hong Kong LLC (" Intelsat"), the then 51% shareholder of Galaxy Satellite TV Holdings Limited (" GSTV"), under which Intelsat agreed to transfer its 51% interest in GSTV to the group free of any payment.

As the group is restricted from holding 50% or more of the voting interest in GSTV, the group was granted by the Government of Hong Kong Special Administrative Region a period of twelve months up to 27 December 2005 to secure an independent party to acquire the 51% interest transferred from Intelsat. The directors consider that the interest is held temporarily with a view to its subsequent disposal in the near future. As such, the group has accounted for the unpaid capital contributions in relation to Intelsat's investment in GSTV, amounting to HK$189,432,000, as other investments. An equivalent amount was recognised as an other payable at 31 December 2004 (note 22).

22 TRADE AND OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due to :				
Associated companies	**1,551**	7,794	**-**	-
Related parties	**1,037**	509	**-**	-
Trade payables	**85,232**	93,666	**42,461**	54,903
Other accounts payables and accruals	**450,383**	409,558	**205,219**	198,874
Payable for other investments (note 21)	**189,432**	-	**-**	-
	727,635	511,527	**247,680**	253,777

At 31 December 2004, the aging analysis of the trade payables including trading balances due to associated companies and related parties is as follows:

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current	**59,805**	65,009	**33,034**	45,156
1-2 months	**21,877**	29,690	**8,030**	7,707
2-3 months	**1,662**	3,158	**1,026**	1,894
3-4 months	**1,108**	1,475	**221**	93
4-5 months	**1,095**	848	**143**	5
Over 5 months	**2,273**	1,789	**7**	48
	87,820	101,969	**42,461**	54,903
Trade payables due to:				
Third parties	**85,232**	93,666	**42,461**	54,903
Associated companies and related parties	**2,588**	8,303	**-**	-
	87,820	101,969	**42,461**	54,903

23 BANK DEPOSITS

At 31 December 2004, the group had pledged bank deposits of HK$234,000 (2003: HK$228,000) to secure certain credit facilities granted to a subsidiary of the group.

24 PROVISIONS

	Group		Company	
	Onerous Contracts		Onerous Contracts	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 January	**95,125**	-	**31,857**	-
Provision for onerous contracts	**-**	95,277	**-**	31,857
Less: utilised during the year	**(30,173)**	-	**(21,175)**	-
Less: settlement of onerous contracts	**(37,395)**	-	**-**	-
Less: write back of surplus upon settlement	**(11,832)**	-	**-**	-
Exchange difference	**181**	(152)	**-**	-
At 31 December	**15,906**	95,125	**10,682**	31,857
Analysis of total provisions				
Non-current	**1,045**	62,052	**-**	10,682
Current	**14,861**	33,073	**10,682**	21,175
	15,906	95,125	**10,682**	31,857

25 SHORT TERM BANK LOANS

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Short term bank loans, secured	**-**	22,842	**-**	-
Short term bank loans, unsecured	**2,338**	526,526	**-**	450,000
	2,338	549,368	**-**	450,000

26 PENSIONS OBLIGATIONS

	Group	
	2004	2003
	HK$'000	HK$'000
Obligations on:		
- pensions - defined contribution plans (note (a))	**5,584**	6,188
- pensions - defined benefits plans (note (b))	**16,215**	11,372
	21,799	17,560

Notes:

(a) Pensions - defined contribution plans

Forfeited contributions totalling HK$7,479,000 (2003: HK$2,981,000) were utilised during the year.

Contributions totalling HK$5,584,000 (2003: HK$6,188,000) were payable to the fund at the year end and are included in accounts payable and accruals.

26 PENSIONS OBLIGATIONS (Continued)

(b) Pensions - defined benefits plans

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

The pension plan is a final salary defined benefit plan. The assets of the funded plan are held independently of those of the group, being invested through a central trust fund. The plan is valued by a qualified actuary annually using the projected unit credit method. The latest valuation of the defined benefit plan in Taiwan was carried out as of 31 December 2004 by Client View Management Consulting Co., Ltd.. This valuation showed that the aggregate past service liabilities were fully covered by net assets available for benefits.

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

	Group	
	2004	2003
	HK$'000	HK$'000
Present value of funded obligations	**44,903**	29,449
Fair value of plan assets	**(17,231)**	(13,974)
	27,672	15,475
Unrecognised actuarial losses	**(11,457)**	(4,103)
Liability in the balance sheet	**16,215**	11,372

The amounts recognised in the consolidated profit and loss account were as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Current service cost	**5,600**	5,338
Interest cost	**1,058**	911
Expected return on plan assets	**252**	(367)
Total, included in staff costs (note 4)	**6,910**	5,882

The actual return on plan assets was HK$370,000 (2003: HK$232,000).

