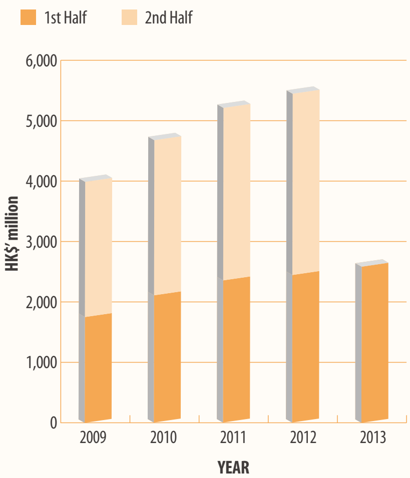
TVB 2013
Interim Report
中期報告

Television Broadcasts Limited
電視廣播有限公司

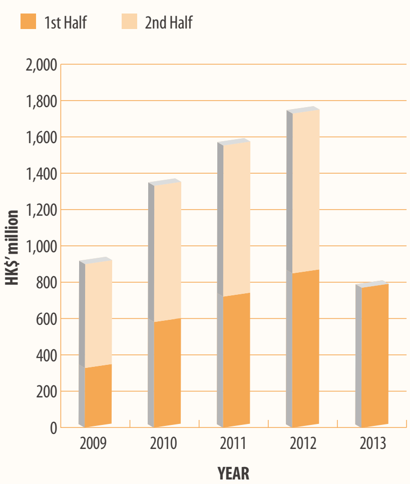
Stock Code 股份代號：00511

FINANCIAL HIGHLIGHTS

Turnover



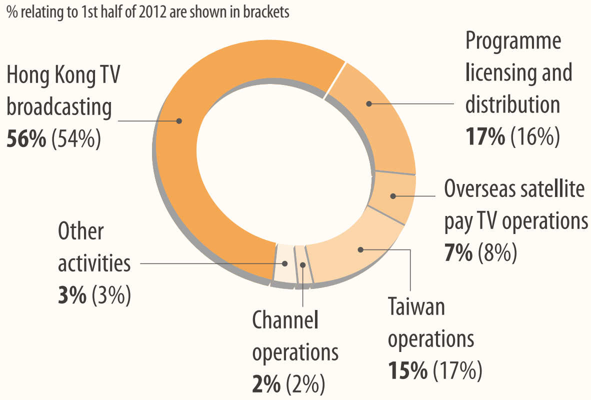
Profit Attributable to Equity Holders of the Company



	Six months ended 30 June 2013	2012	Change
Performance			
Earnings per share	**HK$1.76**	HK$1.94	-9%
Interim dividend per share	**HK$0.60**	HK$0.60	-
	HK$'mil	HK$'mil	
Turnover			
- Hong Kong TV broadcasting	**1,459**	1,335	+9%
- Programme licensing and distribution	**517**	463	+12%
- Overseas satellite pay TV operations	**168**	187	-10%
- Taiwan operations	**397**	428	-7%
- Channel operations	**63**	54	+16%
- Other activities	**84**	76	+11%
- Inter-segment elimination	**(96)**	(92)	+4%
	2,592	2,451	+6%
Total expenses	**(1,663)**	(1,451)	+15%
Share of losses of associates	**(25)**	-	n/a
Profit attributable to equity holders	**770**	850	-9%
	30 June 2013 HK$'mil	31 December 2012 HK$'mil (Restated)	
Total assets	**9,352**	9,733	-4%
Total liabilities	**1,663**	1,902	-13%
Total equity	**7,689**	7,831	-2%
Number of issued shares	**438,000,000**	438,000,000	
Ratios			
Current ratio	**3.9**	4.0	
Gearing	**0.8%**	2.6%	

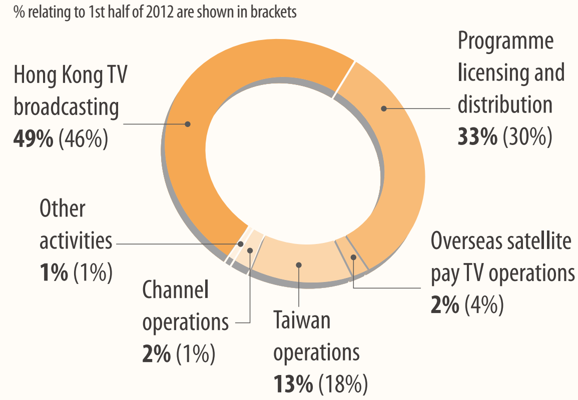
Turnover by Operating Segment

% relating to 1st half of 2012 are shown in brackets



Reportable Segment Profit by Operating Segment

% relating to 1st half of 2012 are shown in brackets



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CORPORATE INFORMATION

CHAIRMAN EMERITUS

Sir Run Run SHAW GBM

EXECUTIVE CHAIRMAN

Dr. Norman LEUNG Nai Pang GBS, LLD, JP

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Dr. Norman LEUNG Nai Pang Executive Chairman

Mark LEE Po On Group General Manager

NON-EXECUTIVE DIRECTORS

Mona FONG

Kevin LO Chung Ping

Dr. Charles CHAN Kwok Keung

Cher WANG Hsiueh Hong

Jonathan Milton NELSON

Anthony LEE Hsien Pin

CHEN Wen Chi

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. CHOW Yei Ching GBS

Edward CHENG Wai Sun SBS, JP

Chien LEE

Gordon SIU Kwing Chue GBS, JP

Raymond OR Ching Fai SBS, JP

ALTERNATE DIRECTORS

Dr. Allan YAP
Alternate Director to Dr. Charles Chan Kwok Keung

Harvey CHANG Hsiao Wei
Alternate Director to Cher Wang Hsiueh Hong

SUN Tao
Alternate Director to Jonathan Milton Nelson

BOARD COMMITTEES

EXECUTIVE COMMITTEE

Dr. Norman LEUNG Nai Pang Chairman

Mark LEE Po On

Mona FONG

Kevin LO Chung Ping

Dr. Charles CHAN Kwok Keung

CHEN Wen Chi

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

Raymond OR Ching Fai (appointed on 21 August 2013)

NOMINATION COMMITTEE

Dr. CHOW Yei Ching Chairman

Anthony LEE Hsien Pin

Edward CHENG Wai Sun

Raymond OR Ching Fai (appointed on 21 August 2013)

SENIOR MANAGEMENT

Mark LEE Po On Group General Manager

CHEONG Shin Keong General Manager

Peter AU Wai Lam Assistant General Manager

Desmond CHAN Shu Hung Assistant General Manager

Adrian MAK Yau Kee Chief Financial Officer and Company Secretary

REGISTERED OFFICE

TVB City, 77 Chun Choi Street
Tseung Kwan O Industrial Estate
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AUDITOR

PricewaterhouseCoopers
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Central, Hong Kong

PRINCIPAL BANKERS

Shanghai Commercial Bank Ltd.
The Bank of East Asia, Limited
Bank of Communications Co., Ltd.
Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

SHARE REGISTRARS AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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Wan Chai, Hong Kong

AMERICAN DEPOSITARY RECEIPTS

BNY Mellon Depositary Receipts
P.O. Box 43006
Providence, RI 02940-3006
USA

STOCK CODES

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

INVESTOR RELATIONS

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CHAIRMAN'S STATEMENT

The Board of Directors of Television Broadcasts Limited ("Board") is pleased to present the 2013 interim report and condensed consolidated interim financial information of Television Broadcasts Limited and its subsidiaries ("Group") for the six months ended 30 June 2013 ("Period"), which are set out on pages 18 to 38 of this report. This interim financial information has not been audited, but has been reviewed by the Audit Committee of the Board, and by PricewaterhouseCoopers, our Auditor, 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.

RESULTS AND INTERIM DIVIDEND

For the Period, the Group's turnover increased by 6% from HK$2,451 million to HK$2,592 million. However, the total costs, including cost of sales, selling, distribution and transmission expenses, and general and administrative expenses, rose 15% from HK$1,451 million to HK$1,663 million. Share of losses of associates increased from HK$0.2 million to HK$25 million. As a result, the profit before income tax decreased by 10% from HK$1,031 million to HK$930 million, and the Group's profit attributable to equity holders decreased by 9% from HK$850 million to HK$770 million, giving an earnings per share of HK$1.76 (2012: HK$1.94).

The Board has resolved to declare an interim dividend of HK$0.60 per share (2012: HK$0.60 per share) for the 438,000,000 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 2013 whose names are recorded on the Register of Members on 25 September 2013.

BUSINESS AND OUTLOOK

The business environment in the first six months of 2013 had been challenging. Whilst our core Hong Kong TV broadcasting business delivered a stable segment profit, operations overseas together contributed lower profitability, and our associate TVB Network Vision reported a higher loss during the Period, when compared with last year.

In Hong Kong, the TV broadcasting business delivered solid growth of 9% in revenue. This growth did not match the increases in costs caused by adjustments in salaries and wages. The operating margin inevitably contracted by a few percentage points (from 36% to 32%) during the Period. To ensure that we are capturing the advertising spending in the second half of the year, our immediate priority is to further strengthen our programming on terrestrial channels.

