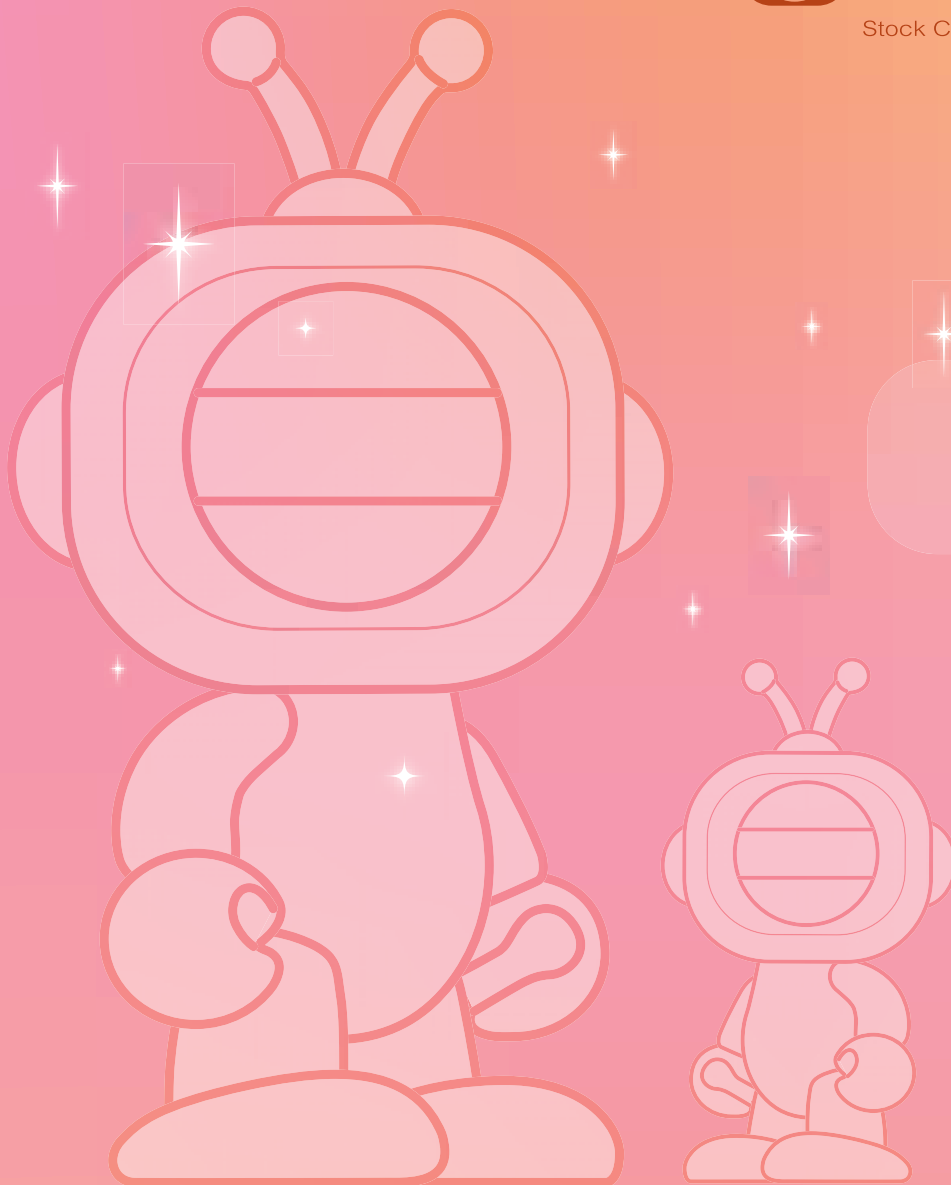


TVB 2011 Annual Report



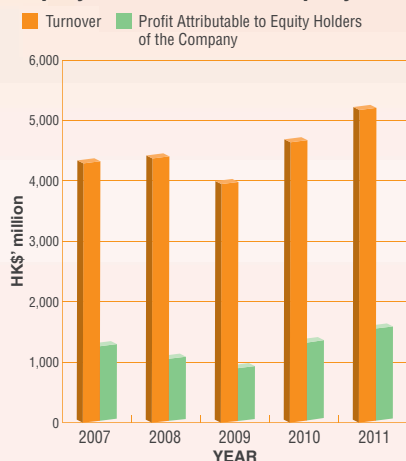
Television Broadcasts Limited
電視廣播有限公司

Stock Code : 00511

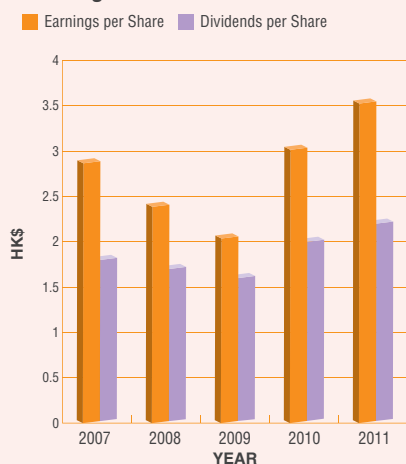


Financial Highlights

Turnover & Profit Attributable to Equity Holders of the Company



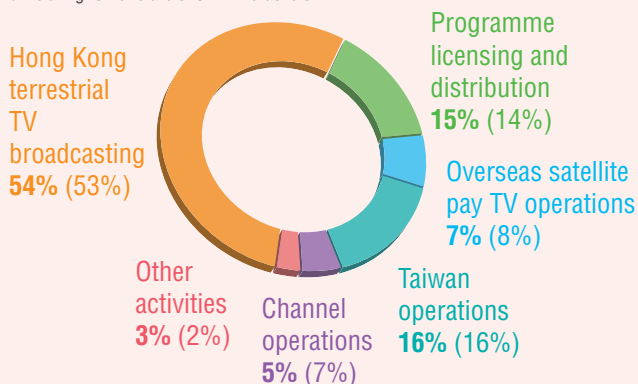
Earnings & Dividends Per Share



	2011	2010	Change
Performance			
Earnings per share	HK\$3.55	HK\$3.04	17%
Dividends per share			
- Interim	HK\$0.45	HK\$0.35	29%
- Final	HK\$1.75	HK\$1.65	6%
	HK\$2.20	HK\$2.00	10%
	HK\$'mil	HK\$'mil	
Turnover			
- Hong Kong terrestrial TV broadcasting	2,858	2,533	13%
- Programme licensing and distribution	903	785	15%
- Overseas satellite pay TV operations	389	372	5%
- Taiwan operations	834	753	11%
- Channel operations	252	330	-24%
- Others activities	156	110	42%
- Inter-segment elimination	(183)	(208)	-12%
	5,209	4,675	11%
Total expenses	(2,968)	(2,686)	10%
Share of losses of associates	(58)	(98)	-41%
Profit attributable to equity holders	1,556	1,330	17%
	31 December 2011	31 December 2010	
	HK\$'mil	HK\$'mil	
Total assets	8,843	8,033	10%
Total liabilities	1,741	1,545	13%
Total equity	7,093	6,488	9%
Number of issued shares	438,000,000	438,000,000	0%
Ratios			
Current ratio	4.2	4.1	
Gearing	3.1%	4.0%	

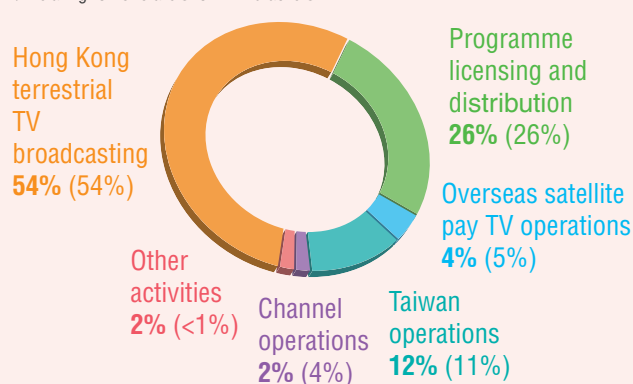
2011 Turnover by Operating Segment

% relating to 2010 are shown in brackets



2011 Reportable Segment Profit* by Operating Segment

% relating to 2010 are shown in brackets



* excluding impairment loss on loan to and trade receivables from an associate

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Corporate Information

CHAIRMAN EMERITUS

Sir Run Run SHAW, G.B.M.

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Dr. Norman LEUNG Nai Pang, G.B.S., LL.D., J.P.,
Executive Chairman (appointed on 1 January 2012)

Mona FONG, Deputy Chairperson and Managing Director *

Mark LEE Po On, Group General Manager

NON-EXECUTIVE DIRECTORS

Kevin LO Chung Ping

Dr. Charles CHAN Kwok Keung (appointed on 1 April 2011)

Cher WANG Hsiueh Hong (appointed on 1 April 2011)

Jonathan Milton NELSON (appointed on 1 April 2011)

Anthony LEE Hsien Pin (appointed on 3 February 2012)

CHEN Wen Chi (appointed on 3 February 2012)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. CHOW Yei Ching, G.B.S.#

Edward CHENG Wai Sun, S.B.S., J.P.

Chien LEE

Gordon SIU Kwing Chue, G.B.S., J.P.

ALTERNATE DIRECTORS

Dr. Allan YAP,

Alternate Director to Dr. Charles Chan Kwok Keung
(appointed on 10 June 2011)

CHEN Xian,

Alternate Director to Jonathan Milton Nelson
(appointed on 10 June 2011)

Harvey CHANG Hsiao Wei,

Alternate Director to Cher Wang Hsiueh Hong
(appointed on 3 February 2012)

* Re-designated as a Non-executive Director, effective
1 April 2012

Re-designated as an Independent Non-executive Director on
10 June 2011

BOARD COMMITTEES

EXECUTIVE COMMITTEE

Dr. Norman LEUNG Nai Pang, Chairman

Mona FONG

Mark LEE Po On

Kevin LO Chung Ping

Dr. Charles CHAN Kwok Keung (appointed on 21 March 2012)

CHEN Wen Chi (appointed on 21 March 2012)

AUDIT COMMITTEE

Gordon SIU Kwing Chue, Chairman

Chien LEE

Kevin LO Chung Ping

REMUNERATION COMMITTEE

Chien LEE, Chairman

Edward CHENG Wai Sun

Gordon SIU Kwing Chue

NOMINATION COMMITTEE (established on 21 March 2012)

Dr. CHOW Yei Ching, Chairman

Anthony LEE Hsien Pin

Edward CHENG Wai Sun

EXECUTIVE OFFICERS

SENIOR MANAGEMENT

Mark LEE Po On, Group General Manager
CHEONG Shin Keong, General Manager – Broadcasting

COMPANY SECRETARY

Adrian MAK Yau Kee

REGISTERED OFFICE

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

AUDITOR

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

PRINCIPAL BANKERS

Shanghai and Commercial Bank Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking
Corporation Limited

SHARE REGISTRARS AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Rooms 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

AMERICAN DEPOSITARY RECEIPTS

The Bank of New York Mellon
PO Box 358516
Pittsburgh, PA 15252-8516
USA

STOCK CODES

Ordinary Shares	
The Stock Exchange of Hong Kong	00511
Reuters	0511.HK
Bloomberg	511 HK
ADR Level 1 Programme	TVBCY

WEBSITE

www.tvb.com

Report from Chairman Emeritus

SIR RUN RUN SHAW, G.B.M.

Chairman (up to 31 December 2011)
Chairman Emeritus (from 1 January 2012)

The directors of Television Broadcasts Limited (“Directors”) are pleased to present the annual report and financial statements of the Group for the year ended 31 December 2011.

RESULTS AND DIVIDEND

The Group had enjoyed good growth in our advertising revenue under a very strong market in Hong Kong, and a vibrant licensing and subscription business from our international operations. I am very pleased to report that the Group, once again, achieved record high turnover and net profit during the year ended 31 December 2011. The profit attributable to shareholders was HK\$1,556 million (2010: HK\$1,330 million), representing an increase of 17%. At the year end, our total equity stood at HK\$7,093 million (2010: HK\$6,488 million), and cash balance had increased to HK\$3,693 million (2010: HK\$2,891 million), providing us with a very strong financial position.

As a result, Directors will recommend a final dividend of HK\$1.75 per share at the forthcoming annual general meeting. Together with the interim dividend of HK\$0.45 per share paid, this would make a total dividend of HK\$2.20 per share for the full year ended 31 December 2011, and represents an increase of 10% over 2010, and a 62% payout to our current year’s profit.

APPOINTMENT AND RETIREMENT

I would like to extend a very warm welcome to Dr. Charles Chan, Ms. Cher Wang and Mr. Jonathan Nelson who were appointed as Directors in April 2011. They are very successful entrepreneurs in their respective businesses and the Board will benefit from their wealth of experience and diverse expertise in our strategic development.

This will be my last report to the shareholders of TVB as I retired as Chairman of the Board on 31 December 2011. It has been my privilege and great pleasure to have served the Company since 1965 and I would like to thank my fellow directors, management, staff and artistes for their unfailing support to me over the past 46 years. Equally I have to thank our viewers, customers, suppliers and other stakeholders whose support has made what TVB is today.

Lastly, I wish to congratulate our Deputy Chairman, Dr. Norman Leung, who has assumed the Chairmanship of the Board from 1 January 2012. Under his capable leadership, I am confident that the Company will continue to grow from strength to strength in the years to come.

Sir Run Run Shaw
Chairman Emeritus

Hong Kong, 21 March 2012



Chairman's Statement



DR. NORMAN LEUNG NAI PANG, G.B.S., LL.D., J.P.

Executive Chairman (from 1 January 2012)

Television Broadcasts Limited has a long and outstanding history in the broadcasting industry in Hong Kong. I am deeply honoured and privileged to have been appointed as the Executive Chairman of the Board, a position which is charged with great responsibilities towards our employees, our shareholders, and our society at large.

BOARD CHANGES

On 1 January 2012, I took over the position of Chairman of the Board from Sir Run Run Shaw. Sir Run Run Shaw became a Director in July 1965. He served as the Chairman of the Executive Committee of the Board from 1966 to 2009 and as the Executive Chairman of the Board from 1980 to 2009. He retired from the Board as its Chairman on 31 December 2011. I am most grateful to Sir Run Run Shaw for his guidance and outstanding leadership of the Board during his tenure as our Chairman for over 30 years. In recognition of his

sterling contribution to the Company since its establishment, the Board has honoured Sir Run Run Shaw with the title of Chairman Emeritus of the Company.

Mrs. Christina Lee, the widow of the founding chairman of the Company, Mr. Lee Hsiao Wo, retired as a Director on 3 February 2012. I wish to offer my heartfelt gratitude for her wise counsel and guidance to the Board over a span of 30 years.

I am pleased to note that Mr. Anthony Lee, the son of Mrs. Christina Lee, and Mr. Chen Wen Chi have been appointed as Directors in February 2012. I wish to offer to them my warmest welcome and look forward to their guidance and support in the years ahead.

BUSINESS AND OUTLOOK

TVB's core business is programme production and distribution and broadcasting. We will continue to innovate in programme production and invest in equipment upgrade to meet the demand of digital broadcasting. During 2012, we will commence the building of a facility in a nearby site in Tseung Kwan O Industrial Estate to cater for our future expansion in production.

We are facing challenges from many technology enabled platforms such as personal computers, smartphones and tablets as new delivery medium of entertainment channels. These devices can help widen the viewership to the Group's advantage. It is for this reason that we had stepped up our investment in an electronic archive, our Internet business under tvb.com and, more recently, myTV app for distribution of our programmes. We believe that these new developments will help us to spear-head our programme distribution in the digital age.

Our business success relies on many factors. I would like to stress that TVB takes great pride in our skilled production team and talented artistes which we nurtured over the years. I wish to thank all of our employees for their loyalty and dedication to TVB and to record my appreciation for their significant contributions towards a record set of results this year. Together, we look forward to taking the Company to new heights.

Norman Leung Nai Pang
Executive Chairman

Hong Kong, 21 March 2012

Review of Operations

HONG KONG TERRESTRIAL TV BROADCASTING

TV ADVERTISING

Revenue for the year increased by 14% over last year in an environment of strong retail sales of skin care/cosmetic products, milk powder, digital/electronics equipment (cameras, mobile phones, tablet computers) and luxury goods (watches, jewellery and branded fashion).

Continued huge increase in demand from mainland buyers coupled with strong local demand enabled advertisers in these product categories to have the advertising funds to invest strongly in brand advertising. Selling TV's strength as a very effective medium for branding enabled us to gain share in these categories.

The categories which were most significant in terms of contribution to revenue growth included skin care, digital cameras, milk powder, mobile phones and watches. In addition, we were successful in developing greatly increased business from insurance companies and Internet/broadband service providers.



Curse of the Royal Harem

We also made very strong efforts in selling our Internet platform (tvb.com and myTV catch-up service) and our digital terrestrial channels (J2, HD Jade and iNews). The sales force cross-sold and bundled offerings from these platforms with our traditional channels (Jade and Pearl). In addition, we launched a very successful multi-platform advertising package called the “338 Package” which attracted more than 50 new advertisers to advertise with multi-platform exposures on tvb.com, J2, HD Jade, iNews, Pearl and TVB Weekly. As a result of all these efforts, advertising revenue of the three digital channels combined grew by more than 200%.

TERRESTRIAL TV CHANNELS PERFORMANCE

In 2011, TVB further reinforced its position as the leading terrestrial TV broadcaster in Hong Kong, dominating the viewership on free-to-air television channels by a large margin. By combining innovative ideas and themes and through careful artiste deployment, our programmes were purposely created to closely follow the social context and the sentiment of the city.

Jade Channel

Jade¹ achieved an average of 24 TVRs² on weekday primetime³, representing 87% audience share⁴ for 2011.

Drama

During 2011, new themes and storylines were developed for TVB dramas. The sequel drama, *Forensic Heroes III*, designated as the key drama production to celebrate the station's 44th Anniversary, was the best performing drama serial

¹ During weekday primetime, Jade is defined as an aggregate of Jade and HD Jade (“Total Jade”).

² TV rating (TVR) represents the size of audience expressed as a percentage of the total TV population. For 2011, the total TV population was 6,388,000 persons, and therefore, 1 TVR represents 63,880 persons (1% of the total TV population). Ratings data source: CSM Media Research.

³ Jade's weekday primetime runs from 7 p.m. to 11 p.m., Monday to Friday.

⁴ Audience share (%) is the percentage of ratings of particular channel(s) over the total ratings of the base channels for a specific period of time. The base Chinese channels are Total Jade and Asia Television Limited's Home. The base English channels are Pearl and Asia Television Limited's World. Ratings data source: CSM Media Research.



REVIEW OF OPERATIONS

of the year, and by using an entirely new cast and sophisticated setting design, the rating of this sequel attained a new height amongst the trilogy. The edgy drama *When Heaven Burns* which was selected as the station's "Pick of the Year", grew into a rare cult hit which resonated amongst critics, columnists and the elusive youth. In particular, discussion about the script, the iconic dialogue and the hit song penetrated across all media, and all age groups took this drama to heart.

Many of the storylines of the year's dramas were based on themes echoing social conflicts and issues. To name a few, *Home Trooper* focused on local and overseas domestic helpers, *Only You* on traditional and modern wedding planners, and *A Great Way to Care* on the pressures and the strains of city living.

New programming strategy was adopted in the drama line-up. *Ghetto Justice* and *The Other Truth*, portraying lawyers and law cases from different angles and styles, were consecutively scheduled during weekday primetime to enrich the viewing experience.



TV Awards Presentation 2011



Forensic Heroes III

TVB's half-hour situation comedy remained staple drama entertainment during weekday early primetime. Storylines of these situation comedies were developed on a variety of backgrounds – *Show Me the Happy* was created based on the medical profession and *Be Home for Dinner* was set in a publishing business. The latest edition of *Til Love Do Us Lie* returned to the day-to-day happenings of a family and has been enjoying much audience acclaim since its debut.

Many TVB artistes excelled as refreshingly new characters in our dramas. Myolie Wu who starred for the first time in the challenging role of a scheming character in *Curse of the Royal Harem*, and Kevin Cheng who broke new ground in playing an unconventional street-wise Sham Shui Po lawyer in *Ghetto Justice*, won, after a much debated and heated contest, the Best Actress and the Best Actor Awards respectively in the annual *TV Awards Presentation 2011*. In *Lives of Omission*, Bosco Wong transformed into a lame triad gangster, while in *Grace under Fire*, Liu Xuan, the former Olympic champion, became a kung-fu master.

Besides the successes of many well-known TVB artistes, our new and young talent also blossomed in drama production. The group “K-4” in *Yes, Sir. Sorry, Sir!* and the four young band members in *When Heavens Burns* caught, for the first time, viewers' attention.

A new strategy was deployed to extend the popularity of the well-received dramas to other TVB entertainment platforms. The successful gag show *Fun with Liz and Gods* shown on weekend primetime spawned in the form of the drama serial *Super Snoops*, the movie *The Fortune Buddies*, and concerts by Wong Cho Lam, Louis Yuen and Johnson Lee, the three leading actors. The *E.U.*, which was first produced in 2009 and depicted a prominent character Laughing Gor played by Michael Tse, induced the production of the movie *Turning Point* in 2010, the sequel drama *Lives of Omission* and the movie *Turning Point 2* in 2011.



Lives of Omission



TV Awards Presentation 2011

REVIEW OF OPERATIONS

Non-drama

Besides staging many of the major variety shows during the year such as *Miss Hong Kong Pageant 2011* and *Mr. Hong Kong Contest 2011*, our self-produced non-drama programmes continued to delight our audience during primetime.

Notably, several innovative game show formats were introduced in 2011 with positive results. The glamour-filled *All Star Glam Exam* challenged stars and celebrities' taste and knowledge of everything fancy. Donning masquerade and mastering facial expressions in *What the Face?* started a new trend, while *Kung Fu Supernova* sprouted local and overseas martial art talent.

Our gourmet programmes cultivated a number of new hosts: King Kong and Kitty Yuen in *Neighborhood Gourmet*, May Fung in *Cook Away Lady May*, and Joyce Tang and Alex Lam leading artistes from the drama *Ghetto Justice* in *Ghetto a la Spice*.



Water of Life

As part of the 30th year celebration of Jade's musical flagship *Jade Solid Gold*, *30 Years Of Jade Solid Gold* was produced as a lead-in programme which brought back many of the memorable moments in previous *Jade Solid Gold* annual awards, in celebration of the immense success of this long standing pop song programme. To further raise the quality of TVB's music programmes, *Jade Solid Gold* now promotes live artiste performances under the slogan of "real, live, and in person".

After the catastrophic tsunami in Japan in March 2011, travelogues *Summer in Japan with Eric*, *Kansai Banzai*, and *Hello Mellow Hokkaido* were timely produced in the summer to remind viewers of its scenic beauty, as well as to extend our care and support to the people of that country.

Documentary programmes played an important role in our programming. *Xinhai Centenary – Roadtrip To Freedom* re-visited monuments in Hong Kong along the footsteps of the Revolution of

1911. *Hong Kong Back Then* gave a retrospective of our home city in the past century, and won the Most Appreciated Award in *TV Awards Presentation 2011*. As an anniversary showcase programme, the station's production team together with leading artistes took viewers to three great rivers: the Yellow River, the Mekong and the Ganges, in a travelogue *Water of Life* to help raise our awareness of the delicate environmental balance between mankind and limited water resource.

To further increase our audience's engagement, an app for mobile devices, TVB Fun, was developed as an interactive tool between the station and our audience. It gained immediate popularity and has become one of the most downloaded apps in the community. The audience is able to use the app on mobile devices to respond to quizzes and to cast their votes during live programme broadcast. Due to its immense popularity, it has attracted over 1.7 million submissions to vote or expression of views since its launch in August.



Travelling with Koyo



All Star Glam Exam

REVIEW OF OPERATIONS

The effect of event programming was maximised by adopting cross-channel synergy over four TVB channels – Jade, Pearl, HD Jade and J2.

For the *Universiade 2011* in Shenzhen, much effort and resources were deployed to give a comprehensive coverage of the event as well as the athletes' interviews. For this event, Jade and Pearl featured lead-in programmes with daily highlights, whilst J2's attention was devoted more to the live coverage.

TVB channels provided live coverage of the Hong Kong matches of the *FIVB Volleyball World Grand Prix – Hong Kong 2011* during the summer. Due to the transfer of matches from Taipei to Hong Kong, the number of local matches was doubled compared with last year. Jade and HD Jade were deployed to broadcast during day time, while Pearl focused on the matches during primetime.



Dropping By Cloud Nine



Kung Fu Supernova

Cross-channel strategy was also evident for event campaigns. The Season of Love campaign celebrated the Double Valentine with a number of tailor-made productions on Jade including talk show *Déjà Love*, drama serial *Only You* and an adapted series of ten episodic dramas *Dropping By Cloud Nine* inspired by Taiwanese illustrator Jimmy Liao's best-selling picture book. HD Jade, J2 and Pearl also scheduled programmes and movies with a romantic theme.

HD Jade Channel

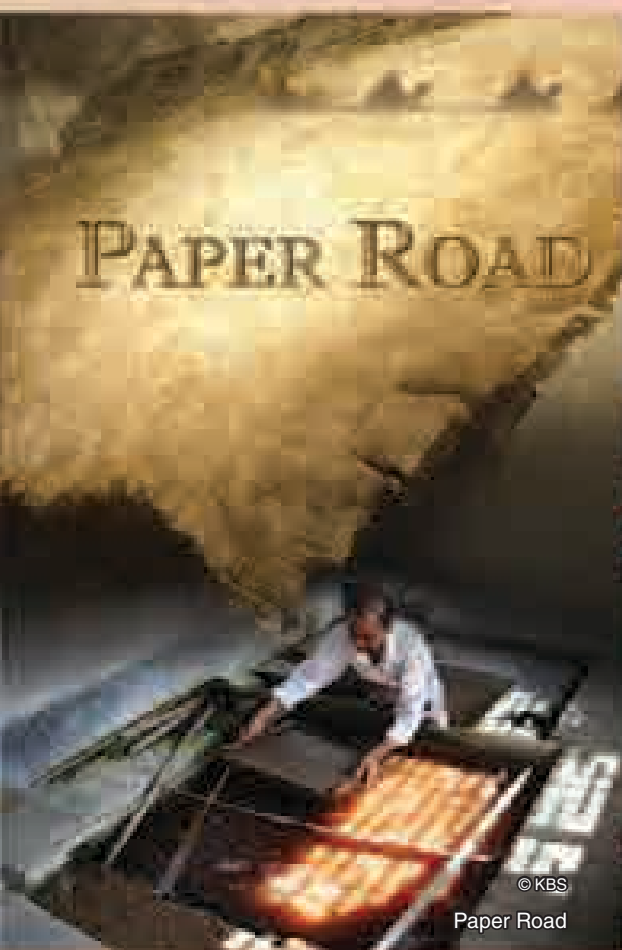
HD Jade continued to develop its image as a platform for quality HD dramas and premium documentaries and sports events like NBA and Hong Kong Sevens. Migration of HD households during primetime simulcast with Jade showed substantial pick up during the year.

In response to the first stage of extension to the trading hours of The Stock Exchange of Hong

Kong Limited ("Stock Exchange") from March 2011, *Money Smart* spared no effort to accommodate this change, and introduced new hosts with the aim to provide a more comprehensive financial analysis. With its initial launch in 2008, the programme celebrated its 1,000th episode in January 2012.

The ratings of HD dramas continued to grow. *All Men are Brothers* achieved the highest ratings for non-simulcast HD drama on weekdays since the launch of this channel. Dramas with detective plots, *CSI: Crime Scene Talks*, *Rinjo: The Voice of the Dead* and *Rinjo 2: The Voice of the Dead* continued to gain audience support, with good ratings performance on weekends.

A variety of high quality documentary and lifestyle programmes demonstrated the high visual value of the HD version on the channel. *Nature Wonder Land*, *Bird without Border – Black Faced Spoonbills*, *Paper Road*, *World's Most Extreme Homes*, *Design Touch* were amongst the most notable HD programmes.





Big Boys Club



Secret Garden



Own Sweet Home

All Things Girl



Bread, Love and Dream

REVIEW OF OPERATIONS

J2 Channel

J2 continued to reinforce itself as a platform with a young image. We have increased local production in both quantity and quality to enhance programme variety and suit the taste of local viewers. *All Things Girl* and *Own Sweet Home* offered trendy information. Having celebrated its 500th episode in January 2012, *Big Boys Club*, J2's signature programme, continued with a focus on topical and controversial subjects. This talk show not only provided a platform to people from all walks of life to air their views, it introduced many celebrity guest hosts like Danny Summer who captivated the audience with his UFO stories.

By casting singers as hosts in musical/travelogue programmes such as Hotcha in *Fukui Smiles*, RubberBand in *Go Turkey!*, Sugar Club in *Time Out Yorkshire*, and C AllStar in *Star under the Moon*, viewers can enjoy an enhanced travel and musical experience.



J2 was also keen to develop external partnerships with local events. The channel was selected as the sole official broadcaster of two high profile public events in Hong Kong: the Standard Chartered Hong Kong Marathon 2011 which attracted over 60,000 participants, and Animation-Comic-Game Hong Kong 2011 in which our artistes Samantha Ko and Vanko Wong were cast as the official image girls – J2 Animation Goddess. Under a partnership with IFPI, the channel also broadcast the *Hong Kong Asian-Pop Music Festival*.