Movement in the liability recognised in the balance sheet:

	Group	
	2004	2003
	HK$'000	HK$'000
At 1 January	**11,372**	7,642
Exchange differences	**417**	162
Total expense - as shown above	**6,910**	5,882
Contributions paid	**(2,484)**	(2,314)
At 31 December	**16,215**	11,372

26 PENSIONS OBLIGATIONS (Continued)

(b) Pensions - defined benefits plans (Continued)

The principal actuarial assumptions used were as follows:

	Group	
	2004	2003
	%	%
Discount rate	**3.50**	3.50
Expected rate of return on plan assets	**2.50**	2.75
Expected rate of future salary increases	**3.00**	2.50

27 SHARE CAPITAL

	Number of ordinary shares of HK$0.05 each	**Nominal value**
		HK$'000
Authorised:		
At 1 January 2004 and 31 December 2004	**1,300,000,000**	**65,000**
Issued and fully paid:		
At 1 January 2004 and 31 December 2004	**438,000,000**	**21,900**

28 RESERVES

(a) Group

	Share premium	General reserve	Capital reserve	Legal reserve	Exchange fluctuation reserve	Capital redemption reserve	Retained earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2004	602,026	70,000	864	7,831	(26,468)	40,118	2,579,276	3,273,647
Arising on consolidation								
- subsidiaries	-	-	-	-	5,993	-	-	5,993
- jointly controlled entities	-	-	-	-	91	-	-	91
Exchange translation differences	-	-	-	-	(2,881)	-	2,881	-
Profit for the year	-	-	-	-	-	-	719,415	719,415
Transfers	-	-	-	1,415	-	-	(1,415)	-
2003 Final dividend paid (note 10)	-	-	-	-	-	-	(262,800)	(262,800)
2004 Interim dividend paid (note 10)	-	-	-	-	-	-	(87,600)	(87,600)
At 31 December 2004	**602,026**	**70,000**	**864**	**9,246**	**(23,265)**	**40,118**	**2,949,757**	**3,648,746**
Representing:								
2004 Final dividend proposed							350,400	
Others							2,599,357	
Retained earnings at 31 December 2004							**2,949,757**	
Company and subsidiaries	602,026	70,000	864	9,246	(15,191)	40,118	3,185,609	3,892,672
Jointly controlled entities	-	-	-	-	(7,529)	-	(53,030)	(60,559)
Associated companies	-	-	-	-	(545)	-	(182,822)	(183,367)
At 31 December 2004	**602,026**	**70,000**	**864**	**9,246**	**(23,265)**	**40,118**	**2,949,757**	**3,648,746**

28 RESERVES (Continued)

(a) Group (Continued)

	Share premium	General reserve	Capital reserve	Legal reserve	Exchange fluctuation reserve	Capital redemption reserve	Retained earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2003	602,026	70,000	1,171	7,468	(1,869)	40,118	2,533,418	3,252,332
Arising on consolidation								
- subsidiaries	-	-	-	-	(5,773)	-	-	(5,773)
- jointly controlled entities	-	-	-	-	1,504	-	-	1,504
- associated companies	-	-	-	-	686	-	-	686
Exchange translation differences	-	-	-	-	(21,016)	-	21,016	-
Profit for the year	-	-	-	-	-	-	440,998	440,998
Transfers	-	-	(307)	363	-	-	(56)	-
2002 Final dividend paid	-	-	-	-	-	-	(328,500)	(328,500)
2003 Interim dividend paid (note 10)	-	-	-	-	-	-	(87,600)	(87,600)
At 31 December 2003	602,026	70,000	864	7,831	(26,468)	40,118	2,579,276	3,273,647
Representing:								
2003 Final dividend proposed							262,800	
Others							2,316,476	
Retained earnings at 31 December 2003							2,579,276	
Company and subsidiaries	602,026	70,000	864	7,831	(18,303)	40,118	2,642,629	3,345,165
Jointly controlled entities	-	-	-	-	(7,620)	-	(46,933)	(54,553)
Associated companies	-	-	-	-	(545)	-	(16,420)	(16,965)
At 31 December 2003	602,026	70,000	864	7,831	(26,468)	40,118	2,579,276	3,273,647