上海翡翠東方傳播有限公司 ("TVBC"), our joint venture in Mainland China, has made a fine start to the year with the support from its shareholders and business partners. Transfer of the licensing and distribution business from Hong Kong to Shanghai, where TVBC is based, had been smooth. We are pleased to note that our revenue from Mainland China recorded an increase of 34% during the Period over last year.

Our digital media business continued to make steady progress. In Hong Kong, with the increasing traffic online and through mobile apps, we have been growing our advertising base through these younger platforms. In Mainland China, we are partnering on exclusive terms with Youku Tudou Inc. for online distribution of our programmes on Youku and Tudou websites and mobile apps. In particular, we are encouraged to note that over 350 million stream views have been recorded between 16 July and 20 August 2013 in Mainland China for the recent drama serial *Triumph in the Skies II* on Youku and Tudou websites, as well as their mobile apps. This exclusive distribution contract will further strengthen our presence in the fast expanding online market.

As announced in May 2013, the station will bring the popular 2014 FIFA World Cup to Hong Kong, in a return after an absence of 16 years. We very much look forward to broadcasting the key matches on our terrestrial channels and online/mobile services, as well as giving a comprehensive coverage of the matches to our pay TV subscribers.

The Board has been working on the development plans in Hong Kong and Taiwan, which include the construction of additional studios and office space for production and business expansion. The architectural designs for these structures are being subject to some fine-tuning, before commencement of construction early next year.

Norman Leung Nai Pang
Executive Chairman

Hong Kong, 21 August 2013

REVIEW OF OPERATIONS

HONG KONG TV BROADCASTING

Turnover for Hong Kong TV broadcasting increased by 9% from HK$1,335 million to HK$1,459 million, whilst the reportable segment profit fell 1% from HK$476 million to HK$473 million. Operating margin fell from 36% to 32%, when comparing year-on-year.

TV ADVERTISING

During the Period, infant milk-formula manufacturers remained the highest-spending advertisers. Mobile phone and equipment companies also spent more advertising dollar to support the launch of their new products, contributing substantially to our revenue. Other advertisers that increased spending included finance companies and supermarkets/stores, while skin care, one of the key categories, showed modest growth.

Within days of securing the broadcasting rights of the 2014 FIFA World Cup, we launched an advertising sales campaign for the FIFA Fever package, which covered the Confederations Cup and U-20 World Cup matches. This integrated package has been well-received by the market, generating more than HK$14 million in revenue. It has also helped establish a solid lead-in for this year's Amazing Summer campaign, which is scheduled for a second consecutive year following last year's success.

Although starting on a solid note, 2013 remains a challenging year as the sluggish recovery of the Chinese and US economies may limit growth in advertising spending during the second half.

TERRESTRIAL TV CHANNELS PERFORMANCE

During the Period, TVB's terrestrial TV channels[1] continued to attain a majority of audience share in the free terrestrial TV market. To give a more meaningful KPI on the market share of TVB, a measurement of the ratio of the combined ratings of TVB's terrestrial TV channels over the ratings of all of the TV channels in Hong Kong has been adopted, rather than looking at just the share of TVB's terrestrial TV channel ratings over the Chinese or the English language terrestrial TV channels in Hong Kong. Adopting this basis, the overall audience share[2] of TVB's terrestrial TV channels against the total TV channels in Hong Kong during weekday primetime[3] was 81%, against a share of 82% during the same period last year.

To capture the increasingly popular trend for consumption of TVB contents online, the Company has announced recently that in addition to the release of a TV rating for a particular programme, an online catch-up rating will also be released, which will form a consolidated rating for a programme. The methodology for capturing this new online catch-up rating has been endorsed by Nielsen, an independent research company.

Innovative, in-house produced drama serials remained a key attraction for our audience. Jade[4] drama, *Inbound Troubles*, headlined by Kwok Chun On and Wong Cho Lam, was the top-rated title for the first half of 2013, achieving a consolidated rating[5] of 34.6 (a TV rating[6] of 30 and an online catch-up rating[7] of 4.6). This comedy serial, which reflects the social phenomena arising from cultural differences between Mainland China and Hong Kong, won great audience acclaim.

1 TVB's terrestrial TV channels comprise Jade, Pearl, HD Jade, J2 and iNews.

2 Audience share (%) is the percentage of ratings of particular channel(s) over the total ratings of the base channels for a specific period. The base channels comprise all of the TV channels (Total TV channels) in Hong Kong. Total TV channels include all free TV channels, all pay TV channels and other TV channels capable of being received in Hong Kong, such as the satellite channels.

3 Weekday primetime for TVB's terrestrial TV channels runs from 7 p.m. to 12 a.m., Mondays to Fridays.

4 During weekday primetime, Jade is defined as an aggregate of Jade and HD Jade.

5 Consolidated rating is defined as the summation of TV rating and online catch-up rating.

6 TV ratings ("TVR") represent the size of the audience expressed as a percentage of the total TV population. For 2013, the total TV population comprises 6,420,000 viewers, and therefore, 1 TVR represents 64,200 viewers (1% of the total TV population). Ratings data source: Nielsen TAM. Since 1 January 2013, Nielsen has appointed as the accredited ratings measurement service company for the industry.

7 Online catch-up rating is defined as the aggregate of catch-up ratings on web and mobile apps platforms. Data are sourced from Nielsen SiteCensus and conversion is based on a TV ratings formula supported by a certified document issued by Nielsen dated 24 July 2013. 1 online catch-up rating also represents 64,200 viewers.

REVIEW OF OPERATIONS

New attempts were made to cast different actors and actresses as on-screen couples or groups to create more chemistry and bring a greater sense of novelty to TV viewers. Some notable examples included Michael Miu Kiu Wai and Joey Meng Yee Man starring together in *A Change of Heart*, and upcoming new stars – Ruco Chan Chin Pang and Priscilla Wong Chui Yu – becoming an item in *Reality Check*; in *Awfully Lawful*, the new male quartet comprising Kwok Chun On, Raymond Cho Wing Lim, Pal Sinn Lap Man and Johnson Lee Sze Chit was also well-received by the audience.

Jade's family situation comedy *Come Home Love* attained a stable TV rating of 25 during the Period. Because of its popularity, we plan to extend its production and add more characters to enrich the storyline.

In the non-drama category, the long-awaited sequel to game show *Super Trio Maximus* returned to Jade at a regular slot on Sunday nights. It was one of the most popular variety titles for the Period, achieving a consolidated rating of 27.8 (a TV rating of 26 and an online catch-up rating of 1.8). Reality shows were another breakout genre during the Period: *Bachelors At War*, *Xtreme Marathon* and *Office Of Practical Jokes* all attracted positive ratings. Another popular non-drama title was the fun-provoking travelogue *Pilgrimage of Wealth*, which successfully introduced Tony Hung Wing Shing and Priscilla Wong Chui Yu as a new pair of programme hosts.

During the Chinese New Year, we produced a five-hour-long star-studded festive show *TVB Golden Viva Spectacular* to celebrate the beginning of the Year of the Snake. Apart from showcasing popular artistes from Hong Kong, performances were also recorded in Korea, Malaysia, Singapore and Taiwan. To engage our audience further during the festive celebrations, an interactive game, *Million Fun In Gold*, was launched and attracted more than 14 million submissions from the audience via the mobile apps TVB Fun over a five-day period.

To commemorate the 10th anniversary of the SARS outbreak in Hong Kong, a documentary series named *Surviving SARS* was produced to depict stories from survivors and recap key events of the health crisis.

In April 2013, we provided a live simulcast of *The 32nd Hong Kong Film Awards Presentation Ceremony*, the annual major event of the movie industry, and its red carpet action across multiple channels including Jade, HD Jade and myTV (web and mobile).

A month later, we proudly announced TVB's appointment as Hong Kong's official broadcaster of the 2014 FIFA World Cup Brazil. The station has been granted the first exclusive multimedia rights for both free and pay TV platforms as well as terrestrial radio, Internet and mobile transmissions. As a warm-up, we telecast 16 live matches of the *FIFA Confederations Cup 2013* and five major live matches of the *FIFA U-20 World Cup 2013* in June and July across Jade, HD Jade and Pearl; while our pay TV channels telecast most of the live matches. Soccer fans were able to enjoy daily highlights of the international event on both the terrestrial TV channels and myTV (web and mobile).

For HD Jade, overseas dramas aired between 11:45 p.m. and 12:45 a.m. on weekdays remained a big draw for many viewers. The trio serials of Mainland costume drama *New My Fair Princess* and the Chinese production *The Glamorous Imperial Concubine* were among the most popular acquired dramas during the Period.

The signature documentary timeslot between 7:00 p.m. and 8:00 p.m. on Sundays recorded a TV rating of 5.4, a 42% increment compared to that in the corresponding period of 2012. Wildlife documentary series remained an all-time favorite of the audience: *WIDELIFE – Giant of the Sea: Munk's Devil Ray* was the channel's top-rated documentary title, achieving a record-high TV rating of 7.8.

During the Period, J2 continued to lead as the second most popular channel during weekday primetime[8], after only Jade. High-quality in-house productions, acquired dramas, travelogues and food programmes all

[8] J2's weekday primetime runs from 7 p.m. to 12 a.m., Mondays to Fridays.

contributed to J2's growing success during the Period. Korean drama *Moon Embracing Sun*, Taiwanese travelogue *Amazing Adventures* and French food programme *Foodie Planet (II)* were among the most popular titles in their respective categories.

