



TVB
2011
Interim Report
中期報告

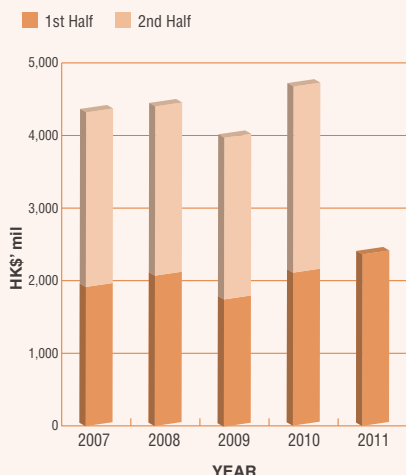


Television Broadcasts Limited
電視廣播有限公司

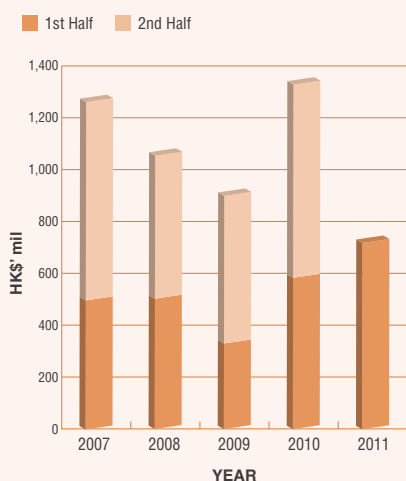
Stock Code 股份代號 : 00511

FINANCIAL HIGHLIGHTS

Turnover



Profit Attributable to Equity Holders of the Company

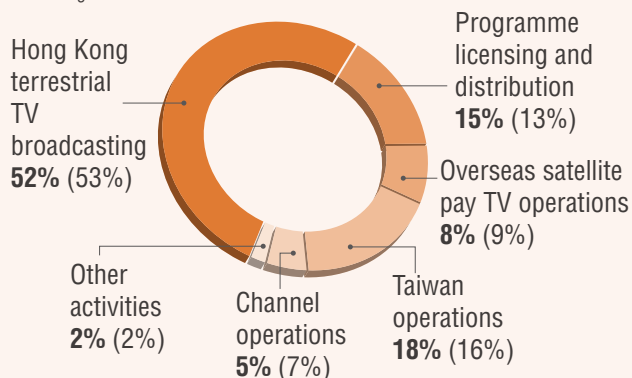


Six months ended 30 June

| | 2011 | 2010 | Change |
|--|---------------------|------------------|--------|
| Performance | | | |
| Earnings per share | HK\$1.64 | HK\$1.33 | +23% |
| Interim dividend per share | HK\$0.45 | HK\$0.35 | +29% |
| | HK\$'mil | HK\$'mil | |
| Turnover | | | |
| - Hong Kong terrestrial TV broadcasting | 1,237 | 1,115 | +11% |
| - Programme licensing and distribution | 425 | 337 | +26% |
| - Overseas satellite pay TV operations | 192 | 183 | +5% |
| - Taiwan operations | 419 | 348 | +20% |
| - Channel operations | 115 | 161 | -29% |
| - Other activities | 62 | 44 | +41% |
| - Inter-segment elimination | (85) | (79) | +8% |
| | 2,365 | 2,109 | +12% |
| Total expenses | (1,338) | (1,332) | 0% |
| Share of losses of associates | (29) | (47) | -38% |
| Profit attributable to equity holders | 719 | 584 | +23% |
| | 30 June 2011 | 31 December 2010 | |
| | HK\$'mil | HK\$'mil | |
| Total assets | 8,199 | 8,033 | +2% |
| Total liabilities | 1,707 | 1,545 | +10% |
| Total equity | 6,492 | 6,488 | 0% |
| Number of issued shares | 438,000,000 | 438,000,000 | |
| Ratios | | | |
| Current ratio | 3.7 | 4.1 | |
| Gearing | 3.8% | 4.0% | |

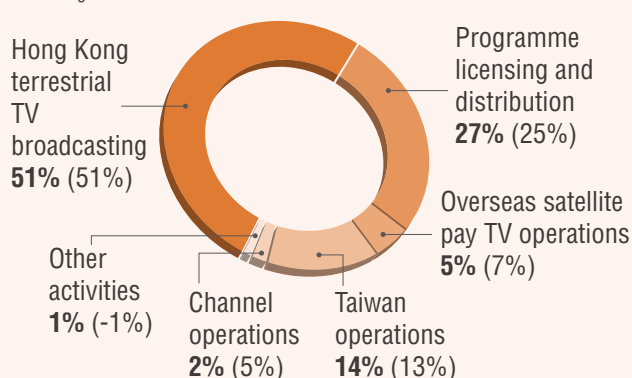
Turnover by Operating Segment

% relating to 1st half of 2010 are shown in brackets



Reportable Segment Profit by Operating Segment

% relating to 1st half of 2010 are shown in brackets



CONTENTS

2 CORPORATE INFORMATION

4 CHAIRMAN'S STATEMENT

REVIEW OF OPERATIONS

5 Operating Results for the Period

5 Hong Kong Operations

9 International Operations

11 Financial Review

13 CORPORATE GOVERNANCE AND OTHER INFORMATION

FINANCIAL INFORMATION

20 Interim Financial Information

41 Report on Review of Interim Financial Information

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN

Sir Run Run SHAW, G.B.M. *

EXECUTIVE DIRECTORS

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

Mona FONG, Deputy Chairperson and Managing Director,
and Alternate Director to Sir Run Run SHAW

Mark LEE Po On

NON-EXECUTIVE DIRECTORS

Christina LEE LOOK Ngan Kwan

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)

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

Chien LEE

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

Vivien CHEN Wai Wai

ALTERNATE DIRECTORS

Anthony LEE Hsien Pin, Alternate Director to
Christina LEE LOOK Ngan Kwan

Dr. Allan YAP, Alternate Director to
Dr. Charles CHAN Kwok Keung (appointed on 10 June 2011)

CHEN Wen Chi, Alternate Director to
Cher WANG Hsiueh Hong (appointed on 13 May 2011)

CHEN Xian, Alternate Director to
Jonathan Milton NELSON (appointed on 10 June 2011)

* Non-executive Chairman

BOARD COMMITTEES

EXECUTIVE COMMITTEE

Dr. Norman LEUNG Nai Pang, Chairman

Sir Run Run SHAW

Mona FONG

Christina LEE LOOK Ngan Kwan

Kevin LO Chung Ping

Mark LEE Po On

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

Vivien CHEN Wai Wai

EXECUTIVE OFFICERS

SENIOR MANAGEMENT

Mark LEE Po On, Group General Manager

Stephen CHAN Chi Wan, General Manager – Broadcasting

CHEONG Shin Keong, General Manager – Broadcasting

Prudence CHAN Bik Wah, General Manager –
International Operations (appointed on 8 February 2011)

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
BNY Mellon Shareowner Services
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

CHAIRMAN'S STATEMENT

The Board of Directors of Television Broadcasts Limited ("Board") is pleased to present the 2011 interim report and condensed consolidated financial information for the six months ended 30 June 2011 ("Period") of Television Broadcasts Limited ("Company" or "TVB") and its subsidiaries (collectively, "Group"), which are set out on pages 20 to 40 of this report.

RESULTS AND INTERIM DIVIDEND

For the Period, the Group's turnover increased by 12% from HK\$2,109 million to HK\$2,365 million, and the profit before income tax increased by 37% from HK\$751 million to HK\$1,025 million. The Group's profit attributable to equity holders increased by 23% from HK\$584 million to HK\$719 million, giving an earnings per share of HK\$1.64 (2010: HK\$1.33). This represents a record high profit attributable to equity holders for the first half of a year.

An interim dividend of HK\$0.45 (2010: HK\$0.35) per share has been declared for the 438,000,000 ordinary shares in issue of HK\$0.05 each in respect of the Period. This interim dividend will be paid to shareholders, on or around 4 October 2011, whose names are recorded on the Register of Members on 27 September 2011.

BUSINESS AND OUTLOOK

2010 was the year of the recovery from the depths of the global financial crisis in 2009, and our station benefited from the rebound in the advertising market. During the Period, we continued to enjoy a favourable business environment under a very strong economy in Hong Kong, driving our advertising revenue under terrestrial TV broadcasting to a new height.

Underpinning the success of our financial performance is our ability to produce in-house many of our signature drama serials and variety shows that entertain and delight millions of viewers in Hong Kong and overseas. We are pleased to note that TVB has made further improvements in overall channel ratings and in audience share during the Period. Outside of Hong Kong, we enjoy a strong presence in key markets such as Taiwan, Malaysia, Singapore and mainland China. Over the years we have developed good working relationships with our business partners in these markets, and we will continue to cherish these relationships, and further develop more localised programmes for these markets.

With the recent change in the shareholding structure, we have added three new Board members Dr. Charles Chan, Ms. Cher Wang and Mr. Jonathan Nelson as Non-executive Directors, all of whom are extremely knowledgeable of the media industry. We warmly welcome these new Board members, and look forward to working closely together to further our business.