28 RESERVES (Continued)

(b) Company

	Share premium	General reserve	Capital redemption reserve	Retained earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2004	602,026	70,000	40,118	2,250,033	2,962,177
Profit for the year	-	-	-	648,509	648,509
2003 Final dividend paid (note 10)	-	-	-	(262,800)	(262,800)
2004 Interim dividend paid (note 10)	-	-	-	(87,600)	(87,600)
At 31 December 2004	**602,026**	**70,000**	**40,118**	**2,548,142**	**3,260,286**
Representing:					
2004 Final dividend proposed				350,400	
Others				2,197,742	
Retained earnings at 31 December 2004				**2,548,142**	
At 1 January 2003	602,026	70,000	40,118	2,428,959	3,141,103
Profit for the year	-	-	-	237,174	237,174
2002 Final dividend paid	-	-	-	(328,500)	(328,500)
2003 Interim dividend paid (note 10)	-	-	-	(87,600)	(87,600)
At 31 December 2003	602,026	70,000	40,118	2,250,033	2,962,177
Representing:					
2003 Final dividend proposed				262,800	
Others				1,987,233	
Retained earnings at 31 December 2003				2,250,033	

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

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

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

Distributable reserves, include retained earnings and general reserve, of the company at 31 December 2004, calculated under section 79B of the Hong Kong Companies Ordinance and amounted to HK$2,618,142,000 (2003: HK$2,320,033,000).

29 LONG TERM LIABILITIES

	Group	
	2004	2003
	HK$'000	HK$'000
Loans, secured	**58,302**	62,182
Obligations under finance leases	**83**	359
	58,385	62,541
Amounts due within one year included under current liabilities	**(9,702)**	(5,276)
	48,683	57,265
The analysis of the above is as follows:		
Bank loans		
- wholly repayable within five years	**29,523**	26,937
- not wholly repayable within five years	**24,526**	30,888
	54,049	57,825
Other loans		
- wholly repayable within five years	**4,253**	4,357
	58,302	62,182
Obligations under finance leases		
- wholly repayable within five years	**83**	359
	58,385	62,541
Amounts due within one year included under current liabilities	**(9,702)**	(5,276)
	48,683	57,265

At 31 December 2004, the group's bank loans and other loans (excluding finance lease liabilities) are repayable as follows:

	Bank loans		Other loans	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
- within one year	**5,366**	4,806	**4,253**	111
- in the second year	**5,623**	5,081	**-**	4,246
- in the third to fifth year	**18,534**	17,050	**-**	-
- after the fifth year	**24,526**	30,888	**-**	-
	54,049	57,825	**4,253**	4,357

29 LONG TERM LIABILITIES (Continued)

At 31 December 2004, the group's finance lease liabilities are repayable as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Within one year	**83**	395
Future finance charges on finance leases	**-**	(36)
Present value of finance lease liabilities	**83**	359

The present value of finance lease liabilities is as follows:

Within one year	**83**	359

30 DEFERRED TAXATION

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

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 January	**72,207**	55,606	**94,365**	63,514
Exchange differences	**(89)**	893	**-**	-
Acquisition of subsidiaries	**-**	(660)	**-**	-
Deferred taxation charge to profit and loss account (note 8)	**34,660**	16,368	**29,165**	30,851
At 31 December	**106,778**	72,207	**123,530**	94,365

Deferred income tax liabilities of HK$317,000 (2003: HK$74,000) have not been established for the withholding and other taxation that would be payable on the unremitted earnings of an investee company.

Deferred income tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. At 31 December 2004, the group has unrecognised tax losses of HK$465,557,000 (2003: HK$471,450,000) to carry forward against future taxable income. These tax losses will expire as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Within 1 year	**-**	1,862
From 2 to 5 years	**1,018**	6,950
After 5 years	**67,343**	74,532
No expiry date	**397,196**	388,106
	465,557	471,450

30 DEFERRED TAXATION (Continued)

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

(a) Group

Deferred tax liabilities

	Accelerated tax depreciation		Others		Total	
	2004	2003	**2004**	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**136,041**	64,403	**4,617**	1,297	**140,658**	65,700
(Credited)/charged to profit and loss account	**(148)**	71,651	**(1,691)**	3,325	**(1,839)**	74,976
Exchange differences	**(8)**	(13)	**5**	(5)	**(3)**	(18)
At 31 December	**135,885**	136,041	**2,931**	4,617	**138,816**	140,658