A series of locally produced mini-movies aired on J2 on Saturday nights received critical acclaim and strengthened the channel's young image. Headlined by Tony Hung Wing Shing and Jacquelin Ch'ng Sze Min, *Blue Magic* depicted a fantasy story about alien invasion in an electrical appliances store. Filmed in Bangkok and Taipei, *If It's Meant To Be…* was a romantic story starring Oscar Leung Lit Wai, Christine Kuo Yun Hui, Vivien Yeo Siew Hui, Nathan Ngai Chun Ho and Taiwanese actor Huang Tai An. The storyline revolved around how Cupid, the god of love, mis-tied the love-knots between three characters played by Leung, Kuo and Yeo. J2 also continued to serve as the official broadcaster of the *Hong Kong Asian-Pop Music Festival 2013* and *Standard Chartered Hong Kong Marathon 2013* in the first quarter of the year.

Pearl continued to deliver an impressive ratings performance with its good selection of foreign films. Mega movie *Gulliver's Travels* was the top-rated English channel programme during the Period, achieving a TV rating of 7.2 and reaching 9.0 at its highest level. *Friday Hall of Fame*, which broadcast a wide selection of popular movies at 9:30 p.m. every Friday, also recorded a 30% increase in ratings compared to the corresponding period in 2012.

In February, Pearl telecast live the most anticipated Hollywood event of the year, *The 85th Academy Awards®*, which attracted 95% more audience than last year as viewers tuned in to watch Taiwanese film director Ang Lee receive his second Oscar win as Best Director. Those who missed the show were able to watch it on myTV (web and mobile) afterwards.

Pearl also successfully boosted its ratings by scheduling a signature high-definition documentary timeslot between 9:30 p.m. and 10:30 p.m. on Tuesdays. *The Sea's Strangest Square Mile*, which showcased weird ocean creatures, was the top-rated documentary series in the timeslot, with a TV rating of 4.5, a new record.

iNews remained the most watched 24-hour news channel in Hong Kong. To further strengthen its prominent position, we devoted great efforts on covering local and international news events, providing live coverage on the *U.S. Presidential Inauguration*, the *NPC Opening* and the *NPC Closing: President Xi's Speech*, and the launch and return landing of the Shenzhou 10 Chinese spacecraft. In addition to the terrestrial channels Jade, Pearl and iNews, viewers could now watch these news events live on TVB News (both web and mobile).

In February, iNews telecast a series of SARS-themed news footage during its daily programme to commemorate the 10th anniversary of the SARS crisis; there were also two SARS-related episodes in *Sunday Report*. With an upgrade in its high-definition picture quality and a greater variety in programme offerings, iNews recorded an increase in the average viewing time per viewer during the Period.

DIGITISATION OF TRANSMISSION NETWORK

Digital household penetration reached 82% in April 2013, but the growth rate is expected to become more moderate in the future, with penetration level reaching 85% by the end of the year.

Jade was upgraded as planned to high-definition broadcasting in March 2013, while iNews reached a milestone and converted to full high-definition broadcasting in the same month.

CHANNELS FOR PAY TV PLATFORM

The station devoted substantial efforts to improving the content of various pay TV channels, including enriching certain channels with more music programmes and renaming TVB Drama and TVB Select as Drama 1 and Drama 2 to further strengthen their leading positions in drama offering. In addition, a new channel named TVB Window was introduced in June 2013 to showcase the most popular Asian dramas, educational programmes, animation, current affairs, entertainment news, food, travel, lifestyle-related topics, among others.

REVIEW OF OPERATIONS

DIGITAL MEDIA BUSINESS

Our digital media business comprises the distribution of TVB content through the Internet (www.tvb.com) and mobile platforms including myTV, TVB News, TVB Finance and TVB Zone. During the Period, advertising income from this business rose 26% over the same period last year. Content licensing also increased by 34%, resulting in an overall revenue growth of 26% for the Period.

Following the launch of TVB Zone in the first quarter of 2013, we now have seven mobile apps on both the iPhone (iOS) and Android platforms. Overall mobile traffic has grown rapidly, with the volume of mobile streaming exceeding that of web streaming in the first half of 2013, although the latter still recorded a mild growth. New and attractive mobile advertising items were introduced in version 2.9 of the myTV apps to meet market demand and monetise the growing traffic.

The high-definition version of myTV – myTV HD – has been enabled on HTC One device and will be rolled out to other mobile devices including the Android and iOS platforms by the fourth quarter. The content delivery infrastructure has been gradually upgraded and can now support eight concurrent live casting channels/ events across the apps/web platforms of myTV, TVB News and TVB Finance. The 85th Academy Awards®, the Rugby Sevens tournament, and all matches of the FIFA Confederations Cup and U-20 World Cup were live cast on both the web and mobile platforms. A three-hour instant playback facility for these live events was also enabled on the web, allowing viewers to easily rewind and enjoy the golden moments of the events at their fingertips.

During the Period, we started many and finished some development projects, including the myTV HD-HTC version, TVB Zone apps (completed), a generic version of myTV HD (to be completed by October 2013) and Home Entertainment, a paid service based on TVB's 40-year digital archive targeted to launch in late 2013.

OTHER HONG KONG OPERATIONS

INVESTMENT IN HONG KONG PAY TV PLATFORM

The Group's economic interest in TVB Pay Vision Holdings Limited ("TVBPVH") remains at 90% while our voting interest stays at 15%.

During the Period, the Hong Kong pay TV service under TVBPVH was re-branded as TVB Network Vision ("TVBNV") to provide a comprehensive pay TV service in Hong Kong using an optical fibre network. This network provides a much higher quality service to subscribers, overcoming the signaling problems associated with poor weather conditions. In addition, more channels can be accommodated in the service, and high definition broadcast and video-on-demand ("VOD") services can be offered in the future.

TVBNV has, during the Period, started the migration of its service from satellite to optical fibre. With these improvements, TVBNV is targeting better subscribers' growth and an increase in its average revenue per user.

During the Period, TVB's share of TVBPVH's net loss amounted to HK$25 million (2012: HK$0.2 million). The bigger net loss was mainly due to higher cost for parallel distribution using both satellite and optical fibre in the interim, and an increase in staff costs needed for implementation of this new infrastructure.

With the new infrastructure and improved channel offerings, the Group has confidence in the business prospects of the Hong Kong pay TV business.

MAGAZINE BUSINESS

Due to a difficult operating environment, there was a modest single-digit drop in income.

To mark its 16th anniversary, TVB Weekly began revamping its content in May to include more regular columns and feature stories. This is the second revamp since July last year. The new regular column of celebrities and their social activities has been augmented with a campaign to attract regular celebrity subscribers, thus significantly enhancing our subscriber profile.

Launched in March this year, TVB Zone, a free mobile app featuring content from TVB Weekly, was downloaded more than 50,000 times within just the first three months. The magazine's growing readership will help enhance the publicity of our programmes and artistes.

MOVIE PRODUCTION

TVB continued to produce and distribute movies under Concept Legend Limited, a joint venture vehicle between TVB and Shaw Productions Limited. The latest sequel to the well-received *I Love Hong Kong* movie series was released in Hong Kong and the international markets to coincide with the celebration of Lunar New Year in February 2013, taking in around HK$18 million in Hong Kong alone. A new movie, *Buddy Cops*, will be released upon the completion of its post-production work.

INTERNATIONAL OPERATIONS

PROGRAMME LICENSING AND DISTRIBUTION

Total revenue from programme licensing and distribution increased by 12% to HK$517 million from HK$463 million during the Period. Revenue contributions from the traditional markets such as Malaysia and Singapore remained strong.

We successfully renewed our master licensing agreements to supply TVB programmes to ASTRO All Asia Networks plc ("Astro") in Malaysia and StarHub Cable Vision Ltd ("StarHub") in Singapore during the Period. TVB is pleased to continue providing its services to these two major customers under new three-year agreements expiring in 2016. The new contracts are anticipated to deliver revenue growth of 5% to 8% over previous contracts. TVB, Astro and StarHub recognise the importance of localised content to boost the appeal of TVB programmes to subscribers and continued anti-piracy enforcement to strengthen business growth. Under the new licence terms, our partners agreed to invest more on developing the channels' content. During the Period, the Singapore version of TVBS' *Lady First* was produced locally with overwhelming responses from the subscribers and sponsors, and TVB's new drama *Outbound Love* completed its production in Malaysia and Hong Kong.

Following the success of high-definition broadcasting in Hong Kong, we launched the first international TVB HD pay channel in Canada in collaboration with Fairchild Television Limited, in which we have a 20% equity share. This new service signifies our leading position in the Chinese pay TV business worldwide. The HD channel was carried by local satellite DTH, IPTV and cable networks on their premium pay TV services.

In Vietnam, the TV regulatory authority implemented a new policy requiring local dubbing or subtitling for all foreign channels. This provided us with an opportunity to launch a new drama channel and entertainment channels with non-drama programmes.

