The directors of Television Broadcasts Limited ("Directors") are pleased to present the interim report and condensed accounts for the six months ended 30 June 2005 in respect of Television Broadcasts Limited (the "Company" or "TVB") and its subsidiaries (the "Group"). The consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 30 June 2005, and the consolidated balance sheet of the Group as at 30 June 2005, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 11 to 44 of this report.

INTERIM DIVIDEND

The Directors are pleased to declare an interim dividend of HK$0.25 (2004: HK$0.20) per share for 438,000,000 issued shares.

The Register of Members of the Company will be closed from 20 September 2005 to 22 September 2005, both dates inclusive, during which period, no transfer of shares will be effected. In order to qualify for the above interim dividend, all transfers must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on Friday, 16 September 2005. Dividend warrants will be despatched to shareholders on 29 September 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

Operating Results for the Period

For the six months ended 30 June 2005 (the "Period"), the Group achieved a turnover of HK$1,853 million (2004: HK$1,696 million), which represented an increase of 9.3%. Cost of sales amounted to approximately HK$805 million (2004: HK$899 million), which represented a reduction of 10.5%. Gross profit for the Period amounted to HK$1,048 million (2004: HK$797 million), which represented a gross profit percentage of 56.6% (2004: 47.0%)

Selling, distribution and transmission costs for the Period amounted to HK$226 million (2004: HK$225 million). General and administrative expenses for the Period totaled HK$219 million (2004: HK$241 million), which represented a decrease of 9.1%. The reason for the decrease was primarily attributable to lower staff costs which resulted from the streamlining of resources in 2004. Finance costs for the Period was reduced to HK$1 million (2004: HK$4 million), as the Group had a low level of bank borrowings during the Period.

The Group's share of losses of the 49% equity interest in Galaxy Satellite TV Holdings Limited ("GSTV"), an associated company, amounted to HK$99 million (2004: HK$77 million), which represented an increase of 28.6%. This was due to the increase in advertising and promotion costs of Galaxy Satellite Broadcasting Limited ("GSB"), in association with the re-branding exercise to rename its pay TV platform to *"SuperSUN"* which took place in May 2005. There was no sharing of losses by the Group relating to the 51% equity interest in GSTV, as the control of this portion of the interest was temporary.

A change in fair value of financial assets, which comprised the 51% equity interest in GSTV, of approximately HK$149 million, was recorded in the condensed consolidated income statement during the Period. This recognition of the increase in value of the financial assets is in compliance with Hong Kong Accounting Standard 39 on Financial Instruments to reflect the changes in the value of such investments by reference to their fair value, and is non-recurring. The 51% equity interest in GSTV was disposed of subsequent to the balance sheet date.

The Group's taxation charge amounted to HK$115 million (2004: HK$43 million), which represented an increase of 167.4%. The increase was attributable to the rise in the provision for Hong Kong profits tax due to increase in the advertising revenue derived in Hong Kong, and a provision for deferred income tax of HK$29 million on the undistributed profits of an overseas subsidiary.

As a result, profit attributable to equity holders of the Company for the Period amounted to HK$545 million (2004: HK$217 million), which represented an increase of 150.8%. Earnings per share increased to HK$1.25 (2004: HK$0.50).

Included in cost of sales were the costs of programme, film rights and stocks for the Period which amounted to HK$519 million (2004: HK$627 million). This decrease of 17.2% resulting from comparing the costs for the Period with the same period of last year, was attributable to adoption of a different compilation of programmes, primarily on *Jade* during prime time, which may vary from season to season taking into account audience taste and market trend.

Through a better mix of programming and scheduling between in-house production and acquired programmes, we have been able to optimise on our programme stock levels.

Business Review and Prospect

Terrestrial Television Broadcasting

Retail sales in Hong Kong grew by 7.9% in value in the first six months of this year compared with the same period of last year. The growth was strongest in the clothing (+13.0%) and jewellery/watches categories (+11.0%) but slightly weaker in the supermarket (+5.7%) category, which indicates less growth for fast moving consumer goods.

Against this background, TVB's Hong Kong advertising revenue for the first half of 2005 increased by 9.4%.