New drama titles together with new programming strategy highlighted J2's drama line-up on weekdays with the most popular Korean drama *Secret Garden* and *Bread, Love and Dream*. The much shortened release schedule drew new drama fans to the channel. *Skip Beat* was on air just one week after its premiere in Taiwan.

Continuous efforts were made to broaden J2's spectrum of musical taste by presenting local and

international musical award shows, such as *Hit Awards 2011* (Hong Kong), *2011 Mnet Asian Music Awards* (Korea), *2011 American Music Awards* (USA) and by importing quality concerts like *Lady Gaga Presents the Monster Ball Tour: At Madison Square Garden*.

Pearl Channel

In 2011, Pearl's average primetime rating was strengthened and weekly primetime⁵ audience share boosted up to 80%. Significant increases in ratings were observed for weekday 8:30 p.m. drama series and 9:30 p.m. documentaries. For the seventh consecutive year, top 100 rating English programmes among local terrestrial TV channels were all on Pearl. One of the success factors was the expansion of programme sources offering more programme variety.

⁵ Pearl's weekly primetime runs from 8 p.m. to 1 a.m., Monday to Sunday.



© TWD productions LLC Courtesy of AMC
Walking Dead



Dolce Vita

REVIEW OF OPERATIONS

Timely movies matched release trends and viewers' interest. With the summer theatrical debut of the blockbuster *Harry Potter and the Deathly Hallows – Part 2* finale, Pearl strategically showcased its exclusive telecast of the franchise titles *Harry Potter and the Order of the Phoenix™* (which topped the ratings chart at the first place), *Harry Potter and the Prisoner of Azkaban™* (at fifth place) and *Harry Potter and the Goblet of Fire™* (at sixth place). Other blockbusters included *Jurassic Park III*, *Iron Man*, and *Pirates of the Caribbean: Dead Man's Chest*.

On the drama front, besides the highly-acclaimed Hollywood studio productions like *The Good Wife* and the situation comedy *Modern Family*, or the popular sci-fi *Fringe*, edgy record-breaking cable genres featuring zombies in *Walking Dead* and BBC's counter-terrorism mini-series *Strike Back*



© Chadden Hunter
Frozen Planet

attracted high ratings. The former was also an award-winning title which won in seven categories in the Emmy Awards.

Pearl continued to bring high quality first-run documentary programmes to viewers in 2011 and the channel's broadcast of BBC's groundbreaking landmark productions *Human Planet* and *Frozen Planet* was very close to their U.K. premiere. These programmes were very well-received among Pearl viewers who appreciated the amazing visuals and rich content spanning the globe.

America's Got Talent continued to take pride of place among the top-rated programme list. During the summer, a variety of programmes including movies and light entertainment was packaged as a Summer Fun campaign targeting family viewing. The new reality show *Junior MasterChef Australia* featuring aspiring cooks aged eight to twelve was successfully scheduled on two consecutive

weekdays attracting family viewers and favourable comments. A new reality-based adventure programme *Man Vs Wild* captured consistently high ratings.

Pearl's self-produced lifestyle programme *Dolce Vita* celebrated its fifth anniversary. It has been firmly established as Pearl's flagship magazine programme featuring the latest lifestyle, dining and fashion trends. In September 2011, *Dolce Vita p.s.* was launched to showcase the essence of the show from the previous week. A host recruiting campaign was held to scout new talent, adding new faces to the group of popular bilingual presenters.

Pearl also enhanced its dubbing and subtitling service as an added value to viewers. At the end of 2011, one additional primetime hour of English subtitles was provided, making up to two hours per day from 9:30 p.m. – 11:30 p.m. all week long.

REVIEW OF OPERATIONS

iNews Channel and News programmes

iNews Channel continued to be the most watched 24-hour news channel in Hong Kong. The channel's ratings continued to rise on an uptrend over the year, outperforming other local 24-hour news channels in terms of all-day all-time and during special events. The power of 24-hour non-stop reporting was more effectively utilised to give viewers more details and background of news events, and more in-depth analysis.

The channel gave extensive coverage of many important local and international events on a 24-hour non-stop basis. After the devastating Japanese earthquake and tsunami, and the Fukushima nuclear crisis, TVB sent its reporters to the affected areas of Japan to give comprehensive live reports of the disaster. Six months later, another team revisited the Japanese communities suffering from the disaster for a follow-up report on the relief progress.



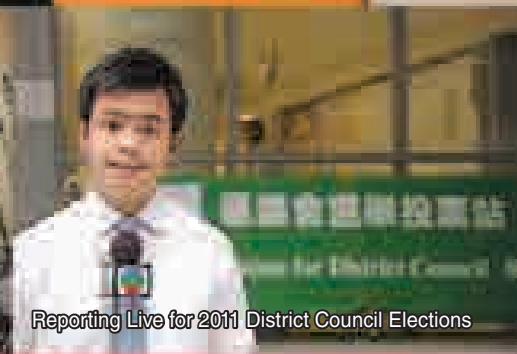
TVB LegCo Live Studio



Reporting Live from Japan 3.11 Quake



The 1911 Revolution News Special



Reporting Live for 2011 District Council Elections

The channel also gave extensive reports of the activities of the candidates and responses from all social segments and strata before and during the 2011 District Council Election in Hong Kong. After the close of voting centres, the channel screened a 12-hour non-stop live report of the process of vote counting and delivered the election result instantly to viewers. When Typhoon Nesat came close to Hong Kong on 29 September 2011, iNews also became the most watched news channel for typhoon-related news and information.

Besides regular news reporting, a new item *News File* was produced and launched in the year with much acclaim. Each news file has a specific theme reflecting past and current happenings with archive footage. This item is released in iNews between live reports and is also broadcast on Jade before *News at 6:30 p.m.* and after *News Roundup*.

New feature items *Inside the Capital* and *The International File* were also produced to enrich viewers' understanding and enhance the function of general education of the channel. Those items were also inserted inside regular news reports on Jade Channel.

Topical documentary programmes were produced to explore the ties between historical milestones and social views. The most remarkable was *Xinhai Centennial* which investigated how contemporary people viewed the Revolution of 1911.

To enhance the coverage of local administrative and legislative affairs, TVB was the first TV station to open a new live reporting studio at the new Legislative Council complex.

Putonghua news service was upgraded during the year with extended broadcast time and enriched contents. The frequency of live reporting on locations also increased.



24 iNews Channel Studio



REVIEW OF OPERATIONS

DIGITISATION

Penetration of digital terrestrial TV grew by 7.3% to reach 68.6% of all households by December 2011 (including set top boxes, integrated digital TVs (IDTVs) and receivers connected to PCs). The overwhelming portion of this growth came from sales of IDTVs, a trend which we expect to continue at an even faster pace in 2012, due to increasing quality, larger screen size and lower prices of IDTVs.

During the course of the year, we continued to improve the efficiency of the encoding of our digital signals, resulting in improved picture quality of all the digital terrestrial TV channels. Subject to Government's approval, we look forward to being able to broadcast Pearl in HD in 2012.

3D TV has been receiving media attention at trade and consumer events. Current spectrum limitations make full-scale 3D TV broadcasting infeasible until after analogue TV switch-off which is now targeted in 2015. We will continue to engage in trials and monitor the development of 3D TV.



DIGITAL BUSINESS DEVELOPMENT

The Company believes that TVB's business can be significantly enhanced using the technology and infrastructure of the Internet by delivering our content and a variety of valuable related services to devices which are connected to the Internet particularly smartphones, tablets, PCs and connected TVs.

Since 2000, TVB has been operating its Internet portal www.tvb.com and its highly popular catch-up service, myTV (launched in November 2008), with considerable success. Based on January 2012 data from the industry accepted comScore service, TVB's Internet properties ranks Number 1 in Total Minutes Spent among all media Internet properties, video entertainment properties, forum/discussion portals, product/service portals and company portals.

In 2011, monetisation of this sizeable Internet audience achieved a new high through the successful marketing and selling of online in-stream video advertising as a very effective means of reaching young and Internet-savvy consumers. Advertising revenue on tvb.com and myTV increased by 102% over 2010. Our online in-stream video ad inventory was completely sold out for two months and averaged a sell-through rate of 82% for the year.

The online service was enhanced in July 2011 through launching "tvb.com weibo," which linked our artists' blogs to the qq.com's weibo (micro-blog) service. This allows millions of micro-blog users in mainland China to interact with our artistes on these blogs.

An important milestone was reached on 7 November 2011 when we launched the first ever mobile app version of our myTV service. The myTV mobile app has now surpassed a million unique downloads as at February 2012. A survey conducted by Ipsos (previously Synovate) in January 2012 shows that myTV mobile is now the most widely used mobile video app in Hong Kong, exceeding the next nearest app by 40% in the number of past week users.

myTV mobile app will be a focus of our product development, marketing and selling efforts in 2012. We believe that it offers a highly effective 360 degree medium to reach young and active consumers wherever they are.

In addition, the systematic digital exploitation of TVB's huge 40-year archive through a pioneering paid video-on-demand service will be launched in late 2012. The service will be available on multiple devices, but will be optimised for the very important tablet device.

REVIEW OF OPERATIONS

OTHER HONG KONG OPERATIONS

PAY TV BUSINESS

Investment in Hong Kong Pay TV Platform

The Group's interest in TVB Pay Vision Holdings Limited ("TVBPVH") increased from 60% to 62% during the year, as a result of further acquisition of non-voting shares in TVBPVH. The Group's voting interest in TVBPVH remains at 15%. As the Group does not exercise control over TVBPVH, the income statement and the statement of financial position of TVBPVH are equity accounted for as an associate in the accounts of the Group.

For the year ended 31 December 2011, TVB's share of TVBPVH's net loss was approximately HK\$58 million (2010: a net loss of HK\$98 million). The fall in the net loss reflected mainly the effect of lower programme costs as further detailed below, but was offset by lower revenue due to subscriber churn, reflecting the highly competitive pay TV market in Hong Kong.

The total interest in TVBPVH at 31 December 2011 before any impairment loss was HK\$939 million, which represented the total cost of investment, a long-term loan and the trade receivable balances, less accumulated share of losses. Management had undertaken a vigorous review of the amounts



© TBS
Jin Final



While We Were Drunk



An Intimate Dialogue with Elaine Wu

due from TVBPVH and concluded that an additional impairment loss of HK\$135 million was needed at 31 December 2011 which when added to the provision for impairment loss brought forward of HK\$275 million, gives a provision for impairment loss carried forward of HK\$410 million. On this basis, the balance of the Group's total interest in TVBPVH amounted to HK\$529 million at 31 December 2011 (2010: HK\$661 million).

In addition to a terrestrial TV business, the Group believes in the opportunity that a pay TV business can bring in the form of a steady revenue stream from subscription and advertising. Despite the above additional provision, the Group still has confidence in the business prospects of TVBPVH.

Subsequent to the year end, the Group entered into two sale and purchase agreements to acquire additional shares in TVBPVH from other shareholders of TVBPVH for a total cash consideration of HK\$195 million. When completed, these transactions shall increase the Group's total shareholding in TVBPVH from 62% to 90%. There is no change to the percentage holding of the voting shares in TVBPVH which remains at 15%. The transaction relating to the first sale and purchase agreement was completed on 15 March 2012, whilst the second transaction is anticipated to be completed by 30 June 2012, subject to the fulfillment of certain conditions precedent.

Supply of channels to Hong Kong Pay TV Platform

Since the launch of TVB's digital channels in late 2007, TVB has been producing content for the new digital channels and TVB Pay Vision Channels. As such it has experienced an economy of scale resulting in a lower average cost of content production and supply. This has resulted in the ability to reduce fees charged under the channel supply agreement to TVB Pay Vision from HK\$200 million per annum to HK\$100 million per annum, effective from 1 January 2011.

The 11 channels being supplied to TVBPVH are: TVB Lifestyle; TVB Drama; TVB Classic; TVB Select; TVB Entertainment News; TVB Kids; TVB Food; TVB Movies; TVBM (a music channel); TVBN and TVBN2 (both offering 24-hour news service).

TVB Movies is a 24-hour Asian movie channel which has the exclusive rights to many Shaw Studios' first-run blockbuster titles and premiere Asian titles. During the year, titles such as *72 Tenants of Prosperity*, *Perfect Wedding* from Hong Kong, *1,778 Stories of Me & My Wife* from Japan, and *Bestseller* from Korea were screened.

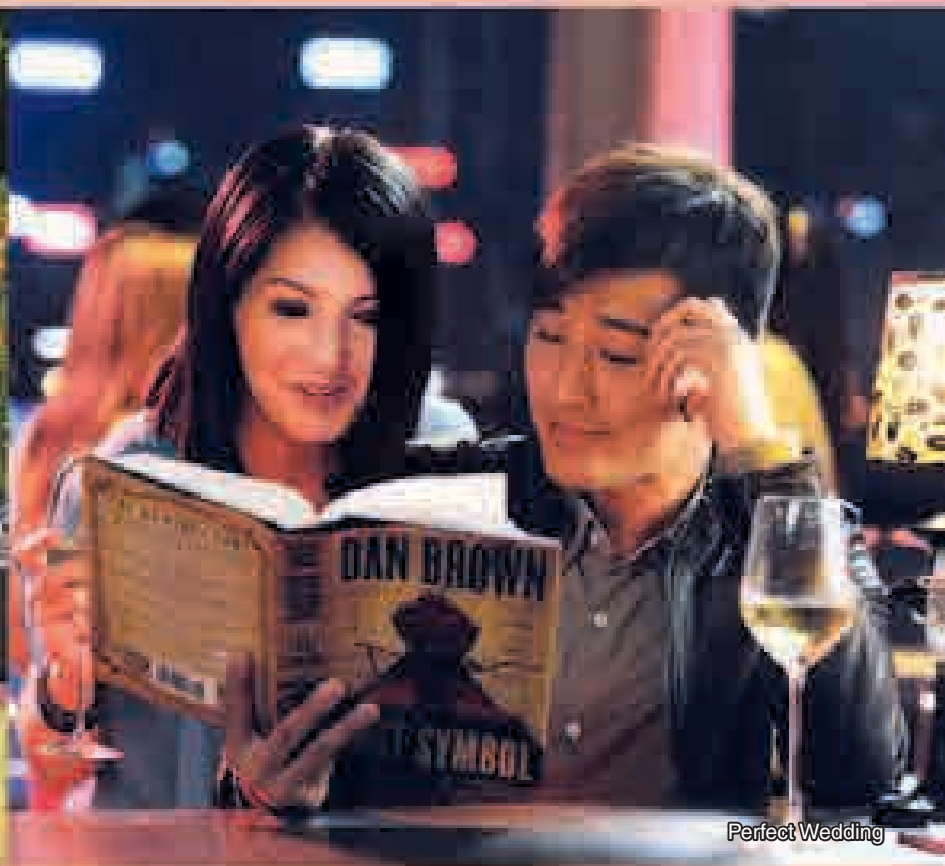
TVB Drama has built a young and trendy image to viewers as a carrier of popular Asian drama serials.



Discover Ireland



Keep Up, Level Up



Perfect Wedding

REVIEW OF OPERATIONS

During last year, TVB Drama carried a number of Asian hit titles, including *While We Were Drunk* which topped the ratings chart for 18 consecutive weeks in Taiwan, and *Jin Final* which was telecast on TVB Drama just three weeks after its Japanese premiere.

TVB Select aims to present drama serials which carry a mass appeal, such as the well-received title *Smile Again*, Korea's highest-rated drama of 2011. A new time belt at weekends showcasing TVB Weekend Great Hits was strategically planned to carry Jade's most recent and popular titles.

Introduced in 2010, TVB Food is the only 24-hour food channel in Hong Kong which focuses on local culinary experience. A new programme *My Secret Recipes* provides a platform for home viewers to show off their cooking skills and secret recipes. A cooking contest was co-organised with Jade which was tasked to recruit outstanding chefs as programme anchors.

TVB Lifestyle continues its tradition in providing a mix of leisure and entertainment programmes. New talk shows *The Good Old Days with Paco* hosted by Paco Wong drew many celebrity guests, while Elaine Wu made a comeback to Hong Kong in talk show *An Intimate Dialogue with Elaine Wu*. *Believe It Or Not* now carries much enriched contents as the metaphysics expert Master Szeto



travelled around Hong Kong to explore inexplicable mysteries. Further, the travelogues on TVB Lifestyle covered many corners of the globe, including Korea, Brunei, Spain, Czech Republic, France and Ireland.

For children's education and entertainment, TVB Kids is well-received amongst kids and primary school students.

For music fans, TVBM screens a variety of local and international music programmes and concerts. TVB Entertainment News provides updates of showbiz happenings, including live coverage of key award events.

TVBN and TVBN2 offer a 24-hour news service to subscribers. Whilst TVBN offers non-stop news reports, TVBN2 provides live coverage of events like LegCo meetings.

MOVIE PRODUCTION

TVB continues to produce movies under a joint venture with Shaw Productions Ltd ("Shaw Productions"). Following the successes in 2010, three movies were produced and released in Hong Kong and the international markets during 2011. / *Love Hong Kong*, starring Tony Leung, Eric Tsang, Sandra Ng, Anita Yuen, Bosco Wong, together with many TVB artistes, took the number one grossing

Chinese film position with a box office of over HK\$27 million in Hong Kong and Macau during the Chinese New Year holiday period in 2011. Our artistes Wong Cho Lam, Louis Yuen and Johnson Lee took the main roles in *The Fortune Buddies* which was a spin-off from the popular TVB gag show *Fun with Liz and Gods*. This movie became a summer hit. *Turning Point 2*, a sequel movie to *Turning Point* in 2010, was released in Hong Kong in December 2011, which had Francis Ng, Michael Tse and Chapman To as the main casts. As a whole, TVB's share of the net loss under this joint venture was approximately HK\$6 million (2010: a net loss of HK\$4 million). A number of major productions are in the pipeline for release in 2012.

MAGAZINE PUBLISHING

The weekly magazine market continued to be highly competitive in 2011. In addition, a huge increase in free printed media (both dailies and weeklies) was witnessed this year. In this tough operating environment, TVB Weekly managed to increase its advertising and special projects revenue by 33% and its operating profit by 165% in 2011. This was a result of steady improvements in the content of TVB Weekly, very successful cross-selling efforts with other TVB platforms and continued fine-tuning of distribution and publishing operations.



The Fortune Buddies

REVIEW OF OPERATIONS



ASIA

BRUNEI
CAMBODIA
CHINA
INDONESIA
JAPAN
MACAU

MALAYSIA
SINGAPORE
SOUTH KOREA
TAIWAN
THAILAND
VIETNAM

OCEANIA

AUSTRALIA
NEW ZEALAND



Jade Channel
USA



TVB - V
Australia*, USA

* Launched in February 2012



TVB
TVBS - E
Europe



TVB8
Australia, China, HK, Macau,
Malaysia, Singapore,
New Zealand, USA



TVB星河频道
Xing He
Australia, China, Macau,
Malaysia, New Zealand,
Singapore, Thailand



EUROPE

AUSTRIA	ITALY
BELGIUM	LUXEMBURG
CZECH REPUBLIC	NORWAY
DENMARK	POLAND
FINLAND	PORTUGAL
FRANCE	REPUBLIC OF IRELAND
GERMANY	SPAIN
GREECE	SWEDEN
HOLLAND	SWITZERLAND
HUNGARY	U.K.



NORTH AMERICA

CANADA
U.S.A.



TVBS
Taiwan, USA



TVBS - News
Taiwan, Australia,
Macau, Singapore



TVBS - 歡樂台
Taiwan



TVBJ
Australia

REVIEW OF OPERATIONS

INTERNATIONAL OPERATIONS

We continued, during the year, to license and distribute our programmes and channels to overseas territories through business partners and our own platforms. The impact of Eurozone sovereign debt crisis was less apparent to TVB's international businesses which are mostly contract based. Licensing revenue from key markets like mainland China, Singapore and Malaysia remained strong with stable growth. Advertising revenue from our overseas pay TV platforms including Taiwan, Australia and the USA also sustained satisfactory growth during the year.

PROGRAMME LICENSING AND DISTRIBUTION

Revenue from programme licensing and distribution which comprised of licensing income from distribution of programmes through telecast, video and new media licensing rose 15% to HK\$903 million. We benefited from the full year financial impact of increased licence fees from agreements concluded in 2010 with partners in Singapore and mainland China. In addition, our contract partnership with ASTRO All Asia Networks plc ("ASTRO") in Malaysia generated steady and secured income to the Group.

In Malaysia, the business environment in the media industry was stable, but the pace of growth had slowed down in 2011. Customers and advertisers became more cautious on spending due to the high inflation rate. Both pay and free TV operators were competing to capture audience by introducing a variety of new contents. Our revenue from ASTRO was covered by a 3-year master contract, but the viewership has continuously been on a decline. Undoubtedly, production of localised contents is becoming a trend. In order to retain our leading position,



2011 New Year's Eve Countdown Party

efforts were made to consolidate the market by appointing an experienced video licensee to help monitor the market and curb piracy. Our programme supply to free TV was expanded to the government station namely RTM, enhancing the exposure of TVB contents in the mainstream market.

In Singapore, the growth of the media industry was beyond our expectation even though SingTel launched its IPTV services. In order to strengthen the brand awareness in the market, we adopted a more flexible programming strategy by shortening the window period between video and pay TV businesses, which provides convenience for customers to gain access to more up-to-date TVB content via different platforms and channels.

Our business in non-traditional markets except Vietnam had been almost stagnant in the past few years. Unstable political environment and unfavourable government policy led to reduction in acquisition of TVB programmes. Vietnamese dubbed version of our programmes was seen as a new business line with fast growth potential. Significant growth in licensing revenue was seen from Vietnam and the USA. We will further replicate this successful business model in Cambodia and other Indochina markets.

CHINA OPERATIONS

China business which comprises mainly programme licensing and Guangdong landing right fees continued to grow in 2011, but the business environment is getting tougher. Increase in domestic competition as well as the tightening government control began to show effects and discount the results of our efforts.

The competition in drama distribution became more intense as local production volume reached record high in 2011. The nation's regulator, The State Administration of Radio, Film and Television, increased its effort by issuing policies aiming to slow down the fast-growing industry, which became effective towards the year end. Amid the unfavourable circumstances, we prevailed by successfully closing two new titles and one re-run deals at good prices. *Can't Buy Me Love*, *No Regrets* and *War And Beauty* together generated considerable revenue to the Group. The new media licensing business that includes Internet VOD, IPTV and digital TV, entered into its second year of contract and generated approximately HK\$90 million. During 2012, we will continue to explore local production opportunities in both drama and non-drama programmes and strive to grow our distribution volume in the years to come.

TAIWAN OPERATIONS

TVBS – Taiwan

TVBS did better than most in the last quarter even though the boost in political advertising was less than spectacular as revenues from special productions, such as the New Year's Eve Countdown at Taipei's city hall and a commemorative series on the centennial of the founding of The Republic of China, helped bring in another record breaking year in net profits. The rising popularity of the traveling foodie show *Super Taste* on our Entertainment Channel also contributed to the bottom line as it helped diversify and increase the number of spot buys and freed up some slots for the cost per rating point ads on the normally sold out News Channel.



My Astro On Demand Favourites Awards 2011

REVIEW OF OPERATIONS

2011 also saw the highest advertising revenue ever recorded for TVBS. This was the second consecutive year that we have achieved this feat and our third since 2008.

Taiwan felt the drag of the lackluster U.S. economy and the European debt saga in the fourth quarter of 2011, and the winter turned harsh for many in the TV industry. A quick turnaround is not expected as the softness in the advertising market will likely last for the better part of the new year.

We are cautious about 2012 as the economy overall looks to be sluggish for the first half. With the London Olympic Games dominating the summer, TVBS has only the fourth quarter to look forward to. Therefore, another banner year is not believed to be in the offering. However, there are some potential developments that may buoy our forecast as the Taiwan authority is considering allowing some mainland China advertising to be aired and mainland Chinese video websites are increasingly willing to pay for contents after successful IPOs by major players such as Tudou and Youku. Taiwan, as it becomes a hot destination for mainland China tourists, should contribute as well.

In the new year, TVBS will begin the first phase of our four step plan to go completely high definition. We will also look seriously into producing our own drama series and other non-news contents to try to break from our over reliance on the news cycle and to ensure the long-term value of the company. We are already making headway in that regard as the above mentioned *Super Taste* has blossomed into a legitimate hit show, with ratings occasionally surpassing ratings champion, *Here Comes Kangxi*, in the same time period. The funny and eccentric co-hosts of *Super Taste* are now star heartthrobs in Taiwan, bringing in for the Entertainment Channel the much desired younger demographic. We are working on riding that momentum



Super Taste Host Presenters Plungon



TVBS Taiwan office

TVBS International Operations Hong Kong office

and will continue to broaden our programming so that there will be more than one pillar and many viable products for TVBS going forward.

SATELLITE PAY TV OPERATIONS

Despite the weakened global economy, our overseas pay TV business achieved healthy growth in revenue. We have launched IPTV and Internet TV services in all overseas pay TV platforms to expand our subscriber base and to prepare for channel quantity expansion and other value added services, such as VOD, catch up and time-shift functionality. Our new programming strategy which comprises the popular Hong Kong Jade's primetime programmes attracted new subscribers who like watching fresh TVB programmes.

North America (USA)

While subscriber numbers remained steady, we achieved high single digit growth in advertising sales out of the weakened economy in the USA. We introduced economical sales packages which targeted at small to medium retail advertisers. The result was overwhelmingly positive. We plan to use the USA platform as a base for expanding into Latin America.

Australia

TVB Australia pay TV platform was in strong growth both in revenue and operating profit. We expanded our Melbourne office to push for growth in both subscriber and advertising revenue. We plan to offer new channels with subscription fee increase and also to launch a brand new Vietnamese pay TV service in the first quarter of 2012.

It is a key focus of the Group to combat illegal distribution of our programme contents. In December

2011, we successfully raided a pay TV pirate with the assistance of Sydney police. We will continue piracy enforcement actions to protect our business.

Europe

The Eurozone sovereign debt crisis has to date not brought significant negative impact on our pay TV business. We recorded a less than 2% impact on revenue as compared with 2010. We strengthened local infotainment production as well as new local production targeting at locally born Chinese audiences. We re-launched IPTV service to serve potential subscribers where installation of satellite TV is practicably impossible.

SATELLITE TV CHANNEL OPERATIONS

TVB8 and Xing He channels

Businesses for TVB8 and Xing He channels were stable with marginal growth in revenue and operating profit during the year.

Even though TVB8 was no longer carried by ASTRO in Malaysia, we successfully concluded a two-year deal with Telecom Malaysia (TM Net) to continue our presence in the market.

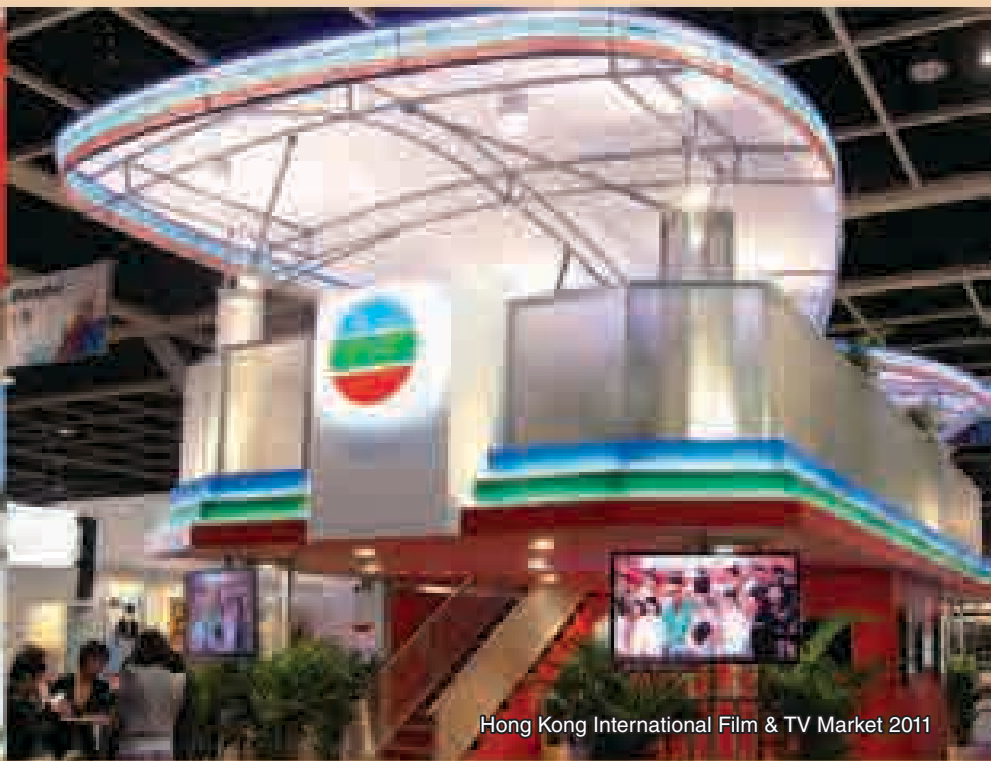
TVB realised the importance to re-establish the position of TVB8. It is our priority in 2012 to increase our own production and co-operation projects with overseas partners. The collaborations with overseas markets such as *International New Era Chinese Kung Fu Competition* and *International Chinese New Talent Singing Championship* not only helped promote the channel's brand but also provided business opportunities to earn additional advertising revenue. We will continue these activities in 2012.