Run Run Shaw
Chairman

Hong Kong, 24 August 2011

REVIEW OF OPERATIONS

OPERATING RESULTS FOR THE PERIOD

For the Period, the Group recorded a turnover of HK\$2,365 million (2010: HK\$2,109 million), representing an increase of 12% over the same period last year. Cost of sales amounted to HK\$840 million (2010: HK\$850 million), representing a decrease of 1% over the same period last year. Gross profit for the Period stood at HK\$1,525 million (2010: HK\$1,259 million). The increase in the gross profit for the Period was mainly attributable to strong performance under Hong Kong terrestrial TV broadcasting which contributed an increase in turnover of HK\$122 million.

Included in cost of sales were the cost of programmes, film rights and stocks for the Period which amounted to HK\$539 million (2010: HK\$571 million), representing a decrease of 6% over the same period last year.

Selling, distribution and transmission costs for the Period amounted to HK\$232 million (2010: HK\$237 million), a decrease of 2% over the same period last year.

General and administrative expenses for the Period amounted to HK\$266 million (2010: HK\$245 million), representing an increase of 9% over the same period last year which reflected a general increase in operating costs, principally salary expenses.

The Group's share of the losses of an associate, TVB Pay Vision Holdings Limited ("TVBPVH"), decreased from HK\$47 million to HK\$29 million for the Period. Effective 1 January 2011, the channel supply licence fee payable by TVB Pay Vision Limited ("TVB Pay Vision") to TVB has been reduced from HK\$200 million per annum to HK\$100 million per annum. With the reduction in the programme costs, TVBPVH reported substantial improvement in its performance during the Period.

Overall, the Group's profit attributable to equity holders amounted to HK\$719 million (2010: HK\$584 million), representing an increase of 23% over the same period last year. The earnings per share was HK\$1.64 (2010: HK\$1.33). This represents a record high profit attributable to equity holders for the first half of a year.

HONG KONG OPERATIONS

HONG KONG TERRESTRIAL TV BROADCASTING

ADVERTISING REVENUE

Turnover from Hong Kong terrestrial TV broadcasting for this Period grew by a very encouraging 11% from HK\$1,115 million to HK\$1,237 million.

Skin care and milk powder continue to be the leading growth categories of advertising with strong growth sustained throughout the Period. It was also encouraging to note that mobile phone equipment, digital camera equipment and broadband/3G network providers, all grew very strongly in this Period. On the other hand, the large categories of supermarkets and restaurants also grew, but at a more modest rate.

As a result of focused sales efforts, strong growth in revenue was also recorded in our digital terrestrial TV ("DTT") channels and in sales of integrated advertising packages covering multiple offerings of the Group (including the analogue channels, the DTT channels, internet and publication offerings).

REVIEW OF OPERATIONS

TERRESTRIAL TV CHANNELS PERFORMANCE

During the Period, TVB continued to attain a majority audience share in the terrestrial free TV market – Jade¹ achieved an average of 86% audience share² (2010: 85%²) during weekday primetime³; and Pearl achieved an average of 78% share² (2010: 75%²) during weekly primetime⁴.

Among the in-house produced drama serials, *The Rippling Blossom*, which starred Michael Tse Tin Wah, Julian Cheung Chi Lam, Tavia Yeung Yi and Myolie Wu Hang Yee, was the top-rated title for the Period. Set in Hokkaido, Japan, the story was about two brothers who competed to become a sushi master. The drama also featured add-in entertainment elements before the end of each episode, giving useful tips and information about the sushi culture. This series achieved 31 TVRs⁵ and 94% share on average. The other well-received drama serials during the Period included *Ghetto Justice* and *Yes, Sir. Sorry, Sir!* which captured average ratings of 30 TVRs and 29 TVRs, respectively. Both dramas also carried theme songs commissioned in a rap and rock 'n' roll style – a style not commonly used for theme songs.

The weekday half hour situation comedy *Show Me The Happy*, which was about a family running a medical clinic, concluded in March with an average rating of 23 TVRs and 86% share, and was followed by *Be Home For Dinner*, a family comedy evolving around a dinner table, which achieved an average rating of 24 TVRs and 84% share between March and June.

In the non-drama category, Jade continued to offer many different programme choices to the audience to enrich weekend programming. A new game show *All Star Glam Exam*, on Sunday primetime, starred singer composer Grasshopper together with many well-known artistes and celebrities around town. It was very well-received by viewers and achieved an average rating of 27 TVRs and 89% share. New series *Kitchen Diva Louisa* hosted by Louisa So Yuk Wah, the champion of the beloved cooking variety *Beautiful Cooking*, and *China a la Li* (Sr. 2) were scheduled back-to-back to build up a signature timeslot for gourmet travelogues on Sundays, which achieved average ratings of 23 to 25 TVRs. Another new variety programme *The Magic Ring*, on Saturday primetime, which provided a performance platform for Hong Kong magicians, achieved 22 TVRs and 85% share.

The “Season of Love” campaign was a successful integrated project utilising our multi-channel environment to cross-celebrate the Valentine season. Riding on the theme of sharing love stories with viewers, three programmes were scheduled on Jade – *Dropping By Cloud Nine* an episodic drama series inspired by the picture book from Jimmy Liao with location shooting in Taiwan; *Only You* the weekday 8:30 drama, and *Deja Love* on Sunday nights. Across all TVB channels, *Enchanted* was the top-rated Valentine feature on Pearl (with a total of eight Valentine features) which captured 6.4 TVRs and 93% share. *He who can't Marry* on HD Jade and *Lucky Days, Next Stop Happiness, Private Taste*, and seven episodes about love related

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

² 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. From 1 June 2009 onwards, measurement of TV ratings⁵ (TVR) includes both analogue and digital broadcast. Ratings data source: CSM Media Research.

³ Jade’s weekday primetime runs from 7 p.m. to 11 p.m. between Monday and Friday.

⁴ Pearl’s weekly primetime runs from 8 p.m. to 1 a.m. between Monday and Sunday.

⁵ TV rating (TVR) represents the size of audience expressed as a percentage of the total TV population. For 2011, the total TV population comprises 6,388,000 persons, and therefore, 1 TVR represents 63,880 persons (1% of the total TV population). Ratings data source: CSM Media Research.

topics on J2's *Big Boys Club* all built up the "Season of Love" campaign.

Heavy cross-channel coverage was devoted to the 11 March 2011 earthquake and tsunami disaster in Japan among Jade, Pearl and iNews. A series of special programmes related to the earthquake was aired on Jade between 11 March 2011 and 25 March 2011. The live broadcast of *Artistes 311 Love Beyond Borders* in the evening of 1 April 2011 achieved an average rating of 26 TVRs. Pearl also presented related documentaries in a timely manner.

Pearl paid tribute to the passing of legendary screen icon Elizabeth Taylor with a special biography and her classic *Giant* on 1 April 2011.

Movies on Pearl continued to be its main attraction. Blockbusters *Jurassic Park III* and *Pirates of the Caribbean Dead Man's Chest* were top-rated with 8 TVRs. Other highly-rated movies included *Howl's Moving Castle* and *National Treasure*. New seasons of popular dramas *Fringe* (the highest-rated title), *The Mentalist*, *House* and new series *Chase* kept viewers captivated. A new eight-episode BBC landmark documentary *Human Planet* was launched in May to popular acclaim. This programme attained an average rating of 3 TVRs and 91% share. *Dolce Vita* remains Pearl's iconic self-produced lifestyle magazine show. A host-recruitment campaign held in April for this programme yielded an overwhelming response from many would-be presenters, among whom new faces were identified for the show.

HD Jade continued to deliver impressive audio and visual enjoyment to audience who sought the full high definition ("HD") experience. Apart from simulcasting Jade's primetime line-up, high quality acquired Japanese dramas such as *Kiina – Mysterious Crime Investigator* and *Rinjo: The Voice of the Dead I & II* were very popular. Documentaries included *Nature Wonder Land*, *WILDLIFE – Wilderness in Japan: Hokkaido Red Fox*, *Bird Without Borders – Black-Faced Spoonbills* and sports events like *Hong Kong Sevens 2011* and NBA offered a wide variety of entertainment for the discerning audience.

J2's rating performance continued to show an uptrend in the Period. Three new station-produced programmes were introduced on Saturday primetime – *When In Guangzhou*, a travelogue hosted by the participants of *The Voice*, *Fukui Smiles*, also a travelogue on Japan hosted by young female singer HotCha, and *All Things Girl*, which was an infotainment programme about make-up, fashion and trendy items targeting young female audience. J2 also featured the latest fashion news – *Dressed up for Winter 2011* and *Tokyo Girls Collection 2011 S/S* through its Fashion Week at the end of April. Popular animation series, Asian idol dramas, music and variety programmes provided the much sought after targeted entertainment on J2.

iNews continued to be the most watched 24-hour news channel in Hong Kong. Channel ratings maintained an uptrend in the Period, outperforming other local news channels in terms of all-day all-time and during special events: for example, the 11 March earthquake in Japan attracted an average 1.4 TVRs during 3 p.m. to 6 p.m. and 7 p.m. to 11 p.m..