In an effort to develop new markets, we reached an agreement with Indonesia's First Media to carry TVB channels on its platform and the launch date has been scheduled to the third quarter of 2013. We concluded a long-term deal to supply programmes to a Laos terrestrial TV station, MV Lao Television. We also successfully landed in Latin America with the launch of a three-channel package on Cable & Wireless Panama's IPTV network in July and expect to expand our footprint to other new Latin American countries over the next few quarters.

CHINA OPERATIONS

The Group's licensing business in Mainland China continued under TVBC, a joint venture vehicle between TVB, China Media Capital, and Shanghai Media Group.

We have made good progress under TVBC. For new media licensing business, the distribution of programme content has been segmented into different categories, namely the Internet, IPTV and OTTTV, as this raises the value of the content and yields better overall revenue.

As the restriction on overseas dramas remains in force, coupled with the increasing cost of running traditional television channels, TV stations are less willing to offer high prices to acquire imported dramas. To address this issue, we are seeking distribution opportunities in the mobile TV market and are discussing with China's leading telecom operators to carry TVB dramas on their platforms.

REVIEW OF OPERATIONS

Meanwhile, we are looking for other business opportunities to bring in stable income. We have made significant investments in Mainland-produced dramas, which we envisage will become a crucial component of our business in the future.

TAIWAN OPERATIONS

TVBS – TAIWAN

Taiwan business revenue recorded a decline during the Period, as there were very few political activities and campaigns to boost our revenue like last year. Our bottom line was also hit by the higher labour costs incurred for producing our own entertainment programmes as previously planned.

To strengthen our content, we began revamping TVBS' (channel 56) primetime programming in the second quarter of 2013. Our first in-house produced TV drama serial *Dragon Gate* made its premiere in July 2013. Several other drama series are being produced and will be available for telecast in the near future.

On the high-definition broadcasting front, the News Channel began its trial-runs in high-definition in May 2013. Live studio content is now in HD while recorded segments are still being delivered in standard-definition picture quality. The channel is on schedule to switch to full high-definition broadcasting in the fourth quarter.

We are finalising the architectural design of our production headquarters in Linkou and are preparing to submit it for final approval. Construction work is expected to commence in early 2014.

OVERSEAS SATELLITE PAY TV OPERATIONS

Combined turnover for the three overseas satellite platforms for the Period was HK$168 million (2012: HK$187 million), representing a decline of 10% year-on-year. The reportable segment profit for the Period was HK$19 million (2012: HK$39 million), representing a decline of 52%. Piracy remains a key factor contributing to the decline, especially through Internet connected boxes such as "TVpad". To counter the threat, our internal anti-piracy taskforce has devised different strategies to combat illegal activities both at the retail and the source level.

To strengthen customers' loyalty, we are giving retention offers to our long-term subscribers. We also staged large-scale events in major overseas cities, such as the 2013 Miss Sydney Chinese Pageant, with notable success in attracting new subscribers. In the USA, we started in the process of migrating our channels to DISH Network, one of the largest direct-to-home services in the country, in late 2012. Its new media service, DISH ANYWHERE, enables us to expand our channel capacity and capture new subscribers.

Going forward, pay TV viewers seem to prefer Internet-connected service, where they can access third-party content through Internet-connected devices including computers, tablets, smartphones and game consoles, and we are assessing the feasibility of launching a similar service on our own platforms.

CHANNEL OPERATIONS

TVB8 AND XING HE CHANNELS

Apart from the distribution in Mainland China, TVB8 and Xing He channels continue to be distributed in Malaysia and Singapore, generating a wider appeal amongst the Chinese viewers. Revenue under advertising sales improved especially in Malaysia as the political environment stablised post the general election. During the Period, a 16% increase in revenue to HK$63 million was recorded which helped increase the segment profit by 77% to HK$23 million.

COMBATING PIRACY

Protecting the intellectual property rights is of prime importance to our business. During the Period, the Company has increased resources in combating piracy, such as the deployment of a dedicated internal taskforce. The taskforce deploys a number of techniques including YouTube's Content ID service to enable auto-blocking of infringing copies of our programmes on YouTube which has proven to be useful. In addition, the taskforce adopts a "follow-the-money" strategy in urging advertisers not to do business with pirated sites.

Apart from the local enforcement actions, the Company continues to work closely with law enforcers in different regions, CASBAA (Cable & Satellite Broadcasting Association of Asia) and other industry players in the fight against piracy.

FINANCIAL REVIEW

OPERATING RESULTS FOR THE PERIOD

For the six months ended 30 June 2013, the Group recorded a turnover of HK$2,592 million (2012: HK$2,451 million), representing an increase of 6% over last year. Cost of sales amounted to HK$1,030 million (2012: HK$895 million), representing an increase of 15% over last year. Gross profit for the Period stood at HK$1,562 million (2012: HK$1,556 million).

Included in cost of sales were the costs of programmes, film rights and stocks for the Period which amounted to HK$680 million (2012: HK$594 million), representing an increase of 14% over last year.

Selling, distribution and transmission costs for the Period amounted to HK$298 million (2012: HK$247 million), an increase of 21% over last year. The increase was due to higher costs (staff, depreciation and maintenance costs) incurred in Hong Kong; and increase in expenses in Mainland China as TVBC started its operation in the second half of 2012.

General and administrative expenses for the Period amounted to HK$336 million (2012: HK$309 million), representing an increase of 9% over last year. This reflected largely increase in staff costs in Hong Kong and Taiwan.

During the Period, the Group shared losses of HK$25 million of TVBPVH. When compared with the losses shared of HK$0.2 million for the six months ended 30 June 2012, the increase in shared loss was due to the higher cost of parallel distribution using satellite and optical fibre in the interim, and an increase in staff costs needed for the implementation of this new infrastructure.

Income tax for the Period amounted to HK$151 million (2012: HK$180 million), a decrease of 16% over the same period of last year. The Group's major subsidiaries operate in the countries whose effective tax rates vary from 0% to 42%.

Overall, the Group's profit attributable to equity holders amounted to HK$770 million (2012: HK$850 million), representing a decrease of 9% over the same period of last year. The earnings per share was HK$1.76 (2012: HK$1.94).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's financial position remained strong. At 30 June 2013, total equity stood at HK$7,689 million (31 December 2012: HK$7,831 million).

The Group had unpledged bank deposits and cash balances of HK$2,921 million at 30 June 2013 (31 December 2012: HK$3,604 million). About 13% of bank deposits and cash balances were maintained in overseas subsidiaries for their daily operations. Bank deposits and cash balances held by the Group were denominated mainly in Hong Kong dollars, US dollars, Renminbi and New Taiwan dollars.

Trade receivables from third parties amounted to HK$1,244 million (31 December 2012: HK$1,420 million), decreased by 12% over the last year end because of seasonal variation attributable to a lower level of billing to customers in the first half of the year, when compared with the second half of the year. Special provision has been made, where appropriate, to cover any potential bad and doubtful debts.

The Group's net current assets amounted to HK$4,043 million (31 December 2012: HK$4,469 million), representing a decrease of 10% over the last year end. The current ratio, expressed as the ratio of current assets to current liabilities, was 3.9 at 30 June 2013 (31 December 2012: 4.0).

The Group's total bank borrowing at 30 June 2013 was HK$63 million, which is secured, denominated in New Taiwan dollars and interest bearing at floating rates. The maturity profile of the Group's borrowing was as follows: within one year, HK$25 million (39%); in the second year, HK$25 million (39%); in the third to fifth years, HK$13 million (22%). At 30 June 2013, the gearing ratio, expressed as the ratio of gross debts to total equity, stood at 0.8% (31 December 2012: 2.6%).

REVIEW OF OPERATIONS

At 30 June 2013, certain assets of a subsidiary of the Group with a net asset value of HK$783 million were pledged to secure loans and banking facilities granted to that subsidiary. In addition, bank deposits of HK$3 million were pledged to secure banking and credit facilities granted to certain subsidiaries of the Group.

At 30 June 2013, capital commitments of the Group amounted to HK$1,371 million (31 December 2012: HK$1,571 million), representing a decrease of 13%.

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 nine consecutive years of assessment from 1998/99 to 2006/07 relating to the profits generated by the Group's programme licensing and distribution business carried out overseas, to which the Group has objected. Of the total additional tax demanded in these assessments, the Group had been granted conditional holdovers by the purchase of tax reserve certificates in the amounts of HK$24 million, HK$24 million, HK$20 million, HK$35 million, HK$49 million, HK$54 million, HK$56 million, HK$57 million and HK$51 million for the nine consecutive years of assessment from 1998/99 to 2006/07 respectively. The total amount of tax reserve certificates purchased by the Group is HK$370 million. Similar additional assessments may be issued for subsequent years of assessment.

The Group has been in discussion with the IRD with a view to resolving the dispute for the entire period from 1998/99 up to the current year. As of 30 June 2013, the Group has provided a total provision of HK$336 million against the potential tax exposures for the years of assessment from 1998/99 to 2011/12. The tax provision is considered to be adequate.

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

CONTINGENT LIABILITIES

At 30 June 2013, there were guarantees given to bank amounting to HK$10 million (31 December 2012: 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 movement, 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 and at the end of the Period.