TVB Australia office



TVB USA office



Hong Kong International Film & TV Market 2011

Corporate Social Responsibility

TVB is not only committed to providing quality TV entertainment, it also takes an active role in participating in various community and charitable activities for betterment of the community at large. TVB has made good use of its valuable resources of talented and renowned artistes by arranging them to take part in various local community activities and to deliver loving, caring and positive messages. Their presence adds celebrity momentum to each and every event. Noteworthy events in 2011 included:

- i. participation by artistes and Miss Hong Kong titleholders in the annual Community Chest Walk;
- ii. visits to the homes of the less fortunate during festive periods;
- iii. participation by artistes in various public events, including the Prevention of Hillfire and Conservation of Countryside Day organised by Security Bureau; the photographic competition organised by Leisure and Culture Development Department.



Artistes 311 Love Beyond Borders

The March 2011 earthquake in Japan helped illustrate the Company's caring spirit as the station worked with five charitable organisations namely, Hong Kong Red Cross, Oxfam Hong Kong, The Salvation Army, UNICEF and World Vision Hong Kong to offer on-air appeals for public donations to the victims.

The Company has, over the years, received many awards from international renowned organisations for producing quality programmes. While receiving such recognitions, the Company felt justifiably proud that its effort in contributing to the community has also been well received. In 2011, the Company was, for the second consecutive year, awarded the Bronze Star Award, Age Friendly Hong Kong by the Hong Kong Council of Social Service for producing two informative television programmes, *Good Time Old Buddies* and *Happy Old Buddies*, for the elderly.

TVB Caring Foundation, an internal group formed in 2007 with the mission of "Caring our Staff and Caring our Society", provided regular assistance to different groups of our society with the much needed daily essentials or services. It organised a number of activities during the year in aid of the needed in Hong Kong. These included a charity sale for the Society for the Relief of Disabled Children; donation of computers to low income families via The Hong Kong Council of Social Service; and participation in the Tung Wah Charity Walkathon and Yan Chai charity cookie sale.



Tung Wah Charity Show



The Community Chest's Walk for Millions

Financial Review

OVERVIEW

For the year ended 31 December 2011, the Group continued to perform well with all major areas of operations recording revenue growth. Turnover reached HK\$5,209 million (2010: HK\$4,675 million), which represented an increase of 11% over 2010. Cost of sales increased from HK\$1,723 million to HK\$1,807 million, an increase of approximately 5% over 2010. As a result, gross profit increased from HK\$2,952 million to HK\$3,402 million, an increase of approximately 15% over 2010, and gross profit percentage improved from 63% in 2010 to 65% in 2011.

Included in the cost of sales were the cost of programmes, film rights and stocks which amounted to HK\$1,188 million (2010: HK\$1,161 million), an increase of approximately 2% over 2010.

Selling, distribution and transmission costs amounted to HK\$531 million (2010: HK\$486 million), an increase of approximately 9% over 2010. General and administrative expenses amounted to HK\$630 million (2010: HK\$477 million), an increase of approximately 32% over 2010, which reflected mainly the increase in the staff costs.

The Group's share of the losses of an associate, TVBPHV decreased from HK\$98 million to HK\$58 million. Effective 1 January 2011, TVB Pay Vision was able to benefit from a lower channel licence fee payable to TVB. Further to a review of the Group's interest in TVBPHV at 31 December 2011, an additional impairment loss of HK\$135 million was recognised in the financial statements for the year.

Profit before income tax for the year amounted to HK\$2,097 million (2010: HK\$1,812 million), an increase of approximately 16% over 2010.

The Group's taxation charge amounted to HK\$537 million (2010: HK\$479 million), an increase of approximately 12% over 2010, which was principally due to the income tax on higher income; and a provision of HK\$118 million (2010: HK\$104 million) relating to the tax challenge from the Inland Revenue Department of Hong Kong ("IRD") on profits generated in prior years by the Group's programme licensing and distribution business carried out overseas.

Overall, the Group's profit attributable to equity holders for the year amounted to HK\$1,556 million (2010: HK\$1,330 million), an increase of approximately 17% over 2010. The earnings per share was HK\$3.55 (2010: HK\$3.04).

SEGMENT RESULTS

Revenue under Hong Kong terrestrial TV broadcasting, which comprised advertising revenue from the Group's free TV channels (Jade, Pearl, HD Jade, J2 and iNews) continued to show substantial increase from last year in spite of the market instability caused by the Eurozone sovereign debt crisis. The revenue of this segment grew from HK\$2,533 million to HK\$2,858 million, representing an increase of approximately 13% over 2010. The increase in advertising revenue was partly offset by the increase in operating costs including cost of programmes (comprised predominantly the costs of self-produced TV programmes and the amortised costs of acquired film rights) and staff costs. As a result, this segment recorded a profit of HK\$1,244 million (2010: HK\$1,095 million), representing an increase of approximately 14% over 2010.

Revenue from programme licensing and distribution which comprised licensing income from distribution of our programmes through telecast, homevideo, and new media licensing, increased from HK\$785 million to

HK\$903 million, representing an increase of approximately 15% over 2010. The significant growth in revenue was partly offset by higher operating costs. As a result, this segment recorded a profit of HK\$598 million (2010: HK\$536 million), representing an increase of approximately 12% over 2010.

Revenue from overseas satellite pay TV operations which comprised revenue from our platforms in North America (USA), Australia and Europe, was HK\$389 million (2010: HK\$372 million), representing an increase of approximately 4% over 2010. Operating costs increased during the year for these platforms. As a result, the segment profit dropped by HK\$4 million to HK\$100 million (2010: HK\$104 million), representing a decrease of approximately 4% over 2010.

Revenue from Taiwan operations which comprised both subscription and advertising revenue increased from HK\$753 million to HK\$834 million, representing an increase of approximately 11% over 2010. With higher growth in sales revenue together with a lower increase in operating costs, this segment recorded a notable increase in profit of HK\$47 million to HK\$278 million (2010: HK\$231 million), representing an increase of approximately 21% over 2010.

Revenue from channel operations which comprised the supply of 11 pay TV channels to TVBPV, and revenue from TVB8 and Xing He, the Group's satellite TV channel operations, decreased from HK\$330 million to HK\$252 million which was attributable to the reduction in channel supply licence fee in 2011. As a result, this segment recorded a fall in profit (before impairment loss) to HK\$46 million (2010: HK\$83 million), representing a decrease of approximately 45% over 2010.

Revenue from other businesses which comprised revenue from Internet operations, magazine publishing and production of musical works, increased from HK\$110 million to HK\$157 million, representing an increase of approximately 43% over 2010. This segment recorded an increase in profit from HK\$3 million to HK\$30 million, representing an increase of approximately 819% over 2010. The sharp increase in profit was mainly contributed by higher turnover-related income generated from Internet operations.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group remained in a strong financial position as at 31 December 2011. Total equity stood at HK\$7,093 million (2010: HK\$6,488 million), representing an increase of approximately 9%. At 31 December 2011, the capital structure of the Company comprised 438,000,000 ordinary shares of HK\$0.05 each and there has been no change in the share capital of the Company.

At 31 December 2011, the Group had bank and cash balances of HK\$3,693 million (2010: HK\$2,891 million), representing an increase of approximately 28% over the last year end. Out of the total bank and cash balances, 44% were in Hong Kong dollars, 41% in US dollars, 7% in Renminbi and 8% in other currencies. About 10% of the bank and cash balances (approximately HK\$364 million) were maintained in overseas subsidiaries for their daily operation.

At 31 December 2011, the Group's net current assets amounted to HK\$4,297 million (2010: HK\$3,532 million), representing an increase of approximately 22% over the last year end. The current ratio, expressed as the ratio of current assets to current liabilities increased to 4.2 at 31 December 2011 (2010: 4.1).

FINANCIAL REVIEW

During the year, the Group's total borrowing decreased by 14% to HK\$221 million (2010: HK\$256 million), which relates to the financing for the headquarters in Taiwan and is a secured bank loan, denominated in New Taiwan dollars and floating interest bearing. At 31 December 2011, the maturity profile of the Group's borrowing was as follows: within one year, HK\$24 million (11%); in the second year, HK\$24 million (11%); in the third to fifth years, HK\$73 million (33%); over five years, HK\$100 million (45%). At 31 December 2011, the gearing ratio, expressed as a ratio of gross debts to total equity, was 3.1% (2010: 4.0%).

At 31 December 2011, certain assets of a subsidiary of the Group with net asset value of HK\$798 million were pledged to secure loans and banking facilities granted to that subsidiary. In addition, bank deposits and saving accounts of HK\$7 million were pledged to secure banking and credit facilities granted to certain subsidiaries of the Group.

The capital commitments of the Group at 31 December 2011 were HK\$496 million (2010: HK\$406 million).

TAX AUDIT

In 2004, the IRD initiated a tax audit on the Group. Since then, the Group has received protective profits tax assessment notices from the IRD for the seven consecutive years of assessment from 1998/99 to 2004/05 relating to the profits generated by the Group's programme licensing and distribution business carried out overseas, to which the Group has objected. Of the total additional tax demanded in these assessments, the Group had been granted conditional holdovers by the purchase of tax reserve certificates in the amounts of HK\$24 million, HK\$24 million, HK\$20 million,

HK\$35 million, HK\$49 million, HK\$54 million and HK\$56 million for the seven consecutive years of assessment from 1998/99 to 2004/05 respectively. The total amount of tax reserve certificates purchased by the Group is HK\$262 million. Similar additional assessments may be issued for subsequent years of assessment.

The Group is still in discussion with the IRD with a view to resolving the dispute for the entire period from 1998/99 up to the current year. Based on the latest developments of the tax audit, including exchanges of views with the IRD and notwithstanding the uncertainty inherent in a tax audit, management considered that it was appropriate to increase the provision by HK\$118 million, estimated on a basis which management believes would be sufficient to cover the potential tax exposures in respect of the years of assessment from 2004/05 to 2010/11.

Therefore, as of 31 December 2011, the Group has provided, including the provision made in prior years of HK\$206 million, a total of HK\$324 million against the potential tax exposures for the years of assessments from 1998/99 to 2010/11. Management is of the view that the tax provision is adequate and not excessive.

Management will continue to monitor the progress of the tax audit and vigorously defend the Group's position. Due to the uncertainty inherent in a tax audit, the outcome of the tax dispute could be different from the amounts provided, such difference would impact the income tax provisions in the year in which such determination is made.

CONTINGENT LIABILITIES

At 31 December 2011, there were guarantees given to banks amounting to HK\$10 million (2010: HK\$10 million) for banking facilities granted to an investee company.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's foreign exchange exposures comprise trading and non-trading foreign currency translation exposures. Foreign exchange trading exposures mainly arises from trade receipts from overseas customers.

The Group is also exposed to currency fluctuation on translation of the accounts of overseas subsidiaries and also on the repatriation of earnings and loans. In order to mitigate the potential impact of currency movements, the Group closely monitors its foreign exchange exposures and uses suitable hedging arrangements against significant foreign currency exposures where necessary. No forward exchange or hedging contract was entered into by the Group during the year.

HUMAN RESOURCES

The Group employed, excluding Directors and freelance workers but including contract artistes and staff in overseas subsidiary companies, a total of 4,251 (2010: 4,125) full-time employees at 31 December 2011.

For employment in Hong Kong, different pay schemes apply to contract artistes, sales and non-sales personnel. Contract artistes are paid either on a per-show or by a package of shows basis. Sales personnel are remunerated on commission based schemes. Non-sales personnel are remunerated on monthly salaries basis. About 27% of the Group's manpower was employed in overseas subsidiaries, and was paid on a scale and system relevant to the respective localities and legislations.

For Hong Kong employees, discretionary bonuses may be awarded as an incentive for better performance. All qualified personnel received discretionary bonuses between one and two times of their monthly basic salaries for the year 2011.

The Group does not operate any employee share option scheme.

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

COMMENDATIONS AND AWARDS



RTDNA Edward R. Murrow Awards

*Bloody Monday:
Hong Kong Hostage
Crisis in The Philippines*

2011 Regional Video
Continuing Coverage

RTDNA Edward R. Murrow Awards

*Tuesday Report: A
Dried-Up Watery
Region*

2011 Regional News
Documentary

2011 BDA World Gold Design Awards

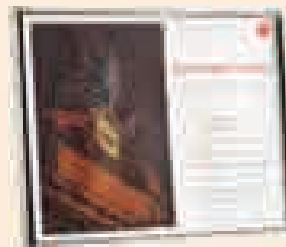
A Fistful of Stances

Print – Poster, Silver
Award

2011 BDA World Gold Design Awards

Ghost Writer

Print – Poster, Bronze
Award



Asian Television Awards 2011

*Steven Ma
in Apprentice Chef*

Best Entertainment
Presenter/Host,
Highly Commended

2011 International Television & Film Awards New York Festivals

*News at 6:30:
Storming the LegCo*

Coverage of Breaking
News, Finalist

2011 International Television & Film Awards New York Festivals

*Beyond the Realm of
Conscience*

Entertainment Program
Promo, Finalist

2011 International Television & Film Awards New York Festivals

*The Pearl Report:
Cerebral Chaos*

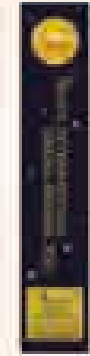
Health/Medical
Information, Finalist



**2011 BDA
World Gold Design
Awards**

*TV Awards
Presentation 2010*

One Time Only Set
Design, Bronze Award



**Seoul
International Drama
Awards 2011**

Charmaine Sheh
in *Can't Buy Me Love*

Individual Category -
People's Choice (Hong
Kong)



**Asian Television
Awards
2011**

Kevin Cheng
in *Ghetto Justice*
Best Actor
in a Leading Role

Charmaine Sheh
in *Can't Buy Me Love*
Best Actress
in a Leading Role



**Asian Television
Awards
2011**

Mak Cheung Ching
in *No Regrets*
Best Actor
in a Supporting Role

Fala Chen
in *No Regrets*
Best Actress
in a Supporting Role



**2011 International
Television & Film Awards
New York Festivals**

*Two Cities Revisited:
Now And Then*

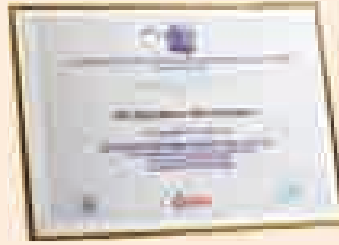
History & Society, Finalist



**2011 International
Television & Film Awards
New York Festivals**

Jade Christmas Image

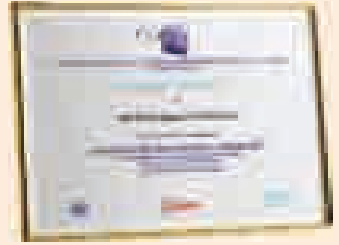
Station/Image Promotion,
Finalist



**Asia-Pacific
Child Rights Award
for Television 2011**

*The Pearl Report:
Minority Report*

Finalist



**Asia-Pacific
Child Rights Award
for Television 2011**

*The Pearl Report:
Protection*

Finalist

RATINGS HIGHLIGHTS

Top 5 Dramas Audience Size



Forensic Heroes III

2,098,000
33 TVRs 94% Share



Lives of Omission

1,971,000
31 TVRs 89% Share



The Rippling Blossom

1,953,000
31 TVRs 94% Share



Curse of the Royal Harem

1,922,000
30 TVRs 91% Share



Ghetto Justice

1,896,000
30 TVRs 85% Share



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Harry Potter and the Order of the Phoenix™

561,000
8.8 TVRs 96% Share



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Jurassic Park III

518,000
8.1 TVRs 89% Share



Iron Man

508,000
8.0 TVRs 96% Share



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Pirates of the Caribbean: Dead Man's Chest

508,000
8.0 TVRs 92% Share



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Harry Potter and the Prisoner of Azkaban™

504,000
7.9 TVRs 96% Share

¹ Audience share (%) is the percentage of ratings of particular channel(s) over the total ratings of the base channels for a specific period of time. The base Chinese channels are Total Jade and Asia Television Limited's Home. The base English channels are Pearl and Asia Television Limited's World. Ratings data source: CSM Media Research.

Top 5 Non-Dramas Audience Size



TV Awards Presentation 2011

2,457,000
38 TVRs 94% Share



TVB 44th Anniversary Gala

1,951,000
31 TVRs 96% Share



What the Face?

1,806,000
28 TVRs 95% Share



Scoop: Special Feature on TV Awards Presentation 2011

1,790,000
28 TVRs 93% Share

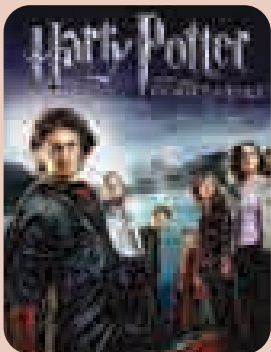


TVB 44th Anniversary Light Switching Ceremony

1,752,000
27 TVRs 89% Share



Top 10 Programmes Audience Size



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Harry Potter and the Goblet of Fire™

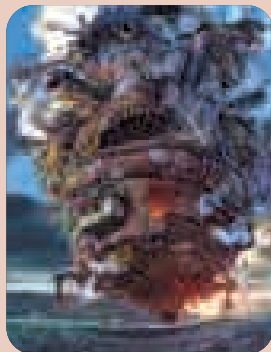
502,000
7.9 TVRs 95% Share



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Up

499,000
7.8 TVRs 92% Share



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Howl's Moving Castle

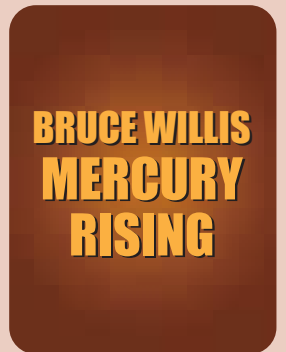
494,000
7.7 TVRs 92% Share



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National Treasure

479,000
7.5 TVRs 89% Share



Mercury Rising

468,000
7.3 TVRs 87% Share

2 TV rating (TVR) represents the size of audience expressed as a percentage of the total TV population. For 2011, the total TV population was 6,388,000 persons, and therefore, 1 TVR represents 63,880 persons (1% of the total TV population). Ratings data source: CSM Media Research.





迈向 45

Corporate Governance

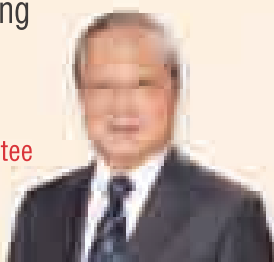
DIRECTORS

Dr. Norman LEUNG Nai Pang
G.B.S., LL.D., J.P.

Executive Chairman

(appointed on 1 January 2012)

Chairman of Executive Committee



aged 71, was appointed as a Director of the Company in September 2003 when he also took up the position as Executive Deputy Chairman. Dr. Leung was appointed as the Executive Chairman of the Board on 1 January 2012. He holds directorships in a number of the subsidiaries of the Company. Dr. Leung is the deputy chairman of Transport International Holdings Ltd., a company which is listed on the Stock Exchange. Dr. Leung has been active in public service for over 30 years and he served as Commissioner of the Civil Aid Service from 1993 to 2007, chairman of the Broadcasting Authority from 1997 to 2002 and council chairman of The City University of Hong Kong from 1997 to 2003. He is now the Pro-Chancellor of City University of Hong Kong and a member of the Advisory Committee on Post-office Employment for former Chief Executives and Politically Appointed Officials.

Mona FONG

**Deputy Chairperson and
Managing Director**

Executive Committee Member



aged 77, also known as Lee Mong Lan, has been a Director of the Company since October 1988. She was appointed as Deputy Chairperson on 25 October 2000, as Acting Managing Director and Managing Director on 31 May 2006 and 1 January 2009 respectively; and acted as Alternate Director to Sir Run Run Shaw between 22 October 2009 and 31 December 2011, the date of retirement of Sir Run Run Shaw from the Board. She holds directorships in a number of the subsidiaries of the Company. Ms. Fong is the 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 a member of the Board of Trustees of Shaw College of The Chinese University of Hong Kong.

Mark LEE Po On

Executive Director

Executive Committee Member

Group General Manager



aged 56, joined the Company in early 2007. He was appointed as Group General Manager in September 2009 and was also appointed as an Executive Director of the Company in March 2010. He holds directorships in a number of the subsidiaries of the Company. Mr. Lee is a member of the Institute of Chartered Accountants in England and Wales and also a member of the Hong Kong Institute of Certified Public Accountants. During the period from 1977 to 1987, Mr. Lee worked with KPMG, an international accounting firm, in various offices including Hong Kong, Los Angeles and Shanghai. From 1988 to early 2007, Mr. Lee worked as an executive director of a listed consortium engaged in real estate, hotel, media, entertainment and retail business in Hong Kong and overseas. During 1992 to 1996, Mr. Lee also took up the position of director and CEO of Asia Television Limited which was a former affiliate of the consortium.

Kevin LO Chung Ping

Non-executive Director
Executive Committee Member
Audit Committee Member



aged 75, joined the Company in 1966 as Project Engineer and served as General Manager from 1978 to 1980. He was appointed as a Director of the Company in November 1977.

Dr. Charles CHAN Kwok Keung

Non-executive Director
(appointed on 1 April 2011)
Executive Committee Member
(appointed on 21 March 2012)



aged 57, was appointed as a Non-executive Director of the Company on 1 April 2011. Dr. Chan holds an Honorary degree of Doctor of Laws and Bachelor's degree in Civil Engineering, and has over 30 years' international corporate management experience in the construction and property sectors, as well as in strategic investments. He is the chairman and executive director of ITC Corporation Limited, and a non-executive director of PYI Corporation Limited, both are companies listed on the Stock Exchange. Dr. Chan is a director of both Young Lion Holdings Limited and Shaw Brothers Limited, which are shareholders of the Company.

Cher WANG Hsiueh Hong

Non-executive Director
(appointed on 1 April 2011)



aged 53, was appointed as a Non-executive Director of the Company on 1 April 2011. Ms. Wang has established a number of successful IT-related businesses, and is currently chairman of three Taiwan-listed companies, and on the board of directors of or advisor to numerous other companies. She founded VIA Technologies, Inc., a semiconductor design house, in 1987; she is also co-founder and chairman of HTC Corp., which was established in 1997, and is a multi-billion dollar global company that develops the most innovative smart phones on the market. Ms. Wang is also chairman of Chander Electronics Corp.. All of the above three companies are listed in Taiwan. Ms. Wang is an Industry Partner in the World Economic Forum and is an APEC Business Advisory Council member. Ms. Wang is the wife of Mr. Chen Wen Chi, a Non-executive Director.

Jonathan Milton NELSON

Non-executive Director
(appointed on 1 April 2011)



aged 55, was appointed as a Non-executive Director of the Company on 1 April 2011. Mr. Nelson is the chief executive officer and the founder of Providence Equity Partners L.L.C. (together with its affiliated investment funds, "Providence"), a private equity firm that manages more than US\$23 billion of committed capital. Mr. Nelson has been investing in private equity transactions for 29 years, focusing on media, telecom, and entertainment sectors. Mr. Nelson serves on the board of directors of Hulu LLC, Univision Communications, Inc. and Yankees Entertainment and Sports Network, LLC. Mr. Nelson has also served as a director of the following listed companies: AT&T Canada, Brooks Fiber Properties, Inc. (now Verizon Communication Inc.), Eircom Group plc, Voicestream Wireless Corporation (now Deutsche Telekom), Warner Music Group, Wellman Inc. and Western Wireless Corporation (now Alltel Corp.) as well as numerous privately-held companies affiliated with Providence Equity Partners Inc. and Narragansett Capital, Inc. Previously, Mr. Nelson was a managing director of Narragansett Capital, Inc. which he joined in 1983. Mr. Nelson received a Master of Business Administration from the Harvard Business School in 1983, and a Bachelor of Arts from Brown University in 1977. He is a trustee of Brown University.

DIRECTORS

Anthony LEE Hsien Pin

Non-executive Director
(appointed on 3 February 2012)

Nomination Committee Member
(appointed on 21 March 2012)



aged 54, was appointed as a Non-executive Director of the Company with effect from 3 February 2012. Mr. Lee was an Alternate Director to Mrs. Christina Lee Look Ngan Kwan, his mother, between 3 September 2002 and 3 February 2012, the date on which Mrs. Lee retired as a Non-executive Director. Mr. Lee is a director of Hysan Development Company Limited, a company listed on the Stock Exchange, and a director of Lee Hysan Estate Company Limited. He is also a director and a substantial shareholder of Australian-listed Beyond International Limited. Mr. Lee is a cousin of Mr. Chien Lee, an Independent Non-executive Director of the Company.

CHEN Wen Chi

Non-executive Director
(appointed on 3 February 2012)

Executive Committee Member
(appointed on 21 March 2012)



aged 56, was appointed as a Non-executive Director of the Company with effect from 3 February 2012. Mr. Chen was an Alternate Director to his wife, Ms. Cher Wang Hsiueh Hong, a Non-executive Director of the Company, between 13 May 2011 and 3 February 2012, the date on which he ceased to act. He is a director of a subsidiary of the Company in Taiwan. Mr. Chen is a director of both VIA Technologies, Inc. and HTC Corp., as well as the chairman of Xander International Corporation. Shares of all of the above three companies are listed in Taiwan. Mr. Chen has been the president and the CEO of VIA Technologies Inc. since 1992. Mr. Chen also holds seats on several industry advisory bodies, and has been a member of the World Economic Forum for over ten years. He holds an MSEE degree from National Taiwan University and an MSCS degree from the California Institute of Technology. Mr. Chen is a director of Young Lion Holdings Limited and Shaw Brothers Limited, which are shareholders of the Company.

Dr. CHOW Yei Ching

G.B.S.

**Independent
Non-executive Director**
(re-designated on 10 June 2011)

**Chairman of
Nomination Committee**
(appointed on 21 March 2012)



aged 76, was appointed as a Non-executive Director of the Company in 2000 and was re-designated as an Independent Non-executive Director of the Company on 10 June 2011. He is the founder of Chevalier group and is the chairman of Chevalier International Holdings Limited, a public company listed on the Stock Exchange. Dr. Chow is also an independent non-executive director of Towngas China Company Limited, a listed company on the Stock Exchange. He was appointed the Honorary Consul of The Kingdom of Bahrain in Hong Kong in 2001. Dr. Chow resigned as an executive director and chairman of Chevalier Pacific Holdings Limited (now known as Dingyi Group Investment Limited), a listed company on the Stock Exchange, on 27 October 2011.

Edward CHENG Wai Sun

S.B.S., J.P.

**Independent
Non-executive Director**
Remuneration Committee Member

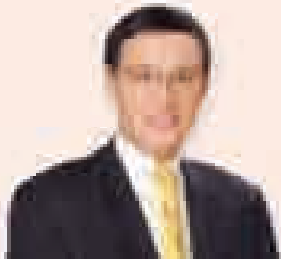
**Nomination
Committee Member**
(appointed on 21 March 2012)



aged 56, was appointed as an Independent Non-executive Director of the Company in June 2006. He is an executive director, the chief executive and deputy chairman of Wing Tai Properties Limited, a non-executive director of Winsor Properties Holdings Limited, and an independent non-executive director of Orient Overseas (International) Limited, all of which are listed on the Stock Exchange. Mr. Cheng has many years of public service experience in urban renewal, finance, housing, corruption prevention, technology and education. Mr. Cheng is currently the chairman of the University Grants Committee and a member of The Airport Authority Hong Kong.

Chien LEE

Independent
Non-executive Director
Chairman of
Remuneration Committee
Audit Committee Member



aged 58, was appointed as an Independent Non-executive Director of the Company in March 2005. He is also non-executive director of Hysan Development Company Limited and Swire Pacific Limited, both listed on the Stock Exchange. Mr. Lee is a Council Member of The Chinese University of Hong Kong and St. Paul's Co-educational College. Mr. Lee is a cousin of Mr. Anthony Lee Hsien Pin, a Non-executive Director of the Company.

Gordon SIU Kwing Chue

G.B.S., J.P.
Independent
Non-executive Director
Audit Committee Chairman
Remuneration Committee
Member



aged 66, was appointed as an Independent Non-executive Director of the Company in July 2007. Mr. Siu is an independent non-executive director of Transport International Holdings Limited and China Resources Enterprise, Limited, which are listed on the Stock Exchange. Mr. Siu joined the Civil Service in 1966, rose to the rank of Secretary, Government Secretariat in 1993, and retired from the Service in 2002 with a service of over 36 years.