REVIEW OF OPERATIONS

DIGITISATION

Penetration of DTT continued to grow during the Period albeit at a slower rate. As at 30 June 2011, 64% of all households had digital TV reception equipment. This represents a 3% growth over the penetration achieved at the beginning of the Period.

Recently, the Government announced an extension of the target analogue switch off date from 2012 to 2015. We believe that this is a feasible target date for the switch off, and will be working with the Government towards achieving this.

HONG KONG PAY TV BUSINESS

INVESTMENT IN PAY TV PLATFORM

At 30 June 2011, TVB had a 62% equity and financial interest in the shares of TVBPAH, while its voting interest remained at 15%.

TVB Pay Vision, a wholly-owned subsidiary of TVBPAH, operates in an extremely competitive pay TV market. Rather than relying on premium sport contents to draw subscription, TVB Pay Vision adopts a strategy to provide locally produced programmes, and content from the rich TVB library, to its subscribers.

During the Period, TVB shared a net loss of HK\$29 million (2010: loss of HK\$47 million) of TVBPAH. Effective 1 January 2011, the channel supply licence fee payable by TVB Pay Vision to TVB has been reduced from HK\$200 million per annum to HK\$100 million per annum. With the reduction in the programme costs, TVBPAH reported substantial improvement in its performance during the Period.

SUPPLY OF CHANNELS TO PAY TV PLATFORM

As a content supplier, TVB provides a total of ten channels to TVB Pay Vision. The channel offerings include three drama channels (TVB Select, TVB Drama, TVB Classic), five entertainment channels (TVB Lifestyle, TVB Food, TVB Kids, TVBM, TVB Entertainment News), and two news channels (TVBN and TVBN2). This supply constitutes the largest single supplier of channels to TVB Pay Vision. As stated above, the channel supply licence fee payable to TVB has been reduced from HK\$200 million per annum to HK\$100 million per annum, reflecting that the content, which is provided to TVB Pay Vision on an increasingly non-exclusive basis, is being utilised across a number of other TVB channels – both in Hong Kong and overseas.

OTHER HONG KONG OPERATIONS

INTERNET OPERATIONS

The total number of unique users and pageviews increased from 4.6 million to 4.7 million, representing an increase of 2%, and from 93 million to 95 million, representing an increase of 2%, between the months of December 2010 and June 2011. During the second quarter, more users hit the website as they were attracted to the recent popular dramas and an expanding drama titles currently being carried in the website. To further promote tvb.com products and offerings, we communicate with users through a number of social network, like Facebook, Weibo, Twitter and YouTube.

Recently, a mutually beneficial partnership has been formed with Tencent Holdings Limited (“Tencent”) to co-develop a new product named “tvb.com Weibo”. tvb.com has had a blogging community since 2008, and has over 400 TVB artistes posting updates for their fans. This partnership with Tencent would be an upgrade to the old TVB blog community, offering instant messaging capabilities. Under this partnership, TVB can reach out to some 200 million Weibo users. At the same time, these users can enjoy TVB artistes news through the artiste blogs and programme information, and can interact with their favourite stars.

In the latter part of the year or early 2012, we plan to extend our services to mobile platforms, and to introduce enhanced services under a pay business model to our users.

MAGAZINE PUBLISHING

The Group continues to publish a weekly magazine TVB Weekly which provides extensive coverage of news and events relating to TVB and our artistes. This business remained steady during the Period.

MOVIE PRODUCTION

The movie *I love Hong Kong* made its debut in February 2011 with positive box office response. During the Period, shooting of a new movie project *The Fortune Buddies* commenced which stars a large number of TVB artistes. The movie was theatrically released in Hong Kong and the international markets in August 2011.

INTERNATIONAL OPERATIONS

PROGRAMME LICENSING AND DISTRIBUTION

Revenue from programme licensing and distribution recorded strong growth of 26% from HK\$337 million to HK\$425 million during the Period. Marked performances were recorded particularly in key markets like Malaysia, Singapore and mainland China. The result reflected the full six-month financial impact of increased licence fees for major deals including the agreements with StarHub Cable Vision Ltd (“StarHub”) in Singapore and a new digital media business partner in mainland China.

In Malaysia, the TVB Classic channel, TVB E-News channel and TVB drama serials on Astro-on-Demand platform were well-received. Production of localised contents was one of the key strategies to increase customer base. A co-operation project “International New Era Chinese Kung Fu Competition – Malaysia Audition” was organised with ASTRO All Asia Networks plc (“ASTRO”) in the second quarter of 2011. The feedback of viewers and advertisers was overwhelmingly positive. Winners from the competition will be invited to Hong Kong for the finale show on TVB Jade channel in August 2011.

In Singapore, TVB News channel and Mainland News channel were launched on the StarHub platform in March 2011. A full line up of promotional activities was held to enhance programme awareness and boost subscription and advertising sales. These included a sales luncheon with advertisers in February, “International New Era Chinese Kung Fu Competition – Singapore Audition” in March, and in April, a sales presentation and *Lady First* – a successful TVBS programme in Taiwan, to meet with the fans in Singapore. These activities generated excellent publicity and good sales result for the market.

REVIEW OF OPERATIONS

Riding on the strong economic growth in mainland China, the media and advertising industry has been vibrant and shown continuous solid growth. Local broadcasters, multimedia enterprises and licensing agents are actively going after quality content. Licence fees of TVB dramas rose dramatically over the past few years and another record breaking deal for one of our flagship dramas was concluded during the Period. In addition to building the licensing business, there are opportunities in developing new revenue sources. One of the initiatives is the development of localised television content that better suits the mainland audience.

In Vietnam, coverage of our Vietnamese-dubbed drama channel has expanded from Ho Chi Minh City to Hanoi. Advertising response was positive.

OVERSEAS SATELLITE PAY TV OPERATIONS

Both Europe and Australia platforms achieved double digit growth in advertising revenue, while the USA platform maintained single digit growth. In Australia, a large scale of market survey for the Vietnamese channel was completed in the second quarter of 2011. The survey report indicated solid demand in TVB's TV channel service. As such, TVB is planning to launch a brand new pay TV service to capture the opportunities. In Europe, preparation is underway to launch a new IPTV service.

TAIWAN OPERATIONS

TVBS – Taiwan

It was a record-setting first half of the year for TVBS as total turnover and segment profit for the Period exceeded last year's figures by 21% and 41% respectively. Segment profit for the Period was HK\$146 million on turnover of HK\$419 million.

The implementation of the Economic Cooperation Framework Agreement ("ECFA"), the bilateral trade agreement between Taiwan and mainland China, is beginning to have a positive effect on the island's economy. With individual mainland travellers finally being allowed to freely visit Taiwan later this year, the benefit should be even more pronounced for the tourism industry. Before the recent US credit ratings downgrade, analysts were predicting that the full year GDP growth could reach 5% for Taiwan. The low inflation in Taiwan and a healthy global demand for Taiwanese electronic products will likely keep the economy growing at its current pace, and with the presidential and legislative elections scheduled for January 2012, the second half of 2011 continues to look bright for TVBS.

CHANNEL OPERATIONS

TVB8 and Xing He

The overall performance of the TVB8 and Xing He channels was satisfactory during the Period. Up to June 2011, the total revenue was HK\$59 million, which was 5% better than last year.

In Malaysia, TVB8 is no longer carried by ASTRO. But activities are underway to actively approach other pay TV platforms to continue its services so as to strengthen TVB's presence in the market. In mainland China, even though our distribution is limited to the restricted areas, the penetration rate is still high in some major cities, namely Beijing and Shanghai. This opens the door for exploring co-operation opportunities with TV stations in mainland China.

FINANCIAL REVIEW

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's statement of financial position remained strong. At 30 June 2011, total equity stood at HK\$6,492 million (31 December 2010: HK\$6,488 million).

The Group had bank deposits and cash balances of HK\$3,000 million at 30 June 2011 (31 December 2010: HK\$2,891 million). About 11% of bank deposits and cash balances were maintained in overseas subsidiaries for their daily operation. Bank deposits and cash balances held by the Group were denominated mainly in Hong Kong dollars, US dollars, Renminbi and New Taiwan dollars.

The Group's net current assets amounted to HK\$3,590 million (31 December 2010: HK\$3,532 million), representing an increase of 2% over the last year end. The current ratio, expressed as the ratio of current assets to current liabilities, was 3.7 at 30 June 2011 (31 December 2010: 4.1).

The Group's total bank borrowing at 30 June 2011 was HK\$245 million, which is secured, denominated in New Taiwan dollars and floating interest bearing. The maturity profile of the Group's borrowing was as follows: within one year, HK\$25 million (10%); in the second year,

HK\$25 million (10%); in the third to fifth years, HK\$77 million (32%); over five years, HK\$118 million (48%). At 30 June 2011, the gearing ratio, expressed as the ratio of gross debts to total equity, stood at 3.8% (31 December 2010: 4.0%).

At 30 June 2011, certain assets of a subsidiary of the Group with net asset value of HK\$844 million were pledged to secure loans and banking facilities granted to that subsidiary. In addition, bank deposits of HK\$7 million were pledged to secure banking and credit facilities granted to certain subsidiaries of the Group.