HUMAN RESOURCES

At 30 June 2013, the Group employed, excluding Directors and freelance workers but including contract artistes and staff in overseas subsidiaries, a total of 4,835 full-time employees (31 December 2012: 4,681).

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 basis. Sales personnel are remunerated on commission based schemes. Non-sales personnel are remunerated on a monthly salaries basis. Discretionary bonuses may be awarded as an incentive for better performance. About 26% of the Group's manpower was employed in overseas subsidiaries, and was paid on a scale and system relevant to the respective localities and legislations.

The Group does not operate any employee share option scheme.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

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

The Company has adopted its own code on corporate governance, the TVB Corporate Governance Code ("TVB CG Code"). The TVB CG Code summarises the corporate governance practices adopted by the Board. These practices are in line with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange Hong Kong Limited ("Listing Rules") (including all code provisions and certain recommended best practices in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules).

The Board monitors the Company's progress on corporate governance practices and reviews the TVB CG Code adopted by the Company from time-to-time.

BOARD OF DIRECTORS AND ITS COMMITTEES

The Company is headed by an effective Board which 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. It is supported by four Board Committees, namely the Executive Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee. Each of them has defined terms of reference covering its authority, duties and functions.

Mr. Raymond Or Ching Fai, who was appointed as a Director of the Company on 6 December 2012 and held office until the annual general meeting of the Company held on 22 May 2013 ("2013 AGM"), was successfully elected at the 2013 AGM. Each of Dr. Norman Leung Nai Pang, Mr. Mark Lee Po On and Mr. Edward Cheng Wai Sun, who retired at the 2013 AGM, was successfully re-elected at the 2013 AGM.

At 30 June 2013, the Board and its Committees comprised:

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

n/a Not applicable

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

* The Audit Committee comprised three members, the majority of whom are Independent Non-executive Directors of the Company and is chaired by an Independent Non-executive Director. They are experienced in reviewing and analysing financial information and possess appropriate accounting and related financial management expertise. Therefore, the Company complies with the requirement under Rule 3.21 and Rule 3.10(2) of the Listing Rules.

The Board included five Independent Non-executive Directors. Therefore, the Company complies with the requirement under Rule 3.10A of the Listing Rules to have a sufficient number of independent non-executive directors representing at least one-third of the Board.

With effect from 21 August 2013, Mr. Raymond Or Ching Fai, an Independent Non-executive Director of the Company, has been appointed as members of the Remuneration Committee and the Nomination Committee of the Board.

CHANGE IN DIRECTOR'S INFORMATION

Subsequent to the publication of the latest biographical details of the Directors in the 2012 Annual Report of the Company and up to the date of this interim report, there had been no change in Directors' information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the TVB CG Code as its own code on corporate governance.

Save as disclosed below, the Company was in compliance with the code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Listing Rules during the Period.

In respect of compliance with code provision A.6.7 of the CG Code, the Company noted that three Directors were not able to attend the 2013 AGM due to prior engagements.

In respect of compliance with code provision D.1.4 of the CG Code, the Company noted that the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. Although there was no formal letter of appointment entered into between the Company and each of the Non-executive Directors, all Directors of the Company are subject to retirement and election/re-election in accordance with the articles of association of the Company. In early 2013, the Company issued letters of appointment to document the key terms of their appointment in writing for each of the Directors. Therefore, the Company now complies with D.1.4 of the CG Code.

In order to comply with a new code provision under the Listing Rules which will become effective on 1 September 2013, the Board approved a policy regarding diversity of the Board ("Diversity Policy") on 21 August 2013, and the full text of the Diversity Policy is available on the website of the Company. The Diversity Policy contains measurable objectives which has set for implementing the Diversity Policy, and progress on achieving the objectives of the Diversity Policy. Pursuant to the Diversity Policy, the Board shall consider the benefits of diversity when it reviews the Board composition, in addition to examining whether it has a balance of skills, experience and independence.

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

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 members of Senior Management in their dealings in the securities of the Company ("TVB Code for Securities Transactions by Directors").

All Directors and members of Senior Management confirmed, following specific enquiries by the Company, that they had complied with the Model Code throughout the Period.

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 39. 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$0.60 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 2013. The interim dividend will be paid in cash to shareholders whose names are recorded on the Register of Members of the Company on 25 September 2013. The dividend warrants will be despatched to shareholders on or around 4 October 2013.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed for two days from Tuesday, 24 September 2013 to Wednesday, 25 September 2013 for the purpose of determining shareholders' entitlement to the interim dividend. During the said book close 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 Company's Share Registrars, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 23 September 2013.

DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY

At 30 June 2013, 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:

LONG POSITION IN THE SHARES OF THE COMPANY

	Number of ordinary shares of HK$0.05 each held					Percentage of issued share capital
Name of Director	Personal interests	Family interests	Corporate interests	Other interests	Total interests	(%) [(a)]
Charles Chan Kwok Keung	–	–	113,888,628	–	113,888,628 [#(b)]	26.00
Cher Wang Hsiueh Hong	–	–	113,888,628	–	113,888,628 [#(c)]	26.00
Jonathan Milton Nelson	–	–	–	113,888,628	113,888,628 [#(d)]	26.00
Chen Wen Chi	–	113,888,628	–	–	113,888,628 [#(e)]	26.00
Mona Fong	1,146,000	15,950,200 [(f)]	–	–	17,096,200	3.90
Lee Po On	–	438,000	–	–	438,000	0.10
Chien Lee	350,000	–	–	–	350,000	0.08
Chow Yei Ching	100,000	–	–	–	100,000	0.02

Notes:

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

At 30 June 2013:

(a) Shareholding percentage in the 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 held through Shaw Brothers Limited ("Shaw Brothers"). Shaw Brothers is an indirect wholly-owned subsidiary of Young Lion Holdings Limited ("YLH"), which is controlled by Dr. Chan through Innovative View Holdings Limited ("IVH") (see below note (c) under the sub-heading of "Other Persons' Interests in the Shares of the Company").

(c) Ms. Cher Wang Hsiueh Hong was deemed to be interested in these 113,888,628 shares of the Company which Profit Global Investment Limited ("Profit Global") was interested in. Profit Global, in which Ms. Wang indirectly holds an interest, is a party of the investor group which indirectly held the said shares through Shaw Brothers, an indirect wholly-owned subsidiary of YLH.

(d) Mr. Jonathan Milton Nelson was deemed to be interested in these 113,888,628 shares of the Company which P6 YL Holdings Limited ("P6YL") was interested in. P6YL, in which Mr. Nelson indirectly holds an interest, is a party of the investor group which indirectly held the said shares through Shaw Brothers, an indirect wholly-owned subsidiary of YLH.

(e) Mr. Chen Wen Chi was deemed to be interested in these 113,888,628 shares of the Company. Such share interest is indirectly held by his spouse, Ms. Cher Wang Hsiueh Hong through Profit Global, in which Ms. Wang indirectly holds an interest. Profit Global is a party of the investor group which indirectly held the said shares through Shaw Brothers, an indirect wholly-owned subsidiary of YLH.

(f) These 15,950,200 shares were held by The Shaw Foundation Hong Kong Limited ("Shaw Foundation"). Shaw Holdings Inc. holds 100% equity interest in Shaw Foundation. Sir Run Run Shaw, Ms. Mona Fong's husband, exerts 100% control over Shaw Holdings Inc. through The Sir Run Run Shaw Charitable Trust.

Save for the information disclosed above, at 30 June 2013, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO), as recorded in the register required to be kept pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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 in or debentures of the Company or any other body corporate.

OTHER PERSONS' INTERESTS IN THE SHARES OF THE COMPANY

At 30 June 2013, the interests or short positions of the persons (other than the Directors of the Company) in the shares of the Company as recorded in the register required to be kept pursuant to Section 336 of Part XV of the SFO, or as otherwise notified to the Company, are set out below:

LONG POSITION IN THE SHARES OF THE COMPANY

Name	Number of ordinary shares of HK$0.05 each held		Percentage of issued share capital (%)[a]
Shaw Brothers Limited [b]	113,888,628	#(c)	26.00
Young Lion Holdings Limited	113,888,628	#(c)&(f)	26.00
Kun Chang Investment Co. Ltd.	113,888,628	#(d)	26.00
Profit Global Investment Limited	113,888,628	#(d)&(f)	26.00
Providence Holdco (International) GP Ltd.	113,888,628	#(e)	26.00
Providence Fund Holdco (International) L.P.	113,888,628	#(e)	26.00
PEP VI International Ltd.	113,888,628	#(e)	26.00
Providence Equity GP VI International L.P.	113,888,628	#(e)	26.00
Providence Equity Partners VI International L.P.	113,888,628	#(e)	26.00
P6 YL Holdings Limited	113,888,628	#(e)&(f)	26.00
Matthews International Capital Management, LLC	39,507,733	(g)	9.02
Dodge & Cox	37,043,100	(g)	8.46
Schroders Plc	30,650,000	(g)	6.99

Notes:

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

At 30 June 2013:

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

(b) Shaw Brothers was the registered shareholder of the 113,888,628 shares of the Company. It is an indirect wholly-owned subsidiary of YLH.