Dr. Allan YAP

Alternate Director to
Dr. Charles Chan Kwok Keung
(appointed on 10 June 2011)



aged 56, was appointed as an Alternate Director to Dr. Charles Chan Kwok Keung on 10 June 2011. Dr. Yap holds an honorary degree of Doctor of Laws and has over 29 years' experience in finance, investment and banking. Dr. Yap is the chairman and executive director of Hanny Holdings Limited, the securities of which are listed on the main board of the Stock Exchange. Dr. Yap is also the chairman and chief executive officer of China Enterprises Limited, the securities of which are traded on the OTC Securities Market in the USA, as well as Burcon NutraScience Corporation, the securities of which are listed on the NASDAQ Stock Market in the USA, the Toronto Stock Exchange in Canada and the Frankfurt Stock Exchange in Germany. Dr. Yap is the executive chairman of PSC Corporation Ltd, Intraco Limited and Tat Seng Packaging Group Ltd., the securities of which are listed on the Singapore Exchange Limited.

CHEN Xian

Alternate Director to
Jonathan Milton Nelson
(appointed on 10 June 2011)



aged 30, was appointed as an Alternate Director to Mr. Jonathan Milton Nelson on 10 June 2011. Mr. Chen is a director of Providence Equity Partners L.L.C. (together with its affiliated investment funds, "Providence"). Mr. Chen joined Providence's Hong Kong office in 2009 where he focuses on investment activities in the Greater China region. Previously, he worked for the Private Equity Division of Morgan Stanley Asia Limited for about five and a half years. Mr. Chen received a Bachelor's degree in electronics engineering from Tsinghua University in Beijing. Mr. Chen is a director of both Young Lion Holdings Limited and Shaw Brothers Limited, which are shareholders of the Company.

DIRECTORS

Harvey CHANG Hsiao Wei

Alternate Director to
Cher Wang Hsiueh Hong
(appointed on 3 February 2012)



aged 60, was appointed as an Alternate Director to Ms. Cher Wang Hsiueh Hong, a Non-executive Director on 3 February 2012. He is a director of a subsidiary of the Company in Taiwan. Mr. Chang is currently vice chairman of Taiwan Fixed Network Co., Ltd., which is a subsidiary of Taiwan Mobile Co., Ltd.. Mr. Chang is a director of CX Technology Corp. and Lite-On Technology Corp., both listed companies in Taiwan, and Phu Hung Securities Corp., a company listed in Vietnam. He was president and CEO of Taiwan Mobile Co., Ltd., a listed company in Taiwan, from 2003 till December 2010 and he was the chairman of Taiwan Fund, Inc., a listed company on New York Stock Exchange, from 2005 to January 2012. Mr. Chang received his MBA from the Wharton School, University of Pennsylvania in 1977; and B.S. degree from the National Taiwan University in 1973. He was elected to be an Eisenhower Fellow in 2002.

SENIOR MANAGEMENT

CHEONG Shin Keong

General Manager -
Broadcasting



aged 55, joined TVB as Controller, Marketing & Sales in 1989. He has extensive experience in the advertising/marketing industry and contributes actively to the professional development of marketing in Hong Kong through leading marketing industry bodies. Mr. Cheong assumed the duties of General Manager – Broadcasting in April 2004 and is responsible for marketing and sales, and business development matters of the terrestrial television business segment of TVB. He is a Fellow and Council Member of the Hong Kong Management Association and a Fellow of the Chartered Institute of Marketing.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activities of the Company are terrestrial TV broadcasting, together with programme production and distribution, and other TV-related activities. The principal activities of the major subsidiaries are detailed in Note 38 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segments is set out in Note 5 to the consolidated financial statements.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the year are set out in the consolidated income statement on page 82. Movements in the reserves of the Group and the Company during the year are set out in Note 19 to the consolidated financial statements on pages 123 to 124.

Distributable reserves of the Company at 31 December 2011, calculated under Section 79B of the Companies Ordinance of Hong Kong, amounted to HK\$4,980,889,000 (2010: HK\$4,421,823,000).

DIVIDENDS

The Directors recommended the payment of a final dividend of HK\$1.75 per share for the 438,000,000 ordinary shares in issue of HK\$0.05 each in respect of the year ended 31 December 2011. Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on Wednesday, 16 May 2012 ("2012 AGM"), the final dividend will be paid to shareholders whose names are recorded on the Register of Members of the Company on 23 May 2012. The dividend warrants will be despatched to shareholders on or around 30 May 2012.

Together with an interim dividend of HK\$0.45 per share paid on 4 October 2011, the total dividend for the year will amount to HK\$2.20 per share (2010: HK\$2.00 per share).

CLOSURE OF REGISTER OF MEMBERS

First Book Close

The Register of Members of the Company will be closed from Wednesday, 25 April 2012 to Wednesday, 16 May 2012, both dates inclusive, ("First Book Close Period") for the purpose of determining shareholders' attendance and voting entitlement at the 2012 AGM.

During the First Book Close Period, no transfer of shares will be registered. In order to qualify for shareholders' attendance and voting entitlement, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 24 April 2012.

Second Book Close

The Register of Members of the Company will be re-opened on Thursday, 17 May 2012 and then will be closed again from Tuesday, 22 May 2012 to Wednesday, 23 May 2012, both dates inclusive, ("Second Book Close Period") for the purpose of determining shareholders' entitlement to the final dividend.

During the Second Book Close Period, no transfer of shares will be registered. In order to qualify for entitlement to the final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 21 May 2012.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$326,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 6 to the consolidated financial statements.

REPORT OF THE DIRECTORS

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 18 to the consolidated financial statements.

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 76.

DIRECTORS

The Directors during the year were, and at the date of this Annual Report are, as follows:

Executive Directors

Norman Leung Nai Pang
Mona Fong
Mark Lee Po On

Non-executive Directors

Kevin Lo Chung Ping
Charles Chan Kwok Keung (appointed on 1 April 2011)
Cher Wang Hsiueh Hong (appointed on 1 April 2011)
Jonathan Milton Nelson (appointed on 1 April 2011)
Anthony Lee Hsien Pin (appointed on 3 February 2012)
Chen Wen Chi (appointed on 3 February 2012)

Independent Non-executive Directors

Chow Yei Ching (re-designated as Independent
Non-executive Director on 10 June 2011)
Edward Cheng Wai Sun
Chien Lee
Gordon Siu Kwing Chue

Alternate Directors

Allan Yap, Alternate Director to
Charles Chan Kwok Keung (appointed on 10 June 2011)
Chen Xian, Alternate Director to
Jonathan Milton Nelson (appointed on 10 June 2011)
Harvey Chang Hsiao Wei, Alternate Director to
Cher Wang Hsiueh Hong (appointed on 3 February 2012)

Retired and Resigned Directors

Run Run Shaw (retired on 31 December 2011)
Christina Lee Look Ngan Kwan (retired on 3 February 2012)
Vivien Chen Wai Wai (resigned on 3 February 2012)

On 1 April 2011, Dr. Charles Chan Kwok Keung, Ms. Cher Wang Hsiueh Hong and Mr. Jonathan Milton Nelson were appointed as Non-executive Directors of the Company. Pursuant to the Articles of Association of the Company ("Articles"), they held offices as Directors until the annual general meeting of the Company which was held on 25 May 2011 ("2011 AGM"). Dr. Chan, Ms. Wang and Mr. Nelson were successfully elected at the 2011 AGM.

On 13 May 2011, Mr. Chen Wen Chi was appointed as an Alternate Director to Ms. Cher Wang Hsiueh Hong, a Non-executive Director of the Company. Subsequently, he was appointed a Non-executive Director of the Company on 3 February 2012 and he ceased to act as Alternate Director to Ms. Cher Wang Hsiueh Hong on the same day.

On 10 June 2011, Dr. Allan Yap was appointed as an Alternate Director to Dr. Charles Chan Kwok Keung, and Mr. Chen Xian was appointed as an Alternate Director to Mr. Jonathan Milton Nelson. Both Dr. Chan and Mr. Nelson are Non-executive Directors of the Company.

On 10 June 2011, Dr. Chow Yei Ching was re-designated as an Independent Non-executive Director of the Company.

On 31 December 2011, Sir Run Run Shaw retired as a Director and the Chairman of the Board. Ms. Mona Fong, his wife, ceased to act as his Alternate Director on the same day.

On 3 February 2012, Mrs. Christina Lee Look Ngan Kwan retired as a Non-executive Director of the Company. Mr. Anthony Lee Hsien Pin, his son, ceased to act as her Alternate Director on the same day.

On 3 February 2012, Mr. Anthony Lee Hsien Pin was appointed as a Non-executive Director of the Company.

On 3 February 2012, Ms. Vivien Chen Wai Wai resigned as an Independent Non-executive Director of the Company.

On 3 February 2012, Mr. Harvey Chang Hsiao Wei was appointed as an Alternate Director to Ms. Cher Wang Hsiueh Hong, a Non-executive Director of the Company.

On 21 March 2012, the Company announced that Ms. Mona Fong will retire as Deputy Chairperson and Managing Director on 31 March 2012 and will be re-designated as a Non-executive Director of the Company on 1 April 2012.

In accordance with Article 109 of the Articles, Mr. Anthony Lee Hsien Pin and Mr. Chen Wen Chi, who were appointed by the Board as Non-executive Directors on 3 February 2012, will hold offices as Directors until the 2012 AGM and, being eligible, offer themselves for election at the 2012 AGM.

In accordance with Article 114(A) of the Articles, Ms. Mona Fong will retire at the 2012 AGM and, being eligible, offers herself for re-election at the 2012 AGM.

Details of the Directors, subject to retirement for election or re-election at the 2012 AGM, are set out in the notice of the 2012 AGM which will be sent together with this Annual Report to the shareholders of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and Senior Management are set out on pages 46 to 50 of this Annual Report.

DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY

At 31 December 2011, the interests and short positions of the Directors in the shares of the Company as recorded in the register required to be kept pursuant to Section 352 of Part XV of the Securities and Futures Ordinance, Chapter 571 ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), are set out below:

Long position in the shares of the Company

Name of Director	Number of ordinary shares of HK\$0.05 each held					Total interests	Percentage of issued share capital (%) ^(a)
	Personal interests	Family interests	Corporate interests	Other interests			
Charles Chan Kwok Keung	–	–	113,888,628	–	–	113,888,628 ^{#(b)}	26.00
Cher Wang Hsiueh Hong	–	–	113,888,628	–	–	113,888,628 ^{#(c)}	26.00
Jonathan Milton Nelson	–	–	–	113,888,628	–	113,888,628 ^{#(d)}	26.00
Chen Wen Chi	–	113,888,628	–	–	–	113,888,628 ^{#(e)}	26.00
Christina Lee Look Ngan Kwan	602,144	–	16,701,000 ^(f)	–	–	17,303,144	3.95
Run Run Shaw	–	1,146,000 [*]	15,950,200 ^{^(g)}	–	–	17,096,200	3.90
Mona Fong	1,146,000 [*]	15,950,200 [^]	–	–	–	17,096,200	3.90
Chien Lee	400,000	–	–	–	–	400,000	0.09
Lee Po On	–	250,000	–	–	–	250,000	0.06
Chow Yei Ching	100,000	–	–	–	–	100,000	0.02

Notes:

Duplication of shareholdings occurred between parties * shown in the table here.

Duplication of shareholdings occurred between parties ^ shown in the table here.

Duplication of shareholdings occurred between parties # shown in the table here and below under the sub-heading of "Other Persons' Interests in the Shares of the Company".

At 31 December 2011:

(a) Shareholding percentage in the issued share capital was based on the 438,000,000 ordinary shares of the Company in issue.

REPORT OF THE DIRECTORS

- (b) Dr. Charles Chan Kwok Keung was deemed to be interested in these 113,888,628 shares of the Company held through Shaw Brothers Limited (“Shaw Brothers”). Shaw Brothers is an indirect wholly-owned subsidiary of Young Lion Holdings Limited (“YLH”), which is controlled by Dr. Chan through Innovative View Holdings Limited (“IVH”) (see below note (c) under the sub-heading of “Other Persons’ Interests in the Shares of the Company”).
- (c) Ms. Cher Wang Hsiueh Hong is deemed to be interested in these 113,888,628 shares of the Company which Profit Global Investment Limited (“Profit Global”) was interested in. Profit Global, in which Ms. Wang indirectly holds an interest, is a party of the investor group which indirectly held the said shares through Shaw Brothers, an indirect wholly-owned subsidiary of YLH.
- (d) Mr. Jonathan Milton Nelson was deemed to be interested in these 113,888,628 shares of the Company which P6 YL Holdings Limited (“P6YL”) was interested in. P6YL, in which Mr. Nelson indirectly holds an interest, is a party of the investor group which indirectly held the said shares through Shaw Brothers, an indirect wholly-owned subsidiary of YLH.
- (e) Mr. Chen Wen Chi was deemed to be interested in these 113,888,628 shares of the Company. Such share interest is indirectly held by his spouse, Ms. Cher Wang Hsiueh Hong through Profit Global, in which Ms. Wang indirectly holds an interest. Profit Global is a party of the investor group which indirectly held the said shares through Shaw Brothers, an indirect wholly-owned subsidiary of YLH.
- (f) The total of 16,701,000 shares included 11,958,000 shares which were held by Trio Investment Corporation S.A., 3,162,000 shares which were held by Compass Inc. and 1,581,000 shares which 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.
- (g) These 15,950,200 shares were held by The Shaw Foundation Hong Kong Limited (“Shaw Foundation”). Shaw Holdings Inc. holds 100% equity interest in The Shaw Foundation Hong Kong Limited. Sir Run Run Shaw exerts 100% control over Shaw Holdings Inc. through The Sir Run Run Shaw Charitable Trust.

Save for the information disclosed above, at 31 December 2011, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

During the year, the Company and any of its subsidiaries did not operate any employee share option scheme, and therefore, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to

enable the Directors or their respective spouse or children under 18 years of age to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

OTHER PERSONS’ INTERESTS IN THE SHARES OF THE COMPANY

At 31 December 2011, the interests or short positions of the persons (other than the Directors of the Company) in the shares of the Company as recorded in the register required to be kept pursuant to Section 336 of Part XV of the SFO, or as otherwise notified to the Company, are set out below:

Long position in the shares of the Company

Name	Number of ordinary shares of HK\$0.05 each held	Percentage of issued share capital (%) ^(a)
Shaw Brothers Limited ^(b)	113,888,628 ^{#(c)}	26.00
Young Lion Holdings Limited	113,888,628 ^{#(c)&(f)}	26.00
Kun Chang Investment Co. Ltd.	113,888,628 ^{#(d)}	26.00
Profit Global Investment Limited	113,888,628 ^{#(d)&(f)}	26.00
Providence Holdco (International) GP Ltd.	113,888,628 ^{#(e)}	26.00
Providence Fund Holdco (International) L.P.	113,888,628 ^{#(e)}	26.00
PEP VI International Ltd.	113,888,628 ^{#(e)}	26.00
Providence Equity GP VI International L.P.	113,888,628 ^{#(e)}	26.00
Providence Equity Partners VI International L.P.	113,888,628 ^{#(e)}	26.00
P6 YL Holdings Limited	113,888,628 ^{#(e)&(f)}	26.00
Dodge & Cox	37,043,100 ^(g)	8.46
Matthews International Capital Management, LLC	21,959,833 ^(g)	5.01

Notes:

Duplication of shareholdings occurred between parties # shown in the table here and above under the sub-heading of "Directors' Interests in the Shares of the Company".

At 31 December 2011:

- (a) Shareholding percentage in the issued share capital was based on 438,000,000 ordinary shares of the Company in issue.
- (b) On 23 November 2011, the Company had been informed that Shaw Brothers (Hong Kong) Limited ("Shaw Brothers (HK)"), which is an indirect wholly-owned subsidiary of YLH, had transferred the 113,888,628 shares of the Company registered in its name to Young Lion (Hong Kong) Limited ("YL(HK)"), which is also an indirect wholly-owned subsidiary of YLH. There was no change in control of the 113,888,628 shares of the Company after the said transfer. On 28 November 2011, YL(HK) was renamed as Shaw Brothers which became the registered shareholder of the 113,888,628 shares of the Company.
- (c) YLH was deemed to be interested in the 113,888,628 shares of the Company. Such interests were held indirectly through Shaw Brothers which is an indirect wholly-owned subsidiary of YLH which is controlled by Dr. Charles Chan Kwok Keung, a Non-executive Director of the Company, through IVH. On 23 November 2011, the Company was informed that IVH had been added in the shareholding structure as an intermediate company controlled by Dr. Charles Chan Kwok Keung to hold the controlling interest in YLH.
- (d) Profit Global was deemed to be interested in the 113,888,628 shares of the Company. Profit Global is controlled by Kun Chang Investment Co. Ltd. ("Kun Chang"). Directors and substantial shareholders of Kun Chang are all accustomed to act in accordance with the directions of Ms. Cher Wang Hsiueh Hong, a Non-executive Director of the Company.
- (e) P6YL was deemed to be interested in the 113,888,628 shares of the Company. P6YL is controlled by Providence Holdco (International) GP Ltd. through its direct and indirect wholly-owned subsidiaries. P6YL is a wholly-owned subsidiary of Providence Equity Partners VI International L.P., which is in turn a wholly-owned subsidiary of Providence Equity GP VI International L.P.. Providence Equity GP VI International L.P. is a wholly-owned subsidiary of PEP VI International Ltd., which is in turn a wholly-owned subsidiary of Providence Fund Holdco (International) L.P.. Mr. Jonathan Milton Nelson, a Non-executive Director of the Company, holds controlling interests in P6YL through Providence Holdco (International) GP Ltd. and its subsidiaries as abovementioned.
- (f) Dr. Charles Chan Kwok Keung, Profit Global, P6YL, YLH, Young Lion Acquisition Co. Limited ("YLA"), IVH, Clear Water Bay Land Company Limited and Shaw Brothers are parties of an agreement to acquire the interest in the 113,888,628 shares in the Company. This agreement is an agreement to which Section 317(1)(a) of the SFO applies.
- (g) Interests were held in the capacity of investment managers.

DIRECTORS'/SUBSTANTIAL SHAREHOLDERS' INTERESTS IN CONTRACTS

The following transactions constituted continuing connected transactions of the Company which are subject to the requirements under Chapter 14A of the Listing Rules:

Continuing Connected Transactions

1. Continuing connected transactions with Hong Kong Movie City Company Limited ("HKMC")

As announced on 2 February 2010, the Company and TVB.COM Limited ("TVB.COM"), an indirect wholly-owned subsidiary of the Company, entered into several agreements on 1 February 2010 (including the tenancy agreements, colocation services agreement, IP telephone licence, and parking licences, collectively, "HKMC Agreements") with HKMC for the lease of certain properties and car parking spaces at Shaw Studios, a property located at 201 Wan Po Road, Tseung Kwan O, Kowloon, Hong Kong, which is wholly-owned by HKMC, and for various facilities services, on such terms and conditions as stipulated in the HKMC Agreements.

At the date of entering into the HKMC Agreements, HKMC was an associated company of Shaw Brothers (HK), a substantial shareholder of the Company and an associate of Sir Run Run Shaw ^(Note) and Ms. Mona Fong, both Directors of the Company. Therefore, the entering into the HKMC Agreements constituted continuing connected transactions for the Company which are subject to the annual review, and reporting and announcement requirements under the Listing Rules. Details of the HKMC Agreements are as follows:

- (a) On 1 February 2010, the Company and HKMC entered into a tenancy agreement, pursuant to which the Company agreed to hire an office at Shaw Studios, with a total gross floor area of approximately 14,150 square feet for a three year fixed term commencing from 1 February 2010 to 31 January 2013. The rent and related expenses incurred by the Company during 2011 was HK\$2,555,000.

Note: Sir Run Run Shaw retired as a Director of the Company on 31 December 2011.

REPORT OF THE DIRECTORS

- (b) On 1 February 2010, TVB.COM and HKMC entered into a tenancy agreement, pursuant to which TVB.COM agreed to hire an office at Shaw Studios, with a total gross floor area of approximately 18,000 square feet for a three year fixed term commencing from 1 February 2010 to 31 January 2013. The rent and related expenses incurred by TVB.COM during 2011 was HK\$3,024,000.
- (c) On 1 February 2010, TVB.COM and HKMC entered into an another tenancy agreement, pursuant to which TVB.COM agreed to hire an office at Shaw Studios, with a total gross floor area of approximately 10,200 square feet for a three year fixed term commencing from 1 February 2010 to 31 January 2013. The rent and related expenses incurred by TVB.COM during 2011 was HK\$1,714,000.
- (d) On 1 February 2010, TVB.COM and HKMC entered into a colocation services agreement, pursuant to which TVB.COM agreed to engage colocation services from HKMC for storage of server equipment at Shaw Studios for a three year fixed term commencing from 1 February 2010 to 31 January 2013. The service fees incurred by TVB.COM during 2011 were HK\$4,740,000.
- (e) On 1 February 2010, TVB.COM and HKMC entered into an Internet protocol telephone licence, pursuant to which TVB.COM agreed to obtain the licences for an Internet protocol telephony communication system services installed by the HKMC at the offices at Shaw Studios which are occupied by TVB.COM as abovementioned. The licence fee incurred by TVB.COM during 2011 was HK\$234,000.
- (f) On 1 February 2010, the Company and HKMC entered into a parking licence, pursuant to which the Company agreed to obtain licence for designated car parking space(s) at Shaw Studios for a six month licence period from 1 February 2010 and renewable for every six months. The licence fee incurred by the Company during 2011 was HK\$15,000.
- (g) On 1 February 2010, TVB.COM and HKMC entered into a parking licence, pursuant to which TVB.COM agreed to obtain licence for several designated car parking spaces at Shaw Studios for a six month licence period from 1 February 2010 and renewable for every six months. The licence fee incurred by TVB.COM during 2011 was HK\$150,000.
2. Continuing connected transactions with MEASAT Broadcast Network Systems Sdn. Bhd. ("MBNS")
- As announced on 22 March 2010, TVBI Company Limited ("TVBI"), a wholly-owned subsidiary of the Company, entered into binding principal terms with MBNS on 10 March 2010 in the form of a confirmation letter ("Short Form Agreement") relating to the granting of the rights by TVBI to MBNS to distribute certain programmes and the licensed channels in Malaysia and Brunei, and that TVB Satellite TV Entertainment Limited ("TVBSE"), a wholly-owned subsidiary of the Company, had been engaged by MBNS as an advertising agency for managing and selling of airtime on certain channels.
- At the date of entering into the said agreement, MBNS is an associate of the substantial shareholder of three of the Company's non wholly-owned subsidiaries of the Company, the transactions contemplated under the Short Form Agreement, together constituted non-exempt continuing connected transactions for the Company which are subject to approval of the independent shareholders of the Company under the Listing Rules. The transactions were approved at the extraordinary general meeting of the Company held on 26 May 2010 and the relevant parties had signed the formal agreements ("MBNS Agreements") on 13 December 2010. Details of the MBNS Agreements are as follows:
- (a) On 13 December 2010, TVBI and MBNS entered into an agreement, pursuant to which TVBI agreed to grant to MBNS

the exclusive right to broadcast, transmit and exhibit certain programmes and the licensed channels on the Astro Services (the pay television service which is provided and operated by MBNS in Malaysia and Brunei using the trade mark name "ASTRO") within Malaysia and Brunei for a three year fixed term commencing from 1 February 2010 to 31 January 2013. The income accrued by TVBI during 2011 was HK\$222,049,000 (RM87,169,000).

- (b) On 13 December 2010, TVBI and MBNS entered into an agreement, pursuant to which TVBI agreed to grant to MBNS the exclusive right to transmit and exhibit certain licensed programmes on the Near Video On Demand (NVOD)/Video On Demand (VOD) Services on any platform owned or operated by MBNS or its affiliates within Malaysia and Brunei for a five year fixed term commencing from 1 January 2010 to 31 December 2014. For the five year contract term, an independent financial adviser appointed for the transactions was of the view that it was in the benefit of the Company to lock-in a longer contract term of 5 years, which was in line with normal business practice, to ensure its continuous exposure in Malaysia and Brunei via a trusted partner in the absence of its own platform. The income accrued by TVBI during 2011 was HK\$55,758,000 (RM21,889,000).
- (c) On 13 December 2010, TVBSE and MBNS entered into an agreement, pursuant to which MBNS appointed TVBSE as an exclusive consultant to advise on the management and selling of airtime, including management of a Chinese sales team, for certain 24-hour turnaround channels and a Chinese language entertainment channel – Wah Lai Toi (which is owned and operated by MBNS) on MBNS's platform for a three year fixed term commencing from 1 February 2010 to 31 January 2013. The income accrued by TVBSE during 2011 was HK\$44,932,000 (RM17,639,000).

3. Continuing connected transactions with Concept Legend Limited ("JV Company") and its subsidiary (collectively, "JV Group")

As announced on 4 November 2010, the Company entered into separate framework service agreements and separate framework licence agreements ("Framework Agreements") on 4 November 2010 with each of the companies in the JV Group in connection with the provision of various supporting facilities and services for motion pictures production to the JV Group; and the acquisition of television broadcasting and transmission rights of motion pictures being or to be produced by the JV Group, respectively.

The JV Company is a joint venture company established by the Company and Shaw Brothers (HK) (a substantial shareholder of the Company at the date of formation of the JV Company and at the date of entering into the Framework Agreements, it ceased to be an associate on 31 March 2011). Effective on 31 March 2010, the interest of Shaw Brothers (HK) in the JV Company was transferred to one of the fellow subsidiary companies of Shaw Brothers (HK) - Shaw Productions.

At the date of formation of the JV Company and at the date of entering into the Framework Agreements, both Shaw Brothers (HK) and Shaw Productions are controlled by Sir Run Run Shaw ^(Note) and Ms. Mona Fong, both Directors of the Company. The JV Company and its subsidiary are therefore associates of Sir Run Run Shaw ^(Note) and Ms. Mona Fong or Shaw Brothers (HK), and hence are connected persons of the Company. The entering into the Framework Agreements constituted continuing connected transactions for the Company which are subject to the annual review, and reporting and announcement requirements under the Listing Rules. Details of the Framework Agreements are as follows:

Note: Sir Run Run Shaw retired as a Director of the Company on 31 December 2011.

REPORT OF THE DIRECTORS

- (a) On 4 November 2010, the Company entered into separate framework service agreements with each of the companies in the JV Group, for the provision of various supporting facilities and services to the JV Group for their production of motion pictures, each for a period of 14 months commencing from 1 November 2010 to 31 December 2011. The aggregate income from provision of services to the JV Group for 2011 was HK\$4,378,000.
- (b) On 4 November 2010, the Company further entered into separate framework licence agreements with each of the companies in the JV Group, in connection with the acquisition of television broadcasting and transmission rights of motion pictures being or to be produced by the JV Group, each for a period of 14 months commencing from 1 November 2010 to 31 December 2011. The aggregate cost for acquiring licence rights from JV Group for 2011 was HK\$7,000,000.

All of the Independent Non-executive Directors have reviewed the above transactions described in paragraphs 1 to 3 above, and confirmed that these transactions have been entered into (i) in the ordinary and usual course of business of the Company; (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified

Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 55 to 58 of the Annual Report in accordance with paragraph 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save for the above, no contracts 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 or a substantial shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the year-end or at any time during the year.

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.

DIRECTORS' EMOLUMENTS

Details of the remuneration of Directors for the year are set out in Note 25 to the consolidated financial statements on page 131 of this Annual Report.

CORPORATE GOVERNANCE

The Company's corporate governance practices during the year are set out in the Corporate Governance Report on pages 60 to 61 of this Annual Report.

BOARD COMMITTEES

The responsibilities of the Executive Committee, the Audit Committee and the Remuneration Committee of the Board of the Company and their work done during the year are set out in the Corporate Governance Report on pages 66 to 71.

In order to comply with the Listing Rules which will become effective on 1 April 2012, the Nomination Committee of the Board of the Company was established on 21 March 2012 with its terms of reference approved by the Board.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company had not redeemed, and neither had the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors as at the date of this report, at least 25% of the Company's total issued share capital is held by the public at all times. At 21 March 2012, there were 269 shareholders on the Company's register of members.

CHANGES IN SHAREHOLDING

On 31 March 2011, the Company announced that the shareholders of Shaw Brothers (HK) had disposed of their entire shareholding in Shaw Brothers (HK) to the investor group ("Investor Group") controlled by Dr. Charles Chan Kwok Keung, with Ms. Cher Wang Hsiueh Hong and Providence Equity Partners L.L.P. being the other two members of the Investor Group on the same day. The Investor Group, in turn, is interested in, indirectly through Shaw Brothers (HK), 113,888,628 shares in the Company, representing approximately 26.00% in the issued share capital of the Company.

On 31 March 2011, Shaw Foundation had disposed of 11,336,000 shares in the Company, representing approximately 2.59% in the issued share capital of the Company, by way of donation to various educational and charitable institutions. Immediately after such disposal by donation, the Shaw Foundation holds 15,950,200 shares in the Company, representing approximately 3.64% in the issued share capital of the Company.