At 30 June 2011, capital commitments of the Group amounted to HK\$376 million (31 December 2010: HK\$406 million), representing a decrease of 7%.

TAX AUDIT

In 2004, the Inland Revenue Department of Hong Kong ("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 had 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 came to HK\$262 million. Similar additional assessments are expected for subsequent years of assessment from 2005/06 to 2010/11.

REVIEW OF OPERATIONS

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 further exchanges of views with the IRD and notwithstanding the uncertainty inherent in a tax audit, Management considered that it was appropriate to make a further provision of HK\$118 million, prepared on a basis which Management believes would be sufficient to cover the contingent tax exposures in respect of the years of assessment from 2004/05 to 2010/11.

Therefore, as of 30 June 2011, the Group has provided, including the provision made in prior years of HK\$206 million, a total provision of HK\$324 million against the tax exposures for the years of assessments from 1998/99 to 2010/11 estimated to be HK\$457 million. 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, where the outcome of the tax dispute could be different from the amounts provided, such differences would impact the income tax provisions in the year in which such determination is made.

CONTINGENT LIABILITIES

At 30 June 2011, there were guarantees given to banks amounting to HK\$10 million (31 December 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 currency exposures comprise trading and non-trading foreign currency translation exposures. Foreign exchange trading exposures mainly arise 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 Period.

HUMAN RESOURCES

At 30 June 2011, the Group employed, excluding Directors and freelance workers but including contract artistes and staff in overseas subsidiaries, a total of 4,144 full-time employees (31 December 2010: 4,125).

About 28% of the Group's manpower is employed in overseas subsidiaries and is paid on scales and systems appropriate to the respective localities and local legislations. 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 basis or by a package of shows. Sales personnel are remunerated on commission based schemes. Non-sales personnel are remunerated on monthly salaries. Discretionary bonuses may be awarded as an incentive for better performance.

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 initiative.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

Maintaining high standards of business ethics and corporate governance practices has always been one of the core objectives of the Company. The Company believes that conducting business in an open and responsible manner serves its long-term interests and those of the shareholders.

BOARD OF DIRECTORS AND ITS COMMITTEES

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.

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 Non-executive Directors until the annual general meeting of the Company which was held on 25 May 2011 (“AGM”). Dr. Chan, Ms. Wang and Mr. Nelson were successfully elected at the 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.

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. Following this re-designation, the Board has a total of five Independent Non-executive Directors.

The Board is supported by three Board Committees, namely the Executive Committee, the Audit Committee and the Remuneration Committee. Each of them has defined terms of reference covering its duties, powers and functions. The terms of reference of each Committee are available on the website of the Company. There were no changes in the composition of these Board Committees during the Period.

At 30 June 2011, the Board and its Committees comprised the following members:

| Members of the Board | Also serving: | Executive Committee | Audit Committee ^{Note} | Remuneration Committee |
|--|---------------|---------------------|---------------------------------|------------------------|
| Chairman | | | | |
| Run Run Shaw* | | Member | – | – |
| Executive Directors | | | | |
| Norman Leung Nai Pang | | Chairman | – | – |
| Mona Fong (also Alternate Director to Run Run Shaw) | | Member | – | – |
| Mark Lee Po On | | Member | – | – |
| Non-executive Directors | | | | |
| Christina Lee Look Ngan Kwan | | Member | – | – |
| Kevin Lo Chung Ping | | Member | Member | – |
| Charles Chan Kwok Keung | | – | – | – |
| Cher Wang Hsiueh Hong | | – | – | – |
| Jonathan Milton Nelson | | – | – | – |
| Independent Non-executive Directors | | | | |
| Chow Yei Ching | | – | – | – |
| Edward Cheng Wai Sun | | – | – | Member |
| Chien Lee | | – | Member | Chairman |
| Gordon Siu Kwing Chue | | – | Chairman | Member |
| Vivien Chen Wai Wai | | – | – | Member |
| Alternate Directors | | | | |
| Anthony Lee Hsien Pin (Alternate Director to Christina Lee Look Ngan Kwan) | | n/a | n/a | n/a |
| Allan Yap (Alternate Director to Charles Chan Kwok Keung) | | n/a | n/a | n/a |
| Chen Wen Chi (Alternate Director to Cher Wang Hsiueh Hong) | | n/a | n/a | n/a |
| Chen Xian (Alternate Director to Jonathan Milton Nelson) | | n/a | n/a | n/a |

Note: The majority of members of the Audit Committee are Independent Non-executive Directors of the Company and they are experienced in reviewing and analysing financial information.

* Non-executive Chairman

CORPORATE GOVERNANCE AND OTHER INFORMATION

CHANGE IN DIRECTORS' INFORMATION

Subsequent to the publication of the latest biographical details of the Directors in the 2010 Annual Report of the Company and during the Period, there were the following changes in Directors' information which is required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"):

Sir Run Run Shaw, Chairman of the Company, resigned as a director and the executive chairman of Shaw Brothers (Hong Kong) Limited ("Shaw Brothers", a substantial shareholder of the Company).

Ms. Mona Fong, Deputy Chairperson and Managing Director of the Company, resigned as a director, the deputy chairperson and managing director of Shaw Brothers.

Mr. Chen Wen Chi, an Alternate Director of the Company, was appointed as a director of Liann Yee Production Co., Ltd., an indirect wholly-owned subsidiary of the Company incorporated in Taiwan, subsequent to the publication of the announcement of the Company dated 13 May 2011 regarding his appointment.

Mr. Edward Cheng Wai Sun, an Independent Non-executive Director of the Company, has been appointed as a member of the board of The Airport Authority Hong Kong.

Dr. Chow Yei Ching, who was a Non-executive Director of the Company, was re-designated as Independent Non-executive Director of the Company.

Dr. Allan Yap, an Alternate Director of the Company, resigned as an executive director of See Corporation Limited, subsequent to the publication of the announcement of the Company dated 10 June 2011 regarding his appointment.

Ms. Vivien Chen Wai Wai, an Independent Non-executive Director of the Company, has been appointed a founding member of the First Initiative Foundation, member of the Board of Governors of the Hong Kong Adventist Hospital Foundation and member of the Board of Trustees of the Shaw College, The Chinese University of Hong Kong.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted its own code on corporate governance ("TVB CG Code") which complies with the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules ("CG Code"), save for one of the CG Code provisions that the Chairman is not subject to retirement (as required under code provision A.4.2). Pursuant to Article 114(C) of the Articles, the Chairman is exempted from retirement. The Board considers that this deviation is well-founded as the Chairman, being a founder of the Company, has a wealth of experience which is essential to the Board and contributes to the continued stability of the business of the Company.

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.

During the Period, the Company fully complied with all code provisions set out in the CG Code, except that the Chairman is exempted from retirement for the reason as abovementioned.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUER

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (“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, who were appointed as Non-executive Directors of the Company on 1 April 2011, confirmed, following specific enquiries by the Company, that they had complied with the Model Code throughout the period between 1 April 2011 and 30 June 2011.

Mr. Chen Wen Chi, who was appointed as an Alternate Director to Ms. Cher Wang Hsiueh Hong, a Non-executive Director of the Company, on 13 May 2011, confirmed, following specific enquiry by the Company, that he had complied with the Model Code throughout the period between 13 May 2011 and 30 June 2011.

Dr. Allan Yap, who was appointed as an Alternate Director to Dr. Charles Chan Kwok Keung, and Mr. Chen Xian, who was appointed as an Alternate Director to Mr. Jonathan Milton Nelson, both on 10 June 2011, confirmed, following specific enquiries by the Company, that they had complied with the Model Code throughout the period between 10 June 2011 and 30 June 2011. Both Dr. Chan and Mr. Nelson are Non-executive Directors of the Company.

Ms. Prudence Chan Bik Wah, who was appointed as General Manager – International

Operations of the Company, on 8 February 2011, confirmed, following specific enquiry by the Company, that she had complied with the Model Code throughout the period between 8 February 2011 and 30 June 2011.

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 Period.

INTERNAL CONTROLS

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.

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.

A report on the review of internal controls for the year ending 31 December 2011, pursuant to the requirements set out under Appendix 14 of the Listing Rules, will be included in the next annual report of the Company.

CORPORATE GOVERNANCE AND OTHER INFORMATION

OTHER INFORMATION

REVIEW OF INTERIM RESULTS

The condensed consolidated financial information for the Period has not been audited, but has been reviewed by PricewaterhouseCoopers, the external auditor of the Company whose report is set out on page 41. The Audit Committee has reviewed with Management the accounting principles and practices adopted by the Group and discussed financial reporting matters, including a review of the unaudited condensed consolidated financial information and this interim report for the Period.

INTERIM DIVIDEND

The Directors declared the payment of an interim dividend of HK\$0.45 per share for the 438,000,000 ordinary shares in issue of HK\$0.05 each in respect of the six months ended 30 June 2011. The interim dividend will be paid in cash to shareholders whose names are recorded on the Register of Members of the Company on 27 September 2011. The dividend warrants will be despatched to shareholders on or around 4 October 2011.