(c) YLH was deemed to be interested in the 113,888,628 shares of the Company. Such interests were held indirectly through Shaw Brothers which is an indirect wholly-owned subsidiary of YLH which is controlled by Dr. Charles Chan Kwok Keung, a Non-executive Director of the Company, through IVH. On 23 November 2011, the Company was informed that IVH had been added in the shareholding structure as an intermediate company controlled by Dr. Charles Chan Kwok Keung to hold the controlling interest in YLH.

(d) Profit Global was deemed to be interested in the 113,888,628 shares of the Company. Profit Global is controlled by Kun Chang Investment Co. Ltd. ("Kun Chang"). Directors and substantial shareholders of Kun Chang are all accustomed to act in accordance with the directions of Ms. Cher Wang Hsiueh Hong, a Non-executive Director of the Company.

(e) P6YL was deemed to be interested in the 113,888,628 shares of the Company. P6YL is controlled by Providence Holdco (International) GP Ltd. through its direct and indirect wholly-owned subsidiaries. P6YL is a wholly-owned subsidiary of Providence Equity Partners VI International L.P., which is in turn a wholly-owned subsidiary of Providence Equity GP VI International L.P.. Providence Equity GP VI International L.P. is a wholly-owned subsidiary of PEP VI International Ltd., which is in turn a wholly-owned subsidiary of Providence Fund Holdco (International) L.P.. Mr. Jonathan Milton Nelson, a Non-executive Director of the Company, holds controlling interests in P6YL through Providence Holdco (International) GP Ltd. and its subsidiaries as abovementioned.

(f) Dr. Charles Chan Kwok Keung, Profit Global, P6YL, YLH, Young Lion Acquisition Co. Limited, IVH, Clear Water Bay Land Company Limited and Shaw Brothers are parties of an agreement to acquire the interest in the 113,888,628 shares in the Company. This agreement is an agreement to which Section 317(1)(a) of the SFO applies.

(g) Interests were held in the capacity of investment managers.

Save for the information disclosed above, at 30 June 2013, no other persons (other than the Directors of the Company) had any interest or short position 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 COMPANY'S LISTED SECURITIES

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.

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.corporate.tvb.com).

FINANCIAL INFORMATION

Condensed Consolidated Statement of Financial Position

As at 30 June 2013

	Note	**30 June 2013 Unaudited HK$'000**	31 December 2012 Audited HK$'000 (Restated) (Note 3)
ASSETS			
Non-current assets			
Property, plant and equipment	7	**2,974,286**	2,813,832
Investment properties	7	**13,809**	12,848
Land use rights	7	**70,786**	71,470
Goodwill	7	**171,800**	175,545
Interests in joint ventures		**13,329**	15,533
Interests in associates	8	**625,911**	648,947
Available-for-sale financial assets		**3**	3
Deferred income tax assets		**33,159**	29,969
Total non-current assets		**3,903,083**	3,768,147
Current assets			
Programmes and film rights		**431,198**	368,004
Stocks		**12,956**	13,940
Trade and other receivables, prepayments and deposits	9	**2,066,995**	1,970,481
Tax recoverable		**14,068**	800
Pledged bank deposits		**3,192**	7,230
Bank deposits maturing after three months		**663,595**	435,099
Cash and cash equivalents		**2,257,249**	3,169,247
Total current assets		**5,449,253**	5,964,801
Total assets		**9,352,336**	9,732,948
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	10	**21,900**	21,900
Other reserves	11	**846,476**	861,605
Retained earnings			
– Interim/final dividend	18	**262,800**	876,000
– Others		**6,462,027**	5,985,722
		7,593,203	7,745,227
Non-controlling interests		**95,758**	86,084
Total equity		**7,688,961**	7,831,311

	Note	30 June 2013 Unaudited HK$'000	31 December 2012 Audited HK$'000 (Restated) (Note 3)
LIABILITIES			
Non-current liabilities			
Borrowing	13	**38,199**	180,088
Deferred income tax liabilities		**148,518**	152,966
Retirement benefit obligations		**70,587**	72,729
Total non-current liabilities		**257,304**	405,783
Current liabilities			
Trade and other payables and accruals	12	**909,754**	995,876
Current income tax liabilities		**471,827**	474,739
Borrowing	13	**24,490**	25,239
Total current liabilities		**1,406,071**	1,495,854
Total liabilities		**1,663,375**	1,901,637
Total equity and liabilities		**9,352,336**	9,732,948
Net current assets		**4,043,182**	4,468,947
Total assets less current liabilities		**7,946,265**	8,237,094

The notes on pages 24 to 38 form an integral part of this condensed consolidated financial information.

FINANCIAL INFORMATION

Condensed Consolidated Income Statement

For the six months ended 30 June 2013

	Note	Unaudited Six months ended 30 June **2013** **HK$'000**	 2012 HK$'000
Turnover	6	**2,592,084**	2,451,157
Cost of sales		**(1,029,774)**	(895,088)
Gross profit		**1,562,310**	1,556,069
Other revenues	14	**28,607**	34,470
Selling, distribution and transmission costs		**(297,760)**	(246,501)
General and administrative expenses		**(335,522)**	(309,087)
Other gains/(losses), net		**10**	(1,252)
Finance costs		**(1,064)**	(2,019)
Share of losses of:			
Joint ventures		**(2,204)**	(821)
Associates		**(24,763)**	(195)
Profit before income tax	15	**929,614**	1,030,664
Income tax expense	16	**(150,724)**	(179,817)
Profit for the period		**778,890**	850,847
Profit attributable to:			
Equity holders of the Company		**770,160**	849,940
Non-controlling interests		**8,730**	907
		778,890	850,847
Earnings per share (basic and diluted) for profit attributable to equity holders of the Company during the period	17	**HK$1.76**	HK$1.94
Dividends	18	**262,800**	262,800

The notes on pages 24 to 38 form an integral part of this condensed consolidated financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

	Unaudited	
	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Profit for the period	**778,890**	850,847
Other comprehensive (loss)/income that may be reclassified to profit or loss:		
Currency translation differences	**(45,240)**	12,244
Other comprehensive (loss)/income for the period	**(45,240)**	12,244
Total comprehensive income for the period	**733,650**	863,091
Total comprehensive income for the period attributable to:		
Equity holders of the Company	**723,976**	862,106
Non-controlling interests	**9,674**	985
Total comprehensive income for the period	**733,650**	863,091

The notes on pages 24 to 38 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 2013

		Unaudited					
		Attributable to equity holders of the Company					
	Note	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2012 (as previously reported)		21,900	807,568	6,233,980	7,063,448	30,044	7,093,492
Impact in relation to change in accounting policy	3	–	–	(45,378)	(45,378)	–	(45,378)
Balance at 1 January 2012 (as restated)		21,900	807,568	6,188,602	7,018,070	30,044	7,048,114
Comprehensive income:							
Profit for the period		–	–	849,940	849,940	907	850,847
Other comprehensive income:							
Currency translation differences		–	12,166	–	12,166	78	12,244
Total comprehensive income for the period ended 30 June 2012		–	12,166	849,940	862,106	985	863,091
Transactions with owners in their capacity as owners:							
Transfer	11	–	24,125	(24,125)	–	–	–
2011 final dividends paid		–	–	(766,500)	(766,500)	(762)	(767,262)
Total transactions with owners		–	24,125	(790,625)	(766,500)	(762)	(767,262)
Balance at 30 June 2012		21,900	843,859	6,247,917	7,113,676	30,267	7,143,943
Balance at 1 January 2013 (as previously reported)		21,900	863,623	6,915,731	7,801,254	86,084	7,887,338
Impact in relation to change in accounting policy	3	–	(2,018)	(54,009)	(56,027)	–	(56,027)
Balance at 1 January 2013 (as restated)		21,900	861,605	6,861,722	7,745,227	86,084	7,831,311
Comprehensive income:							
Profit for the period		–	–	770,160	770,160	8,730	778,890
Other comprehensive income:							
Currency translation differences		–	(46,184)	–	(46,184)	944	(45,240)
Total comprehensive income for the period ended 30 June 2013		–	(46,184)	770,160	723,976	9,674	733,650
Transactions with owners in their capacity as owners:							
Transfer	11	–	31,055	(31,055)	–	–	–
2012 final dividends paid	18	–	–	(876,000)	(876,000)	–	(876,000)
Total transactions with owners		–	31,055	(907,055)	(876,000)	–	(876,000)
Balance at 30 June 2013		**21,900**	**846,476**	**6,724,827**	**7,593,203**	**95,758**	**7,688,961**

The notes on pages 24 to 38 form an integral part of this condensed consolidated financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Unaudited Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Net cash generated from operating activities	**651,841**	845,426
Net cash generated from investing activities	**(547,254)**	148,110
Net cash used in financing activities	**(1,009,540)**	(779,553)
Net (decrease)/increase in cash and cash equivalents	**(904,953)**	213,983
Cash and cash equivalents at 1 January	**3,169,247**	3,295,584
Effect of foreign exchange rate changes	**(7,045)**	2,697
Cash and cash equivalents at 30 June	**2,257,249**	3,512,264

The notes on pages 24 to 38 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 ("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 21 August 2013.