Advertisers in the skin care and milk powder categories continued to find TV advertising very impactful and their strong spending contributed significantly to our growth. We were also successful in gaining a fair share of the strong resurgence in local property advertising and this too was a major contributor to growth. In the services sector, we were able to secure strong growth from airlines, finance companies, mobile phone services and travel agents.

While the Company will continue to seek growth in airtime revenue for the rest of the year from these strong sectors, we must be prudent in our expectations of the quantum of the growth. Thus, we would also look to develop growth in hitherto weaker performing sectors through non-traditional advertising products, such as programme sponsorships, product sponsorships and event sponsorships.

In terms of viewership, *Jade* and *Pearl* continued to gain strong audience support during the Period. *Jade* achieved an average of 84% weekday prime time (7-11pm) audience share of terrestrial Chinese channels; and *Pearl* garnered a weekly prime time (7pm to midnight) average of 74% audience share of terrestrial English channels.

Discussion with the Government for the implementation of digital terrestrial television in Hong Kong continued during the Period, and good progress has been made.

Programme Licensing and Distribution

Revenue from programme licensing and distribution during the Period amounted to HK$285 million, which approximated the revenue recorded in the same period of last year of HK$286 million. Home video distribution revenue is under pressure in some of our markets owing to pirated compressed video discs ("HDVD") and illegal downloading.

On the other hand, our program library and continuous production capacity afford us the opportunity to explore new means of distribution, such as video-on-demand and mobile services. These new means of distribution will add positive elements to our business and will hopefully compensate for the slowdown in the traditional markets.

Overseas Satellite Pay TV Operations

TVB Satellite Platform ("TVBSP") USA

Subscription growth in TVBSP was affected by the increasing competition in the Chinese TV services in the USA. In the first half of 2005, our subscribers grew by a moderate single digit. This changing landscape prompted the need for TVBSP to expand its service into other Asian markets. TVBSP is planning to capitalise on its huge content library, and to compile more Asian language services such as Vietnamese and Putonghua programming for the mainstream satellite and cable platform operators in the USA.

TVB Australia ("TVBA")

Our Jadeworld platform service in Australia sustained its growth momentum. Our Mainland China TV content which comprised CCTV-4 and DragonTV was further strengthened by the inclusion of Hunan TV, making Jadeworld an 11-channel package. Based on the enhanced Jadeworld package, we have successfully imposed a moderate increase of subscription fee since March 2005. The Jadeworld carnival in Sydney in June 2005 boosted Jadeworld's image and enhanced the relationship between TVBA and the local Chinese communities.

The Chinese Channel ("TCC") Europe

Subscriber base in TCC saw mild growth during the six-month period up to 30 June 2005.

As part of the overall improvement of system efficiency and technical support, TCC is adopting the same subscriber management system currently used by TVBA. The change is to be completed by the end of 2005, and will coincide with promotional activities in London and Paris. TCC is also developing the European market via cable and IPTV operators.

Channel Operations

Taiwan

Competition in Taiwan's TV market continues to be challenging due to the high number of channels available. The reshuffling of the channels' numbering system at the beginning of the year added to the confusion. The popularity of some Korean dramas also affected the audience share of the traditional programmes. In spite of these adverse elements, ratings of TVBS channels remain high.

TVB8 and Xing He

The revenue of TVB8 and Xing He grew as a result of the subscription growth in Malaysia and the launch of Xing He in the cable TV networks in Vietnam and Thailand.

TVB8 shall continue to target young educated viewers and focus on improving our distribution network in Mainland China.

Supply of Channels to GSB

The Company continued to supply TV programmes in Cantonese to GSB during the Period under a license supply agreement dated 4 September 2001. The six channels comprised 24-hour news channel *tvbN*, TVB's classic drama channel *tvbChoice*, interactive consultation and health advices channel *tvbHealth*, music channel *tvbM*, children's channel *tvbQ*, and acquired Asian region and overseas soap operas channel *Drama Select*. By way of an agreement dated 29 June 2005, an amended channel supply agreement was entered into between GSB and TVB whereby certain amendments were agreed which included the supply of the above six channels from exclusive basis to non-exclusive basis.