Long position in the shares of the Company

| Name of director | Number of ordinary shares of HK\$0.05 each held | | | | | Percentage of issued share capital (%) ^(a) |
|------------------------------|---|------------------------|---------------------------|-----------------|------------------------------|---|
| | Personal interests | Family interests | Corporate interests | Other interests | Total interests | |
| Charles Chan Kwok Keung | – | – | 113,888,628 | – | 113,888,628 ^{# (b)} | 26.00 |
| 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 [*] | – | – | – | 1,146,000 | 0.26 |
| 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 here.

Duplication of shareholdings occurred between parties # shown here and below under the sub-heading of “Other Persons’ Interests in the Shares of the Company”.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed for two days from Monday, 26 September 2011 to Tuesday, 27 September 2011 for the purpose of ascertaining shareholders’ entitlement to the interim dividend. During the said period, no transfer of shares will be registered. In order to qualify for entitlement to the interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Share Registrars of the Company, 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 Friday, 23 September 2011.

DIRECTORS’ INTERESTS IN THE SHARES OF THE COMPANY

At 30 June 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 of Hong Kong Limited (“Stock Exchange”) pursuant to the Model Code, are set out below:

At 30 June 2011:

- (a) Percentage of issued share capital was based on the 438,000,000 ordinary shares of the Company in issue.
- (b) Dr. Charles Chan Kwok Keung was deemed to be interested in these 113,888,628 shares of the Company through Shaw Brothers. Shaw Brothers is wholly-owned by Young Lion Acquisition Co. Limited (“YLACQ”), a wholly-owned subsidiary of Young Lion Holdings Limited (“YLH”), which is controlled by Dr. Chan.
- (c) Ms. Wang Hsiueh Hong was deemed to be interested in these 113,888,628 shares of the Company which Profit Global International 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 held through YLACQ.
- (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 held through YLACQ.
- (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. 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 held through YLACQ.
- (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 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 30 June 2011, none of the Directors or chief executive of the Company had any interests or short positions 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.

The Company and any of its subsidiaries did not operate any employee share option scheme, and therefore, at no time during the Period 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 or underlying shares in, or debentures, of the Company or its associated corporations required to be disclosed under the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

OTHER PERSONS' INTERESTS IN THE SHARES OF THE COMPANY

At 30 June 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 (Hong Kong) Limited | 113,888,628 ^{# (b)} | 26.00 |
| Young Lion Holdings Limited | 113,888,628 ^{# (b) & (e)} | 26.00 |
| Kun Chang Investment Co. Ltd. | 113,888,628 ^{# (c)} | 26.00 |
| Profit Global Investment Limited | 113,888,628 ^{# (c) & (e)} | 26.00 |
| Providence Holdco (International) GP Ltd. | 113,888,628 ^{# (d)} | 26.00 |
| Providence Fund Holdco (International) L.P. | 113,888,628 ^{# (d)} | 26.00 |
| PEP VI International Ltd. | 113,888,628 ^{# (d)} | 26.00 |
| Providence Equity GP VI International L.P. | 113,888,628 ^{# (d)} | 26.00 |
| Providence Equity Partners VI International L.P. | 113,888,628 ^{# (d)} | 26.00 |
| P6 YL Holdings Limited | 113,888,628 ^{# (d) & (e)} | 26.00 |
| Dodge & Cox | 37,043,100 ^(f) | 8.46 |
| Mathews International Capital Management, LLC | 21,959,833 ^(f) | 5.01 |

Notes:

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

At 30 June 2011:

- (a) Percentage of issued share capital was based on the 438,000,000 ordinary shares of the Company in issue.
- (b) YLH was deemed to be interested in these 113,888,628 shares of the Company. Such interests were held indirectly through Shaw Brothers which is a wholly-owned subsidiary of YLACQ, a wholly-owned subsidiary of YLH which is controlled by Dr. Charles Chan Kwok Keung, a Non-executive Director of the Company.
- (c) Profit Global was deemed to be interested in these 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.
- (d) P6YL was deemed to be interested in these 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.
- (e) Dr. Charles Chan Kwok Keung, Profit Global, P6YL, YLH and YLACQ are parties of an agreement to acquire the interest in these 113,888,628 shares in the Company. This agreement is an agreement to which Section 317(1)(a) of the SFO applies.
- (f) Interests were held in the capacity of investment managers.

Save for the information disclosed above, at 30 June 2011, no other persons (other than the Directors or chief executive of the Company) had any interests or short positions in the shares and underlying 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 the Company.

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

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

CHANGE IN SHAREHOLDING

As disclosed in the 2010 Annual Report of the Company, the Company made an announcement on 26 January 2011 (“First Announcement Date”) relating to the change in shareholding of the Company. The Company made a further announcement on 31 March 2011 (“Second Announcement Date”) that the shareholders of Shaw Brothers, a substantial shareholder of the Company which was interested in 113,888,628 shares, representing approximately 26.00% in the issued share capital of the Company) had disposed of their

entire shareholding in Shaw Brothers to an investor group (“Investor Group”) controlled by Dr. Charles Chan Kwok Keung, with Ms. Cher Wang Hsiueh Hong and Providence Equity Partners being the other two members of the Investor Group on the same day.

Furthermore, The Shaw Foundation Hong Kong Limited (“Shaw Foundation”, also a substantial shareholder of the Company, which was interested in 27,286,200 shares, representing approximately 6.23% in the issued share capital of the Company at the First Announcement Date) had disposed of 11,336,000 shares, representing approximately 2.59% in the issued share capital of the Company, by way of donations to various educational and charitable institutions on 31 March 2011. Shaw Foundation remains to hold 15,950,200 shares, representing approximately 3.64% in the issued share capital of the Company after the said donation disposal.

INTERIM REPORT

This Interim Report for the Period containing all the information required by the Listing Rules is published on the designated issuer website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.tvb.com).

FINANCIAL INFORMATION

Condensed Consolidated Statement of Financial Position

As at 30 June 2011

| | Note | 30 June 2011 Unaudited HK\$'000 | 31 December 2010 Audited HK\$'000 |
|---|------|--|--|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 2,431,724 | 2,489,035 |
| Investment properties | 5 | 11,820 | – |
| Leasehold land and land use rights | 5 | 55,609 | – |
| Goodwill | 5 | 176,667 | 175,840 |
| Interests in jointly controlled entities | | 11,429 | 12,593 |
| Interests in associates | 6 | 567,720 | 581,390 |
| Available-for-sale financial assets | | 3 | 3 |
| Deferred income tax assets | | 28,331 | 33,454 |
| Prepayment | 7 | – | 74,512 |
| Total non-current assets | | 3,283,303 | 3,366,827 |
| Current assets | | | |
| Programmes and film rights | | 364,379 | 315,868 |
| Stocks | | 13,303 | 11,232 |
| Trade and other receivables, prepayments and deposits | 7 | 1,526,610 | 1,441,396 |
| Tax recoverable | | 3,764 | 249 |
| Pledged bank deposits | | 7,464 | 6,885 |
| Bank deposits maturing after three months | | 92,628 | 211,648 |
| Cash and cash equivalents | | 2,907,199 | 2,679,151 |
| Total current assets | | 4,915,347 | 4,666,429 |
| Total assets | | 8,198,650 | 8,033,256 |
| EQUITY | | | |
| Equity attributable to equity holders of the Company | | | |
| Share capital | 8 | 21,900 | 21,900 |
| Other reserves | 9 | 846,361 | 818,244 |
| Retained earnings | | | |
| – Interim/final dividend | 16 | 197,100 | 722,700 |
| – Others | | 5,398,275 | 4,898,020 |
| Non-controlling interests | | 6,463,636 | 6,460,864 |
| | | 28,039 | 27,154 |
| Total equity | | 6,491,675 | 6,488,018 |

| | Note | 30 June 2011 Unaudited HK\$'000 | 31 December 2010 Audited HK\$'000 |
|--|------|--|--|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowing | 11 | 219,887 | 231,107 |
| Deferred income tax liabilities | | 156,334 | 174,112 |
| Retirement benefit obligations | | 5,647 | 5,847 |
| Total non-current liabilities | | 381,868 | 411,066 |
| Current liabilities | | | |
| Trade and other payables and accruals | 10 | 762,629 | 757,900 |
| Current income tax liabilities | | 537,014 | 350,974 |
| Borrowing | 11 | 25,464 | 25,298 |
| Total current liabilities | | 1,325,107 | 1,134,172 |
| Total liabilities | | 1,706,975 | 1,545,238 |
| Total equity and liabilities | | 8,198,650 | 8,033,256 |
| Net current assets | | 3,590,240 | 3,532,257 |
| Total assets less current liabilities | | 6,873,543 | 6,899,084 |

The notes on pages 26 to 40 form an integral part of this condensed consolidated financial information.