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 2013 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 2012, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 ACCOUNTING POLICIES

The accounting policies applied and methods of computation used in the preparation of these interim accounts are consistent with those used in the 2012 annual accounts, except for the adoption of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group's operations and mandatory for annual accounting periods beginning 1 January 2013.

Except as described below, the adoption of these new and revised standards, amendments and interpretations has not had an impact on the Group's accounting policies and/or the financial information presented.

HKAS 19 (REVISED) EMPLOYEE BENEFITS

HKAS 19 (revised) introduces a number of amendments to the accounting for defined benefit schemes. Among them, HKAS 19 (revised) eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. HKAS 19 (revised) also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not.

As a result of the adoption of HKAS 19 (revised), the Group has changed its accounting policy with respect to defined benefit schemes, for which the corridor method was previously applied. This change in the accounting policy has been applied retrospectively by restating the balances as at 1 January 2012 and 31 December 2012. The change in the accounting policy did not result in any adjustments to the condensed consolidated income statement, the condensed consolidated statement of cash flows and earnings per share for the six months ended 30 June 2012. The financial effect of the change in the accounting policy is summarised as follows:

3 ACCOUNTING POLICIES (continued)

HKAS 19 (REVISED) EMPLOYEE BENEFITS (continued)

	As previously reported HK$'000	Effect of adopting HKAS 19 (revised) HK$'000	As restated HK$'000
Condensed consolidated statement of financial position as at 31 December 2012:			
Deferred income tax assets	18,493	11,476	29,969
Total assets	9,721,472	11,476	9,732,948
Other reserves	863,623	(2,018)	861,605
Retained earnings – others	6,039,731	(54,009)	5,985,722
Retirement benefit obligations	5,226	67,503	72,729
Total equity and liabilities	9,721,472	11,476	9,732,948

HKFRS 10 CONSOLIDATED FINANCIAL STATEMENTS

HKFRS 10 replaces the requirements in HKAS 27 "Consolidated and separate financial statements" relating to the preparation of consolidated financial statements and HK(SIC) – Int 12 "Consolidation – Special purpose entities". It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. However, the adoption has not changed any of the control conclusions reached by the Group in respect of its involvement with other entities.

HKFRS 11 JOINT ARRANGEMENTS

HKFRS 11, which replaces HKAS 31 "Interests in joint ventures" divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The adoption of HKFRS 11 has not had any material impact on the financial position and the financial result of the Group.

The Group has not early adopted other 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 2013. 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.

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

Notes to the Condensed Consolidated Financial Information

4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

There have been no changes in any risk management policies since the year end.

5.2 FAIR VALUE ESTIMATION

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

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and

(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 30 June 2013 and 31 December 2012, the fair value measurement of the Group's only financial assets – available-for-sale financial assets is classified in level 3.

6 SEGMENT INFORMATION

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

(a)	Hong Kong TV broadcasting	–	broadcasting of television programmes on terrestrial TV platform, broadcasting of commercials on terrestrial and pay TV platforms and production of programmes
(b)	Programme licensing and distribution	–	distribution of television programmes and channels to telecast, video and new media 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 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.

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

The Group's inter-segment transactions mainly consist of its licensing of programmes and film rights and the provision of services. Licensing of programmes and film rights is 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

6 SEGMENT INFORMATION (continued)

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

	Hong Kong 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 2013								
Turnover								
External customers	1,446,588	449,060	167,563	394,833	54,063	79,977	–	2,592,084
Inter-segment	12,537	67,805	178	2,799	8,799	4,072	(96,190)	–
Total	1,459,125	516,865	167,741	397,632	62,862	84,049	(96,190)	2,592,084
Reportable segment profit	472,947	317,464	18,895	119,485	22,568	5,222	–	956,581
Interest income	13,336	2,813	60	593	–	905	–	17,707
Finance costs	–	–	–	(1,064)	–	–	–	(1,064)
Depreciation and amortisation	(104,462)	(1,600)	(2,896)	(22,312)	(80)	(8,138)	–	(139,488)
Additions to non-current assets#	295,001	1,909	6,095	29,119	592	8,030	–	340,746
Six months ended 30 June 2012								
Turnover								
External customers	1,323,991	395,957	186,571	426,082	46,685	71,871	–	2,451,157
Inter-segment	11,324	67,334	184	1,639	7,686	3,917	(92,084)	–
Total	1,335,315	463,291	186,755	427,721	54,371	75,788	(92,084)	2,451,157
Reportable segment profit	475,589	312,677	39,166	178,963	12,762	12,523	–	1,031,680
Interest income	22,308	3,398	108	810	–	963	–	27,587
Finance costs	–	–	–	(2,019)	–	–	–	(2,019)
Depreciation and amortisation	(86,396)	(1,219)	(2,458)	(21,363)	(43)	(8,766)	–	(120,245)
Additions to non-current assets#	54,058	1,999	4,820	6,170	103	6,374	–	73,524

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

6 SEGMENT INFORMATION (continued)

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

	Six months ended 30 June 2013 HK$'000	2012 HK$'000
Reportable segment profit	**956,581**	1,031,680
Share of losses of joint ventures	**(2,204)**	(821)
Share of losses of associates	**(24,763)**	(195)
Profit before income tax	**929,614**	1,030,664

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

	Six months ended 30 June 2013 HK$'000	2012 HK$'000
Hong Kong	**1,525,946**	1,395,228
Taiwan	**396,884**	427,210
USA and Canada	**110,219**	111,787
Australia	**54,653**	61,054
Europe	**25,596**	32,036
Mainland China	**181,137**	135,001
Malaysia and Singapore	**279,427**	265,929
Other countries	**18,222**	22,912
	2,592,084	2,451,157

7 CAPITAL EXPENDITURE

	Goodwill HK$'000	Property, plant and equipment HK$'000	Investment properties HK$'000	Land use rights HK$'000
As at 1 January 2012	170,525	2,352,012	11,821	55,614
Additions	–	69,331	–	–
Disposals	–	(845)	–	–
Depreciation/amortisation charge (Note 15)	–	(118,559)	(295)	(1,391)
Exchange differences	1,949	14,181	(65)	(302)
As at 30 June 2012	172,474	2,316,120	11,461	53,921
As at 1 January 2013	175,545	2,813,832	12,848	71,470
Additions	–	339,518	1,228	–
Disposals	–	(1,005)	–	–
Depreciation/amortisation charge (Note 15)	–	(137,422)	(452)	(1,614)
Exchange differences	(3,745)	(40,637)	185	930
As at 30 June 2013	**171,800**	**2,974,286**	**13,809**	**70,786**

Note:

As at 30 June 2013, land and buildings with net book value of HK$783,438,000 (31 December 2012: HK$815,188,000) were pledged to secure loans and banking facilities granted to a subsidiary of the Group.

Notes to the Condensed Consolidated Financial Information

8 INTERESTS IN ASSOCIATES

	30 June 2013 HK$'000	31 December 2012 HK$'000
Investment costs	**736,813**	736,813
Less: Accumulated share of losses	**(754,805)**	(730,042)
	(17,992)	6,771
Loans to associates	**719,212**	719,212
Interest receivable from associates	**14,508**	12,781
	715,728	738,764
Less: Provision for impairment loss (Note 22(d))	**(89,817)**	(89,817)
	625,911	648,947
Unlisted shares, at cost	**736,813**	736,813

9 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	30 June 2013 HK$'000	31 December 2012 HK$'000
Trade receivables from:		
Joint ventures (Note 22(c))	**–**	24
Associates (Note 22(c))	**436,196**	422,166
Related parties (Note 22(c))	**77,216**	74,340
Third parties (note)	**1,244,245**	1,420,031
	1,757,657	1,916,561
Less: Provision for impairment loss on receivables from:		
Associates (Note 22(c))	**(421,674)**	(421,674)
Third parties	**(91,766)**	(91,046)
Other receivables, prepayments and deposits	**453,308**	248,049
Tax reserve certificates (Note 16)	**369,470**	318,591
	2,066,995	1,970,481

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.

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

At 30 June 2013 and 31 December 2012, the ageing of trade receivables based on invoice date including trading balances due from joint ventures, associates and related parties was as follows:

	30 June 2013 HK$'000	31 December 2012 HK$'000
Current	**525,157**	582,488
1-2 months	**320,125**	357,857
2-3 months	**230,095**	249,741
3-4 months	**127,844**	154,916
4-5 months	**45,095**	58,754
Over 5 months	**509,341**	512,805
	1,757,657	1,916,561

10 SHARE CAPITAL

	Number of ordinary shares of HK$0.05 each	**Nominal value HK$'000**
Authorised:		
At 1 January and 30 June 2012 and 1 January and 30 June 2013	**1,300,000,000**	**65,000**
Issued and fully paid:		
At 1 January and 30 June 2012 and 1 January and 30 June 2013	**438,000,000**	**21,900**

FINANCIAL INFORMATION

Notes to the Condensed Consolidated Financial Information

11 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 2012	602,026	70,000	839	117,791	40,118	(23,206)	807,568
Currency translation differences:							
– Group	–	–	–	–	–	12,166	12,166
Transferred from retained earnings	–	–	–	24,125	–	–	24,125
Balance at 30 June 2012	602,026	70,000	839	141,916	40,118	(11,040)	843,859
Currency translation differences:							
– Group (note)	–	–	–	–	–	23,793	23,793
Transferred to retained earnings	–	–	–	(5,017)	–	–	(5,017)
Change in ownership interests in a subsidiary without change of control	–	–	(1,030)	–	–	–	(1,030)
Balance at 31 December 2012 (restated)	602,026	70,000	(191)	136,899	40,118	12,753	861,605
Balance at 1 January 2013 (restated)	602,026	70,000	(191)	136,899	40,118	12,753	861,605
Currency translation differences:							
– Group	–	–	–	–	–	(46,184)	(46,184)
Transferred from retained earnings	–	–	–	31,055	–	–	31,055
Balance at 30 June 2013	**602,026**	**70,000**	**(191)**	**167,954**	**40,118**	**(33,431)**	**846,476**

Note:

The amount has been adjusted from HK$25,811,000 to HK$23,793,000 in respect of the translation of retirement benefit obligations of certain overseas subsidiaries arising from the adoption of HKAS 19 (revised).