Deferred tax assets

	Provisions		Tax losses		Others		Total	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**18,138**	-	**29,467**	-	**20,846**	10,094	**68,451**	10,094
(Charged)/credited to profit and loss account	**(15,391)**	18,169	**(16,780)**	29,467	**(4,328)**	10,972	**(36,499)**	58,608
Acquisition of subsidiaries	**-**	-	**-**	-	**-**	660	**-**	660
Exchange differences	**36**	(31)	**(22)**	-	**72**	(880)	**86**	(911)
At 31 December	**2,783**	18,138	**12,665**	29,467	**16,590**	20,846	**32,038**	68,451

30 DEFERRED TAXATION (Continued)

(b) Company

Deferred tax liabilities

	Accelerated tax depreciation		Others		Total	
	2004	2003	**2004**	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**131,633**	62,483	**2,747**	1,031	**134,380**	63,514
(Credited)/charged to profit and loss account	**(1,839)**	69,150	**(1,367)**	1,716	**(3,206)**	70,866
At 31 December	**129,794**	131,633	**1,380**	2,747	**131,174**	134,380

Deferred tax assets

	Provisions		Tax losses		Others		Total	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**5,575**	-	**29,015**	-	**5,425**	-	**40,015**	-
(Charged)/credited to profit and loss account	**(3,706)**	5,575	**(29,015)**	29,015	**350**	5,425	**(32,371)**	40,015
At 31 December	**1,869**	5,575	**-**	29,015	**5,775**	5,425	**7,644**	40,015

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Net deferred tax assets recognised on the balance sheet	**(18,592)**	(23,551)	**-**	-
Net deferred tax liabilities recognised on the balance sheet	**125,370**	95,758	**123,530**	94,365
	106,778	72,207	**123,530**	94,365

31 CONTINGENT LIABILITIES

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees for banking facilities granted to				
- subsidiaries	**-**	-	**128,308**	167,892
- an investee company	**8,756**	1,111	**-**	-
	8,756	1,111	**128,308**	167,892

The directors anticipate that no material liabilities will arise from the above bank and other guarantees which arose in the ordinary course of business.

32 CAPITAL COMMITMENTS

The amounts of commitments for fixed assets are as follows:

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Authorised but not contracted for	**184,390**	169,232	**101,645**	96,663
Contracted but not provided for	**14,845**	73,814	**9,728**	71,038
	199,235	243,046	**111,373**	167,701

The group's share of capital commitments of the jointly controlled entities was nil (2003: nil).

33 OPERATING LEASE COMMITMENTS

At 31 December 2004, the group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Land and buildings				
-not later than one year	**37,077**	42,895	**15,613**	25,064
-later than one year and not later than five years	**51,892**	36,155	**4,266**	18,943
-later than five years	**11,769**	19	**-**	-
	100,738	79,069	**19,879**	44,007
Equipment and transponders				
-not later than one year	**62,427**	98,815	**922**	859
-later than one year and not later than five years	**60,557**	186,244	**1,175**	1,875
-later than five years	**5,537**	81,877	**-**	-
	128,521	366,936	**2,097**	2,734
	229,259	446,005	**21,976**	46,741

34 TELEVISION BROADCASTING LICENCE

The company operates under the terms of a licence granted by the Government of Hong Kong Special Administrative Region which runs for a period of twelve years to 30 November 2015. The licence will be subject to a mid-term review in 2009.

35 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash inflow generated from operations

	2004	2003
	HK$'000	HK$'000
Operating profit	**1,081,391**	566,103
Gain on deemed disposal of subsidiaries	**-**	(27,726)
Gain on disposal of a subsidiary	**-**	(5,213)
Depreciation charges	**269,775**	235,319
Impairment of fixed assets	**-**	15,978
Amortisation of goodwill	**7,397**	2,127
Gain on disposal of fixed assets	**(1,586)**	(1,613)
Provision for onerous contracts	**-**	95,277
Write back of surplus upon settlement of onerous contracts	**(11,832)**	-
Utilisation/settlement of onerus contracts	**(67,568)**	-
In-kind contribution to an associated company (note c)	**(150,000)**	-
Loss on investments	**-**	1,275
Provision for loss on investments	**-**	192
Interest income	**(20,294)**	(3,491)
Exchange differences	**2,056**	(10,094)
Operating profit before working capital changes	**1,109,339**	868,134
Decrease in programmes, film rights and stocks	**156,461**	60,019
Increase in trade and other receivables, prepayments and deposits	**(15,239)**	(10,251)
Increase/(decrease) in trade and other payables and accruals	**30,093**	(62,022)
Increase in pensions obligations - defined benefits plans	**4,843**	3,730
Net cash inflow generated from operations	**1,285,497**	859,610