FINANCIAL INFORMATION

Condensed Consolidated Income Statement

For the six months ended 30 June 2011

| | Note | Unaudited Six months ended 30 June | |
|--|------|---------------------------------------|------------------|
| | | 2011 HK\$'000 | 2010 HK\$'000 |
| Turnover | 4 | 2,365,288 | 2,108,619 |
| Cost of sales | | (839,948) | (849,671) |
| Gross profit | | 1,525,340 | 1,258,948 |
| Other revenues | 12 | 19,659 | 11,192 |
| Selling, distribution and transmission costs | | (231,703) | (237,271) |
| General and administrative expenses | | (266,142) | (245,109) |
| Other gains, net | | 9,662 | 9,448 |
| Finance costs | | (2,004) | (1,947) |
| Share of (losses)/profits of: | | | |
| Jointly controlled entities | | (1,164) | 2,519 |
| Associates | | (28,951) | (47,220) |
| Profit before income tax | 13 | 1,024,697 | 750,560 |
| Income tax expense | 14 | (305,245) | (165,929) |
| Profit for the period | | 719,452 | 584,631 |
| Profit attributable to: | | | |
| Equity holders of the Company | | 718,604 | 584,437 |
| Non-controlling interests | | 848 | 194 |
| | | 719,452 | 584,631 |
| Earnings per share (basic and diluted) for profit attributable to equity holders of the Company during the period | 15 | HK\$1.64 | HK\$1.33 |
| Dividends | 16 | 197,100 | 153,300 |

The notes on pages 26 to 40 form an integral part of this condensed consolidated financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

| | Unaudited | |
|---|--------------------------|----------|
| | Six months ended 30 June | |
| | 2011 | 2010 |
| | HK\$'000 | HK\$'000 |
| Profit for the period | 719,452 | 584,631 |
| Other comprehensive income: | | |
| Currency translation differences | 6,905 | 3,697 |
| Other comprehensive income for the period | 6,905 | 3,697 |
| Total comprehensive income for the period | 726,357 | 588,328 |
| Total comprehensive income for the period attributable to: | | |
| Equity holders of the Company | 725,472 | 588,111 |
| Non-controlling interests | 885 | 217 |
| Total comprehensive income for the period | 726,357 | 588,328 |

The notes on pages 26 to 40 form an integral part of this condensed consolidated financial information.

FINANCIAL INFORMATION

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

| | Note | Unaudited | | | | | |
|--|------|---|----------------------------|-------------------------------|-------------------|---------------------------------------|--------------------------|
| | | Attributable to equity holders of the Company | | | | Non-controlling interests HK\$'000 | Total equity HK\$'000 |
| | | Share capital HK\$'000 | Other reserves HK\$'000 | Retained earnings HK\$'000 | Total 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 period | | – | – | 584,437 | 584,437 | 194 | 584,631 |
| Other comprehensive income: | | | | | | | |
| Currency translation differences | | – | 3,674 | – | 3,674 | 23 | 3,697 |
| Total comprehensive income for the period ended 30 June 2010 | | – | 3,674 | 584,437 | 588,111 | 217 | 588,328 |
| Transactions with owners in their capacity as owners: | | | | | | | |
| Transfer | 9 | – | 11,839 | (11,839) | – | – | – |
| 2009 final dividends paid in June 2010 | | – | – | (591,300) | (591,300) | – | (591,300) |
| Total transactions with owners | | – | 11,839 | (603,139) | (591,300) | – | (591,300) |
| Balance at 30 June 2010 | | 21,900 | 738,607 | 5,029,695 | 5,790,202 | 25,451 | 5,815,653 |
| 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 period | | – | – | 718,604 | 718,604 | 848 | 719,452 |
| Other comprehensive income: | | | | | | | |
| Currency translation differences | | – | 6,868 | – | 6,868 | 37 | 6,905 |
| Total comprehensive income for the period ended 30 June 2011 | | – | 6,868 | 718,604 | 725,472 | 885 | 726,357 |
| Transactions with owners in their capacity as owners: | | | | | | | |
| Transfer | 9 | – | 21,249 | (21,249) | – | – | – |
| 2010 final dividends paid in June 2011 | 16 | – | – | (722,700) | (722,700) | – | (722,700) |
| Total transactions with owners | | – | 21,249 | (743,949) | (722,700) | – | (722,700) |
| Balance at 30 June 2011 | | 21,900 | 846,361 | 5,595,375 | 6,463,636 | 28,039 | 6,491,675 |

The notes on pages 26 to 40 form an integral part of this condensed consolidated financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

| | Unaudited | |
|--|--------------------------|-----------|
| | Six months ended 30 June | |
| | 2011 | 2010 |
| | HK\$'000 | HK\$'000 |
| Net cash generated from operating activities | 886,359 | 685,740 |
| Net cash generated from/(used in) investing activities | 74,000 | (42,530) |
| Net cash used in financing activities | (735,916) | (650,919) |
| Net increase/(decrease) in cash and cash equivalents | 224,443 | (7,709) |
| Cash and cash equivalents at 1 January | 2,679,151 | 1,893,586 |
| Effect of foreign exchange rate changes | 3,605 | (556) |
| Cash and cash equivalents at 30 June | 2,907,199 | 1,885,321 |

The notes on pages 26 to 40 form an integral part of this condensed consolidated financial information.

FINANCIAL INFORMATION

Notes to the Condensed Consolidated Financial Information

1 GENERAL INFORMATION

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

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.

This condensed consolidated financial information is presented in Hong Kong dollars, unless otherwise stated. This condensed consolidated financial information was approved for issue on 24 August 2011.

This condensed consolidated financial information has not been audited.

2 BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the six months ended 30 June 2011 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The unaudited condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those annual financial statements.

Investment property is defined as property held to earn rentals or capital appreciation or both. The Company 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 comprised its purchase price and any directly attributable expenditure.

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

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

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

- | | |
|---|--|
| * HKAS 1 | Presentation of financial statements |
| * HKAS 24 (revised) | Related party disclosures |
| * HKAS 27 | Consolidated and separate financial statements |
| * HKAS 34 | Interim financial reporting |
| * HKFRS 3 | Business combinations |
| * HKFRS 7 | Financial instruments: disclosures |
| * represented the amendments to existing HKFRS under the HKICPA Annual Improvements Project published in 2010 | |

3 ACCOUNTING POLICIES (continued)

The adoption of these new or revised standards and amendments to standards has not had a material financial effect on the Group's results and financial position for current or prior periods.

The Group has not early adopted new or revised standards, amendments to standards and interpretations that have been issued but are not yet effective for the accounting period ending 31 December 2011. The Group is in the process of making an assessment of the impact of these new or revised standards, amendments to standards and interpretations to the Group's results and financial position in the period of initial application.

4 SEGMENT INFORMATION

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. 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 content to mobile devices, website portals, magazine publications 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 respects, as explained in the table below, are measured differently from the profit before income tax in the condensed consolidated financial information.

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 to those contracted with third parties.

FINANCIAL INFORMATION

Notes to the Condensed Consolidated Financial Information

4 SEGMENT INFORMATION (continued)

An analysis of the Group's turnover and results for the period by operating segment 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 |
|----------------------------------|---|---|---|----------------------------------|-----------------------------------|---------------------------------|-------------------------|-------------------|
| Six months ended 30 June 2011 | | | | | | | | |
| Turnover | | | | | | | | |
| External customers | 1,232,362 | 357,971 | 192,514 | 416,778 | 106,784 | 58,879 | - | 2,365,288 |
| Inter-segment | 4,418 | 66,605 | 189 | 2,416 | 8,213 | 3,060 | (84,901) | - |
| Total | 1,236,780 | 424,576 | 192,703 | 419,194 | 114,997 | 61,939 | (84,901) | 2,365,288 |
| Reportable segment profit | 542,122 | 284,490 | 54,491 | 145,926 | 21,402 | 6,381 | - | 1,054,812 |
| Interest income | 10,337 | 1,046 | 79 | 513 | - | 1,306 | - | 13,281 |
| Finance costs | - | - | - | (2,004) | - | - | - | (2,004) |
| Depreciation and amortisation | (86,178) | (1,321) | (2,142) | (21,910) | (54) | (6,076) | - | (117,681) |
| Additions to non-current assets* | 29,967 | 774 | 4,656 | 4,975 | 3 | 4,969 | - | 45,344 |
| Six months ended 30 June 2010 | | | | | | | | |
| Turnover | | | | | | | | |
| External customers | 1,109,912 | 276,741 | 182,521 | 344,909 | 153,457 | 41,079 | - | 2,108,619 |
| Inter-segment | 5,113 | 60,260 | 177 | 2,661 | 7,606 | 3,376 | (79,193) | - |
| Total | 1,115,025 | 337,001 | 182,698 | 347,570 | 161,063 | 44,455 | (79,193) | 2,108,619 |
| Reportable segment profit | 402,793 | 197,974 | 54,253 | 103,587 | 42,683 | (6,029) | - | 795,261 |
| Interest income | 4,320 | 444 | 68 | 217 | - | 114 | - | 5,163 |
| Finance costs | - | - | - | (1,947) | - | - | - | (1,947) |
| Depreciation and amortisation | (101,760) | (1,649) | (2,507) | (20,678) | (77) | (4,427) | - | (131,098) |
| Additions to non-current assets# | 20,304 | 325 | 1,043 | 3,395 | 3 | 9,779 | - | 34,849 |

* Non-current assets comprise goodwill, property, plant and equipment, investment properties and land use rights. The amount of HK\$74,512,000 transferred from prepayment (refer to Note 5(a)) has been excluded since it had already been reported within additions to non-current assets in the year 2010.