In November 2011, there were two changes to the shareholding structure of the Company. The first one involved Shaw Brothers (HK) transferring 113,888,628 shares in the Company, representing approximately 26.00% in the issued share capital of the Company,

to YL(HK) (a wholly-owned subsidiary of YLA which is wholly-owned by YLH). YL(HK) was subsequently renamed as Shaw Brothers. The second one involved the transfer of Dr. Charles Chan Kwok Keung's 51% voting shares of YLH to IVH, an intermediate company wholly-owned by Dr. Chan.

AMENDMENTS TO ARTICLES OF ASSOCIATION

The Company proposed to amend certain provisions in the Articles in order to bring them in line with the prevailing Listing Rules. Full terms of the proposed amendments and the relevant explanatory notes will be published in the notice of the 2012 AGM and Explanatory Statement sent together with this Annual Report.

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%.

AUDITOR

The consolidated financial statements for the year ended 31 December 2011 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the 2012 AGM.

On behalf of the Board

Norman Leung Nai Pang
Executive Chairman

Hong Kong, 21 March 2012

CORPORATE GOVERNANCE REPORT

This Corporate Governance Report (“CG Report”) has been prepared in accordance with the requirements set out in Appendix 23 of the Listing Rules, before the amendments to the Listing Rules relating to directors’ responsibilities and the Code on Corporate Governance Practices take effect on 1 April 2012.

ACCOUNTABILITY, TRANSPARENCY AND INTEGRITY

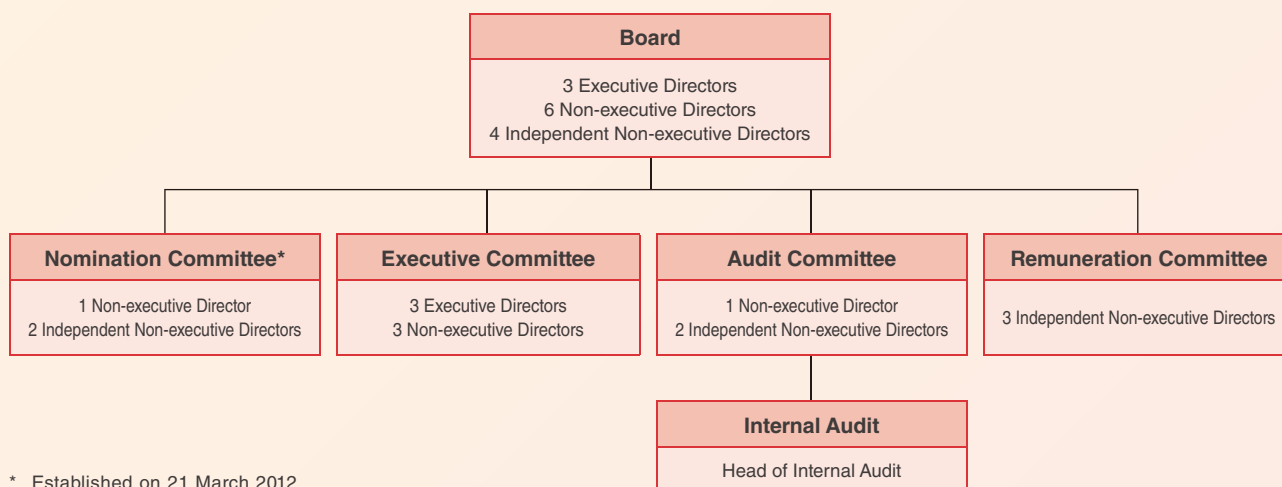
Maintaining high standards of business ethics and corporate governance practices has always been one of the Company’s core objectives.

The Company believes that conducting business in an open and responsible manner serves its long-term interests and those of the shareholders. The Company adopted its own code on corporate governance which complies with the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules (“CG Code”).

The Board reviews the corporate governance practices adopted by the Company from time-to-time to comply with the increasingly stringent regulatory requirements, and to meet the rising expectations of stakeholders.

GOVERNANCE STRUCTURE

The governance structure of the Company at the date of this report is as follows:



* Established on 21 March 2012

CORPORATE GOVERNANCE PRACTICES

The Board monitored the Company’s progress on corporate governance practices throughout the year under review.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company first adopted its own code on corporate governance, TVB Code on Corporate Governance, in 2005 which was revised in November 2009 (“2009 TVB CG Code”).

The 2009 TVB CG Code was substantially in compliance with all the code provisions of the CG Code, save that the Chairman was not subject to retirement (as required under code provision A.4.2) which was permitted under Article 114(C) of the Articles ^(Note). Throughout 2011, the Company had fully complied with all code provisions set out in the CG Code, except that the Chairman was exempted from retirement.

Note: Under this Article, the Chairman was exempted from retirement as it was considered that this deviation was well-founded as the former Chairman, Sir Run Run Shaw being a founder of the Company, has a wealth of experience which was essential to the Board and contributes to the continued stability of the Company’s business.

Following the retirement of Sir Run Run Shaw in December 2011, it was felt that the Articles should be amended to remove this exemption. At a Board meeting held on 21 March 2012, Directors proposed that a special resolution be put forward at the 2012 AGM, removing the exemption from retirement for the Chairman under Article 114(C) of the Articles, which will then align Article 114 with paragraph A.4.2 of the CG Code. At the same meeting, the 2009 TVB CG Code was also amended to align with recent listing rule changes to form the latest set of TVB Code on Corporate Governance (“2012 TVB CG Code”).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUER

The Company has adopted the Model Code, as amended from time-to-time, as the code for Directors and Senior Management in their dealings in the securities of the Company.

Dr. Charles Chan Kwok Keung, Ms. Cher Wang Hsiueh Hong and Mr. Jonathan Milton Nelson, Non-executive Directors, confirmed, following specific enquiries by the Company, that they had complied with the Model Code throughout the period between 1 April 2011 (the date of their appointment) and 31 December 2011.

Mr. Chen Wen Chi, Alternate Director to Ms. Cher Wang Hsiueh Hong, confirmed, following specific enquiry by the Company, that he had complied with the Model Code throughout the period between 13 May 2011 (the date of his appointment) and 31 December 2011.

Dr. Allan Yap, Alternate Director to Dr. Charles Chan Kwok Keung, and Mr. Chen Xian, Alternate Director to Mr. Jonathan Milton Nelson, confirmed, following specific enquiries

by the Company, that they had complied with the Model Code throughout the period between 10 June 2011 (the date of their appointment) and 31 December 2011.

Ms. Prudence Chan Bik Wah, former General Manager – International Operations of the Company, confirmed, following specific enquiry by the Company, that she had complied with the Model Code throughout the period between 8 February 2011 (the date of her appointment) and 31 October 2011 (the date of her resignation).

All other Directors and members of Senior Management confirmed, following specific enquiries by the Company, that they had complied with the Model Code throughout the year ended 31 December 2011.

BOARD OF DIRECTORS AND ITS COMMITTEES

Board of Directors

The Board is charged with the duty of promoting the success of the Company by directing and supervising its affairs in a responsible manner. The Board is the highest governing body of the Company.

The Board is supported by four Board Committees, namely the Executive Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee. Each of them has defined terms of reference covering its duties, powers and functions. The terms of reference of the Executive Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee are available on the website of the Stock Exchange (“Exchange’s website”) and the Company’s website.

CORPORATE GOVERNANCE REPORT

At the date of this CG Report, the Board and its Committees comprises:

Board of Directors	Also serving:	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors					
Norman Leung Nai Pang		Chairman	–	–	–
Mona Fong		Member	–	–	–
Mark Lee Po On		Member	–	–	–
Non-executive Directors					
Kevin Lo Chung Ping		Member	Member	–	–
Charles Chan Kwok Keung		Member	–	–	–
Cher Wang Hsiueh Hong		–	–	–	–
Jonathan Milton Nelson		–	–	–	–
Anthony Lee Hsien Pin		–	–	–	Member
Chen Wen Chi		Member	–	–	–
Independent Non-executive Directors					
Chow Yei Ching		–	–	–	Chairman
Edward Cheng Wai Sun		–	–	Member	Member
Chien Lee		–	Member	Chairman	–
Gordon Siu Kwing Chue		–	Chairman	Member	–
Alternate Directors					
Allan Yap, Alternate Director to Charles Chan Kwok Keung		n/a	n/a	n/a	n/a
Chen Xian, Alternate Director to Jonathan Milton Nelson		n/a	n/a	n/a	n/a
Harvey Chang Hsiao Wei, Alternate Director to Cher Wang Hsiueh Hong		n/a	n/a	n/a	n/a

n/a: not applicable

During the year and up to the date of this report, the following changes to the composition of the Board and its committees took place:

On 1 April 2011, Dr. Charles Chan Kwok Keung, Ms. Cher Wang Hsiueh Hong and Mr. Jonathan Milton Nelson were appointed as Non-executive Directors of the Company. Pursuant to the Articles, they held offices as Directors until the 2011 AGM. At this meeting, Dr. Chan, Ms. Wang and Mr. Nelson were successfully elected.

On 13 May 2011, Mr. Chen Wen Chi was appointed as an Alternate Director to Ms. Cher Wang Hsiueh Hong, a Non-executive Director of the Company. Subsequently, he was appointed a Non-executive Director of the Company on 3 February 2012 and therefore ceased to act as Alternate Director to Ms. Cher

Wang Hsiueh Hong on the same day. Pursuant to the Articles, he will hold office as a Director until the 2012 AGM and, being eligible, offers himself for election at the 2012 AGM.

On 10 June 2011, Dr. Allan Yap was appointed as an Alternate Director to Dr. Charles Chan Kwok Keung, and Mr. Chen Xian was appointed as an Alternate Director to Mr. Jonathan Milton Nelson. Both Dr. Chan and Mr. Nelson are Non-executive Directors of the Company.

On 10 June 2011, Dr. Chow Yei Ching was re-designated as an Independent Non-executive Director of the Company.

On 31 December 2011, Sir Run Run Shaw retired as a Director and the Chairman of the Board, and as a member of the Executive Committee. Ms. Mona Fong, his wife, ceased to act as his Alternate Director on the same day.

On 1 January 2012, Dr. Norman Leung Nai Pang, who was previously the Executive Deputy Chairman between September 2003 and December 2011, was appointed as the Executive Chairman of the Board.

On 3 February 2012, Mrs. Christina Lee Look Ngan Kwan retired as a Non-executive Director and as a member of the Executive Committee. Mr. Anthony Lee Hsien Pin, his son, therefore ceased to act as her Alternate Director on the same day. On 3 February 2012, Mr. Anthony Lee Hsien Pin was appointed as a Non-executive Director of the Company. Pursuant to the Articles, he will hold office as a Director until the 2012 AGM and, being eligible, offers himself for election at the 2012 AGM.

On 3 February 2012, Ms. Vivien Chen Wai Wai resigned as an Independent Non-executive Director, and as a member of the Remuneration Committee.

On 3 February 2012, Mr. Harvey Chang Hsiao Wei was appointed as an Alternate Director to Ms. Cher Wang Hsiueh Hong.

On 21 March 2012, Dr. Charles Chan Kwok Keung and Mr. Chen Wen Chi were appointed as members of the Executive Committee.

On 21 March 2012, the Nomination Committee was established and Dr. Chow Yei Ching was appointed as the Chairman, and Mr. Anthony Lee Hsien Pin and Mr. Edward Cheng Wai Sun were appointed as members of the Nomination Committee.

On 21 March 2012, the Company announced that Ms. Mona Fong will retire as Deputy Chairperson and Managing Director on 31 March 2012 and will be re-designated as a Non-executive Director of the Company on 1 April 2012. She will continue to serve as a member of the Executive Committee.

Biographical details of Directors are set out on pages 46 to 50 of this Annual Report.

Attendance records of Directors

The attendance¹ records of Directors at the Board and the Board Committees meetings in 2011 are set out below:

Directors	Board of Directors meetings	Executive Committee meetings	Audit Committee meetings	Remuneration Committee meetings
Norman Leung Nai Pang	6/6	5/5	–	–
Mona Fong	6/6	5/5	–	–
Mark Lee Po On	6/6	5/5	–	–
Kevin Lo Chung Ping	5/6	5/5	3/3	–
Charles Chan Kwok Keung ²	5/5	–	–	–
Cher Wang Hsiueh Hong ³	4/5	–	–	–
Jonathan Milton Nelson ⁴	5/5	–	–	–
Anthony Lee Hsien Pin ⁵	n/a	–	–	–
Chen Wen Chi ⁶	n/a	–	–	–
Chow Yei Ching	6/6	–	–	–
Edward Cheng Wai Sun	4/6	–	–	1/2
Chien Lee	6/6	–	3/3	2/2
Gordon Siu Kwing Chue	6/6	–	3/3	2/2

Retired and resigned Directors	Board of Directors meetings	Executive Committee meetings	Audit Committee meetings	Remuneration Committee meetings
Sir Run Run Shaw ⁷	6/6	5/5	–	–
Christina Lee Look Ngan Kwan ⁸	5/6	5/5	–	–
Vivien Chen Wai Wai ⁹	4/6	–	–	2/2

CORPORATE GOVERNANCE REPORT

Notes:

- 1 Directors may attend meetings in person, by phone or through other means of electronic communication or by their alternate directors in accordance with the Articles.
- 2 Dr. Charles Chan Kwok Keung was appointed a Non-executive Director on 1 April 2011. Five Board meetings were held for 2011, following his appointment. He was then appointed as a member of the Executive Committee on 21 March 2012.
- 3 Ms. Cher Wang Hsiueh Hong was appointed a Non-executive Director on 1 April 2011. Five Board meetings were held for 2011, following her appointment.
- 4 Mr. Jonathan Milton Nelson was appointed a Non-executive Director on 1 April 2011. Five Board meetings were held for 2011, following his appointment.
- 5 Mr. Anthony Lee Hsien Pin was appointed a Non-executive Director on 3 February 2012.
- 6 Mr. Chen Wen Chi was appointed a Non-executive Director on 3 February 2012. He was then appointed as a member of the Executive Committee on 31 March 2012.
- 7 Sir Run Run Shaw retired from the position of the Chairman of the Board, as a Non-executive Director and a member of the Executive Committee on 31 December 2011.
- 8 Mrs. Christina Lee Look Ngan Kwan retired as a Non-executive Director and a member of the Executive Committee on 3 February 2012.
- 9 Ms. Vivien Chen Wai Wai resigned as an Independent Non-executive Director and a member of the Remuneration Committee on 3 February 2012.

Board Meetings

The Board normally holds five regular meetings annually, and meets at such other times as are necessary. Six Board meetings were held during the year ended 31 December 2011. The attendance records of Directors at the Board meetings in 2011 are set out in the table on page 63.

Directors' Responsibilities

Each Director has a duty to act in good faith and in the best interests of the Company. The Directors are aware of their collective and individual responsibilities to all shareholders for the manner in which the affairs of the Company are managed, controlled and operated.

Each Director is kept abreast of his/her responsibilities as Director of the Company and of the conduct, business activities and development of the Company. Management provides appropriate and sufficient information to Directors in a timely manner to keep them apprised of the latest development of the Group. Directors also have independent access to management in respect of operational issues.

The Board sets the strategic direction of the Company and monitors the performance of the Group's business and management; and ensures that a risk management framework

is in place. The Board exercises a number of reserved approval powers over matters which include:

- significant changes in accounting policies or capital structure;
- financial statements and announcements;
- major acquisitions, disposals and capital projects;
- material borrowings and any issuing, or buying back, of equity securities;
- remuneration policy;
- budget;
- dividend policy; and
- treasury policy.

Delegation to Management

The Board has formalised the functions delegated to Senior Management and reviews such arrangements on a periodic basis. Senior Management is charged with the following responsibilities:

- implementing and reporting to the Board on the Company's strategies;
- overseeing the realisation by the Company of the objectives set by the Board;

- providing all such information to the Board as is necessary to enable the Board to monitor the performance of Senior Management; and
- discharging duties and authorities as may be delegated by the Board.

Directors' Independence

The Company currently has four Independent Non-executive Directors and complies with Rule 3.10 of the Listing Rules that requires at least three Independent Non-executive Directors, and at least one of them possesses related financial management expertise.

Each of the Independent Non-executive Directors has given the Company an annual confirmation of his independence. The Company, therefore, considers that all of the Independent Non-executive Directors of the Company are independent, under the guidelines set out in Rule 3.13 of the Listing Rules.

Relationship among Directors

The Directors have no relationship (including financial, business, family or other relationship) among themselves, save for the following:

- wife-husband relationship between Ms. Cher Wang Hsiueh Hong and Mr. Chen Wen Chi;
- cousin relationship between Mr. Chien Lee and Mr. Anthony Lee Hsien Pin; and
- business relationship between Dr. Charles Chan Kwok Keung, Ms. Cher Wang Hsiueh Hong and Providence (in which Mr. Jonathan Milton Nelson is the Chief Executive Officer and the Founder).

SEGREGATION OF DUTIES OF THE CHAIRMAN AND THE MANAGING DIRECTOR

The roles of the Chairman and the Managing Director are segregated and clearly defined, as set out in the TVB CG Code.

Following the retirement of Ms. Mona Fong from the position of Managing Director on 31 March 2012, the duties and functions of the Managing Director will be assumed by the Executive Director & Group General Manager until further notice.

DIRECTORS' TERM OF OFFICE, ELECTION AND RE-ELECTION

Subject to an amendment to the Articles to be approved by shareholders at the 2012 AGM removing the exemption from retirement of the Chairman, all Directors shall be subject to retirement and re-election. Any Director appointed by the Board either to fill a casual vacancy or as an additional Director shall hold office only until the next following general meeting of the Company and shall then be eligible for election at such meeting. Thereafter, they shall be subject to retirement and re-election at every third annual general meeting of the Company in accordance with the Articles.

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.

Dr. Charles Chan Kwok Keung, Ms. Cher Wang Hsiueh Hong and Mr. Jonathan Milton Nelson were appointed as Non-executive Directors of the Company on 1 April 2011. In accordance with the Articles, they held offices as Directors until the 2011 AGM. At that meeting, Dr. Chan, Ms. Wang and Mr. Nelson were successfully elected.

In accordance with Article 109 of the Articles, Mr. Anthony Lee Hsien Pin and Mr. Chen Wen Chi, who were appointed by the Board as Directors on 3 February 2012, will hold offices as Non-executive Directors until the 2012 AGM, and being eligible, offer themselves for election at the 2012 AGM.

In accordance with Article 114(A) of the Articles, Ms. Mona Fong will retire at the 2012 AGM and, being eligible, offers herself for re-election at the 2012 AGM.

Details of the Directors, subject to retirement for election or re-election at the 2012 AGM, as required under Rule 13.51(2) of the Listing Rules, are set out in the notice of the 2012 AGM which will be sent together with this Annual Report to the shareholders of the Company.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

Major roles and functions, composition and operating mode of the Executive Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board are set out below.

Executive Committee

The Executive Committee has been delegated by the Board the powers in the oversight of the management of the business and affairs of the Company.

Major roles and functions

The Executive Committee shall undertake the following duties:

- to monitor and review the implementation of the Group's strategic and investment plans;
- to monitor and review the organization, business and personnel policies of the Group;
- to liaise and consult with other committees of the Board on all matters in relation to the businesses of the Group;
- to do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board; and
- to work to the requirements that may from time-to-time be delegated by the Board or contained in the constitution of the Company.

Composition

The Executive Committee comprises six members. Members of the Executive Committee at the date of this CG Report are set out in the table on page 62.

Committee meetings

The Executive Committee normally meets five times annually. Additional meetings may be held as the work of the Executive Committee demands.

During 2011, the Executive Committee held five meetings or by way of passing resolutions which dealt with the following matters:

- reviewed the Group's cash deposits position;
- made recommendation to the Board for dividend payments;
- nominated the appointment of Directors to the Board for approval;
- examined the possible ways for field enhancement on the Group's cash balance; and
- endorsed the report on share dealing clearance under the Model Code.

The attendance records of Directors at the Executive Committee meetings in 2011 are set in the table on page 63.

With effect from 1 April 2012, the Executive Committee will normally meet once a month. The number of meetings may be increased, if necessary.

Remuneration Committee

The Remuneration Committee is responsible for formulating remuneration policy for Senior Management, making recommendations on annual remuneration review and determining remuneration of Executive Directors and Senior Management.

Major roles and functions

The Remuneration Committee shall undertake the following duties:

- to make recommendations to the Board on the Company's policy for the remunerations of all Directors and Senior Management and on the establishment of a formal and transparent procedure for developing the remuneration policy;
- to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

- to determine, with delegated responsibility, the specific remuneration packages of all individual Executive Directors and members of Senior Management, which would include benefits in kind, pension rights; and any compensation payable for loss or termination of their office or appointment;
- to make recommendations to the Board on the remuneration of Non-executive Directors;
- to consider salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group (including the Company and its subsidiaries);
- to review and approve the compensation payable to Executive Directors and Senior Management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- to ensure that no Director or any of his associates is involved in deciding his own remuneration.

Composition

The Remuneration Committee comprises three members, all of whom are Independent Non-executive Directors of the Company. Members of the Remuneration Committee at the date of this CG Report are set out in the table on page 62.

Committee meetings

The Remuneration Committee normally meets at least once a year. Additional meetings may be held as the work of the Remuneration Committee demands.

The Remuneration Committee held two meetings during the year ended 31 December 2011. It dealt with the following matters at the said Committee meetings:

- reviewed and approved the discretionary bonuses to Senior Management and senior executives for 2010 and 2011;
- reviewed and approved the discretionary bonus to the Executive Deputy Chairman and the Managing Director for 2010 and 2011;
- reviewed and approved the employment contract of the Executive Deputy Chairman;
- reviewed and recommended increases in the fees for Directors and members of certain Board Committees;
- considered and approved the employment contract of the General Manager – International Operations;
- reviewed and approved the salary increments to the General Managers for 2011 and 2012; and
- considered and approved the service contract of the Executive Chairman.

The attendance records of Directors at the Remuneration Committee meetings in 2011 are set in the table on page 63.

Group's remuneration policies

The key elements of the Group's remuneration policies are:

- remuneration should be set which is commensurate with pay levels in the market;
- remuneration should be able to attract and retain individuals with appropriate background, skills, knowledge and experience, relevant to the industry and the business; and
- no individual should determine his or her own remuneration.

CORPORATE GOVERNANCE REPORT

Remuneration of Directors

All Directors are entitled to Director's fee which fee was recommended by the Remuneration Committee, determined by the Board and approved by the shareholders.

The Executive Directors are remunerated by way of a fixed Director's fee, salaries and other incentive, such as discretionary bonus, and they are not entitled to any additional fee for serving on the Board Committees.

The Non-executive Directors are remunerated by a fixed Director's fee and Board Committee fees, if they also serve on those Committees.

Any increases in Director's fee shall be recommended and proposed by the Board and approved by shareholders at annual general meetings. Any increases in fees to the chairman or members of the Board Committees shall be approved by the Board.

The annual fee paid to the Directors for serving on the Board and the additional annual fees paid to Non-executive Directors for serving on the Board Committees for the year ended 31 December 2011 are set out below:

Individual Director serving	Annual fees for 2011 HK\$
Board of Directors	
Executive and Non-executive Directors	150,000 ^{Note}
Executive Committee	
Chairman	—
Members (who is not an Executive Director)	75,000
Audit Committee	
Chairman	140,000
Members	100,000
Remuneration Committee	
Chairman	50,000
Members	40,000

Note: The shareholders approved at the 2011 AGM, the increase of fee payable to Directors from HK\$120,000 per annum to HK\$150,000 per annum with effect from 1 January 2011.

The Company does not operate any employee share option scheme and therefore, no share options of the Company were granted in 2011.

Details of the Directors' and Senior Management's emoluments are set out on pages 131 to 133 of the Notes to the Consolidated Financial Statements.

NOMINATION OF DIRECTORS

The appointment of a new Director is a matter for consideration and decision by the Board. As delegated by the Board, the Executive Committee is responsible for nominating suitably qualified candidates to be Directors of the Company.

On the recommendation of the Executive Committee, the Board resolved the following appointment of Directors during the year ended 31 December 2011 and up to the date of this CG report:

- the appointment of Dr. Charles Chan Kwok Keung, Ms. Cher Wang Hsiueh Hong and Mr. Jonathan Milton Nelson as Non-executive Directors of the Company, on 1 April 2011;
- the appointment of Mr. Chen Wen Chi as an Alternate Director to Ms. Cher Wang Hsiueh Hong, a Non-executive Director of the Company, on 13 May 2011;
- the appointment of Dr. Allan Yap and Mr. Chen Xian as Alternate Directors to Dr. Charles Chan Kwok Keung and Mr. Jonathan Milton Nelson, respectively, on 10 June 2011. Both Dr. Charles Chan Kwok Keung and Mr. Jonathan Milton Nelson are Non-executive Directors of the Company;
- the appointment of Mr. Anthony Lee Hsien Pin and Mr. Chen Wen Chi as Non-executive Directors of the Company, on 3 February 2012; and
- the appointment of Mr. Harvey Chang Hsiao Wei as Alternate Director to Ms. Cher Wang Hsiueh Hong, a Non-executive Director of the Company, in place of Mr. Chen Wen Chi, on 3 February 2012.

The Executive Committee made reference to criteria including, inter alia, reputation for integrity, background, accomplishment and experience in the commercial industry, time commitment and relevant interest, and considered that they are suitable candidates to fill the said positions.

ESTABLISHMENT OF NOMINATION COMMITTEE

A Nomination Committee has been established on 21 March 2012. The Nomination Committee comprises three members, Dr. Chow Yei Ching (Chairman), Mr. Anthony Lee Hsien Pin and Edward Cheng Wai Sun, the majority of whom are Independent Non-executive Directors of the Company.

The Nomination Committee is responsible for making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, and for determining the policy for nomination of Directors, the nomination procedures and the process and criteria adopted by the Committee to select and recommend candidates for directorship. The terms of reference of the Committee will be available on the Exchange's website and the Company's website.

AUDITORS' REMUNERATION

Management performs a review of the remuneration to the Group's auditors on an annual basis. The fees for audit and non-audit services have been approved by the Audit Committee. The fees for audit and non-audit services are set out as follows:

Fees for audit services

	2011 *	2010
	HK\$'000	HK\$'000
Company	1,415	1,335
Subsidiaries	2,988	2,749
Total	4,403	4,084
Fees payable to PricewaterhouseCoopers, the principal auditor	3,698	3,421

* Proposed fee payable for audit services for 2011

Fees for non-audit services

	2011	2010
	HK\$'000	HK\$'000
Company	351	1,249
Subsidiaries	1,735	3,269
Total	2,086	4,518
Fees payable to PricewaterhouseCoopers, the principal auditor	1,686	3,960

Non-audit services rendered to the Group included principally professional fees in relation to tax services.

Audit Committee

The Audit Committee shall provide assistance to the Board in fulfilling its responsibilities to independently review and supervise on financial reporting and effectiveness of the system of internal controls of the Group (including the Company and its subsidiaries); review objectivity and effectiveness of the audit process in accordance with applicable standards; and review the appointment of external auditor and ensure continuing auditor's independence.

Major roles and functions

The Audit Committee shall undertake the following duties:

In respect of relationship with the external auditor:

- to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor and any questions of its resignation or dismissal;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

CORPORATE GOVERNANCE REPORT

- to develop and implement policy on engaging the external auditor to supply non-audit services;
- to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- to act as the key representative body for overseeing the Company's relations with the external auditor;
- to meet with auditor, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise;

In respect of review of the Company's financial information:

- to monitor the integrity of the Company's financial statements and annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:
 - any changes in accounting policies and practices;
 - major judgmental areas;
 - significant adjustments resulting from the audit;
 - the going concern assumptions and any qualifications;
 - compliance with accounting standards; and compliance with the Listing Rules and legal requirements in relation to financial reporting;

- regarding point 8 above, members of the Committee should liaise with the Board and Senior Management; and the Committee must meet at least twice a year with the Company's auditor; and the Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, and it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;
- to review the continuing connected transactions entered into by the Company and to report to the Board following the conclusion of such review, as required under the Listing Rules;

In respect of oversight of the Company's financial reporting system and internal control procedures:

- to review the Company's financial controls, internal control and risk management systems;
- to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- where an internal audit function exists, to ensure co-ordination between the internal and the external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

- to review the Group's financial and accounting policies and practices;
- to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- to ensure the Board will provide a timely response to the issues raised in the external auditor's management letter;
- to report to the Board on the matters in these terms of reference;
- to consider other topics, as defined by the Board; and

Others

- to maintain a whistleblowing policy and system which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that such a whistleblowing policy and system are in place for fair and independent investigation of these matters and for appropriate follow-up actions. The whistleblowing policy and system shall also enable those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company.

Composition

The Audit Committee comprises three members, the majority of whom are Independent Non-executive Directors of the Company. They are experienced in reviewing and analysing financial information.

Members of the Audit Committee at the date of this CG Report are set out in the table on page 62.

Committee meetings

The Audit Committee normally meets three times a year. Additional meetings may be held as the work of the Audit Committee demands.

The Audit Committee held three meetings during the year ended 31 December 2011 and dealt with the following matters:

- reviewed the selected accounting principles and practices;
- reviewed developments in the accounting standards and assessed their potential impacts;
- reviewed draft financial statements and results announcements;
- reviewed draft interim and annual reports;
- considered the proposed scope and approach of the external audit;
- reviewed and discussed audit findings and significant issues;
- reviewed the adequacy and effectiveness of the Group's system of internal controls; and
- made recommendation to the Board regarding appointment and remuneration of the external auditor.