35 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year:

	Minority interests	Share capital including premium	Long term bank loans	Other loans	Obligations under finance leases	Short term bank loans
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balances at 1 January 2004	83,785	623,926	57,825	4,357	359	549,368
Exchange differences	2,608	-	1,103	7	2	-
Repayments during the year	-	-	(4,879)	(111)	(278)	(549,368)
Additions during the year	-	-	-	-	-	2,338
	2,608	-	(3,776)	(104)	(276)	(547,030)
Share of profits attributable to minority interests	30,157	-	-	-	-	-
Balances at 31 December 2004	**116,550**	**623,926**	**54,049**	**4,253**	**83**	**2,338**
Balances at 1 January 2003	424	623,926	72,148	4,478	462	232,786
Capital contributed by minority shareholders	38,685	-	-	-	-	-
Gain on deemed disposal of subsidiaries	(27,726)	-	-	-	-	-
Acquisition of subsidiaries	54,331	-	-	-	-	-
Exchange differences	(640)	-	1,137	(19)	116	-
Repayments during the year	-	-	(75,509)	(102)	(219)	(232,786)
Additions during the year	-	-	60,049	-	-	549,368
	64,650	-	(14,323)	(121)	(103)	316,582
Share of profits attributable to minority interests	18,711	-	-	-	-	-
Balances at 31 December 2003	83,785	623,926	57,825	4,357	359	549,368

(c) Significant non-cash transaction

During the year, investment in an associated company of HK$150,000,000 was made by way of the provision of programme content to the associated company.

36 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, pursuant to which Shaw granted to the company tenancies of certain office and car parking spaces situated at Shaw House, Lot 220 Clear Water Bay Road, Kowloon, Hong Kong. The term of the two tenancies commenced on 1 July 1997 and 1 November 1997 respectively and both will both expire on 30 June 2005. The amount of rental paid by the company to Shaw during 2004 was HK$17,732,000 (2003: HK$17,732,000).

(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 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 ("Galaxy"), to sub-licence certain office, car parking spaces and satellite antenna farm to Galaxy. The total licence fees paid by Galaxy to the company during 2004 were HK$7,153,000 (2003: HK$3,690,000).

(d) On 4 September 2001, the company entered into a channel supply agreement with Galaxy for the supply of five channels to Galaxy for broadcast on Galaxy's pay television platform in Hong Kong on an exclusive basis for a period of five years commencing from the commercial launch date of Galaxy's service with an option for either party to renew for another five years. The licence fee accrued by the company during 2004 was HK$173,563,000 (2003: nil).

(e) On 20 February 2003, Galaxy 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 Galaxy to the company with interest at the rate of 8% per annum compounded annually. The principal amount and the accrued interest shall be payable by Galaxy to the company in two annual installments on 20 February 2007 and 20 February 2008 respectively, unless Galaxy is publicly floated before either date, whereupon the outstanding principal amount and accrued interest shall be prepaid. The total interest accrued by the company during 2004 was HK$17,833,000, which included the accrued interest for 2003 of HK$7,952,000 (2003: nil).

(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 2004 was nil (2003: HK$1,798,000).

(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. Pursuant to media sales packages of the Taiwan Government successfully bid by Era in 2003 where government advertisements would be aired or printed in 2004, Era was required to place advertisements on cable television channels operated by LYP and magazines of which LYP is appointed as agent in order to meet the requirements laid down by the Taiwan Government for such media sales packages. After deduction of commissions, bonus and rebates, the amount received by LYP from Era during 2004 was HK$9,548,000 (2003: HK$8,590,000).

36 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, pursuant to which 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, pursuant to which (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. On 1 July 2004, the parties renewed the service agreement for another year from 1 July 2004 on the same terms and conditions. The fee paid by LYP to Era during 2004 was HK$1,968,000 (2003: HK$2,789,000).

(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 March 2004, the parties entered into an agreement to renew the arrangement for one year from 1 January 2004 on the same terms and conditions as the original agreement. Under the renewal agreement, the monthly fees payable by Era to LYP was HK$669,000 (NT$3,000,000) and by LYP to Era was HK$334,000 (NT$1,500,000). All amounts payable under the renewal agreement included 5% sales tax. On 1 March 2005, the parties renewed the agreement for another year from 1 January 2005 on the same terms and conditions as the original agreement. The fees received by LYP from Era during 2004 were HK$7,719,000 (2003: HK$8,423,000) and the fees paid by LYP to Era during 2004 were HK$3,859,000 (2003: HK$4,208,000).