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

4 SEGMENT INFORMATION (continued)

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

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2011 HK\$'000 | 2010 HK\$'000 |
| Reportable segment profit | 1,054,812 | 795,261 |
| Share of (losses)/profits of jointly controlled entities | (1,164) | 2,519 |
| Share of losses of associates | (28,951) | (47,220) |
| Profit before income tax | 1,024,697 | 750,560 |

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

| | Six months ended 30 June | |
|------------------------|--------------------------|------------------|
| | 2011 HK\$'000 | 2010 HK\$'000 |
| Hong Kong | 1,346,675 | 1,255,440 |
| Taiwan | 418,893 | 347,937 |
| USA and Canada | 115,869 | 116,786 |
| Australia | 63,269 | 54,741 |
| Europe | 33,962 | 34,225 |
| Mainland China | 110,690 | 85,756 |
| Malaysia and Singapore | 258,381 | 200,512 |
| Other countries | 17,549 | 13,222 |
| | 2,365,288 | 2,108,619 |

FINANCIAL INFORMATION

Notes to the Condensed Consolidated Financial Information

5 CAPITAL EXPENDITURE

| | Goodwill HK\$'000 | Property, plant and equipment HK\$'000 | Investment properties HK\$'000 | Leasehold land and land use rights HK\$'000 |
|---|----------------------|---|--------------------------------------|---|
| As at 1 January 2010 (as previously reported) | 163,248 | 2,345,621 | – | 203,466 |
| Adjustment for adoption of amendment to HKAS17 | – | 203,466 | – | (203,466) |
| As at 1 January 2010 (as restated) | 163,248 | 2,549,087 | – | – |
| Additions | – | 34,849 | – | – |
| Disposals | – | (686) | – | – |
| Depreciation/amortisation charge (Note 13) | – | (131,098) | – | – |
| Exchange differences | 662 | 5,106 | – | – |
| As at 30 June 2010 | 163,910 | 2,457,258 | – | – |
| As at 1 January 2011 | 175,840 | 2,489,035 | – | – |
| Additions (note (a)) | – | 53,460 | 11,639 | 54,757 |
| Disposals | – | (122) | – | – |
| Depreciation/amortisation charge (Note 13) | – | (117,137) | (95) | (449) |
| Exchange differences | 827 | 6,488 | 276 | 1,301 |
| As at 30 June 2011 | 176,667 | 2,431,724 | 11,820 | 55,609 |

Notes:

- (a) The additions include the purchase price and associated expenditure related to the acquisition of properties in Guangzhou totalling HK\$74,512,000. These costs were recorded as prepayment as at 31 December 2010 and 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 upon completion of the acquisition on 31 March 2011.
- (b) As at 30 June 2011, land and buildings with net book value of HK\$843,772,000 (31 December 2010: HK\$846,531,000) were pledged to secure loans and banking facilities granted to a subsidiary of the Group.

6 INTERESTS IN ASSOCIATES

| | 30 June 2011 HK\$'000 | 31 December 2010 HK\$'000 |
|--------------------------------------|-----------------------------|---------------------------------|
| Investment costs | 542,598 | 528,872 |
| Less: Accumulated share of losses | (701,142) | (672,191) |
| | (158,544) | (143,319) |
| Loans to associates | 719,212 | 719,212 |
| Interest receivables from associates | 7,052 | 5,497 |
| | 567,720 | 581,390 |
| Unlisted shares, at cost | 542,598 | 528,872 |

7 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

| | 30 June 2011 HK\$'000 | 31 December 2010 HK\$'000 |
|--|-----------------------------|---------------------------------|
| Non-current portion | | |
| Prepayment related to capital expenditure | – | 74,512 |
| Current portion | | |
| Receivables from: | | |
| Jointly controlled entities (Note 20(c)) | 268 | 3,447 |
| Associates (Note 20(c)) | 403,068 | 355,201 |
| Related parties (Note 20(c)) | 71,508 | 65,383 |
| Trade receivables (note) | 1,000,876 | 1,011,040 |
| | 1,475,720 | 1,435,071 |
| Less: Provision for impairment loss on receivables from: | | |
| Associates | (276,609) | (276,609) |
| Third parties | (96,857) | (95,998) |
| Other receivables, prepayments and deposits | 162,199 | 172,974 |
| Tax reserve certificates (Note 14) | 262,157 | 205,958 |
| | 1,526,610 | 1,441,396 |
| Total | 1,526,610 | 1,515,908 |

FINANCIAL INFORMATION

Notes to the Condensed Consolidated Financial Information

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

Note:

The Group operates a controlled credit policy and allows an average credit period of forty to sixty days to the majority of the Group's customers who satisfy the credit evaluation of the Group. Cash on delivery, advance payments or bank guarantees are required from other customers of the Group.

At 30 June 2011 and 31 December 2010, trade receivables including trading balances due from jointly controlled entities, associates and related parties were aged as follows:

| | 30 June 2011 HK\$'000 | 31 December 2010 HK\$'000 |
|---|--------------------------------------|---------------------------------|
| Current | 497,204 | 498,449 |
| 1-2 months | 220,619 | 258,614 |
| 2-3 months | 165,614 | 169,313 |
| 3-4 months | 91,133 | 102,970 |
| 4-5 months | 24,961 | 43,173 |
| Over 5 months | 476,189 | 362,552 |
| | 1,475,720 | 1,435,071 |
| Trade receivables due from: | | |
| Third parties | 1,000,876 | 1,011,040 |
| Jointly controlled entities, associates and related parties | 474,844 | 424,031 |
| | 1,475,720 | 1,435,071 |

8 SHARE CAPITAL

| | Number of ordinary shares of HK\$0.05 each | Nominal value HK\$'000 |
|---|---|---------------------------------------|
| Authorised: At 1 January and 30 June 2010 and 1 January and 30 June 2011 | 1,300,000,000 | 65,000 |
| Issued and fully paid: At 1 January and 30 June 2010 and 1 January and 30 June 2011 | 438,000,000 | 21,900 |

9 OTHER RESERVES

| | 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 | – | – | – | – | – | 3,674 | 3,674 |
| Transfer from retained earnings | – | – | – | 11,839 | – | – | 11,839 |
| Balance at 30 June 2010 | 602,026 | 70,000 | 864 | 94,137 | 40,118 | (68,538) | 738,607 |
| Currency translation differences: | | | | | | | |
| – Group | – | – | – | – | – | 78,533 | 78,533 |
| Changes in ownership interests in subsidiaries not resulting in a loss of control | – | – | (25) | – | – | – | (25) |
| Transfer from retained earnings | – | – | – | 1,129 | – | – | 1,129 |
| 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 | – | – | – | – | – | 6,868 | 6,868 |
| Transfer from retained earnings | – | – | – | 21,249 | – | – | 21,249 |
| Balance at 30 June 2011 | 602,026 | 70,000 | 839 | 116,515 | 40,118 | 16,863 | 846,361 |

10 TRADE AND OTHER PAYABLES AND ACCRUALS

| | 30 June 2011 HK\$'000 | 31 December 2010 HK\$'000 |
|--|-----------------------------|---------------------------------|
| Trade payables to: | | |
| Jointly controlled entities (Note 20(c)) | 1,540 | – |
| Associates (Note 20(c)) | 2,603 | 960 |
| Related parties (Note 20(c)) | 5,882 | 7,432 |
| Third parties | 69,142 | 73,379 |
| | 79,167 | 81,771 |
| Other payables and accruals | 683,462 | 676,129 |
| | 762,629 | 757,900 |

FINANCIAL INFORMATION

Notes to the Condensed Consolidated Financial Information

10 TRADE AND OTHER PAYABLES AND ACCRUALS (continued)

At 30 June 2011 and 31 December 2010, trade payables including trading balances due to jointly controlled entities, associates and related parties were aged as follows:

| | 30 June 2011 HK\$'000 | 31 December 2010 HK\$'000 |
|---------------|--------------------------------------|---------------------------------|
| Current | 55,283 | 47,665 |
| 1-2 months | 19,225 | 24,381 |
| 2-3 months | 3,015 | 3,582 |
| 3-4 months | 445 | 1,043 |
| 4-5 months | 206 | 985 |
| Over 5 months | 993 | 4,115 |
| | 79,167 | 81,771 |

11 BORROWING

| | 30 June 2011 HK\$'000 | 31 December 2010 HK\$'000 |
|----------------------|--------------------------------------|---------------------------------|
| Bank borrowing: | | |
| Non-current | 219,887 | 231,107 |
| Current | 25,464 | 25,298 |
| Total bank borrowing | 245,351 | 256,405 |

Movement in bank borrowing is analysed as follows:

| | 30 June 2011 HK\$'000 | 31 December 2010 HK\$'000 |
|------------------------------|--------------------------------------|---------------------------------|
| Beginning of the period/year | 256,405 | 301,808 |
| Repayments | (12,637) | (73,042) |
| Exchange differences | 1,583 | 27,639 |
| End of the period/year | 245,351 | 256,405 |