The attendance records of Directors at the Audit Committee meetings in 2011 are set in the table on page 63.

With endorsement by the Board, the Audit Committee on 21 March 2012 established a whistleblowing policy and system which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The whistleblowing policy and system shall also enable those who deal with the Company to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company.

The reporting responsibilities of PricewaterhouseCoopers, the external auditor, are set out in the Independent Auditor's Report on page 77 of this Annual Report.

CORPORATE GOVERNANCE REPORT

PROCEEDINGS OF THE BOARD MEETINGS AND BOARD COMMITTEE MEETINGS

The Board meets in person regularly. Notice of Board meetings are given to all Directors and the agendas of Board meetings are approved by the Executive Chairman, and all Directors are given opportunity to include matters for discussion in the agenda. The Board is provided with adequate, timely and reliable information about the Group's business and developments before each meeting at which Directors can actively participate and hold informed discussions. All Directors are asked to comment on minutes prepared for previous meetings within a reasonable time after the meetings to ensure that the minutes accurately reflect the discussions which took place.

Proceedings of the Board Committee meetings shall be governed by the provisions in the Articles for regulating the proceedings of the meetings of Directors.

FINANCIAL REPORTING AND AUDIT

The Board is responsible for presenting financial information of the Group in a clear, balanced and timely manner in the form of financial statements that give a true and fair view of the Group's state of affairs. The Board also carries out the responsibility to select the most appropriate accounting policies for the Group. In this regard, the Board has adopted the Hong Kong Financial Reporting Standards as promulgated by the Hong Kong Institute of Certified Public Accountants.

The Board is also vested with the responsibility to disseminate to shareholders and the public any price sensitive information in the form of announcements and circulars, in accordance with the Listing Rules.

INTERNAL CONTROLS

Responsibility

The Board has overall responsibility for the Group's internal control system and management of risks. It is committed to maintaining a sound and effective internal control system to safeguard the Group's assets and shareholders' interests, while the responsibility of day-to-day management of operational risks and implementation of remedial control measures rests with management and individual divisions, departments and offices.

Key Control Processes

A system of internal controls has been designed by management in safeguarding assets from unauthorised use or disposition, ensuring reliability of financial reporting, and ensuring effectiveness and efficiency of operation and compliance with applicable laws and regulations. This system of internal controls is, however, designed to provide reasonable, but not absolute, assurance of no material mis-statement or loss, to manage, rather than eliminate, risk of failure in operational systems, and to help achieve the Group's objectives.

The key internal control procedures that the Board established to provide effective internal controls include:

- establishment of a clear organisation structure with well-defined lines of responsibilities from the Board to Board Committees, management, and the heads of operating subsidiaries/divisions;
- documentation of a comprehensive set of internal control procedures covering all business operations of the Group;
- establishment of a comprehensive monthly management reporting system to provide financial and operational performance data to management. Variances from targets are analysed, explained, and improvement actions are taken, if necessary, to rectify deficiencies;

- regular monitoring and assessment of effectiveness of the system of internal controls by considering the reviews performed by the Audit Committee, management, internal auditors and external auditors, as appropriate; and
- adoption of TVB Code of Ethics governing the conduct of staff members and setting the standards of integrity and professionalism.

Monitoring Controls and Group Internal Audit

The Group advocates the principle of maintaining good corporate governance and the importance of creating the right tone in the organisation, influencing control consciousness of its employees, with emphasis on factors such as integrity, ethical values, competence, responsibility and authority.

To assist the Board in its monitoring control function, the Group set up an internal audit department (“Internal Audit”) in 2008 to provide an independent appraisal and assurance of its internal governance process, effectiveness of the risk management framework, methodology, together with the control activities in the Group’s business operations. To preserve the independence of the internal audit function, the Head of Internal Audit reports directly to the Audit Committee on audit matters. Other key principles, including the principles of accountability and objectivity, under which Internal Audit is refrained from involving in daily operations being audited, have been firmly established in the Group’s Internal Audit Charter approved by the Audit Committee.

Internal Audit performs its independent reviews of different financial, business and functional operations and activities using a pro-active risk-based approach to focus on areas of major risks as identified by a comprehensive risk analysis. Division or department heads and the management concerned will be notified of all control deficiencies for rectification within a set time frame. Major control deficiencies are

brought to the attention of Senior Management and the Audit Committee on a regular basis and, if necessary, to the Board for remedial actions. Internal Audit has from time-to-time liaised and worked with relevant regulatory bodies with a view to enhancing its corporate governance and internal control systems, as well as protecting the Group’s assets and shareholders’ interests.

On 11 March 2010, the Company made an announcement to clarify an incident concerning an investigation conducted by the Independent Commission Against Corruption (“ICAC”) in respect of certain alleged corrupt practice. The Company announced that it had suspended the duties and work of three employees of the Company involved in the investigation pending further development of the subject matter. The duties and work of one employee concerned were resumed in November 2010 (who has subsequently resigned in March 2012) while the other employees concerned had left the Company by resignation or retirement. The Company has clarified that the investigation conducted by ICAC had not affected and would not affect the normal operation of the Company, nor its services to its audience and customers and the Company would fully co-operate with ICAC in the investigation. Trial by the District Court on the alleged corrupt practices was completed on 26 July 2011. The Court delivered judgement on 2 September 2011 and all the defendants were acquitted. The Prosecution has filed an appeal against the 1st and 2nd defendants. The appeal proceedings are pending.

CORPORATE GOVERNANCE REPORT

In September 2011, the Broadcasting Authority found the Company in breach of the disqualified person provisions in connection with the appointment of an alternate director to the Board of the Company in June 2011. The Company was given a warning and was reminded by the Broadcasting Authority to enhance vigilance on the statutory requirements so as to avoid any similar lapses in future.

2011 Review of Internal Control Systems

The Board, through the Audit Committee, has conducted a review of the adequacy and the effectiveness of the Group's internal control systems for the year ended 31 December 2011, covering financial, operational and compliance controls, together with risk management functions ("Control Review"). This Control Review was conducted by way of a risk and control self-assessment, whereby key business and operational risks identified in a comprehensive risk assessment survey were mapped to relevant control activities and procedures.

Evaluations were then performed to assess whether the design and functioning of these control activities are sufficient to mitigate the risks identified. Based on the outcome of the review, the Board is satisfied that the internal controls within the Group are functioning in a sound and effective manner to safeguard the Group's assets and shareholders' investment.

CORPORATE COMMUNICATION

Disclosure of Information

The Company adopted a policy of disclosing relevant information to shareholders and the public in a timely manner:

- the Company makes announcements pursuant to the requirements of the Listing Rules on the Exchange's website and the Company's website;
- the Company maintains a library of corporate information, including announcements, circulars and financial reports at its website for reference purpose;
- the Company provides a forum at the annual general meetings for shareholders to meet and communicate with management; and
- reports and circulars are distributed to all registered shareholders.

General Meetings

Proceedings of annual general meetings and other general meetings are reviewed periodically to ensure that the Company follows the best corporate governance practices.

Pursuant to the Listing Rules, the notice of annual general meetings is sent to all shareholders at least 20 clear business days before the meetings, and at least 10 clear business days for all other general meetings setting out details of each proposed resolution, poll procedures and other relevant information.

Voting by poll is mandatory at all general meetings except where the chairman of a general meeting, in good faith, decides to allow a resolution which purely relates to a procedural and administrative matter (as defined under the Listing Rules) to be voted on by a show of hand.

The chairman of a general meeting shall ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll. Poll results are released on the Exchange's website and the Company's website, in accordance with the requirements under the Listing Rules.

Separate resolutions are proposed for each substantially separate issue and are voted by poll at the general meetings.

The chairman of the Board shall attend the annual general meeting and shall invite the chairman of the Board Committees to attend and they should be available to answer questions at the meeting. Management of the Company shall ensure the external auditor attend the annual general meeting to answer the questions about the audit.

Shareholders' Communication Policy

The Company established a shareholders' communication policy for maintaining an on-going dialogue with its shareholders. The Board shall review the policy on a regular basis to ensure its effectiveness.

Investor Relations

The Company devotes substantial resources in ensuring that its dissemination of details of major activities, price sensitive information and transactions is in full compliance with the Listing Rules. The Company has designated key officers to communicate with institutional shareholders and analysts ensuring consistency of information. Through one-on-one meetings and presentations, the Company keeps the investment community informed of its latest developments.

On behalf of the Board

Norman Leung Nai Pang
Executive Chairman

Hong Kong, 21 March 2012

Financial Information

FIVE-YEAR FINANCIAL REVIEW

	2011 HK\$'mil	2010 HK\$'mil	2009 HK\$'mil	2008 HK\$'mil	2007 HK\$'mil
Turnover	5,209	4,675	3,983	4,407	4,326
Profit before income tax	2,097	1,811	1,221	1,286	1,550
Income tax expense	537	479	321	230	284
Profit attributable to equity holders of the Company	1,556	1,330	900	1,055	1,264
Earnings per share	HK\$3.55	HK\$3.04	HK\$2.06	HK\$2.41	HK\$2.89
Property, plant and equipment	2,352	2,489	2,549	2,532	1,908
Investment properties	12	–	–	–	–
Land use rights	56	–	–	–	–
Goodwill	171	176	163	161	163
Interests in associates	529	581	676	376	85
Other non-current assets	59	121	26	52	76
Current assets	5,656	4,666	3,629	3,621	4,019
Current liabilities	(1,359)	(1,134)	(827)	(678)	(741)
	7,476	6,899	6,216	6,064	5,510
Share capital	22	22	22	22	22
Reserves	7,042	6,439	5,771	5,586	5,322
Shareholders' funds	7,064	6,461	5,793	5,608	5,344
Non-controlling interests	30	27	25	26	25
Non-current liabilities	382	411	398	430	141
	7,476	6,899	6,216	6,064	5,510

The figures for the years 2007 to 2009 have been restated following the adoption of HKAS17 (amendment) "Leases".

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

TO THE SHAREHOLDERS OF TELEVISION BROADCASTS LIMITED (incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Television Broadcasts Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 78 to 144, which comprise the consolidated and Company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2012

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Note	2011 HK\$'000	2010 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	2,352,012	2,489,035
Investment properties	7	11,821	–
Land use rights	8	55,614	–
Goodwill	9	170,525	175,840
Interests in jointly controlled entities	11	16,604	12,593
Interests in associates	12	529,112	581,390
Available-for-sale financial assets	13	3	3
Deferred income tax assets	22	26,050	33,454
Prepayment	15	16,695	74,512
Total non-current assets		3,178,436	3,366,827
Current assets			
Programmes and film rights		336,911	315,868
Stocks	14	13,122	11,232
Trade and other receivables, prepayments and deposits	15	1,605,239	1,441,396
Tax recoverable		461	249
Pledged bank deposits	16	7,316	6,885
Bank deposits maturing after three months		397,060	211,648
Cash and cash equivalents	17	3,295,584	2,679,151
Total current assets		5,655,693	4,666,429
Total assets		8,834,129	8,033,256
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	18	21,900	21,900
Other reserves	19	807,568	818,244
Retained earnings			
– Proposed final dividend	30	766,500	722,700
– Others		5,467,480	4,898,020
		7,063,448	6,460,864
Non-controlling interests		30,044	27,154
Total equity		7,093,492	6,488,018
LIABILITIES			
Non-current liabilities			
Borrowing	21	197,153	231,107
Deferred income tax liabilities	22	179,779	174,112
Retirement benefit obligations	23	5,189	5,847
Total non-current liabilities		382,121	411,066

	Note	2011 HK\$'000	2010 HK\$'000
Current liabilities			
Trade and other payables and accruals	20	896,693	757,900
Current income tax liabilities		437,589	350,974
Borrowing	21	24,234	25,298
Total current liabilities		1,358,516	1,134,172
Total liabilities		1,740,637	1,545,238
Total equity and liabilities		8,834,129	8,033,256
Net current assets		4,297,177	3,532,257
Total assets less current liabilities		7,475,613	6,899,084

The consolidated financial statements on pages 78 to 144 were approved by the Board of Directors on 21 March 2012 and were signed on its behalf.

Norman Leung Nai Pang

Director

Mark Lee Po On

Director

The notes on pages 86 to 144 are an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Note	2011 HK\$'000	2010 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	1,399,757	1,484,232
Interests in subsidiaries	10	715,555	696,743
Interests in jointly controlled entities	11	26,231	16,231
Interests in associates	12	529,112	581,390
Prepayment	15	16,695	–
Total non-current assets		2,687,350	2,778,596
Current assets			
Programmes and film rights		306,855	284,274
Stocks	14	3,621	2,662
Trade and other receivables, prepayments and deposits	15	913,199	829,675
Bank deposits maturing after three months		243,056	50,792
Cash and cash equivalents	17	2,484,997	1,836,935
Total current assets		3,951,728	3,004,338
Total assets		6,639,078	5,782,934
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	18	21,900	21,900
Other reserves	19	712,144	712,144
Retained earnings			
– Proposed final dividend	30	766,500	722,700
– Others		4,144,389	3,629,123
Total equity		5,644,933	5,085,867
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	22	68,298	76,900
Total non-current liabilities		68,298	76,900

	Note	2011 HK\$'000	2010 HK\$'000
Current liabilities			
Trade and other payables and accruals	20	850,256	511,245
Current income tax liabilities		75,591	108,922
Total current liabilities		925,847	620,167
Total liabilities		994,145	697,067
Total equity and liabilities		6,639,078	5,782,934
Net current assets		3,025,881	2,384,171
Total assets less current liabilities		5,713,231	5,162,767

The consolidated financial statements on pages 78 to 144 were approved by the Board of Directors on 21 March 2012 and were signed on its behalf.

Norman Leung Nai Pang

Director

Mark Lee Po On

Director

The notes on pages 86 to 144 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Note	2011 HK\$'000	2010 HK\$'000
Turnover	5	5,208,865	4,674,656
Cost of sales		(1,807,293)	(1,722,679)
Gross profit		3,401,572	2,951,977
Other revenues	5	57,874	30,663
Selling, distribution and transmission costs		(530,852)	(486,344)
General and administrative expenses		(629,780)	(477,366)
Other gains, net		1,239	37,565
Impairment loss on loan to and trade receivables from an associate	12,15	(135,000)	(140,000)
Finance costs	26	(4,128)	(3,781)
Share of losses of:			
Jointly controlled entities		(5,989)	(3,638)
Associates		(57,963)	(97,555)
Profit before income tax	24	2,096,973	1,811,521
Income tax expense	27	(537,438)	(479,478)
Profit for the year		1,559,535	1,332,043
Profit attributable to:			
Equity holders of the Company	28	1,555,585	1,329,891
Non-controlling interests		3,950	2,152
		1,559,535	1,332,043
Earnings per share (basic and diluted) for profit attributable to equity holders of the Company during the year	29	HK\$3.55	HK\$3.04
Dividends	30	963,600	876,000

The notes on pages 86 to 144 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011 HK\$'000	2010 HK\$'000
Profit for the year	1,559,535	1,332,043
Other comprehensive income:		
Currency translation differences	(33,414)	82,710
Other comprehensive income for the year	(33,414)	82,710
Total comprehensive income for the year	1,526,121	1,414,753
Total comprehensive income attributable to:		
Equity holders of the Company	1,522,384	1,412,098
Non-controlling interests	3,737	2,655
Total comprehensive income for the year	1,526,121	1,414,753

The notes on pages 86 to 144 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Note	Attributable to equity holders of the Company			Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
		Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000			
Balance at 1 January 2010		21,900	723,094	5,048,397	5,793,391	25,234	5,818,625
Comprehensive income:							
Profit for the year		–	–	1,329,891	1,329,891	2,152	1,332,043
Other comprehensive income:							
Currency translation differences		–	82,207	–	82,207	503	82,710
Total comprehensive income		–	82,207	1,329,891	1,412,098	2,655	1,414,753
Transactions with owners:							
Transfer to legal reserve	19(a)	–	12,968	(12,968)	–	–	–
2009 final dividend paid		–	–	(591,300)	(591,300)	(693)	(591,993)
2010 interim dividend paid		–	–	(153,300)	(153,300)	–	(153,300)
Total contributions by and distributions to owners		–	12,968	(757,568)	(744,600)	(693)	(745,293)
Changes in ownership interests in subsidiaries not resulting in a loss of control							
		–	(25)	–	(25)	(42)	(67)
Total transactions with owners		–	12,943	(757,568)	(744,625)	(735)	(745,360)
Balance at 31 December 2010		21,900	818,244	5,620,720	6,460,864	27,154	6,488,018
Balance at 1 January 2011		21,900	818,244	5,620,720	6,460,864	27,154	6,488,018
Comprehensive income:							
Profit for the year		–	–	1,555,585	1,555,585	3,950	1,559,535
Other comprehensive income:							
Currency translation differences		–	(33,201)	–	(33,201)	(213)	(33,414)
Total comprehensive income		–	(33,201)	1,555,585	1,522,384	3,737	1,526,121
Transactions with owners:							
Transfer to legal reserve	19(a)	–	22,525	(22,525)	–	–	–
2010 final dividend paid		–	–	(722,700)	(722,700)	(847)	(723,547)
2011 interim dividend paid		–	–	(197,100)	(197,100)	–	(197,100)
Total transactions with owners		–	22,525	(942,325)	(919,800)	(847)	(920,647)
Balance at 31 December 2011		21,900	807,568	6,233,980	7,063,448	30,044	7,093,492

The notes on pages 86 to 144 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Note	2011 HK\$'000	2010 HK\$'000
Cash flows from operating activities			
Cash generated from operations	31	2,328,710	2,017,015
Interest paid		(4,119)	(3,797)
Hong Kong tax paid		(312,108)	(154,803)
Overseas tax paid		(125,769)	(86,758)
Net cash generated from operating activities		1,886,714	1,771,657
Cash flows from investing activities			
Purchases of property, plant and equipment, investment properties and land use rights		(143,311)	(168,647)
Funds advanced to a jointly controlled entity		(10,000)	(8,731)
Increased investment in an associate		(13,726)	–
Increase in bank deposits maturing after three months		(185,412)	(17,469)
Proceeds from sales of property, plant and equipment		289	661
Interest received		33,983	12,219
Net cash used in investing activities		(318,177)	(181,967)
Cash flows from financing activities			
Repayments of long-term bank loans		(24,987)	(73,042)
Acquisition of additional shares from non-controlling interests		–	(67)
(Increase)/decrease in pledged bank deposits		(431)	117
Dividends paid to equity holders of the Company		(919,800)	(744,600)
Dividends paid to non-controlling shareholders of a non wholly-owned subsidiary		(847)	(693)
Net cash used in financing activities		(946,065)	(818,285)
Net increase in cash and cash equivalents		622,472	771,405
Cash and cash equivalents at 1 January		2,679,151	1,893,586
Effect of foreign exchange rate changes		(6,039)	14,160
Cash and cash equivalents at 31 December		3,295,584	2,679,151

The notes on pages 86 to 144 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Television Broadcasts Limited (the “Company”) and its subsidiaries are collectively referred to as the Group in the consolidated financial statements. The principal activities of the Company are terrestrial television broadcasting, together with programme production and other television-related activities. The principal activities of the principal subsidiaries are detailed in Note 38.

The Company is a limited liability company incorporated and listed in Hong Kong. Its registered office is at TVB City, 77 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong.

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 21 March 2012.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basis and principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). They have been prepared under the historical cost convention, except that the financial assets are stated at their fair values as explained in Note 2.10.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are especially significant to the consolidated financial statements, are disclosed in Note 4.

(a) New or revised standards adopted by the Group

The Group has adopted the following new or revised standards, which are mandatory for the financial year ended 31 December 2011 and are relevant to its operations.

* HKAS 1 (revised)	Presentation of financial statements
HKAS 24 (revised)	Related party disclosures
* HKAS 27 (revised)	Consolidated and separate financial statements
* HKFRS 3 (revised)	Business combinations
* HKFRS 7	Financial instruments: disclosures

* representing amendments to existing HKFRS under the HKICPA Annual Improvements Project published in 2010

The adoption of these new or revised standards has not had a material financial effect on the Group’s reported results and financial position for current or prior years.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) Relevant standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group

The following relevant standards and amendments have been published and are mandatory for the first time for the Group's accounting periods beginning on or after 1 January 2012 or later periods, but the Group has not early adopted them:

HKAS 1 (amendment)	Presentation of financial statements
HKAS 19 (2011)	Employee benefits
HKAS 27 (2011)	Separate financial statements
HKAS 28 (2011)	Investments in associates and joint ventures
HKAS 32 (amendment)	Financial instruments: presentation
HKFRS 7 (amendment)	Financial instruments: disclosures
HKFRS 9	Financial instruments
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosures of interests in other entities
HKFRS 13	Fair value measurement

The Group is in the process of making an assessment of the impact of these relevant standards and amendments to the Group's results and financial position in the period of initial application. So far it has concluded that the adoption of these standards and amendments is unlikely to have a significant impact on the Group's results of operations and financial position.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the aggregate fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the aggregate fair value of the identifiable net assets acquired is recorded as goodwill (Note 2.8). If the consideration is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

All significant inter-company transactions and balances within the Group are eliminated on consolidation. The financial statements of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases of additional interests from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset, as appropriate. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the income statement.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the income statement where appropriate.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(c) Associates and jointly controlled entities

An associate is an entity over which the Group has significant influence but not control, generally accompanying a holding of between 20% and 50% of the voting rights.

A jointly controlled entity is an entity held 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.

Interests in associates and jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' and jointly controlled entities' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or jointly controlled entity equals or exceeds its interests in the associate or jointly controlled entity, including any unsecured receivables or loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate and jointly controlled entity.

Unrealised gains on transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interests in the associates and jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The financial statements of associates and jointly controlled entities have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

In the Company's statement of financial position, the interests in associates and jointly controlled entities are stated at cost less provision for impairment losses (Note 2.9). The results of the associates and jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

2.3 Segment reporting

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair values of monetary securities denominated in foreign currency classified as available-for-sale (Note 2.10(b)) are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowing and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Foreign currency translation (continued)

(c) Group companies (continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity on or after 1 January 2005 are treated as assets and liabilities of the foreign entity and translated at the closing rate. Goodwill and fair value adjustments arising on acquisitions prior to 1 January 2005 are expressed in the acquiring company's functional currency and reported using the exchange rate at the date of these acquisitions.

2.5 Property, plant and equipment

Leasehold land classified as finance leases and all other property, plant and equipment, comprising freehold land and buildings, leasehold improvements, studio, broadcasting and transmitting equipment, furniture and fixtures and motor vehicles, are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Freehold land is not depreciated. Amortisation of leasehold land classified as finance leases commences from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance leases and depreciation on other property, plant and equipment are calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance leases	Shorter of remaining lease term or useful life
Buildings	2.5% – 5%
Leasehold improvements	Over the unexpired term of the lease
Studio, broadcasting and transmitting equipment	10% – 20%
Furniture, fixtures and equipment	5% – 25%
Motor vehicles	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Investment properties

Investment property is defined as property held to earn rentals or capital appreciation or both. The Group has applied the cost model to its investment property. The investment property is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of investment property comprises its purchase price and any directly attributable expenditure. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives of 20 years. The residual values and useful lives of investment properties are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are included in the income statement when the changes arise.

2.7 Land use rights

The upfront prepayments made for land use rights are expensed in the consolidated income statement on a straight-line basis over the period of the rights.

2.8 Goodwill

Goodwill represents the excess of the cost of an acquisition of a subsidiary or an associate over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is recognised in the statement of financial position (Note 2.2(a)). Goodwill on acquisitions of associates is included in interests in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. The determination of gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

2.9 Impairment of investments in subsidiaries, associates, jointly controlled entities and other non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets

Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the statement of financial position (Notes 2.14 and 2.15).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified as loans and receivables. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the consolidated income statement as gains or losses from investment securities.

Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are carried at cost less accumulated impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

A provision for impairment of the Group's assets carried at amortised cost (trade and other receivables) is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the consolidated income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivable. Subsequent recoveries of amounts previously written off are credited against the provision in the consolidated income statement.

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.12 Programmes and film rights

Programmes and film rights are stated at cost less amounts expensed and any provision considered necessary by management. Their costs are amortised over the shorter of their economic lives and the underlying licence period, with reference to projected revenue.

(a) Programme cost

Programme cost comprises direct expenditure and an appropriate proportion of production overheads. The cost of programmes is apportioned between the domestic terrestrial market and the 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.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Programmes and film rights (continued)

(b) Film rights

Film rights are expensed in accordance with a formula computed to write off the cost over the contracted number of transmissions.

2.13 Stocks

Stocks, comprising decoders, tapes, video compact discs, digital video discs and consumable supplies, are stated at the lower of cost and net realisable value. The cost of video compact discs and digital video 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 sale proceeds less estimated selling expenses.

2.14 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.15 Cash and cash equivalents

Cash and cash equivalents includes cash in 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.

2.16 Share capital

Ordinary shares are classified as equity.

2.17 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowing

The Group's borrowing is recognised initially at fair value, net of transaction costs incurred. The borrowing is subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowing using the effective interest method.

Borrowing is classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries, associates and jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Taxation rates enacted or substantively enacted by the end of the reporting period are used to determine deferred income tax.

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

Deferred income tax is provided on temporary differences arising on interests in subsidiaries, associates and jointly controlled entities, except for deferred income tax liabilities where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

2.20 Employee benefits

(a) 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 end of the reporting period.

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

(b) 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.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Employee benefits (continued)

(b) Pension obligations (continued)

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 who are 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 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 who 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). The employer’s voluntary contributions shall be refunded to the Group according to the vesting scale when eligible members leave employment prior to vesting fully in the MPF Scheme.

The contributions are recognised as employee benefit expense when they are due.

The retirement schemes which cover employees located in overseas locations, except for Taiwan, are defined contribution schemes at various funding rates that are in accordance with the local practice and regulations.

Employees located in Taiwan were members of a defined benefit retirement scheme prior to 1 July 2005. Following the promulgation of a new pension ordinance on 1 July 2005, the employees located in Taiwan were entitled to elect to remain as the sole members of the defined benefit retirement scheme or to become members of both the defined benefit retirement scheme and a defined contribution retirement scheme. By electing for the latter, the service lives of employees under the defined benefit retirement scheme were frozen at 30 June 2005. All employees joining on or after 1 July 2005 have to join as members of the defined contribution retirement scheme.

The liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit cost method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Employee benefits (continued)

(b) Pension obligations (continued)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets and 10% of the present value of the defined benefit obligation are recognised in the consolidated income statement over the employees' expected average remaining working lives.

Past-service costs are recognised immediately as expenses, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

2.21 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.22 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 consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Revenue recognition

Advertising income net of agency deductions is recognised (i) when the advertisements are telecast on television, delivered through internet and mobile platforms or published in a magazine; or (ii) ratably over the displayed period of the contract when the advertisements are placed on the Group's website and mobile platforms.

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. Income from licensing of content to mobile devices and website portals is recognised when the services are rendered and when the right to receive payment is established. Distribution income from video sell through is recognised upon delivery of the video.

Subscription income from operation of satellite pay television networks is recognised on a straight-line basis over the contract period which generally coincides with 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 statement of financial position.

Income from sales of decoders and sales of magazines is recognised on delivery of products. Income from other services, which includes programmes/commercial production income, management fee income, facility rental income and other service fee income, 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 using the effective interest method.

2.24 Leases

(a) Operating leases (as lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(b) Operating leases (as lessor)

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs, if any, incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

(c) Finance leases (as lessee)

Leases of land where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at lower of the fair value of the leased land and the present value of the minimum lease payment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Related parties

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of the parent of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or Directors, where appropriate.

3. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations, that are in a currency that is not the entity's functional currency.

The Group has certain investments in foreign operations, the net assets of which are exposed to foreign currency risk.

The Group manages this risk by seeking contracts effectively denominated in HK dollars and/or US dollars where possible and economically favourable. The Group currently does not have a foreign currency hedging policy but manages its exposure through closely monitoring the movement of the foreign currency rates and will consider to enter into foreign exchange forward contracts to reduce the exposure if required. The Group does not conduct any foreign currency speculative activities.

The following table summarises the change in the Group's profit after taxation in response to reasonably possible changes in foreign exchange rates on currencies to which the Group have exposure at the end of the reporting period and that all other variables remain constant. Such exposure relates to the portion of trade receivables, bank deposits, cash and bank balances and trade payables.

	2011		2010	
	Changes in foreign exchange rates %	Increase/ (decrease) in profit after taxation HK\$'000	Changes in foreign exchange rates %	Increase/ (decrease) in profit after taxation HK\$'000
Foreign currency against Hong Kong dollars				
Renminbi	5% (5%)	10,992 (10,992)	5% (5%)	475 (475)
Malaysian Ringgit	5% (5%)	2,970 (2,970)	10% (10%)	5,162 (5,162)
Australian Dollars	8% (8%)	3,217 (3,217)	10% (10%)	423 (423)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(ii) Interest rate risk

The Group's principal interest bearing assets are loan to an associate and cash balances and bank deposits. The tenor of the bank deposits is usually less than one year. The Group actively manages cash balances and deposits by comparing quotations from banks, with a view to selecting terms which are most favourable to the Group.