(j) In prior years, 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 2004 were nil (2003: HK$3,799,000).

(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 2004 was HK$5,161,000 (2003: HK$5,159,000).

(l) On 21 May 2002, TVBI and MEASAT Broadcast Network Systems Sdn. Bhd. ("MBNS"), an associate of the minority shareholder of three of the company's non-wholly owned subsidiaries, entered into an arrangement for the licence of television programmes by TVBI 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. On 30 September 2004, TVBI and MBNS entered into a new agreement for the same subject matter for a period of 5 years from 1 October 2004 to 30 September 2009 on an exclusive basis. On 14 October 2004 and 14 February 2005, separate addendum to the agreement were entered into between the parties for the clarification of the base month upon which the subscribers guarantee would be calculated and for the increase of revenue sharing receivable by TVBI for revenue generated from hotel and commercial establishments respectively. The income accrued by TVBI during 2004 was HK$82,858,000 (2003: HK$82,235,000).

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(m) On 25 June 2002, TVBI acting as an agent of LYP entered into an arrangement 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. On 30 September 2004, TVBI and MBNS entered into a new agreement for the same subject matter for a period of 5 years from 1 October 2004 to 30 September 2009 on an exclusive basis. On 14 October 2004 and 14 February 2005, separate addendum to the agreement were entered into between the parties for the clarification of the base month upon which the subscribers guarantee would be calculated and for the increase of revenue sharing receivable by LYP for revenue generated from hotel and commercial establishments respectively. The income accrued by LYP during 2004 was HK$23,894,000 (2003: HK$21,767,000).

(n) On 26 June 2002, TVB Satellite TV Entertainment Limited ("TVBSE"), a wholly owned subsidiary of the company, entered into an arrangement 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. On 30 September 2004, TVBSE and MBNS entered into a new agreement for the same subject matter for a period of 5 years from 1 October 2004 to 30 September 2009 on an exclusive basis. On 14 February 2005, an addendum to the agreement was entered into between the parties for the increase of revenue sharing receivable by TVBSE for revenue generated from hotel and commercial establishments. The income accrued by TVBSE during 2004 was HK$29,441,000 (2003: HK$25,988,000).

(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. On 30 September 2004, MBNS and TVBSE entered into a new agreement for the same subject matter for a period of 5 years from 1 October 2004 to 30 September 2009. The income accrued by TVBSE during 2004 was HK$30,315,000 (2003: HK$26,192,000).

(p) On 19 September 2003, TVBI and ASTRO Entertainment Networks Ltd. ("AENL"), an associate of the minority shareholder of three of the company's non-wholly owned subsidiaries, entered into a licensing agreement, pursuant to which, TVBI would license to AENL certain programmes on an exclusive basis for broadcast on free terrestrial television in Indonesia for 2 years commencing from the earlier of 1 January 2004 or when AENL was able to secure the broadcast of programmes on free terrestrial television in Indonesia prior to 1 January 2004. The income accrued by TVBI during 2004 was HK$6,232,000 (2003: nil).

(q) Since 1998, Galaxy has been providing TVBI, TVBSE and TVB (Australia) Pty. Ltd. ("TVBA"), all of which being wholly owned subsidiaries of the company, various uplink and playback services. The service fees paid by TVBI, TVBSE and TVBA to Galaxy during 2004 totalled HK$40,849,000 (2003: HK$36,599,000).

(r) On 11 March 2004, TVBA and Celestial Television Networks Ltd. ("CTNL"), an associate of the minority shareholder of three of the company's non-wholly owned subsidiaries, entered into an agreement, pursuant to which 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 2004 was HK$2,129,000 (2003: nil).

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(s) On 30 September 2004, TVBO Facilities Limited ("TVBOF") and TVB Satellite Broadcasting Limited ("TVBSB"), both wholly owned subsidiaries of the company, entered into separate agreements with MBNS, pursuant to which MBNS appointed TVBOF and TVBSB to provide management services to MBNS for the period from 1 October 2004 to 30 September 2009 at a fixed amount for every period of 12 months. The aggregate management fee accrued by TVBOF and TVBSB during 2004 was HK$7,595,000 (2003: nil).

Apart from the above, the other related party transactions during the year ended 31 December 2004, the amounts of which involved were not significant to the group, included:

- Rental income from leasing of facilities and office premises,
- Income from sub-licensing of news reports rights,
- Income from satellite transmission,
- Income from advertising and sponsorships,
- Expense on acquisition of film rights,
- Expense on providing maintenance services, and
- Rental expense on leasing of production spaces.