11 BORROWING (continued)

The Group's bank borrowing was repayable as follows:

| | 30 June 2011 HK\$'000 | 31 December 2010 HK\$'000 |
|---------------------------------|-----------------------------|---------------------------------|
| Within 1 year | 25,464 | 25,298 |
| Between 1 and 2 years | 25,464 | 25,299 |
| Between 2 and 5 years | 76,392 | 75,895 |
| Wholly repayable within 5 years | 127,320 | 126,492 |
| Over 5 years | 118,031 | 129,913 |
| | 245,351 | 256,405 |

12 OTHER REVENUES

| | Six months ended 30 June 2011 HK\$'000 | 2010 HK\$'000 |
|-----------------|--|------------------|
| Interest income | 13,281 | 5,163 |
| Others | 6,378 | 6,029 |
| | 19,659 | 11,192 |

13 PROFIT BEFORE INCOME TAX

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

| | Six months ended 30 June 2011 HK\$'000 | 2010 HK\$'000 |
|---|--|------------------|
| Depreciation | 117,232 | 131,098 |
| Amortisation of land use rights | 449 | – |
| Costs of programmes, film rights and stocks | 538,543 | 570,900 |
| Net exchange gain | (9,662) | (9,448) |

14 INCOME TAX EXPENSE

Hong Kong and overseas profits tax has been provided at the rate of 16.5% (2010: 16.5%) and at the rates of taxation prevailing in the countries in which the Group operates respectively. Income tax expense is recognised based on Management's best estimate of the weighted average annual income tax rate expected for the full financial year.

FINANCIAL INFORMATION

Notes to the Condensed Consolidated Financial Information

14 INCOME TAX EXPENSE (continued)

The amount of income tax charged to the condensed consolidated income statement represents:

| | Six months ended 30 June | |
|---|--------------------------|------------------|
| | 2011 HK\$'000 | 2010 HK\$'000 |
| Current income tax: | | |
| – Hong Kong | 118,645 | 119,531 |
| – Overseas | 80,781 | 35,486 |
| – Over provisions in prior periods | (187) | (213) |
| – Additional provision for prior years (note) | 118,000 | – |
| Deferred income tax: | | |
| – Origination and reversal of temporary differences | (11,994) | 11,125 |
| | 305,245 | 165,929 |

Note:

In 2004, the Inland Revenue Department of Hong Kong (“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 came to HK\$262,157,000 (see Note 7). Similar additional assessments are expected for subsequent years of assessment from 2005/06 to 2010/11.

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 further exchanges of views with the IRD and notwithstanding the uncertainty inherent in a tax audit, Management considered that it was appropriate to make a further provision of HK\$118 million, prepared on a basis which Management believes would be sufficient to cover the contingent tax exposures in respect of the years of assessment from 2004/05 to 2010/11.

Therefore, as of 30 June 2011, the Group has provided, including the provision made in prior years of HK\$206 million, a total provision of HK\$324 million against the tax exposures for the years of assessment from 1998/99 to 2010/11 estimated to be HK\$457 million. 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, where the outcome of the tax dispute could be different from the amounts provided, such differences would impact the income tax provisions in the year in which such determination is made.

15 EARNINGS PER SHARE

The earnings per share is calculated based on the Group’s profit attributable to equity holders of HK\$718,604,000 (2010: HK\$584,437,000) and 438,000,000 ordinary shares in issue throughout the six months ended 30 June 2011 and 2010. No fully diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

16 DIVIDENDS

| | Six months ended 30 June | |
|---|--------------------------|------------------|
| | 2011 HK\$'000 | 2010 HK\$'000 |
| Interim dividend, declared after the end of the reporting period, of HK\$0.45 (2010: HK\$0.35) per ordinary share | 197,100 | 153,300 |

Final dividend of HK\$1.65 per ordinary share for the year ended 31 December 2010 amounting to HK\$722,700,000 was approved by shareholders on 25 May 2011 and paid on 1 June 2011.

17 CONTINGENT LIABILITIES

The amounts of contingent liabilities are as follows:

| | 30 June 2011 HK\$'000 | 31 December 2010 HK\$'000 |
|--|--|---------------------------------|
| | Guarantees for banking facilities granted to an investee company | 10,445 |

18 CAPITAL COMMITMENTS

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

| | 30 June 2011 HK\$'000 | 31 December 2010 HK\$'000 |
|---------------------------------|-----------------------------------|---------------------------------|
| | Authorised but not contracted for | 353,672 |
| Contracted but not provided for | 22,661 | 26,373 |
| | 376,333 | 406,013 |

19 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 period of six years 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 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.

FINANCIAL INFORMATION

Notes to the Condensed Consolidated Financial Information

20 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

| | Note | Six months ended 30 June | |
|--|-------|--------------------------|------------------|
| | | 2011 HK\$'000 | 2010 HK\$'000 |
| Sales of services: | | | |
| Jointly controlled entity | | | |
| Movie production charges | (i) | 1,277 | 2,140 |
| Associate | | | |
| Programmes/channel licensing fee | (iii) | 52,295 | 102,483 |
| Channel package service fee | (iii) | – | 450 |
| Rental income and related charges | (iii) | 3,523 | 3,530 |
| Advertising income | (iii) | 1,071 | 73 |
| Others | (iii) | 1,555 | 1,536 |
| Other related parties | | | |
| Programmes/channel licensing fee | (iv) | 138,657 | 123,050 |
| Advertising agency/advertising consultancy fee | (iv) | 21,446 | 22,710 |
| Management fee | (iv) | – | 2,907 |
| | | 219,824 | 258,879 |
| Purchases of services: | | | |
| Jointly controlled entities | | | |
| Programmes licensing fee | (i) | (3,200) | (1,200) |
| Programmes licensing fee | (ii) | (1,600) | – |
| Associate | | | |
| Playback and uplink service fee | (iii) | (15,051) | (15,105) |
| Others | (iii) | (1,752) | (1,334) |
| Other related parties | | | |
| Rental fee and related charges | (v) | (2,820) | (4,315) |
| Technical service fee | (v) | – | (2,134) |
| Programmes/channel licensing fee | (vi) | – | (1,239) |
| Cost over-run borne for management of Chinese sales team | (iv) | (2,940) | – |
| | | (27,363) | (25,327) |

20 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 paid to Wealth Founder Limited, a jointly controlled entity of Concept Legend Limited.
- (iii) The fees and other amounts were received from/(paid to) TVB Pay Vision Limited, an associate of the Company.
- (iv) The fees were received from/(paid to) MEASAT Broadcast Network Systems Sdn. Bhd., an associate of a minority shareholder of non wholly-owned subsidiaries of the Company.
- (v) The fees were paid to Hong Kong Movie City Company Limited, an associate of a substantial shareholder of the Company up to 31 March 2011.
- (vi) The fees were paid to Celestial Movie Channel Limited, an associate of a minority shareholder of non wholly-owned subsidiaries of the Company.

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

(b) Key management compensation

| | Six months ended 30 June | |
|---|--------------------------|------------------|
| | 2011 HK\$'000 | 2010 HK\$'000 |
| Salaries and other short-term employee benefits | 10,574 | 9,314 |

FINANCIAL INFORMATION

Notes to the Condensed Consolidated Financial Information

20 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties

| | 30 June 2011 HK\$'000 | 31 December 2010 HK\$'000 |
|--|--------------------------------------|---------------------------------|
| Receivables from jointly controlled entities | 268 | 3,447 |
| Receivables from associates (note) | 403,068 | 355,201 |
| Receivables from other related parties | 71,508 | 65,383 |
| | 474,844 | 424,031 |
| Payables to jointly controlled entities | 1,540 | – |
| Payables to associates | 2,603 | 960 |
| Payables to other related parties | 5,882 | 7,432 |
| | 10,025 | 8,392 |

Note:

At 30 June 2011, a provision for impairment loss of trade receivables from associates of HK\$276,609,000 (31 December 2010: HK\$276,609,000) had been provided.

(d) Fund advanced/loans to related parties

| | 30 June 2011 HK\$'000 | 31 December 2010 HK\$'000 |
|--|--------------------------------------|---------------------------------|
| Fund advanced to jointly controlled entities | | |
| Beginning of the period/year | 16,231 | 7,500 |
| Fund advanced | – | 8,731 |
| End of the period/year | 16,231 | 16,231 |
| Loan to associate | | |
| Beginning of the period/year | 724,709 | 721,594 |
| Interest charged | 1,555 | 3,115 |
| End of the period/year | 726,264 | 724,709 |

The loan to the associate carries interest at the rate of 1-month HIBOR plus 0.25%.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong
Telephone +852 2289 8888
Facsimile +852 2810 9888
pwchk.com

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 20 to 40, which comprises the condensed consolidated statement of financial position of Television Broadcasts Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2011 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The Directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 August 2011



Television Broadcasts Limited
電視廣播有限公司

TVB CITY, 77 CHUN CHOI STREET
TSEUNG KWAN O INDUSTRIAL ESTATE
KOWLOON, HONG KONG

© Television Broadcasts Limited 2011