The Group's interest rate risk also arises from bank borrowing which is at floating interest rates.

Sensitivity analysis has been conducted on the loan to an associate, bank deposits and bank borrowing. If interest rates had been 100 basis-points higher/lower with all other variables held constant, the Group's profit after taxation for the year would have been increased/(decreased) by HK\$6,078,000 (2010: HK\$6,051,000) and HK\$33,631,000 (2010: HK\$25,781,000) in respect of loan to an associate and bank deposits respectively and the Group's profit after taxation for the year would have been decreased/(increased) by HK\$1,838,000 (2010: HK\$1,923,000) in respect of bank borrowing.

(iii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated statement of financial position as available-for-sale financial assets. The Group is not exposed to commodity price risk.

(b) Credit risk

The Group's credit risk is primarily attributable to loan to an associate (Note 4(c)), credit sales and bank balances and bank deposits. The Group has implemented policies to assess the credit worthiness of customers, and to conduct credit reviews and monitoring procedures that include a formal collection process. In addition, the Group reviews the recoverable amount of each individual trade debtor and associate at the end of each reporting period to ensure that impairment has adequately been provided for doubtful debts. The credit risk on bank balances is limited as all deposits are placed with banks with acceptable credit ratings.

(c) Liquidity risk

The Group employs cash flow forecasting to manage liquidity risk by forecasting the amount of cash required (including working capital, loan repayments, dividend payments and potential new investments) and by maintaining sufficient cash and adequate undrawn banking facilities to ensure our funding requirements are met.

The Group's financial liabilities include trade payables, other payables and accruals. The trade payables and other payables are generally on credit terms of one to three months after the invoice date. For accruals, there are generally no specified contractual maturities and amounts owing are paid upon counterparty's formal notification, of which should be within 12 months from the end of the reporting period. The repayment schedule of bank borrowing is set out in Note 21.

3. FINANCIAL RISK MANAGEMENT (continued)

Capital risk factors

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt is calculated as total borrowing (including current and non-current borrowing as shown in the consolidated statement of financial position). Total capital is calculated as total equity, as shown in the consolidated statement of financial position.

The gearing ratios at 31 December 2011 and 2010 were as follows:

	Group	
	2011 HK\$'000	2010 HK\$'000
Total borrowing	221,387	256,405
Total equity	7,093,492	6,488,018
Gearing ratio	3.1%	4.0%

Fair value estimation

Financial instruments that are measured in the statement of financial position at fair value are analysed by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2011, the fair value measurement of the Group's only financial assets – available-for-sale financial assets is classified in level 3 (Note 13).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that may have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Estimated impairment of goodwill

The Group performs annual tests on whether there has been impairment of goodwill (Note 9) in accordance with the accounting policy stated in Note 2.8. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

(b) Trade receivables

The aged debt profile of trade receivables is reviewed on a regular basis to ensure that the trade receivables are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade receivables is called into doubt, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivables and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the income statement. Changes in the collectibility of trade receivables for which provisions are not made could affect the results of operations.

(c) Loan to and trade receivables from associates

The Group reviews its loan to and trade receivables from associates to assess impairment at least half yearly. The impairment losses of loan to and trade receivables from associates are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

The Group's assumptions on the recoverability of the loan to and trade receivables from TVB Pay Vision Limited ("TVBPV") in the amount of HK\$719,212,000 and HK\$399,056,000 respectively, are based on (i) the ability of TVBPV to successfully secure renewal of its domestic pay TV service licence on expiry in early 2013 for another term of 6 years or more, (ii) the Group's commitment to support, in cash or in kind, the businesses of TVBPV for the long term, and (iii) the ability of TVBPV to maintain its growth in subscribers. The Group believes that the impairment loss of HK\$410,000,000 (2010: HK\$275,000,000) against its loan and trade receivables (Note 12 and 15) is adequate. If the financial conditions of TVBPV were to deteriorate, impacting their ability to make payments, additional impairment losses may be required.

Sensitivity analysis has been conducted on the loan to an associate. If the year-on-year growth in subscriber numbers had been 10% higher/lower with all other variables held constant, the Group's impairment loss on loan to an associate for the year would have been decreased by HK\$112,000,000 and increased by HK\$83,000,000 respectively.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(d) Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid. Such reviews take into account the technological changes, prospective economic utilisation and physical condition of the assets concerned.

(e) Income taxes

As detailed in Note 27, the Inland Revenue Department of Hong Kong (“IRD”) had initiated a tax audit and issued protective profits tax assessment notices on the profits generated by the Group’s programme licensing and distribution business carried out overseas. A total provision of HK\$324,000,000 for the years of assessment from 1998/99 to 2010/11 has been made against those exposures. Due to the uncertainty inherent in a tax audit where the outcome of the tax audit is different from the amounts that provided, such differences would impact the income tax provisions in the year in which such determination is made.

(f) Deferred income tax assets

Deferred income tax assets are recognised for all temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available in the future against which the temporary differences, the carry forward of unused tax credits and unused tax losses could be utilised. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the end of the reporting period and which are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Where the actual or expected tax positions in future are different from the original estimate, such difference will impact the recognition of deferred income tax assets and income tax charge in the period in which such estimate has been changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 TURNOVER, OTHER REVENUES AND SEGMENT INFORMATION

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

Turnover comprises advertising income net of agency deductions, licensing income, subscription income, as well as other income from sales of decoders, sales of magazines, programmes/ commercial production income, management fee income, facility rental income and other service fee income.

Other revenues comprise mainly interest income and others.

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

	2011 HK\$'000	2010 HK\$'000
Turnover		
Advertising income, net of agency deductions	3,403,988	2,970,742
Licensing income	917,554	891,307
Subscription income	535,134	508,228
Others	426,427	367,496
	5,283,103	4,737,773
Less: Withholding tax	(74,238)	(63,117)
	5,208,865	4,674,656
Other revenues		
Interest income	42,695	17,037
Others	15,179	13,626
	57,874	30,663
	5,266,739	4,705,319

5 TURNOVER, OTHER REVENUES AND SEGMENT INFORMATION (continued)

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The Group has six reportable segments as follows:

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

The segments are managed separately according to the nature of products and services provided. Segment performance is evaluated based on operating results which in certain respect, as explained in the table below, is measured differently from the profit before income tax in the consolidated financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 TURNOVER, OTHER REVENUES AND SEGMENT INFORMATION (continued)

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

	Hong Kong terrestrial TV broadcasting HK\$'000	Programme licensing and distribution HK\$'000	Overseas satellite pay TV operations HK\$'000	Taiwan operations HK\$'000	Channel operations HK\$'000	Other activities HK\$'000	Elimination HK\$'000	Total HK\$'000
For the year ended 31 December 2011								
Turnover								
External customers	2,837,790	768,756	388,178	829,526	234,778	149,837	-	5,208,865
Inter-segment	19,809	133,899	375	4,647	17,011	7,355	(183,096)	-
Total	2,857,599	902,655	388,553	834,173	251,789	157,192	(183,096)	5,208,865
Reportable segment profit excluding impairment loss	1,243,938	598,027	99,886	278,368	45,522	30,184	-	2,295,925
Impairment loss on loan to and trade receivables from an associate	-	-	-	-	(135,000)	-	-	(135,000)
Reportable segment profit/(loss) including impairment loss	1,243,938	598,027	99,886	278,368	(89,478)	30,184	-	2,160,925
Interest income	35,975	2,890	189	1,144	-	2,497	-	42,695
Finance costs	-	-	-	(4,128)	-	-	-	(4,128)
Depreciation and amortisation	(170,414)	(2,594)	(4,373)	(43,604)	(100)	(13,994)	-	(235,079)
Additions to non-current assets*	102,776	2,077	6,972	21,400	28	10,058	-	143,311

* Non-current assets comprise goodwill, property, plant and equipment, investment properties and land use rights (including prepayment related to capital expenditure if any). The amount of HK\$74,512,000 transferred from prepayment (refer to Note 15(a)) has been excluded since it had already been reported within additions to non-current assets in the year 2010.

For the year ended 31 December 2010								
Turnover								
External customers	2,492,403	646,280	371,542	747,534	314,510	102,387	-	4,674,656
Inter-segment	40,433	138,820	360	5,583	15,987	7,254	(208,437)	-
Total	2,532,836	785,100	371,902	753,117	330,497	109,641	(208,437)	4,674,656
Reportable segment profit excluding impairment loss	1,095,201	535,721	104,152	231,006	83,348	3,286	-	2,052,714
Impairment loss on trade receivables from an associate	-	-	-	-	(140,000)	-	-	(140,000)
Reportable segment profit/(loss) including impairment loss	1,095,201	535,721	104,152	231,006	(56,652)	3,286	-	1,912,714
Interest income	14,120	1,235	145	494	-	1,043	-	17,037
Finance costs	-	-	-	(3,781)	-	-	-	(3,781)
Depreciation	(188,226)	(2,971)	(4,942)	(42,179)	(152)	(9,381)	-	(247,851)
Additions to non-current assets#	59,105	2,573	2,771	15,809	2	88,387	-	168,647

Non-current assets comprise goodwill and property, plant and equipment (including prepayment related to capital expenditure if any).

5 TURNOVER, OTHER REVENUES AND SEGMENT INFORMATION (continued)

A reconciliation of reportable segment profit to profit before income tax is provided as follows:

	2011 HK\$'000	2010 HK\$'000
Reportable segment profit including impairment loss	2,160,925	1,912,714
Share of losses of jointly controlled entities	(5,989)	(3,638)
Share of losses of associates	(57,963)	(97,555)
Profit before income tax	2,096,973	1,811,521

No single customer accounted for 10% or more of the total revenue for the years ended 31 December 2010 and 2011.

An analysis of the Group's turnover from external customers for the year by geographical location is as follows:

	2011 HK\$'000	2010 HK\$'000
Hong Kong	3,116,792	2,805,695
Taiwan	834,284	752,247
USA and Canada	240,274	235,280
Australia	128,478	114,851
Europe	67,748	68,977
Mainland China	263,606	205,370
Malaysia and Singapore	523,311	460,424
Other countries	34,372	31,812
	5,208,865	4,674,656

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Studio, broadcasting and transmitting equipment HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost						
At 1 January 2010	1,988,708	18,129	2,159,420	704,122	44,358	4,914,737
Exchange differences	89,426	491	44,843	3,623	1,324	139,707
Additions	10,777	8,687	38,327	35,052	1,292	94,135
Disposals	(10,929)	–	(41,805)	(3,407)	–	(56,141)
At 31 December 2010	2,077,982	27,307	2,200,785	739,390	46,974	5,092,438
At 1 January 2011	2,077,982	27,307	2,200,785	739,390	46,974	5,092,438
Exchange differences	(37,390)	(65)	(18,048)	(1,334)	(513)	(57,350)
Additions	11,984	1,128	95,264	26,259	97	134,732
Disposals	–	–	(60,233)	(6,513)	–	(66,746)
At 31 December 2011	2,052,576	28,370	2,217,768	757,802	46,558	5,103,074
Accumulated depreciation and impairment						
At 1 January 2010	325,061	14,854	1,631,566	352,891	41,278	2,365,650
Exchange differences	4,717	246	35,979	2,533	1,076	44,551
Charge for the year	57,968	3,880	134,875	49,976	1,152	247,851
Written back on disposals	(10,929)	–	(40,569)	(3,151)	–	(54,649)
At 31 December 2010	376,817	18,980	1,761,851	402,249	43,506	2,603,403
At 1 January 2011	376,817	18,980	1,761,851	402,249	43,506	2,603,403
Exchange differences	(2,547)	(62)	(14,774)	(920)	(446)	(18,749)
Charge for the year	59,908	3,588	116,243	51,907	1,226	232,872
Written back on disposals	–	–	(60,089)	(6,375)	–	(66,464)
At 31 December 2011	434,178	22,506	1,803,231	446,861	44,286	2,751,062
Net book value						
At 31 December 2011	1,618,398	5,864	414,537	310,941	2,272	2,352,012
At 31 December 2010	1,701,165	8,327	438,934	337,141	3,468	2,489,035

6 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Group (continued)

Notes:

- (i) Property, plant and equipment includes freehold land outside Hong Kong at cost of HK\$369,193,000 (2010: HK\$385,227,000).
- (ii) No depreciation is provided for studio, broadcasting and transmitting equipment with cost of HK\$12,773,000 (2010: HK\$6,265,000) as they were not ready in use at the year end.
- (iii) At 31 December 2011, land and buildings with net book value of HK\$798,433,000 (2010: HK\$846,531,000) were pledged to secure loans and banking facilities granted to a subsidiary of the Group.
- (iv) At 31 December 2011, leasehold land held under finance leases and its net book value was analysed as follows:

	2011 HK\$'000	2010 HK\$'000
In Hong Kong held on:		
Leases of between 10 to 50 years	193,358	198,837
Leases of over 50 years	5,837	6,001
	199,195	204,838

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Company

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Studio, broadcasting and transmitting equipment HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost						
At 1 January 2010	1,149,916	3,747	1,602,139	603,897	32,474	3,392,173
Additions	6,844	2,287	25,707	23,667	600	59,105
Transferred from subsidiaries	-	-	-	113	-	113
Disposals	-	-	(30,303)	(1,658)	-	(31,961)
At 31 December 2010	1,156,760	6,034	1,597,543	626,019	33,074	3,419,430
At 1 January 2011	1,156,760	6,034	1,597,543	626,019	33,074	3,419,430
Additions	-	60	74,107	11,817	97	86,081
Transferred to subsidiaries	-	-	(373)	(9)	-	(382)
Disposals	-	-	(13,460)	(2,322)	-	(15,782)
At 31 December 2011	1,156,760	6,094	1,657,817	635,505	33,171	3,489,347
Accumulated depreciation						
At 1 January 2010	280,550	3,747	1,174,993	286,846	31,707	1,777,843
Charge for the year	42,133	699	106,999	38,070	325	188,226
Transferred from subsidiaries	-	-	-	36	-	36
Written back on disposals	-	-	(29,365)	(1,542)	-	(30,907)
At 31 December 2010	322,683	4,446	1,252,627	323,410	32,032	1,935,198
At 1 January 2011	322,683	4,446	1,252,627	323,410	32,032	1,935,198
Charge for the year	42,304	801	88,258	38,656	395	170,414
Transferred to subsidiaries	-	-	(373)	(9)	-	(382)
Written back on disposals	-	-	(13,350)	(2,290)	-	(15,640)
At 31 December 2011	364,987	5,247	1,327,162	359,767	32,427	2,089,590
Net book value						
At 31 December 2011	791,773	847	330,655	275,738	744	1,399,757
At 31 December 2010	834,077	1,588	344,916	302,609	1,042	1,484,232

6 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Company (continued)

Notes:

- (i) No depreciation is provided for studio, broadcasting and transmitting equipment with cost of HK\$12,773,000 (2010: HK\$6,265,000) as they were not ready in use at the year end.
- (ii) At 31 December 2011, leasehold land held under finance leases and its net book value was analysed as follows:

	2011 HK\$'000	2010 HK\$'000
In Hong Kong held on: Leases of between 10 to 50 years	193,358	198,837

7 INVESTMENT PROPERTIES

	Group HK\$'000
Cost	
At 1 January 2011	–
Additions (Note 15(a))	11,639
Exchange differences	577
At 31 December 2011	12,216
Accumulated depreciation	
At 1 January 2011	–
Charge for the year	387
Exchange differences	8
At 31 December 2011	395
Net book value	
At 31 December 2011	11,821
Fair value	13,809

The Group has not leased out the investment properties and therefore no rental income is earned in 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	Group 2011 HK\$'000
Outside Hong Kong held on: Leases of between 10 to 50 years	55,614
At 1 January	–
Additions (Note 15(a))	54,757
Amortisation (Note 24)	(1,820)
Exchange differences	2,677
At 31 December	55,614

9 GOODWILL

	Group HK\$'000
At 1 January 2010	
Cost	169,142
Accumulated impairment	(5,894)
Net book amount	163,248
Year ended 31 December 2010	
Opening net book amount	163,248
Exchange differences	12,592
Closing net book amount	175,840
At 31 December 2010	
Cost	181,734
Accumulated impairment	(5,894)
Net book amount	175,840
Year ended 31 December 2011	
Opening net book amount	175,840
Exchange differences	(5,315)
Closing net book amount	170,525
At 31 December 2011	
Cost	176,419
Accumulated impairment	(5,894)
Net book amount	170,525

9 GOODWILL (continued)

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to operating segment.

An operating segment-level summary of the goodwill allocation is presented below:

	2011			2010		
	Overseas satellite pay TV operations HK\$'000	Taiwan operations HK\$'000	Total HK\$'000	Overseas satellite pay TV operations HK\$'000	Taiwan operations HK\$'000	Total HK\$'000
Europe	49,448	–	49,448	49,448	–	49,448
Taiwan	–	121,077	121,077	–	126,392	126,392
	49,448	121,077	170,525	49,448	126,392	175,840

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. The assumed growth rate does not exceed the long-term average growth rate in which the CGU operates.

The key assumptions used for value-in-use calculations are as follows:

	Overseas satellite pay TV operations	Taiwan operations
	Europe	Taiwan
Gross margin	41%	48%
Growth rate	4%	4%
Discount rate	10%	10%

These assumptions have been used for the analysis of each CGU within the operating segment.

Management determined budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 INTERESTS IN SUBSIDIARIES

	Company	
	2011 HK\$'000	2010 HK\$'000
Unlisted shares, at cost	11,135	11,135
Amounts due from subsidiaries (note)	704,420	685,608
	715,555	696,743

Note:

The amounts due from subsidiaries are unsecured and interest free, and have no fixed terms of repayment.

Details of the principal subsidiaries at 31 December 2011 are listed in Note 38.

11 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Investment cost (note (a))	–	–	–	–
Funds advanced (note (b))	26,231	16,231	26,231	16,231
Less: Accumulated share of losses	(9,627)	(3,638)	–	–
	16,604	12,593	26,231	16,231

Notes:

(a) Investment cost amounting to HK\$1 (2010: HK\$1) represents consideration paid for 1 ordinary share of HK\$1 each in Concept Legend Limited.

(b) The Group has advanced in aggregate HK\$26,231,000 (2010: HK\$16,231,000) to the jointly controlled entities for movie production.

At 31 December 2011, the carrying amount of the advances approximated their fair values.

Details of the jointly controlled entities are listed below:

Name	Place of incorporation and operation	Principal activities	Particulars of issued shares held	Percentage of interest in ownership
Concept Legend Limited	Hong Kong	Production of films and television programmes	Ordinary shares of HK\$1 each	50%
# Wealth Founder Limited	Hong Kong	Production of motion picture	Ordinary shares of HK\$1 each	33.5%

a jointly controlled entity held indirectly by the Group

11 INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

Summary of the Group's share of financial information on jointly controlled entities is as follows:

	Assets HK\$'000	Liabilities HK\$'000	Equity HK\$'000	Revenues HK\$'000	Losses for the year HK\$'000
2011	20,354	29,981	(9,627)	18,557	(5,989)
2010	19,434	23,072	(3,638)	26,203	(3,638)

12 INTERESTS IN ASSOCIATES

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Investment costs	542,598	528,872	–	–
Less: Accumulated share of losses	(730,154)	(672,191)	–	–
	(187,556)	(143,319)	–	–
Loan to an associate (note (a))	719,212	719,212	719,212	719,212
Interest receivables from an associate	8,733	5,497	8,733	5,497
	540,389	581,390	727,945	724,709
Less: Provision for impairment loss	(11,277)	–	(198,833)	(143,319)
	529,112	581,390	529,112	581,390
Unlisted shares, at cost	542,598	528,872	–	–

Notes:

- The loan to an associate carries interest at the rate of 1-month HIBOR plus 0.25%. The loan is repayable by 8 installments and scheduled to be fully repaid in 2019.
- In addition to the loan described in (a), the Group has trade receivables from associates of HK\$400,550,000 (2010: HK\$355,201,000) as disclosed in Note 15, against which a provision for impairment loss of HK\$400,217,000 (2010: HK\$276,609,000) has been made.
- The Group periodically reviews loan to an associate (note (a)) and trade receivables from associates (Note 15) in aggregate to assess whether there is any impairment. In 2011, after reviewing the performance of and repayments from these associates, a total provision for impairment loss of HK\$411,494,000 (2010: HK\$276,609,000) has been made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INTERESTS IN ASSOCIATES (continued)

Details of the associates are as follows:

Name	Place of incorporation and operation	Principal activities	Particulars of issued shares held	Percentage of interest in ownership
TVB3 Network Company Limited	Thailand	Television production and programming service	Ordinary shares of Baht10 each	40%
TVB Pay Vision Holdings Limited	Hong Kong	Investment holding	Ordinary shares of HK\$1 each	*62%
# TVB Pay Vision Limited	Hong Kong	Domestic pay television programme service	Ordinary shares of HK\$1 each	*62%

an associate held indirectly by the Group

* the Group's voting interest remained at 15% as at 31 December 2011

Summary of the Group's share of financial information on associates is as follows:

	Assets HK\$'000	Liabilities HK\$'000	Equity HK\$'000	Revenues HK\$'000	Losses for the year HK\$'000
2011	139,139	732,657	(593,518)	145,417	(57,963)
2010	160,886	678,867	(517,981)	158,028	(97,555)

The carrying amount of the loan to an associate approximates its fair value, as the impact of discounting is not significant. The fair value is based on cash flows discounted using a rate based on 1-month HIBOR plus 0.25%.

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2011 HK\$'000	2010 HK\$'000
Beginning and end of the year	3	3
Available-for-sale financial assets include the following: Unlisted equity securities – Canada	3	3

14 STOCKS

At 31 December 2011 and 2010, all stocks were stated at lower of cost and net realisable value.

15 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Non-current portion				
Prepayment related to capital expenditure (note (a))	16,695	74,512	16,695	–
Current portion				
Receivables from:				
Jointly controlled entities (Note 35(c))	2,785	3,447	2,785	3,447
Associates (Note 35(c))	400,550	355,201	398,723	352,816
Related parties (Note 35(c))	73,927	65,383	–	–
Trade receivables (note (b))	1,159,723	1,011,040	815,020	639,867
	1,636,985	1,435,071	1,216,528	996,130
Less: Provision for impairment loss on receivables from:				
Associates (Note 4(c))	(400,217)	(276,609)	(398,723)	(275,000)
Third parties	(85,728)	(95,998)	(50,000)	(30,029)
Other receivables, prepayments and deposits	192,042	172,974	145,394	138,574
Tax reserve certificates (Note 27)	262,157	205,958	–	–
	1,605,239	1,441,396	913,199	829,675
Total	1,621,934	1,515,908	929,894	829,675

Notes:

- (a) The balance as at 31 December 2011 represents the payment of consideration in respect of the acquisition of properties located in Beijing which is expected to be completed by December 2012. The balance as at 31 December 2010 represents the payment of consideration in respect of the acquisition of properties located in Guangzhou totalling HK\$74,512,000, and the acquisition of which was completed on 31 March 2011. Upon the completion of the acquisition, the costs were transferred to property, plant and equipment, investment properties and land use rights in the amounts of HK\$8,116,000, HK\$11,639,000 and HK\$54,757,000, respectively.
- (b) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

At 31 December 2011, trade receivables including trading balances due from jointly controlled entities, associates and related parties were aged as follows:

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Current	539,452	498,449	274,202	231,862
1-2 months	262,871	258,614	225,080	211,019
2-3 months	205,351	169,313	174,863	141,576
3-4 months	125,998	102,970	101,212	80,830
4-5 months	52,084	43,173	44,097	40,847
Over 5 months	451,229	362,552	397,074	289,996
	1,636,985	1,435,071	1,216,528	996,130
Trade receivables due from:				
Third parties	1,159,723	1,011,040	815,020	639,867
Jointly controlled entities, associates and related parties	477,262	424,031	401,508	356,263
	1,636,985	1,435,071	1,216,528	996,130

The percentages of amounts of trade receivables (before impairment loss) are denominated in the following currencies:

	Group		Company	
	2011 %	2010 %	2011 %	2010 %
Hong Kong dollars	79	72	100	100
US dollars	7	9	–	–
New Taiwan dollars	9	12	–	–
Malaysian Ringgit	4	5	–	–
Other currencies	1	2	–	–
	100	100	100	100

15 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

As at 31 December 2011, trade receivables not determined to be impaired were aged as follows:

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Up to 5 months	1,082,244	1,040,196	719,857	676,197
Over 5 months to 1 year	62,089	20,141	46,923	14,438
Over 1 year	6,707	2,127	1,025	466
	1,151,040	1,062,464	767,805	691,101
Less: Amounts not yet due	(676,005)	(662,557)	(403,739)	(354,636)
Amounts past due	475,035	399,907	364,066	336,465

Receivables that were past due but not impaired were related to customers that have a good trade record with the Group and the Company. Management believes that no impairment allowance is necessary for these balances.

As at 31 December 2011, trade receivables which were impaired were aged as follows:

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Up to 5 months	103,512	32,323	99,597	29,937
Over 5 months to 1 year	65,177	127,847	63,941	125,063
Over 1 year	317,256	212,437	285,185	150,029
	485,945	372,607	448,723	305,029

Movements on the provision for impairment of trade receivables are as follows:

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
At 1 January	372,607	243,293	305,029	165,270
Provision for impairment loss				
– Associates	123,723	140,000	123,723	140,000
– Third parties	26,151	5,067	20,000	98
Reversal of provision for impairment				
– Associates	(115)	(59)	–	–
– Third parties	(6,625)	(16,756)	(29)	(116)
Receivables written off as uncollectible	(29,561)	(302)	–	(223)
Exchange differences	(235)	1,364	–	–
	485,945	372,607	448,723	305,029

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

The carrying amounts of trade and other receivables, prepayments and deposits approximate their fair values.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

16 PLEDGED BANK DEPOSITS

At 31 December 2011, the Group had pledged bank deposits of HK\$7,316,000 (2010: HK\$6,885,000) to secure banking and credit facilities granted to subsidiaries of the Group. The carrying amounts of bank deposits approximated their fair values.

17 CASH AND CASH EQUIVALENTS

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Cash at bank and on hand	312,904	285,504	13,408	9,544
Short-term bank deposits	2,982,680	2,393,647	2,471,589	1,827,391
	3,295,584	2,679,151	2,484,997	1,836,935

Note:

The maximum exposure to credit risk on bank balances is represented by the carrying amount in the statement of financial position.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Hong Kong dollars	1,340,250	1,460,458	1,195,683	1,260,835
US dollars	1,417,087	1,007,823	1,102,092	575,312
New Taiwan dollars	183,210	152,496	–	–
Renminbi	270,759	13,803	186,425	315
Other currencies	84,278	44,571	797	473
	3,295,584	2,679,151	2,484,997	1,836,935

18 SHARE CAPITAL

	Number of ordinary shares of HK\$0.05 each	Nominal value HK\$'000
Authorised: At 1 January 2010 and 2011 and 31 December 2011	1,300,000,000	65,000
Issued and fully paid: At 1 January 2010 and 2011 and 31 December 2011	438,000,000	21,900

19 OTHER RESERVES

(a) Group

	Share premium HK\$'000	General reserve HK\$'000	Capital reserve HK\$'000	Legal reserve HK\$'000	Capital redemption reserve HK\$'000	Translation reserve HK\$'000	Total HK\$'000
Balance at 1 January 2010	602,026	70,000	864	82,298	40,118	(72,212)	723,094
Currency translation differences:							
– Group	–	–	–	–	–	82,207	82,207
Transfer from retained earnings	–	–	–	12,968	–	–	12,968
Changes in ownership interests in subsidiaries not resulting in a loss of control	–	–	(25)	–	–	–	(25)
Balance at 31 December 2010	602,026	70,000	839	95,266	40,118	9,995	818,244
Balance at 1 January 2011	602,026	70,000	839	95,266	40,118	9,995	818,244
Currency translation differences:							
– Group	–	–	–	–	–	(33,201)	(33,201)
Transfer from retained earnings	–	–	–	22,525	–	–	22,525
Balance at 31 December 2011	602,026	70,000	839	117,791	40,118	(23,206)	807,568

Capital reserve – in accordance with the local regulations of a subsidiary in Taiwan, the subsidiary is required to transfer the gain on deemed disposal of its associate to the capital reserve which can only be used to cover operating losses; the effects of all transactions with non-controlling interests are dealt with in accordance with the accounting policies set out in Note 2.2(b).

Legal reserve – in accordance with the local laws of subsidiaries in Taiwan, these subsidiaries are 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.