12 TRADE AND OTHER PAYABLES AND ACCRUALS

	30 June 2013 HK$'000	31 December 2012 HK$'000
Trade payables to:		
Associates (Note 22(c))	**333**	543
Related parties (Note 22(c))	**5,523**	9,378
Third parties	**109,312**	114,181
	115,168	124,102
Receipts in advance, deferred income and customers' deposits	**237,445**	196,102
Provision for employee benefits and other expenses	**257,575**	394,116
Accruals and other payables	**299,566**	281,556
	909,754	995,876

12 TRADE AND OTHER PAYABLES AND ACCRUALS (continued)

At 30 June 2013 and 31 December 2012, the ageing of trade payables based on invoice date including trading balances due to associates and related parties was as follows:

	30 June 2013 HK$'000	31 December 2012 HK$'000
Current	**68,583**	84,405
1-2 months	**32,642**	25,511
2-3 months	**4,463**	9,814
3-4 months	**5,062**	3,167
4-5 months	**602**	702
Over 5 months	**3,816**	503
	115,168	124,102

13 BORROWING

	30 June 2013 HK$'000	31 December 2012 HK$'000
Bank borrowing:		
Non-current	**38,199**	180,088
Current	**24,490**	25,239
Total bank borrowing	**62,689**	205,327

Movements in bank borrowing are analysed as follows:

	30 June 2013 HK$'000	31 December 2012 HK$'000
Beginning of the period/year	**205,327**	221,387
Repayments	**(137,578)**	(24,843)
Exchange differences	**(5,060)**	8,783
End of the period/year	**62,689**	205,327

Notes to the Condensed Consolidated Financial Information

13 BORROWING (continued)

The Group's bank borrowing was repayable as follows:

	30 June 2013 HK$'000	31 December 2012 HK$'000
Within 1 year	24,490	25,239
Between 1 and 2 years	24,490	25,239
Between 2 and 5 years	13,709	75,718
Wholly repayable within 5 years	62,689	126,196
Over 5 years	–	79,131
	62,689	205,327

14 OTHER REVENUES

	Six months ended 30 June	
	2013 HK$'000	2012 HK$'000
Interest income	17,707	27,587
Others	10,900	6,883
	28,607	34,470

15 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	
	2013 HK$'000	2012 HK$'000
Depreciation	137,874	118,854
Amortisation of land use rights	1,614	1,391
Costs of programmes, film rights and stocks	679,631	594,038
Net exchange (gains)/losses	(10)	1,252

16 INCOME TAX EXPENSE

Hong Kong and overseas profits tax has been provided at the rate of 16.5% (2012: 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 the best estimate of the weighted average annual income tax rate expected for the full financial year.

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

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Current income tax:		
– Hong Kong	**99,591**	119,698
– Overseas	**56,368**	73,218
– Under provisions in prior periods	**3,239**	3,385
Deferred income tax:		
– Origination and reversal of temporary differences	**(8,474)**	(16,484)
	150,724	179,817

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 nine consecutive years of assessment from 1998/99 to 2006/07 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, HK$56,199,000, HK$56,434,000 and HK$50,879,000 for the nine consecutive years of assessment from 1998/99 to 2006/07 respectively. The total amount of tax reserve certificates purchased by the Group is HK$369,470,000. Similar additional assessments are expected for subsequent years of assessment.

The Group has been in discussion with the IRD with a view to resolving the dispute for the entire period from 1998/99 up to the current year. As of 30 June 2013, the Group has provided a total provision of HK$336 million against the potential tax exposures for the years of assessment from 1998/99 to 2011/12. The tax provision is considered to be adequate.

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

17 EARNINGS PER SHARE

The earnings per share is calculated based on the Group's profit attributable to equity holders of HK$770,160,000 (2012: HK$849,940,000) and 438,000,000 ordinary shares in issue throughout the six months ended 30 June 2013 and 2012. No fully diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

FINANCIAL INFORMATION

Notes to the Condensed Consolidated Financial Information

18 DIVIDENDS

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Interim dividend, declared after the end of the reporting period, of HK$0.60 (2012: HK$0.60) per ordinary share	**262,800**	262,800

Final dividend of HK$2.00 per ordinary share for the year ended 31 December 2012 amounting to HK$876,000,000 was approved by shareholders on 22 May 2013 and paid on 6 June 2013.

19 CONTINGENT LIABILITIES

The amounts of contingent liabilities are as follows:

	30 June 2013 HK$'000	31 December 2012 HK$'000
Guarantees for banking facilities granted to an investee company	**9,585**	10,127

20 CAPITAL COMMITMENTS

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

	30 June 2013 HK$'000	31 December 2012 HK$'000
Authorised but not contracted for	**1,204,521**	1,423,478
Contracted but not provided for	**166,202**	147,550
	1,370,723	1,571,028

21 OBLIGATIONS UNDER 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") (Communications Authority has replaced BA since 1 April 2012), 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 discussions to be conducted by the BA.

22 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 2013 HK$'000	2012 HK$'000
Sales of services:			
Joint venture			
Movie production charges	(i)	**1,425**	1,698
Advertising income	(i)	**425**	434
Other services	(i)	**61**	120
Associate			
Programmes and channel licensing fees	(ii)	**9,969**	6,912
Technical and operational service fees	(ii)	**5,400**	–
Rental income and related charges	(ii)	**3,524**	3,524
Advertising income	(ii)	**303**	5,923
Others	(ii)	**1,946**	1,910
Other related party			
Programmes and channel licensing fees	(iii)	**148,600**	139,026
Advertising consultancy fees	(iii)	**21,047**	17,996
		192,700	177,543
Purchases of services:			
Joint venture			
Programmes licensing fees	(i)	**–**	(3,900)
Associate			
Playback and uplink service fees	(ii)	**(15,524)**	(15,287)
Graphic service fees	(ii)	**(250)**	–
Others	(ii)	**(1,248)**	(606)
Other related party			
Project management fees	(iv)	**(1,620)**	(1,040)
		(18,642)	(20,833)

Notes:

(i) The fees were received from/(paid to) Concept Legend Limited, a joint venture of the Company.

(ii) The fees were received from/(paid to) TVB Network Vision Limited ("TVBNV"), an associate of the Company.

(iii) The fees were received from MEASAT Broadcast Network Systems Sdn. Bhd., a fellow subsidiary of a non-controlling shareholder of non wholly-owned subsidiaries of the Company.

(iv) The fees were paid to ITC Properties Management Limited. The entity is controlled by a person, who has significant influence over the Company, and a close member of that person's family.

In addition, from 1 January 2012, the Company supplies channel contents to TVBNV in exchange of its advertising revenue attributable to the relevant channels.

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

Notes to the Condensed Consolidated Financial Information

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) KEY MANAGEMENT COMPENSATION

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**11,055**	8,294

(c) BALANCES WITH RELATED PARTIES

	30 June 2013 HK$'000	31 December 2012 HK$'000
Receivables from joint ventures	**–**	24
Receivables from associates (note)	**436,196**	422,166
Receivables from other related parties	**77,216**	74,340
	513,412	496,530
Payables to associates	**333**	543
Payables to other related parties	**5,523**	9,378
	5,856	9,921

Note:

At 30 June 2013, a provision for impairment loss of trade receivables from associates of HK$421,674,000 (31 December 2012: HK$421,674,000) had been made.

(d) FUND ADVANCED/LOANS TO RELATED PARTIES

	30 June 2013 HK$'000	31 December 2012 HK$'000
Fund advanced to joint ventures		
Beginning and end of the period/year	**26,231**	26,231
Loan to associate		
Beginning of the period/year	**731,993**	727,945
Interest charged	**1,727**	4,048
End of the period/year	**733,720**	731,993

The loan to the associate carries interest at the rate of 1-month HIBOR plus 0.25%. At 30 June 2013, a provision for impairment loss of loan to an associate of HK$89,817,000 (31 December 2012: HK$89,817,000) had been made (Note 8).

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

羅兵咸永道

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 18 to 38, 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 2013 and the related condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of 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 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, 21 August 2013

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This Interim Report is printed on environmentally friendly paper
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