37 SUBSEQUENT EVENTS

(a) On 4 February 2005, the group entered into an agreement with the minority shareholder holding the 30% interest in LYP which is not held by the group (the "Shareholding"), underwhich the group agreed to acquire the Shareholding from the minority shareholder at a cash consideration of NT $900 million (approximately HK$220.5 million). Upon completion of the transaction, LYP will become a wholly owned subsidiary of the group. The transaction was approved by the shareholders of the company at an extraordinary general meeting held on 21 March 2005.

The consideration will be funded by internal resources or bank facilities or a combination of both.

(b) On 23 March 2005, the company received additional profits tax assessment notices from the Inland Revenue Department for the year of assessment 1998/99. The total amount of the additional assessments of profits tax payable was HK$80,016,415 which is based on an assessment of profits that was generated by the group's programme licensing and distribution business carried out overseas. The company has objected to these additional assessments. The company believes that the objection is well founded, and is determined to defend the company's position vigorously. On this basis, the company is of the view that no additional tax provision is necessary.

38 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 23 March 2005.

39 SUBSIDIARIES

	Name	Place of incorporation	Issued and fully paid ordinary share capital	Issued and fully paid preference share capital	Percentage of equity capital held by the Group	Percentage of equity capital held by the Company	Principal activities
#	iTVB Holdings Limited	British Virgin Islands	HK$10,000	-	100	100	Investment holding
#	Jade Animation International Limited	Bermuda	US$12,000	-	100	100	Animation investment, licensing and distribution
	Long Wisdom Limited	Hong Kong	HK$2	-	100	100	Dormant
#	OHE Facilities Limited	Bermuda	US$20,000	-	100	100	Inactive
#	TVB Investment Limited	Bermuda	US$20,000	-	100	100	Investment holding
	TVB Music Limited	Hong Kong	HK$1	-	100	100	Production, publishing and licensing of musical works
#	TVB Club Limited	Hong Kong	HK$1	-	100	100	Dormant
#	TVB Satellite TV Holdings Limited	Bermuda	US$12,000	-	100	100	Investment holding
	TVBI Company Limited	Hong Kong	HK$2,000,000	-	100	100	Investment holding and programme licensing
	TVBO Production Limited	Bermuda	US$12,000	-	100	100	Owner of film rights and programme licensing
	Art Limited	Hong Kong	HK$10,000	-	73.68	-	Investment in entertainment and media business
	Capital Empire Limited	British Virgin Islands	US$1,000	-	100	-	Owner of film rights and programme licensing

39 SUBSIDIARIES (Continued)

	Name	Place of incorporation	Issued and fully paid ordinary share capital	Issued and fully paid preference share capital	Percentage of equity capital held by the Group	Percentage of equity capital held by the Company	Principal activities
	CC Decoders Ltd.	United Kingdom	GBP2	-	100	-	Provision of decoders
	Condor Entertainment B.V.	The Netherlands	EUR18,400	-	100	-	Programme licensing and distribution
#	Countless B.V.	The Netherlands	EUR18,400	-	100	-	Inactive
	Countless Entertainment (Taiwan) Co. Ltd.	Taiwan	NT$1,000,000	-	100	-	Investment holding
#	Extra Profit Holdings Limited	British Virgin Islands	HK$1	-	100	-	Investment holding
#	Fairwork Group Limited	British Virgin Islands	US$1,000	-	100	-	Investment holding
#	Golden Star Video Library Sdn. Bhd.	Malaysia	MYR10,000	-	51	-	Inactive
+	Interface Co. Ltd.	Taiwan	NT$199,800,000	-	64.76	-	Magazine publication
#	iTVB Limited	British Virgin Islands	HK$10,000	-	100	-	Investment holding
	Jade Animation Company Limited	Hong Kong	HK$2	-	100	-	Provision of animation services
	Jade Animation Productions Limited	Hong Kong	HK$500,000	-	100	-	Animation productions and investment holding
	Jade Multimedia International Limited	Bermuda	US$12,000	-	100	-	Animation investment, licensing and distribution
+	Liann Yee Production Co. Ltd.	Taiwan	NT$880,000,000	-	70	-	Production of television programmes, leasing of film studios and advertising

