(c) Magazine Publishing

Advertising revenue declined in the first half of 2003 due to the outbreak of SARS. However, June brought recovery, and it is anticipated that first-half revenue shortfalls will be made up through increased sales efforts in the second half of 2003.

New Business - Hong Kong Pay TV

In February, Intelsat and TVB announced an agreement to provide pay television services in Hong Kong through Galaxy Satellite Broadcasting Limited ("GSBL"). Intelsat now owns 51% of GSBL and TVB owns 49%. GSBL will commence the delivery of pay TV services to Hong Kong subscribers in the fourth quarter of this year. TVB will exclusively provide GSBL a package of five channels. Channel packaging and programme production preparations commenced in the second quarter. GSBL is also licensed to provide teleport services in Hong Kong.

Financial Review

(a) Capital Structure, Debts And Liquidity

In compliance with Section 2 Third Schedule of the Domestic Free Television Programme Service Licence, TVB has reduced its interest to less than 50% in a wholly owned subsidiary company, Galaxy Satellite Broadcasting Limited ("GSBL") which holds a licence to operate pay TV services in Hong Kong. As a result, GSBL is reclassified as an associate company in these accounts now submitted. It has therefore to some extent distorted the comparatives of the two periods under review. The disposal has brought the Group a profit of HK$5.2 million and it has been taken to the accounts in the reporting period.

On 30 November 2001, MEASAT Broadcast Network System (BVI) Ltd. ("MBNS(BVI)") and Home Net N.V. ("HomeNet") were each issued 4,500,000 shares of TVB.COM Limited ("TVB.COM") unpaid at HK$8.60 per share. These shares, which did not carry voting or dividend rights until paid for, were to be paid for by four equal instalments. Two of these instalments were received by the end of February 2003, thus increasing MBNS (BVI)'s interest in TVB.COM to 18.42% and HomeNet's interest to 7.9%. This transaction is accounted for as a deemed disposal of the Group's interest in TVB.COM resulting in a profit of HK$27.7 million. TVB.COM changed its name to TVB Publishing Holding Limited on 12 December 2001.

During the reporting period, the Group has acquired additional interest in the Taiwan associate, Interface Co. Ltd., ("Interface") for a cumulative percentage of 59.3%, therefore Interface is now reclassified in these accounts as a subsidiary company. However, because of its small size, this reclassification has only modest impact on comparatives. The acquisition has incurred purchased goodwill of HK$6.8 million that will be amortized straight-line over five years.

The new TVB City Project at Tseung Kwan O has been effectively completed, with only some touch-up work remaining to be finished by the end of the year. All capital expenditures for this project should be booked to the accounts within this year. As of 30 June 2003, fixed assets of the Group increased by HK$91 million over year-end 2002, understated by the GSBL impact to the amount of HK$102 million. There will be further CAPEX of HK$279 million to be booked to the accounts during the remainder of the year for the new TVB City Project and for the Channel Supply Agreement entered into with GSBL on 4 September 2001 consequent to an open bidding process for the supply to GSBL of five pay TV channels.

Cash and bank balances as of 30 June 2003 stood at HK$383 million, a 6% increase over HK$362 million held at year-end 2002. The cash and bank balances position has taken into account the Group's cash investment of HK$138 million in the pay TV joint venture with Intelsat, paid on 20 February 2003. To finance further investment required and additional CAPEX, sufficient banking facilities have been arranged. Cash and cash equivalents held by the Group were principally in Hong Kong Dollars and US Dollars and were not related to debts.

Reflecting a lower billing for local advertising in the first half, accounts receivable fell by 10% from the position at year-end 2002. Accounts payable were in line with the 2002 year-end figure .

The Group recorded a gearing ratio of 24.3% as of 30 June 2003, compared to 10.8% at the end of last year. It was measured by total debts of HK$754 million (December 2002: HK$356 million) against a shareholders' fund of HK$3,102 million (December 2002: HK$3,274 million). The increase was due to additional loans drawn on bank mainly to finance the Pay TV Joint Venture, the new TVB City Project and a changed net worth.

– Debts increased over last year by HK$398 million due to the aforesaid additional short term loan.

– Debts consisted of short and long term bank loans and bank overdrafts taken out for purchase of properties, equipment and studio facilities in Taiwan and the new TVB City, etc. Loans totalling HK$177 million (December 2002: HK$162 million) were secured by assets of subsidiary companies.

– All debts are subject to floating rates of interest at an agreed percentage above the prevailing lending rates of the banks.

– The maturity profile of the debts as of 30 June 2003 was as follows: within one year, HK$695 million (92% - loans required mainly for TVB City Project/Pay TV Joint Venture can be extended if not wholly repaid out of operating fund); in the second year, HK$9 million (1%); in the third to fifth years, HK$16 million (2%) and after the fifth year, HK$34 million (5%).

– Debts were denominated mainly in Hong Kong Dollars (66%), New Taiwan Dollars (26%), British Pounds (7%), and other currencies, such as US and Australian Dollars.

– The Group had no committed borrowing facilities during the period.

Capital commitments of the Group, excluding the Group's share of commitments for jointly controlled entities, decreased by 47% to HK$318 million (December 2002: HK$606 million).

Apart from what we have reported above, there was no material acquisition or disposal of subsidiaries or associated companies during the period.

(b) Contingent Liabilities

There were guarantees to the extent of HK$1.8 million (December 2002: HK$89.6 million) provided to bankers for banking facilities. The guarantee provided to bank for the performance bond issued to the HKSAR Government of HK$88 million has been uplifted and replaced by security provided by GSBL, for which the Company owns only 49% of the equity interest.

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

As of 30 June 2003, exchange contracts worth HK$46.4 million had been entered into with bankers to sell forward certain foreign currencies in order to hedge against fluctuations that might impact the value of trade receipts from overseas customers. A potential loss of HK$184,000 on these contracts has not been recognized in the accounts.

HUMAN RESOURCES

As of 30 June 2003, excluding directors and freelance workers, but including contract artistes and staff in overseas subsidiary companies, the Group employed a total of 5,029 fulltime employees (December 2002: 5,039). About 27% of these were employed in overseas subsidiaries and were paid on a scale and system relevant to their localities and local legislation. For local employment, different pay schemes are operated for contract artistes, sales and non-sales employees. Contract artistes are paid either on a show basis, or a package of shows. Sales personnel are remunerated based on on-target-earning packages comprised of salary and sales commissions. Non-sales personnel are offered a monthly salary. The year-end bonus equivalent to one-month's salary was withdrawn from 1 January 2002. There was no share option scheme adopted by the Group during the period. From time to time, the Group organizes, either in-house or with vocational institutions, seminars, courses and workshops on subject of technical interest, such as industrial safety, management skills and other related studies. The Group also sponsors training programmes that employees may enroll on their own initiative.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2003, the Company has not redeemed any of its shares. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares.

CORPORATE GOVERNANCE

During the six months ended 30 June 2003, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Exchange") save that independent non-executive directors who have not been appointed for a specific term are subject to retirement by rotation as specified by the Company's Articles of Association.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30 June 2003.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2003, 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%
Li Dak Sum	-	-	300,000 *(c)*	300,000	0.07%
Louis Page	200,000	-	-	200,000	0.04%
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".*