Translation reserve – the translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2.4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 OTHER RESERVES (continued)

(b) Company

	Share premium HK\$'000	General reserve HK\$'000	Capital redemption reserve HK\$'000	Total HK\$'000
Balance at 1 January 2010 and 2011 and 31 December 2011	602,026	70,000	40,118	712,144

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

20 TRADE AND OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Trade payables to:				
Associates (Note 35(c))	–	960	–	–
Jointly controlled entities (Note 35(c))	11	–	–	–
Related parties (Note 35(c))	3,637	7,432	–	–
Third parties	82,756	73,379	38,880	31,177
	86,404	81,771	38,880	31,177
Amount due to subsidiaries	–	–	417,600	200,955
Other payables and accruals	810,289	676,129	393,776	279,113
	896,693	757,900	850,256	511,245

At 31 December 2011, trade payables including trading balances due to associates, jointly controlled entities and related parties were aged as follows:

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Current	56,317	47,665	30,351	23,836
1-2 months	22,695	24,381	7,732	5,257
2-3 months	4,028	3,582	492	877
3-4 months	1,009	1,043	253	519
4-5 months	498	985	12	483
Over 5 months	1,857	4,115	40	205
	86,404	81,771	38,880	31,177

20 TRADE AND OTHER PAYABLES AND ACCRUALS (continued)

The percentages of amounts of trade payables are denominated in the following currencies:

	Group		Company	
	2011 %	2010 %	2011 %	2010 %
Hong Kong dollars	40	32	56	48
US dollars	20	19	43	49
New Taiwan dollars	35	38	—	—
Malaysian Ringgit	4	8	—	—
Other currencies	1	3	1	3
	100	100	100	100

The carrying amounts of trade and other payables and accruals approximate their fair values.

21 BORROWING

	Group	
	2011 HK\$'000	2010 HK\$'000
Bank borrowing:		
Non-current	197,153	231,107
Current	24,234	25,298
Total bank borrowing	221,387	256,405

Movements in bank borrowing are analysed as follows:

	Group	
	2011 HK\$'000	2010 HK\$'000
Opening balance as at 1 January	256,405	301,808
Repayments	(24,987)	(73,042)
Exchange differences	(10,031)	27,639
Closing balance as at 31 December	221,387	256,405

At 31 December 2011, the Group's bank borrowing was repayable as follows:

	Group	
	2011 HK\$'000	2010 HK\$'000
Within 1 year	24,234	25,298
Between 1 and 2 years	24,235	25,299
Between 2 and 5 years	72,703	75,895
Wholly repayable within 5 years	121,172	126,492
Over 5 years	100,215	129,913
	221,387	256,405

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 BORROWING (continued)

Bank borrowing is secured by land and buildings with net book value of HK\$694,244,000 (2010: HK\$736,207,000). The effective interest rate at the end of the reporting period was 1.85% (2010: 1.52%).

The carrying amount of the Group's borrowing is denominated in New Taiwan dollars. The carrying amount of current borrowing approximates its fair value, as the impact of discounting is not significant. The fair value is based on cash flow discounted using a rate based on the borrowing rate of 1.83% (2010: 1.51%).

22 DEFERRED INCOME TAX

Deferred income tax assets and deferred income tax liabilities on the statement of financial position are analysed as follows:

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Net deferred income tax assets recognised on the statement of financial position	(26,050)	(33,454)	–	–
Net deferred income tax liabilities recognised on the statement of financial position	179,779	174,112	68,298	76,900
	153,729	140,658	68,298	76,900

The movements in the deferred income tax liabilities/(assets) account are as follows:

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
At 1 January	140,658	93,718	76,900	88,460
Exchange differences	(87)	(1,581)	–	–
Recognised in the income statement (Note 27)	13,158	48,521	(8,602)	(11,560)
At 31 December	153,729	140,658	68,298	76,900

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. At 31 December 2011, the Group has unrecognised tax losses of HK\$150,611,000 (2010: HK\$148,115,000) to carry forward against future taxable income. These tax losses do not have expiry dates.

22 DEFERRED INCOME TAX (continued)

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

(a) Group

Deferred income tax liabilities

	Accelerated tax depreciation		Others		Total	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
At 1 January	82,587	94,534	97,717	22,926	180,304	117,460
Recognised in the income statement	(3,851)	(11,943)	12,641	74,755	8,790	62,812
Exchange differences	8	(4)	(12)	36	(4)	32
At 31 December	78,744	82,587	110,346	97,717	189,090	180,304

Deferred income tax assets

	Tax losses		Others		Total	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
At 1 January	18,537	3,160	21,109	20,582	39,646	23,742
Recognised in the income statement	(9,265)	13,940	4,897	351	(4,368)	14,291
Exchange differences	151	1,437	(68)	176	83	1,613
At 31 December	9,423	18,537	25,938	21,109	35,361	39,646

(b) Company

Deferred income tax liabilities

	Accelerated tax depreciation		Others		Total	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
At 1 January	81,545	93,126	1,130	1,109	82,675	94,235
Recognised in the income statement	(4,011)	(11,581)	93	21	(3,918)	(11,560)
At 31 December	77,534	81,545	1,223	1,130	78,757	82,675

Deferred income tax assets

	Others		Total	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
At 1 January	5,775	5,775	5,775	5,775
Recognised in the income statement	4,684	–	4,684	–
At 31 December	10,459	5,775	10,459	5,775

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 RETIREMENT BENEFIT OBLIGATIONS

	Group	
	2011 HK\$'000	2010 HK\$'000
Obligations on:		
Pensions – defined contribution plans (note (a))	7,465	7,028
Pensions – defined benefit plans (note (b))	5,189	5,847
	12,654	12,875

Notes:

(a) Pensions – defined contribution plans

Forfeited contributions totalling HK\$152,000 (2010: HK\$264,000) were utilised during the year.

Contributions totalling HK\$7,465,000 (2010: HK\$7,028,000) were payable to the fund at the year end and are included in other payables and accruals.

(b) Pensions – defined benefit 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 cost method. The latest valuation was carried out as of 31 December 2011 by ClientView Management Consulting Co., Ltd..

The amounts recognised in the consolidated statement of financial position are determined as follows:

	Group	
	2011 HK\$'000	2010 HK\$'000
Present value of funded obligations	116,037	101,697
Fair value of plan assets	(56,176)	(53,583)
	59,861	48,114
Unrecognised actuarial losses	(54,672)	(42,267)
	5,189	5,847

Expected contributions to defined benefit plans for the year ending 31 December 2012 are HK\$4,273,000 (2011: HK\$4,468,000).

23 RETIREMENT BENEFIT OBLIGATIONS (continued)

(b) Pensions – defined benefit plans (continued)

Plan assets comprise:

	2011		Group		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Bank deposits	13,409	24	17,286	32		
Equity	5,640	10	3,670	7		
Debt	10,780	19	11,644	22		
Others	26,347	47	20,983	39		
	56,176	100	53,583	100		

The movements in the present value of the liability recognised in the consolidated statement of financial position are as follows:

	Group	
	2011 HK\$'000	2010 HK\$'000
At 1 January	101,697	72,596
Current service cost	580	597
Interest cost	2,258	1,680
Actuarial losses	16,357	17,252
Exchange differences	(4,855)	9,572
At 31 December	116,037	101,697

The movements in the fair value of plan assets of the year are as follows:

	Group	
	2011 HK\$'000	2010 HK\$'000
At 1 January	53,583	43,526
Expected return on plan assets	1,101	939
Actuarial losses	(449)	(209)
Employer contributions	4,345	4,128
Exchange differences	(2,404)	5,199
At 31 December	56,176	53,583

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 RETIREMENT BENEFIT OBLIGATIONS (continued)

(b) Pensions – defined benefit plans (continued)

The amounts recognised in the consolidated income statement are as follows:

	Group	
	2011 HK\$'000	2010 HK\$'000
Current service cost	580	597
Interest cost	2,258	1,680
Expected return on plan assets	(1,101)	(939)
Net actuarial losses recognised	2,184	1,306
Total, included in employee benefit expense (Note 25(b))	3,921	2,644

The actual return on plan assets was HK\$652,000 (2010: HK\$730,000).

The principal actuarial assumptions used were as follows:

	Group	
	2011 %	2010 %
Discount rate	1.75	2.25
Expected rate of return on plan assets	2.00	2.00
Expected rate of future salary increases	3.00	3.00

Historical information:

	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000
Present value of defined benefit obligation	116,037	101,697	72,596	75,475	63,334
Fair value of plan assets	(56,176)	(53,583)	(43,526)	(38,418)	(33,435)
Deficit	59,861	48,114	29,070	37,057	29,899
Experience adjustments on plan liabilities	3,186	582	558	4,533	1,355
Experience adjustments on plan assets	436	225	760	(336)	(56)

24 PROFIT BEFORE INCOME TAX

The following items have been charged/(credited) to the profit before income tax during the year:

	2011 HK\$'000	2010 HK\$'000
Net exchange gain	(1,239)	(37,565)
(Gain)/loss on disposals of property, plant and equipment	(7)	831
Auditors' remuneration	4,444	3,815
Non-audit service fees (mainly tax services)	2,086	4,518
Cost of programmes, film rights and stocks	1,187,639	1,161,004
Depreciation (Note 6 and 7)	233,259	247,851
Amortisation of land use rights (Note 8)	1,820	–
Operating leases		
– equipment and transponders	22,852	24,029
– land and buildings	24,416	20,824
Employee benefit expense (excluding directors' emoluments) (Note 25(b))	1,364,197	1,182,803

25 DIRECTORS' EMOLUMENTS AND EMPLOYEE BENEFIT EXPENSE

(a) Directors' emoluments

The remuneration of each of the Directors for the year ended 31 December 2011 is set out below:

Name of Director	Fees HK\$'000	Salaries and allowances HK\$'000	Discretionary bonuses HK\$'000	Pension contributions HK\$'000	Total HK\$'000
<i>Executive Directors</i>					
Dr. Norman Leung Nai Pang, G.B.S., LL.D., J.P.	150	4,980	1,000	12	6,142
Mona Fong	150	2,550	1,000	–	3,700
Mark Lee Po On	150	3,838	900	12	4,900
<i>Non-executive Directors</i>					
Sir Run Run Shaw, G.B.M.	500	–	–	–	500
Edward Cheng Wai Sun, S.B.S., J.P.	190	–	–	–	190
Dr. Chow Yei Ching, G.B.S.	150	–	–	–	150
Chien Lee	300	–	–	–	300
Christina Lee Look Ngan Kwan	225	–	–	–	225
Kevin Lo Chung Ping	325	–	–	–	325
Gordon Siu Kwing Chue, G.B.S., J.P.	330	–	–	–	330
Vivien Chen Wai Wai	190	–	–	–	190
Charles Chan Kwok Keung (note)	114	–	–	–	114
Wang Hsiueh Hong (note)	114	–	–	–	114
Jonathan Milton Nelson (note)	114	–	–	–	114
	3,002	11,368	2,900	24	17,294

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 DIRECTORS' EMOLUMENTS AND EMPLOYEE BENEFIT EXPENSE (continued)

(a) Directors' emoluments (continued)

The remuneration of each of the Directors for the year ended 31 December 2010 is set out below:

Name of Director	Fees HK\$'000	Salaries and allowances HK\$'000	Discretionary bonuses HK\$'000	Pension contributions HK\$'000	Total HK\$'000
<i>Executive Directors</i>					
Dr. Norman Leung Nai Pang, G.B.S., LL.D., J.P.	120	4,980	650	12	5,762
Mona Fong	120	2,550	–	–	2,670
Mark Lee Po On	93	2,984	520	10	3,607
<i>Non-executive Directors</i>					
Sir Run Run Shaw, G.B.M.	500	–	–	–	500
Edward Cheng Wai Sun, S.B.S., J.P.	150	–	–	–	150
Dr. Chow Yei Ching, G.B.S.	120	–	–	–	120
Chien Lee	250	–	–	–	250
Christina Lee Look Ngan Kwan	195	–	–	–	195
Kevin Lo Chung Ping	285	–	–	–	285
Gordon Siu Kwing Chue, G.B.S., J.P.	290	–	–	–	290
Vivien Chen Wai Wai	138	–	–	–	138
	2,261	10,514	1,170	22	13,967

Note:

These Directors were appointed as Non-executive Directors on 1 April 2011.

(b) Employee benefit expense

	2011 HK\$'000	2010 HK\$'000
Wages and salaries	1,284,462	1,107,524
Pension costs – defined contribution plans	75,814	72,635
Pension costs – defined benefit plans	3,921	2,644
	1,364,197	1,182,803

25 DIRECTORS' EMOLUMENTS AND EMPLOYEE BENEFIT EXPENSE (continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2010: two) Directors whose emoluments are reflected in the analysis presented in note (a) above. The emoluments payable to the remaining three (2010: three) individuals during the year are as follows:

	2011 HK\$'000	2010 HK\$'000
Salaries and allowances	9,071	8,895
Bonuses	2,450	1,400
Pension contributions	907	889
	12,428	11,184

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

Emolument bands	Number of individuals in each band	
	2011	2010
HK\$3,000,001 – HK\$3,500,000	–	1
HK\$3,500,001 – HK\$4,000,000	1	1
HK\$4,000,001 – HK\$4,500,000	1	1
HK\$4,500,001 – HK\$5,000,000	1	–
	3	3

26 FINANCE COSTS

	2011 HK\$'000	2010 HK\$'000
Interest on bank loans – over five years	4,128	3,781

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) 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 income tax charged to the consolidated income statement represents:

	2011 HK\$'000	2010 HK\$'000
Current income tax:		
– Hong Kong	288,289	227,285
– Overseas	120,372	101,302
– Over provisions in prior years	(2,381)	(1,630)
– Provision for prior years (note)	118,000	104,000
Deferred income tax:		
– Origination and reversal of temporary differences (Note 22)	13,090	47,735
– Effect of decrease in tax rate (Note 22)	68	786
	537,438	479,478

Note:

In 2004, the IRD initiated a tax audit on the Group. Since then, the Group has received protective profits tax assessment notices from the IRD for the seven consecutive years of assessment from 1998/99 to 2004/05 relating to the profits generated by the Group's programme licensing and distribution business carried out overseas, to which the Group has objected. Of the total additional tax demanded in these assessments, the Group had been granted conditional holdovers by the purchase of tax reserve certificates in the amounts of HK\$23,990,000, HK\$23,561,000, HK\$20,205,000, HK\$35,028,000, HK\$49,365,000, HK\$53,809,000 and HK\$56,199,000 for the seven consecutive years of assessment from 1998/99 to 2004/05 respectively. The total amount of tax reserve certificates purchased by the Group is HK\$262,157,000 (Note 15). Similar additional assessments may be issued for subsequent years of assessment.

The Group is still in discussion with the IRD with a view to resolving the dispute for the entire period from 1998/99 up to the current year. Based on the latest developments of the tax audit, including exchanges of views with the IRD and notwithstanding the uncertainty inherent in a tax audit, management considered that it was appropriate to increase the provision by HK\$118 million, estimated on a basis which management believes would be sufficient to cover the potential tax exposures in respect of the years of assessment from 2004/05 to 2010/11.

27 INCOME TAX EXPENSE (continued)

Therefore, as of 31 December 2011, the Group has provided, including the provision made in prior years of HK\$206 million, a total of HK\$324 million against the potential tax exposures for the years of assessment from 1998/99 to 2010/11. Management is of the view that the tax provision is adequate and not excessive.

Management will continue to monitor the progress of the tax audit and vigorously defend the Group's position. Due to the uncertainty inherent in a tax audit, the outcome of the tax dispute could be different from the amounts provided, such difference would impact the income tax provisions in the year in which such determination is made.

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

	2011 HK\$'000	2010 HK\$'000
Profit before income tax	2,096,973	1,811,521
Calculated at a taxation rate of 16.5% (2010: 16.5%)	346,001	298,901
Effect of different taxation rates in other countries	(26,492)	(20,223)
Tax effect on the share of results of associates and jointly controlled entities	10,552	16,697
Income not subject to taxation	(6,556)	(2,451)
Expenses not deductible for taxation purposes	48,815	11,953
Tax losses not recognised	653	355
Utilisation of previously unrecognised tax losses	(2,217)	(21,320)
Tax credit allowance	(461)	(470)
Withholding tax on undistributed profits	53,129	97,628
Allowance for previous non-deductible expenses	(2,527)	(5,035)
Re-measurement of deferred tax due to change in tax rate	68	786
Others	854	287
Over provisions in prior years	(2,381)	(1,630)
Provision for prior years	118,000	104,000
	537,438	479,478

28 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK\$1,478,866,000 (2010: HK\$1,149,230,000).

29 EARNINGS PER SHARE

Earnings per share is calculated based on the Group's profit attributable to equity holders of HK\$1,555,585,000 (2010: HK\$1,329,891,000) and 438,000,000 shares in issue throughout the years ended 31 December 2011 and 2010. No fully diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 DIVIDENDS

	2011 HK\$'000	2010 HK\$'000
Interim dividend paid of HK\$0.45 (2010: HK\$0.35) per ordinary share	197,100	153,300
Proposed final dividend of HK\$1.75 (2010: HK\$1.65) per ordinary share	766,500	722,700
	963,600	876,000

At a meeting held on 21 March 2012, the Directors recommended a final dividend of HK\$1.75 per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2012.

31 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before income tax to cash generated from operations:

	2011 HK\$'000	2010 HK\$'000
Profit before income tax	2,096,973	1,811,521
Depreciation and amortisation	235,079	247,851
Impairment loss on loan to an associate	11,277	–
Impairment loss on trade receivables	143,134	128,252
(Gain)/loss on disposal of property, plant and equipment	(7)	831
Share of losses of jointly controlled entities	5,989	3,638
Share of losses of associates	57,963	97,555
Interest income	(42,695)	(17,037)
Finance cost	4,128	3,781
Exchange differences	3,177	(13,140)
	2,515,018	2,263,252
(Increase)/decrease in programmes, film rights and stocks	(22,933)	52,089
Increase in trade and other receivables, prepayments and deposits	(301,501)	(415,230)
Increase in trade and other payables and accruals	138,784	117,763
Decrease in retirement benefit obligations – defined benefit plans	(658)	(859)
	2,328,710	2,017,015
Cash generated from operations	2,328,710	2,017,015

32 CONTINGENT LIABILITIES

The amounts of contingent liabilities are as follows:

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Guarantees for banking facilities granted to an investee company	9,903	10,163	–	–

It is anticipated that no material liabilities will arise from the above bank and other guarantees, which arose in the ordinary course of business.

33 COMMITMENTS

(a) Capital commitments

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

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Authorised but not contracted for	461,737	379,640	332,756	271,456
Contracted but not provided for	34,225	26,373	20,609	22,862
	495,962	406,013	353,365	294,318

(b) Operating lease commitments as lessee

At 31 December 2011, the Group had future aggregate minimum lease payments under non-cancellable operating leases which fall due as follows:

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Land and buildings				
– not later than one year	18,680	15,877	7,030	7,055
– later than one year and not later than five years	15,104	17,122	1,961	8,140
– later than five years	–	111	–	–
	33,784	33,110	8,991	15,195
Equipment and transponders				
– not later than one year	22,454	25,407	–	–
– later than one year and not later than five years	10,147	32,583	–	–
	32,601	57,990	–	–
	66,385	91,100	8,991	15,195

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 COMMITMENTS (continued)

(b) Operating lease commitments as lessee (continued)

The Group leases various premises and buildings for the use as offices and studios under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The Group also leases various plant and machinery under non-cancellable operating lease agreements.

The lease expenditure expensed in the income statement during the year is disclosed in Note 24.

(c) Operating lease commitments as lessor

At 31 December 2011, the Group had contracted with tenant for future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Land and buildings				
– not later than one year	7,047	7,047	7,047	7,047
– later than one year and not later than five years	7,047	14,094	7,047	14,094
	14,094	21,141	14,094	21,141

34 TELEVISION BROADCASTING LICENCE

The Company operates under the terms of a domestic free television programme licence granted by the Government of the HKSAR which runs for a period of twelve years to 30 November 2015. Following the mid-term review of the licence conducted by the Broadcasting Authority (“BA”), the Government announced on 2 July 2010 that the Chief Executive in Council had approved the recommendations made by the BA, including new licence conditions to be imposed for the six-year period from 2010 to 2015. Under the new licence conditions, the Company is required to (i) make a programming and capital investment of HK\$6,336 million for the six-year period from 2010 to 2015; (ii) commit to enhanced programme requirements; (iii) increase the amount of high definition television programming; (iv) step up incrementally its subtitling service; and (v) participate in annual public engagement activities in the form of focus group discussion to be conducted by the BA.

35 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

	Note	2011 HK\$'000	2010 HK\$'000
Sales of services:			
<i>Jointly controlled entities</i>			
Movie production charges	(i)	3,075	3,510
Movie production charges	(ii)	–	1,025
Advertising income	(i)	986	1,322
Advertising income	(ii)	–	1,150
<i>Associates</i>			
Programmes/channel licensing fee	(iii)	118,199	204,863
Channel package service fee	(iii)	–	525
Rental income and related charges	(iii)	7,047	7,047
Advertising income	(iii)	1,468	3,864
Others	(iii)	3,346	3,152
<i>Other related parties</i>			
Programmes/channel licensing fee	(iv)	277,808	259,243
Advertising agency/advertising consultancy fee	(iv)	44,932	47,329
Management fee	(iv)	–	2,987
		456,861	536,017
Purchases of services:			
<i>Jointly controlled entities</i>			
Programmes licensing fee	(i)	(7,400)	(1,200)
Programmes licensing fee	(ii)	(1,600)	–
<i>Associates</i>			
Playback and uplink service fee	(iii)	(30,103)	(29,963)
Others	(iii)	(3,741)	(4,121)
<i>Other related parties</i>			
Rental fee and related charges	(v)	(2,820)	(9,427)
Technical service fee	(v)	–	(2,134)
Programmes/channel licensing fee	(vi)	–	(2,563)
		(45,664)	(49,408)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes:

- (i) The fees were received from/(paid to) Concept Legend Limited, a jointly controlled entity of the Company.
- (ii) The fees were received from/(paid to) Wealth Founder Limited, a jointly controlled entity of Concept Legend Limited.
- (iii) The fees were received from/(paid to) TVBPV, an associate of the Company.
- (iv) The fees were received from MEASAT Broadcast Network Systems Sdn. Bhd., a fellow subsidiary of the non-controlling shareholder of non wholly-owned subsidiaries of the Company.
- (v) The fees were paid to Hong Kong Movie City Company Limited, an entity controlled by a substantial shareholder of the Company. Such shareholder ceased to be our substantial shareholder on 31 March 2011.
- (vi) The fees were paid to Celestial Television Networks Ltd., a fellow subsidiary of the non-controlling shareholder of non wholly-owned subsidiaries of the Company.

The fees received/(paid to) related parties are based upon mutually agreed terms and conditions.

(b) Key management compensation

	2011 HK\$'000	2010 HK\$'000
Salaries and other short-term employee benefits	25,359	20,590

(c) Balances with related parties

	2011 HK\$'000	2010 HK\$'000
Receivables from jointly controlled entities	2,785	3,447
Receivables from associates (note)	400,550	355,201
Receivables from other related parties	73,927	65,383
	477,262	424,031
Payables to associates	–	960
Payables to jointly controlled entities	11	–
Payables to other related parties	3,637	7,432
	3,648	8,392

Note:

At 31 December 2011, a provision for impairment loss of trade receivables from associates of HK\$400,217,000 (2010: HK\$276,609,000) had been provided (Note 15).

35 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(d) Fund advanced/loan to related parties

	2011 HK\$'000	2010 HK\$'000
Fund advanced to jointly controlled entities		
Beginning of the year	16,231	7,500
Fund advanced	10,000	8,731
End of the year	26,231	16,231
Loan to an associate		
Beginning of the year	724,709	721,594
Interest charged	3,236	3,115
End of the year	727,945	724,709

At 31 December 2011, a provision for impairment loss of loan to an associate of HK\$11,277,000 (2010: Nil) had been provided (Note 12).

36 EVENTS SUBSEQUENT TO THE YEAR END

Subsequent to the year end, the Group entered into two sale and purchase agreements to acquire additional shares in TVBPVH from other shareholders of TVBPVH for a total cash consideration of HK\$195 million. When completed, these transactions shall increase the Group's total shareholding in TVBPVH from 62% to 90%. There is no change to the percentage holding of the voting shares in TVBPVH which remains at 15%. The transaction relating to the first sale and purchase agreement was completed on 15 March 2012, whilst the second transaction is anticipated to be completed by 30 June 2012, subject to the fulfillment of certain conditions precedent.

37 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 21 March 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name	Place of Incorporation ^Δ	Issued and fully paid		Percentage of equity		Principal activities
		ordinary share capital	preference share capital	the Group	the Company	
# iTVB Holdings Limited	British Virgin Islands	HK\$10,000	–	100	100	Investment holding
Long Wisdom Limited	Hong Kong	HK\$2	–	100	100	Investment holding
* Television Broadcasts Airtime Sales (Guangzhou) Limited	The People's Republic of China	HK\$500,000	–	100	100	Provision of agency services on design, production and exhibition of advertisements
TVB (China Production) Company Limited	Hong Kong	HK\$1	–	100	100	Owner of film rights and programme licensing
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 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
* 广东采星坊演艺咨询服务 有限公司	The People's Republic of China	RMB10,000,000	–	100	100	Provision of consultancy, management and agency services to artistes
Art Limited	Hong Kong	HK\$10,000	–	73.68	–	Film licensing and distribution
# Capital Empire Limited	British Virgin Islands	US\$1,000	–	100	–	Owner of film rights and programme licensing
CC Decoders Ltd.	United Kingdom	GBP2	–	100	–	Provider of decoder units and relating technical services
# Condor Entertainment B.V.	The Netherlands	EUR18,400	–	100	–	Investment holding
Countless Entertainment (Taiwan) Company Ltd.	Taiwan	NT\$10,000,000	–	100	–	Investment holding and programme licensing

38 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Place of Incorporation ^Δ	Issued and fully paid		Percentage of equity		Principal activities
		ordinary share capital	preference share capital	the Group	the Company	
# Extra Profit Holdings Limited	British Virgin Islands	HK\$1	–	100	–	Investment holding
# Fairwork Group Limited	British Virgin Islands	US\$1,000	–	100	–	Investment holding
Interface Communication Co., Ltd.	Taiwan	NT\$199,800,000	–	92.70	–	Magazine publications
# iTVB Limited	British Virgin Islands	HK\$10,000	–	100	–	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	–	100	–	Production of television programmes, channel operation and advertising
# Peony Holding N.V.	Netherlands Antilles	US\$100	US\$6,000	100	–	Investment holding
The Chinese Channel Limited	United Kingdom	GBP1,111	–	100	–	Provision of services for programme productions and channel operations
The Chinese Channel Limited	Hong Kong	HK\$4	–	100	–	Provision of services for channel operations
* The Chinese Channel (France) SAS	France	EUR600,000	–	100	–	Provision of satellite and subscription television programmes
# The Chinese Channel (Holdings) Limited	Cayman Islands	GBP89,640	–	100	–	Investment holding
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Place of Incorporation ^Δ	Issued and fully paid		Percentage of equity		Principal activities
		ordinary share capital	preference share capital	the Group	the Company	
TVB Macau Company Limited	Macau	MOP25,000	–	100	–	Provision of services for programme productions
TVB Publications Limited	Hong Kong	HK\$20,000,000	–	73.68	–	Magazine publications
§ TVB Publishing Holding Limited	Hong Kong	HK\$8,550,000	–	73.68	–	Investment holding
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 pay television programmes
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	–	Programme licensing
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

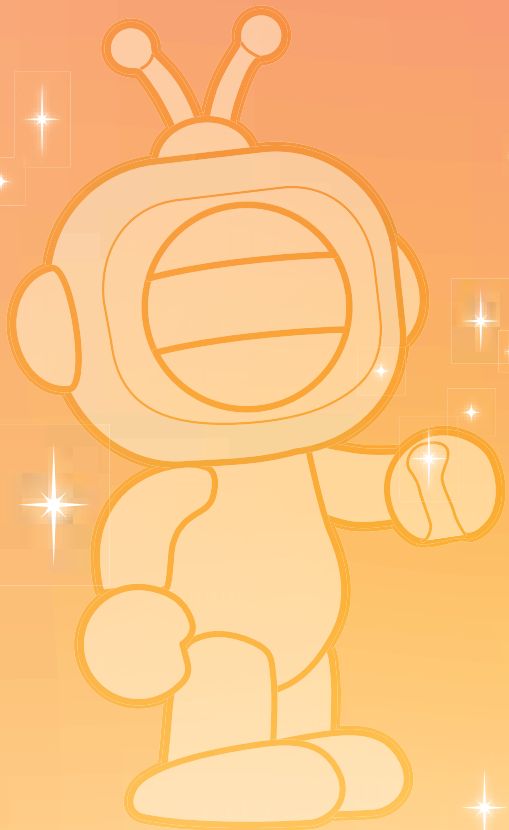
None of the subsidiaries have issued any loan capital. Except for TVBO Facilities Limited and TVBO Production Limited which operate worldwide, all subsidiaries operate principally in their place of incorporation.

* 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 non-controlling shareholders as unpaid shares. These shares will not be entitled to voting and dividends rights until they are fully paid. 4,500,000 ordinary shares were fully paid up in 2003 and the remaining 4,500,000 ordinary shares were still unpaid as at 31 December 2011.

Δ All principal subsidiaries are limited liability companies.



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電視廣播有限公司

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