39 SUBSIDIARIES (Continued)

Name	Place of incorporation	Issued and fully paid ordinary share capital	Issued and fully paid preference share capital	Percentage of equity capital held by the Group	Percentage of equity capital held by the Company	Principal activities
* Oriental Home Entertainment Inc.	Canada	CAD100	-	100	-	Programme licensing and distribution
Peony Holding N.V.	Netherlands Antilles	US$100	US$6,000	100	-	Investment holding and provision of services for programme productions
# Request Investments Limited	British Virgin Islands	HK$1	-	100	-	Inactive
# Roverly B.V.	The Netherlands	EUR18,400	-	100	-	Inactive
The Chinese Channel Limited	Hong Kong	HK$4	-	100	-	Provision of satellite and subscription television programmes
The Chinese Channel Limited	United Kingdom	GBP1,111	-	100	-	Provision of services for programme productions
The Chinese Channel (France) SAS	France	EUR37,000	-	100	-	Provision of satellite and subscription television programmes
# The Chinese Channel (Holdings) Limited	Cayman Islands	GBP89,640	-	100	-	Investment holding
# Toysters Animation International Ltd.	British Virgin Islands	US$1,000	-	55	-	Dormant
TVB (Australia) Pty. Ltd.	Australia	A$5,500,000	-	100	-	Provision of satellite and subscription television programmes
TVB Facilities Limited	Hong Kong	HK$10,000	-	100	-	Provision of services for programme productions
* TVB Holdings (USA) Inc.	USA	US$6,010,000	-	100	-	Investment holding and programme licensing and distribution

39 SUBSIDIARIES (Continued)

Name	Place of incorporation	Issued and fully paid ordinary share capital	Issued and fully paid preference share capital	Percentage of equity capital held by the Group	Percentage of equity capital held by the Company	Principal activities
TVB International Limited	Hong Kong	HK$10,000	-	100	-	Inactive
TVB Macau Company Limited	Macau	MOP25,000	-	100	-	Provision of services for programmes productions
# TVB (Mauritius) Limited	Mauritius	US$2	-	100	-	Investment holding
# TVB (Overseas) Limited	Bermuda	US$12,000	-	100	-	Investment holding
§ TVB Publishing Holding Limited	Hong Kong	HK$8,550,000	-	73.68	-	Investment holding
TVB Publications Limited	Hong Kong	HK$20,000,000	-	73.68	-	Magazine publications
TVB Satellite Broadcasting Limited	Hong Kong	HK$2	-	100	-	Provision of programming and channel services
* TVB Satellite Platform, Inc.	USA	US$3,000,000	-	100	-	Provision of satellite and subscription television programmes
TVB Satellite TV Entertainment Limited	Bermuda	US$12,000	-	100	-	Provision of satellite and subscription television programmes
TVB Satellite TV (HK) Limited	Hong Kong	HK$2	-	100	-	Provision of subscription television programmes
# TVB (Shanghai Holdings) Limited	British Virgin Islands	US$1	-	100	-	Dormant
TVB (UK) Limited	United Kingdom	GBP2	-	100	-	Investment holding
* TVB (USA) Inc.	USA	US$10,000	-	100	-	Provision of satellite and subscription television programmes
TVB Video (UK) Limited	United Kingdom	GBP1,000	-	100	-	Property rental

39 SUBSIDIARIES (Continued)

Name	Place of incorporation	Issued and fully paid ordinary share capital	Issued and fully paid preference share capital	Percentage of equity capital held by the Group	Percentage of equity capital held by the Company	Principal activities
TVB.COM Limited	Hong Kong	HK$2	-	100	-	Internet web portal
TVBO Facilities Limited	Bermuda	US$12,000	-	100	-	Provision of services for programme productions
# Zennora Group Limited	British Virgin Islands	US$1,000	-	100	-	Investment holding
* 翡翠多媒体设计(上海)有限公司	The People's Republic of China, limited liability company	US$350,000	-	100	-	Animation design and productions

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

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

\# The accounts of these subsidiaries are not audited.

§ On 30 November 2001, TVB Publishing Holding Limited issued a total of 9,000,000 ordinary shares (with a par value of HK$0.10 per share) at HK$8.60 per share to its minority shareholders as unpaid shares. These shares will not be entitled to voting and dividends rights until they are fully paid. As at 31 December 2004, 4,500,000 ordinary shares were paid and the balance of 4,500,000 ordinary shares were outstanding.

\+ Upon the approval by shareholders at the extraordinary general meeting held on 21 March 2005 for the purchase of 30% issued share capital in LYP, the group's effective equity interest in Interface Co. Ltd. and LYP increased to 92.51% and 100% respectively (note 37(a)).

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